Relation between Stocks Returns and Financial Ratios Changes

Chonour Pourkand¹, Azar Babayazar²

¹,²Department of Accounting, Payam Noor University, Iran

ABSTRACT

Whereas, annual financial statements and ratios of company is information resource for many persons that they want to assess and decide in every reason. The aim of this investigation is examination relationship between financial ratios changes and stock returns changes in accepted companies in stock security exchange of Tehran. The statistical community of this investigation are accepted company in stock market of Tehran and the statistical sample is consist of 53 active company of different industries during 2007 until 2011. Hypothesizes/theories are experimented by Smirnoff – calmogorof tests, independent and parsons cohesiveness. The findings indicate that there is significant and weak cohesiveness between cash ratios changes (current and quick ratios) and profitability ratios changes (grass profit/sail and profit/sail) with stock output in stock exchange. Finally, with attention to variable, the regression model is effective.

KEYWORDS: Common stock returns changes, cash ability, market, profitability ratios.

1. INTRODUCTION

One of principal instrument for development of capital market is promotion of analytic level in this market. He we don't have investigation and comprehensive and expansion analyses in capital market, we will not expect to grow its position in national economic, the brier examination of changes of stock accepted companies in stock security exchange of Tehran. That it is main foundation of capital market in economic of Iran; indicate lack of analysis is dominant in this market. But, in recent years, hope fall steps are stepped to use indene's and world standard methods to analysis capital market of our countries, yet, we have not reached ideal and desirable analysis level in capital market and there are expansion spaces for working in this field.(Ansari,1988)

If investors invest careless / in attentive of series of factors, they will not attain ideal results of their investment gaining efficiency is a factor that investors consider in their investment, so that, we can say that the main aim of investors (such as common stock investors) is gaining of profit and efficiency stock returns is dependent two factors: the changes of stock price in the end of period in comparison with first period and the range of receiving cash profit (Dustin, 2006). In every type of investment, the investor tries to gain efficiency and try to gain information about stock returns of companies in the future. In the other hand, the profit of every stock is the one of methods that it represents much information content about of inside position of company (Namazi, 2006), the stock output is making effect different factors, with deep attention, we can understand that the change of part of financial ratio is a chief change in stock returns. Finally, with attention to effective factors of stock returns can supply more useful information for investors and managers of companies. Variety of user's information needs cause to analysis their financial information about of financial information of companies by different methods. every user group select special method with attention to type of need. The easy method of calculation ratios with attention to information financial reports that many researchers such as jams lid do to examine relationship between financial ratios and stock features coefficient, stock price, stock returns

Many researches are done about relationship of financial ratios with stock returns

The aim of this investigation is compare of relationship financial ratios changes with stock returns changes of accepted companies in stock accepted companies in stock security exchange of Tehran.

LITERATURE REVIEW

Son and pan examine the relationship between accountancy information and stock returns in a investigation in 1992. They do their investigation over sample of accepted companies in stock security exchange of Tehran during 1971 until 1998. In this investigation, they examine the relationship between accountancy information and stock returns and they use regerson, s several of two variable of linear model. They examine the following cases:

1. Relationship between list of loss and profit and stock returns of company.
3. The result of Olson and pans investigation is describe as following:
4. The relationship between income every share and stock returns is stronger by increasing period's time and also cohesiveness coefficient between them.

5. The power of stock put out explaining is assigned by every items of loss and profit statement and it is before explaining by income of every share.

6. The relationship between inventory value and stock out put is less in compare with income of every share.

7. The range of explaining of stock by every items of balance – sheet isles than explaining stock output by inventory value.

8. The range of explaining of explaining of stock out put by items of loss and profit statement and balance – sheet is increasing times periods.

Jonathan bloodline examine this subject in investigation with title ability financial ratios in predicting stock out put whether ratio as every profit stock / price can predict stock returns?

They use regerson, s analyses and loss technique to testing of theories. The information about companies of stock in stock security exchange of network is collected by stock information banks, the result is that this ratio is able to predict stock returns (Moran and Rayabroot). Examine investigation that called linear and a linear relationship between returns and financial ratios in Egyptian companies in following of lion and niagerajan (1993) and reyahibolokios work. In this investigation, linear and incliner relationship between financial ratios and stock returns are experimented by regerson, s multivariable of cohesiveness analysis.

The during of this investigation is 1996 until 2000. The results of linear model by using step by step method of multivariable model indicate that this ratio is important for Egyptian investors to invest. Seen, heirs and Olson examine the relationship between accountancy profit and stock returns. this investigation is done about accepted companies in stock security exchange of Newyork during 1968 until 1986. In this investigation, they assume, if the periods time increase, the ratio of errors will decrease and they will calculate exact accountancy profit only for the whole age of institution, they consider annual profits. Finally, they sum them with each other that they contain the profit of mentioned the end of period time. In this investigation, the independent variable was equip and they conclude, cohesiveness between two variables is increased and explained the more range of returns in the longer periods. Board and day examine the role of accountancy profit and cash flows of obtained operations in explaining of stock returns they examine to see which two variable of accountancy profit and cash flows of obtained operations, they explain about of this relationship that person get used to accountancy profit on the basis of historical. There fore, there is not any resent, they change their behavior.

seduced Dosteyan examine relationship between nonprofit changes and changes of operation cash flow with stock returns changes. The results of this investigation indicate, only there is a few cohesiveness between net profit and stock profit. So that, are can explain %16 stock returns changes with variable net profit. Susanne maharani examines relationship between profitability ratios and stock returns in an article. The investigation was done in the period's time two years 2000 and 2001 and 19 activity was examined. Independent and dependent variable such as profitability ratios and stock returns are calculated and relationship between them is examined in mentioned periods. The results indicate that there is significant relationship between some of ratios such as properties returns and salary returns of share holders, whereas, criterion such as the growth of profit, the growth of sale is not suitable criterion to predicting stock returns, also, changes of some variables such as returns of share holders and properties returns solely cannot predict stock output changes well.

**Investigation questions**

Basic problem of this investigation bring up in as three questions as following:

Is there relationship and cohesiveness between profitability ratios changes and changes of stock returns price of accepted companies in stock security exchange of Tehran:

**The hypothesis theories of investigation**

Three hypotheses collect to answer to investigation questions as following:

There is significant relationship between cash ability ratios changes and changes of stock returns price.

There is significant relationship between profitability ratios changes and changes of stock returns price.

There is significant relationship between market ratios changes and changes of stock returns price.

4: The method of research

The method of investigation is descriptive and cohesiveness with regerson, s analysis. With respect to aim; this investigation is a applied investigation. So that, managers, financial analyst and even shareholders can use obtained results.

The type of data collection of this investigation is quantitative because we use this information about accepted companies in stock security exchange of Tehran to theories.

Also, the method of reasoning of investigation is deductive – in active. This investigation is deductive because in theatrical from work and background of investigation is used library method. Examination of article and internet.
5. Community and statistical sample

The statistical sample of this investigation is all of accepted companies in stock exchange of Tehran that they have activity in stock exchange during 2007 until 2011. From between number of accepted companies in stock security exchange of Tehran of Tehran, 250 companies have necessary condition to select them as a statistical community. With attention to mentioned restriction, there are 250 companies in mentioned statistical community, finally 53 companies have all of necessary information in this investigation and this 53 company remain in this investigation that it is selected as a final sample.

The selection of sample volume is calculated by following formula (Azar, 2001)

\[
N: \text{the size of statistical community} \\
n: \text{the size of sample volume} \\
P: \text{success ratio} \\
q: \text{filicide ratio} \\
z: \text{standard variable of normal distribution.} \\
E: \text{estimate error} \\
\]

In similar researches, certainty interval is %95 and estimate error is %12. In this investigation, the estimate error is %12 and certainty interval is %95. With according to volume of statistical community that equals to 250 company.

The volume of mentioned sample is calculated as following:

\[
n = \frac{(1/96)^2 \times 0.5 \times 0.5 \times 250}{249 \times (0/12)^2 + [(1/96) \times 0.5 \times 0.5]} \approx 53
\]

Therefore we observe that in %95 certainty level and with %12 error, must select 53 sample that we can obtained results of statistical is generalizable in all of accepted companies in stock security exchange of Tehran for test. Experiment period (2007-2011).

The collection of investigation data:

The necessary information to do this investigation is gain by library method. Also, variable data are collected from financial statement of sample company and information banks of Pars portfolio, tidbit and dean.

1: investigation findings:

A: descriptive statistic

In first step, descriptive statistical of studying data are calculated to analysis data. The descriptive statistics is part of statistic science that it discuss to describe a collection of conservations. With out, elicit it statistically.

In fact, the descriptive statistic is part of statistic the examine the parameters of statistical community by census method.

The table of descriptive statistic come in table 2, indicate the mount of descriptive parameters for every variable and set of years, separately.

<table>
<thead>
<tr>
<th>protracting</th>
<th>lonely</th>
<th>The deviation of criterion</th>
<th>mean</th>
<th>Slope of changes</th>
<th>The least</th>
<th>The most</th>
<th>number</th>
<th>The name of variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.463</td>
<td>0.889</td>
<td>56.2218</td>
<td>-7.3242</td>
<td>344.83</td>
<td>-140</td>
<td>204.83</td>
<td>265</td>
<td>Current ratio</td>
</tr>
<tr>
<td>1.012</td>
<td>0.675</td>
<td>39.7529</td>
<td>-13.085</td>
<td>218.78</td>
<td>-93.91</td>
<td>124.087</td>
<td>265</td>
<td>Quick ratio</td>
</tr>
<tr>
<td>1.23</td>
<td>0.354</td>
<td>143.39</td>
<td>-10.176</td>
<td>722.68</td>
<td>-354.4</td>
<td>368.30</td>
<td>265</td>
<td>The grass profit /sale</td>
</tr>
<tr>
<td>1.31</td>
<td>0.69</td>
<td>45.36</td>
<td>-6</td>
<td>350.09</td>
<td>-150</td>
<td>200.09</td>
<td>265</td>
<td>Profit/sale</td>
</tr>
<tr>
<td>1.62</td>
<td>0.85</td>
<td>90.45</td>
<td>-9.5</td>
<td>425</td>
<td>-265</td>
<td>160</td>
<td>265</td>
<td>Earning per share</td>
</tr>
<tr>
<td>0.9</td>
<td>0.285</td>
<td>105.66</td>
<td>-12</td>
<td>554.4</td>
<td>-234.4</td>
<td>320</td>
<td>265</td>
<td>Price/incom</td>
</tr>
<tr>
<td>-0.15</td>
<td>0.371</td>
<td>122.38</td>
<td>-11.43</td>
<td>644.36</td>
<td>-295.36</td>
<td>349</td>
<td>265</td>
<td>Stock returns</td>
</tr>
</tbody>
</table>

B: the test of being normal of data

We use colmogrof- Smirnoff experiment to being normal of data. The obstruction of results of this test are comes in table 2.
With attention to amount of possible p-value > %5 for every investigation variable in certainty level, we concluded distribution of investigation variable is normal.

I: the test of investigation hypothesis

**First hypothesis**

There is significant relationship between cash ability ratios changes (current and instantaneous) and stock returns changes.

**Hypothesis H0**: there is not significant relationship between current ratios changes and stock out put changes.

**Hypothesis H1**: there is significant relationship between cash ability ratios changes and stock returns changes.

Hypothesis H0: there is not significant relationship between stantaneous ratio changes and stock returns changes.

**Hypothesis H1**: there is significant relationship between stantaneous ratio changes and stock returns changes.

Table 3: the results of hypothesis test: the relationship between cash ability ratio changes (current) and stock returns changes.

<table>
<thead>
<tr>
<th>Linear relationship</th>
<th>sigf</th>
<th>f</th>
<th>Sitt(f)</th>
<th>Sigf(α)</th>
<th>t</th>
<th>Cohesiveness (r)</th>
<th>Line slope(β)</th>
<th>Explaining coefficient</th>
<th>From width from (origin α)</th>
</tr>
</thead>
<tbody>
<tr>
<td>has</td>
<td>0.025</td>
<td>81635</td>
<td>0.025</td>
<td>0.778</td>
<td>4.654</td>
<td>0.043</td>
<td>0.208</td>
<td>0.956</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The clue was 35 f that it is bigger than table 3. sigf is also %25 that it is less than %5. In certainty level 0.95 indicate that there is linear relationship between changes of dependent and in dependent variable, it means, there is linear relationship between cash ability ratios changes (current) and stock returns changes. With attention to analysis of variance, this model is significant and we can design model for it. We conclude there is significant relationship between cash ability ratios changes (current) and stock returns changes. The assignment coefficient is %43, it means; %43 of stock returns changes are explained by cash ability ratio variable.

Sig (β) is %25 that it is less than %5 with %95 certainty, indicate; β coefficient is significant about of this variable that indicate, the hypothesis H0 is rejected with %95 certainty level and hypothesis H1 accepted.

There fore, we can conclude in significant level, there is significant different between cash ability ratio changes and (current) and stock returns change.

It means: we can accept obtained result about of three tests.

**Hypothesis H1**: there is significant between cash ability ratios changes (current) and stock returns change.

There fore, the model is as fallow;

Stock returns = width from origin + line slope (current) ratio

\[ Y = g + bx \]

(0.000) = a amount (constant) width from origin

(0.000) = b amount line slope

(stock out put) dependent variable = y

(current ratio) independent variable = x

The findings the first hypothesis test, the relationship between cash ability ratio changes (current ratio) and stock returns changes during 2007-2011.

The clue was 8.54 that it is bigger than table f. sigf is also 0.04 that it is less than %5. In certainty level, 0.95 indicate that there is linear relationship between changes of dependent and independent variable. It means; there is linear relationship between cash ability ratios changes (current) and stock returns changes.

With attention to analysising of variance, this model is significant and we can design model. We conclude, there is significant relationship between cash ability ratios changes quick and stock returns changes. The assignment coefficient is %12 it means: %12 of stock out put changes are explained by cash ability ratio variable.

Sig (β) is 0.004 that it is less than %5. Width %95 certainties indicate; β coefficient is significant about of this variable.
That indicates: the hypothesis $H_0$ is rejected with % 95 certainty levels and hypothesis $H_1$ is accepted. Therefore, we can conclude in significant level, there is significant different between cash ability ratio changes instantaneous and stock returns change.

It means: we can accept obtained result about of three tests.

**Hypothesis $H_1$:** there is significant between cash ability ratios changes quick and stock returns change.

There fore, the model as follow:

Stock returns = with from origin + line slope (instantaneous ratio)

$Y = g+bx$

$(0.000) = \alpha$ amount = constant) width from origin

$(0.000) = \beta$ amount) line slope

(Stock returns) dependent variable = $y$

(Quick ratio) independent variable = $x$

**3-4 the test of second hypothesis**

a) Statistical hypothesis

There is significant relationship between profitability ratios changes (grass profit / sail and profit / sail) and stock returns changes.

For testing of first hypothesis is used model for testing of this hypothesis, we represent it $H_0$ and $H_1$.

Hypothesis as a following:

**Hypothesis $H_0$:** there is not significant relationship between grass profit / sail ratio changes and stock returns changes.

**Hypothesis $H_1$:** there is significant relationship between grass profit / sail ratio changes and stock returns changes.

The results of test of second hypothesis.

Table 4. The relationship between profitability ratios changes (the grass profit / sail) and stock returns changes in 2007-2011 years.

<table>
<thead>
<tr>
<th>Linear relationship</th>
<th>sigf</th>
<th>f</th>
<th>Sitt(β)</th>
<th>Sigt(α)</th>
<th>t</th>
<th>Assignment (r)</th>
<th>Cohesiveness coefficient (r)</th>
<th>Line slope(β)</th>
<th>width from (origin α)</th>
<th>year</th>
</tr>
</thead>
<tbody>
<tr>
<td>has</td>
<td>0.012</td>
<td>60339</td>
<td>0.012</td>
<td>0.450</td>
<td>2.579</td>
<td>0.024</td>
<td>0.153</td>
<td>0.553</td>
<td>0.000</td>
<td>All of years</td>
</tr>
</tbody>
</table>

The clue was 6.339 f that it is bigger than table f. sig f is also 0.12 sigf that less than %5. In certainty level, 0.95 indicate that there is linear relationship between changes of dependent and independent variable. It means: there is linear relationship between grass profit/sail ratio changes and stock returns changes. With attention to analysis of variance, this model is significant and we can design model for it. There fore, we conclude there is significant relationship between grass profit/sail and stock returns changes. The assignment is %24. It means: %24 of stock returns changes explained by grass profit / sail ratio variable.

Sig (β) is %12 that it is less than %5. In certainty %95 indicate; β coefficient is significant about of this variable that indicate, the hypothesis is rejected with %95 certainty level and hypothesis $H_1$ is accepted. Therefore, we can conclude in significant level, there is significant between grass profit/sail ratio changes and stock returns changes.

It means: we can accept obtained result about of three tests. It means:

There fore, this model is as following:

Stock returns = with from origin + slope line (grass profit/sail ratio)

$Y = g+bx$

$(0.000) = \alpha$ amount = constant) width from origin

$(0.000) = \beta$ amount) line slope

(Stock returns) dependent variable = $y$

(Grass profit/sail independent variable = $x$

The result of test of second hypothesis.

Table 5. The relationship between profitability ratios changes (profit/sail ratio) and stock returns changes.

<table>
<thead>
<tr>
<th>Linear relationship</th>
<th>sigf</th>
<th>f</th>
<th>Sitt(β)</th>
<th>Sigt(α)</th>
<th>t</th>
<th>Assignment coefficient (r)</th>
<th>Cohesiveness coefficient (r)</th>
<th>Slope Line (β)</th>
<th>width (origin α)</th>
<th>from</th>
</tr>
</thead>
<tbody>
<tr>
<td>has</td>
<td>0.018</td>
<td>12377</td>
<td>0.018</td>
<td>0.686</td>
<td>3.171</td>
<td>0.053</td>
<td>0.231</td>
<td>0.855</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

The clue was 7.237 f that it is bigger than table f. sig f is %18 that it is less than %5.
In certainty level of %95 indicate that there is linear relationship between changes dependent and independent variable. It means: there is linear relationship between profit/sail ratio changes and stock returns changes.

With attention to analysis of variance, this model is significant and we can design model for it.

Therefore, we can conclude, there is significant relationship between profit/sail ratio changes and stock returns changes.

The assignment is %18. It means: %18 of stock out put changes explained by profit / sail ratio variable.

Sig (β) is %12 that it is less than %5 and with certainty %95 indicate; β coefficient is significant about of this variable that indicate, the hypothesis $H_0$ is rejected with %95 certainty level and the hypothesis $H_1$ is accepted.

Therefore, we conclude in significant level, there is significant different between profit/sail ratio changes and stock returns changes.

It means: we accept obtained result about of three tests.

**Hypothesis $H_1$:** there is significant relationship between profit / sail ratio changes and stock returns changes.

Therefore, this model is as following:

$$ y = a + bx \text{ Stock returns} = \text{from origin} + \text{slope line (profit/sail ratio)} $$

$$(0.000) = \alpha \text{ amount} = \text{constant} \text{ width from origin}$$

$$(0.000) = \beta \text{ amount} \text{ line slope}$$

(Stock returns) dependent variable = y

(profit/sail) independent variable = x

The test of third hypothesis

A) Statistical hypothesis

There is significant relationship between profitability ratios changes and stock returns changes. It is used model 1 for test of third hypothesis. We present this hypothesis in two $H_1$ and $H_0$ hypothesis as a following:

**Hypothesis $H_0$:** there is not significant relationship between the changes of earning per ratio and stock returns changes.

**Hypothesis $H_1$:** there is significant relationship between the changes of earning per share ratio and stock returns changes.

**Hypothesis $H_0$:** there is not significant relationship between price / income ratio changes and stock returns changes.

**Hypothesis $H_1$:** there is significant relationship between price / income ratio changes and stock returns changes.

The results of test of third hypothesis:

<table>
<thead>
<tr>
<th>Linear relationship</th>
<th>sigf</th>
<th>$f$</th>
<th>Sig(β)</th>
<th>Sig(α)</th>
<th>t</th>
<th>Assignment coefficient ($\beta^2$)</th>
<th>Cohesiveness coefficient</th>
<th>Slope Line ($\beta$)</th>
<th>width from (origin $\alpha$)</th>
<th>year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has not</td>
<td>0.841</td>
<td>0.26</td>
<td>0.245</td>
<td>-0.162</td>
<td>0.000</td>
<td>-0.010</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>All of years</td>
</tr>
</tbody>
</table>

In analysis of variance, the clue $f$ that it is describe the model, it was very low and it is less than table $f$. and the significant level of sig $f$ is bigger than %5. In certainty level of %95, indicate that there is not linear relationship between dependent and independent variable changes. It means: there is not linear relationship between changes of earning per share and stock returns changes.

With attention analysis, the $H_0$ is accepted and the model is not significant. Therefore, we conclude, there is not significant relationship between changes of earning per share.

It means: the changes of every share has no information content and we can not design model for it.

The cohesiveness coefficient that indicate the type of relationship between dependent and independent is very low and assignment coefficient that indicate the percent of justification of dependent changes by independent variable changes is very low and indicate there is not relationship between dependent and independent variable.

It means: there is not relationship between changes of earning per share and stock returns changes.

The clue $t$ that describes a significant relationship between independent and dependent variable and $f$ coefficients is low that indicate, hypothesis $H_0$ is accepted with certainty level of %95. Sig (β) indicate that coefficient $\beta$ is possibly zero that it is bigger than %5 and with certainty level of %95, indicate, the coefficient $\beta$ about of this variable is not significant and the hypothesis is accepted.
Table 7. the result of third hypothesis, the relationship between price/income ratio changes and stock returns changes.

<table>
<thead>
<tr>
<th>Linear relationship</th>
<th>sigf</th>
<th>f</th>
<th>Sigt(β)</th>
<th>Sigt(α)</th>
<th>t</th>
<th>Assignment coefficient (r²)</th>
<th>Cohesiveness coefficient (r)</th>
<th>Slope Line (β)</th>
<th>width from (origin α)</th>
<th>year</th>
</tr>
</thead>
<tbody>
<tr>
<td>has not</td>
<td>0.812</td>
<td>0.23</td>
<td>0.812</td>
<td>86.7</td>
<td>-1.63</td>
<td>0.000</td>
<td>-0.015</td>
<td>0.000</td>
<td>0.000</td>
<td>All of years</td>
</tr>
</tbody>
</table>

In analysis of variance, the clue $f$ that it describes the model was very low and it was less than table $f$ and significant level of sig $f$ is bigger than %5. In certainty level of %95, indicate that there is not linear relationship between dependent and independent variable changes.

It means: there is not linear relationship between price/income ratio changes and stock returns changes.

With attention to analysis variance, the hypothesis $H_0$ is accepted and the model is not significant.

There fore, we can conclude, there is not significant relationship between price/income ratio changes and stock returns changes.

It means: price/income ratio change has not information content and we can not design model for it.

The cohesiveness coefficient that indicates type of relationship between dependent and independent variables is very low and assignment coefficient that indicates percent of justification dependent changes by independent variable changes is very low. These indicate; there is not relationship between price/income ratio changes and stock returns changes.

The clue of $t$ indicate the there is significant relationship between independent and dependent variable or $\beta$ coefficients is very low that indicate, the hypothesis $H_0$ is accepted with certainty level of %95. Sig $(\beta)$ indicate that coefficient $\beta$ is possibly zero that it is bigger than %5 and with certainty level of %95, indicate, $\beta$ coefficient about of this variable is not variable and indicate the hypothesis $H_0$ is accepted.

The result of investigation
In this investigation, three hypotheses are tested.
The mentioned of hypothesis is tested about of 53 company with 265 observation in during 2007-2010.

The result of this test is as following.

The first hypothesis: there is significant relationship between cash ability ratios changes (current and instantaneous) and stock returns changes.

The test of this hypothesis is about current and quick ratios and indicates significant and insignificant cohesiveness in rate of 0.208 and 0.109 that it is investigated during 5 years in certainty level of %95.

There is significant relationship between cash ability ratios changes (current and quick) and stock returns changes.

The significant test of this model indicate that current ratio of amount sig $%25 < \alpha$ (%5).
Also the significant test of this model indicate that quick ratio of amount sig $(0.004) < \alpha (4.5)$.
There fore, hypothesis $H_0$ is rejected for two models.
And it is confirmed that there is significant relationship between cash ability ratios changes and stock returns changes of accepted in stock.

Second hypothesis: there is significant relationship between profitability ratios changes (grass profit/sail and profit/sail) and stock returns changes.

The test of this hypothesis is about grass profit/sail and profit/sail ratios and indicate significant and insignificant cohesiveness in rate of 0.153 and 0.231 that it is investigated during 5 years in certainty level %95. It means: there is a significant relationship between profitability ratios changes (grass profit/sail and profit/sail) and stock returns changes.

The significant test of model indicate that in grass profit/sail ratio, the rate of sig$(0.024) < \alpha$ (%5).
Also the significant test of model indicate that in profit/sail ratio, the amount of sig $(0.018) < \alpha$ (%5). There fore, hypothesis $H_0$ is rejected for two models. There fore, hypothesis $H_0$ is rejected.
There fore, this theory is confirmed that there is significant relationship between profitability ratios changes (grass profit/sail) and stock returns changes of accepted companies in stock.

Third hypothesis: there is significant relationship between mark ratios changes (earning per share and price/income) and stock returns changes.

The test of this hypothesis indicates the lack of cohesiveness for all of investigated years in certainty level of %95.
There is not significant relationship between market ratios changes (earning per share and price/income).
The significant test of model also indicate that in earning per share ratio, sig$(0.871) > \alpha$ (%5 or 0.5). Also the significant test of model indicate in price/income ratio of sig $(0.812) > \alpha$ (%5).
There fore, hypothesis $H_0$ is confirmed for every two model.
In the result, hypothesis $H_0$ is confirmed.
There fore, the theory is not confirmed that there is significant relationship between market ratios changes (earning per share and price/income) and stock returns changes. Such as, reason the lack of relationship and weak relationship that are tested by regerson,s two variable, we can express following.

**Conclusion**

In period of studying investigation, the financial ratios changes have less constant trend in compare with stock returns changes from 2007 until 2011 year and their decreasing and increasing percent have many difference with decreasing and increasing percent of stock returns changes.

In fact world, a phenomenon may make an effect factors and different variable. Group of these factors and variable are obvious for researcher and he can distinguish the effect these factors (independent variable) over studying phenomenon that thy change in effect independent variables.

But there are other factors, or the researcher doesn't know them or it is not impossible to assign their effect over studying dependent variable quantitatively.

There fore, the researcher examine restricted number of these factors in every research.

The result of test examination of relationship of this research variable and lack of significant relationship and weak relationship between them indicate that other important factors can make an effect stock returns commercial unites, such factors are economics status of commercial unites, type of industry, inflation price and the effect of other stimulus in stock returns of Iranian company such as rumor, political affairs and pricing less than fact stock in first supply to public.

**Suggestions**

1) Financial analyst is active in market to analysis information from different dimensions that stock market of Tehran is near to work market.
2) The stock market is established, so that, necessary information are used by investors, analyst to analysis it and special group does not used this information.
3) We can reach accurate results, by doing similar research or researches about this investigation for longer periods of time.
4) Company and type of property.

**REFERENCES**

2) Ansari, Abdolmohamad: (1988), Subject about median accountancy, educational thesis, modares university.
3) Bahram far, Naghi, shames Alam, Hesam,(2004), Examination the effect accountancy variables over abnormal out put of accepted companies in stock market of Tehran in the future, the examination accounting and accountancy number 37.
4) Taghavi ,Mahdi,(2006), Financial management , the publications of payamenoor university, first volume.
5) Saghafi, Ali, Aghaey, Mohamad ali,(1994), The method of accountancy profit , the examinations about of accountancy and accounting, ninth number, management faculty, Tehran university.
6) Jamadardi, Gorganli, doje. (2003), The examination the efficacy of obligation financial ratios and financial founded obligation affairs in predicting stock out put, the thesis of MSC the management faculty.
8) Hassan, Arefeh, (2005), The examination the relationship between value added of market and economic value added, the out put of salary of share holders, investment out put and growth of profit every share, The educational thesis, Azahra university.
10) Shabahang, Reza, (2003), Accountancy theory, the publication of number 157 of accountancy organization, second print.


13) Farvand, jan, (2005), Mathematics statistics, translated by Ali Amidy and mohamad ghaseme vahidi asel, seventh print, Tehran, the center of university publication.

14) Kanani, Akbar, (2007), The examination the relationship between changes of component the ready cash statement and systematic risk and market value changes of accepted companies in stock market of Tehran, educational thesis, free university of Hamadan units.


16) Namazi, Mohamad, Rostami nooredin, (2005), Examination financial ratios and stock output price of accepted companies in stock market of Tehran, the examination accounting and accountancy, 13 years, number 14.

17) Homan, Hidar Ali, Bases the research method in behavior sciences, thirty print.