opción

Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía, Lingüística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

88

Año 35, Abril 2019 Nº

Revisten de Ciencias Humanas y Sociales
ISSN 1012.1587/ ISSNe: 2477-9385
Depósito Legal pp 198402ZU45

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Maracaibo - Venezuela

Opcion, Año 35, Nº 88 (2019):*2899-2921*
ISSN 1012-1587/ISSNe: 2477-9385

Use the profit model to evaluate the tax framework Applied Study in the General Authority for Taxation / Iraq

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Abstract

This study deals with the use of the profit model in the assessment of the tax framework with a theoretical framework and then an applied analysis by selecting a sample of the listed companies listed in the Iraqi Stock Exchange. The study period lasted from 2008-2012. The objective of the research is to calculate the cost of financing the property using the capital asset pricing model (CAPM), Capital Assets Pricing Model, and the relationship between return and market risk measured by beta by applying the study to two industrial companies, shedding light on the profit model in industrial companies, analyzing the alternative market portfolio from the companies' Manal Conclusions of them, the company is characterized by defensive Balsafh because fluctuations in revenue below market fluctuations and also Mkhatrtha less than market risk. The research reached several recommendations, including the need to work by companies to improve the growth rate of profits by holding a certain percentage of profits, which improve the real value of shares for these companies.

Key word : Tax, Net Operating Income, Net Income, Stock, Common Stock, Valuation of Common Stock, Capital Assets Pricing Model (CAPM(

Use el modelo de ganancias para evaluar el marco impositivo. Estudio aplicado en la Autoridad General de Impuestos / Iraq

Resumen

Este estudio aborda el uso del modelo de ganancias en la evaluación del marco impositivo con un marco teórico y luego un análisis aplicado seleccionando una muestra de las compañías que cotizan en la Bolsa de Valores de Iraq. El período de estudio duró de 2008 a 2012. El objetivo de la investigación es calcular el costo de financiamiento de la propiedad utilizando el modelo de fijación de precios de activos de capital (CAPM), el Modelo de fijación de precios de activos de capital y la relación entre el rendimiento y el riesgo de mercado medido por beta aplicando el estudio a dos empresas industriales. A la luz del modelo de ganancias en las empresas industriales, analizando la cartera de mercado alternativa a partir de las conclusiones manuales de las compañías, la compañía se caracteriza por Balsafh defensiva debido a las fluctuaciones en los ingresos por debajo de las fluctuaciones del mercado y también Mkhatrtha menos que el riesgo de mercado. La investigación llegó a varias recomendaciones, incluida la necesidad de trabajar por parte de las compañías para mejorar la tasa de crecimiento de las ganancias al mantener un cierto porcentaje de las ganancias, lo que mejora el valor real de las acciones para estas compañías.
Palabra clave: Impuesto, Ingresos operativos netos, Ingresos netos, Acciones, Acciones comunes, Valoración de acciones comunes, Modelo de precios de activos de capital (CAPM (

Introduction

Taxes are an important part of the financial decision taken by investors. Usually, investment decisions are taken in ordinary shares based on issues and financial market publications. These decisions ignore the tax as a variable that affects the value of the share and hence the value of the company. Which depend on the investment decision to be made wrong or inaccurate. The evaluation process reflects the summary of the financial decisions. The concept of valuation involves an assessment of the value of the real asset, which is the principal and broad objective of management, which is the value of the financial assets of the entity that is traded on the financial

market and which depends on its assessment of all financial management decisions. The concept of value is the highest possible price to pay for the acquisition of a financial asset. Is the estimate of the real value of Intrinsic Value per ordinary share. The real value is the value expressed by economic and financial facts represented by the value of the assets of the company, the profits and the expected dividends, the growth rates of those profits and their comparison with the share price Cushions in the financial market, to determine whether the stock Msara pricing amplifier or reduced Over Priced Under Priced and investment decision appropriate to keep or buy or sell the stock. If the real value is greater than the prevailing share price in the financial market, the demand for these shares will increase because of the discounted price per share. Conversely, if the prevailing share price is greater than its real value, the offer to sell the shares is higher than the demand for the purchase due to inflated pricing Per share, and then reach a balance state in both cases. However, this equilibrium situation is not stable. The real value of the stock fluctuates constantly to reflect the market's response to new information. The research problem has raised several questions, including the impact of the use of the profit model on stock valuation. Industrial time period? The objective of the research was to calculate the cost of financing owned using CAPM model and the relationship between return and market risk measured by Beta by applying the study to a sample of industrial companies. As well as focus on the tax in the valuation of ordinary shares in order to reach the results that lead to knowledge facts. Hence, the importance of research on this subject has emerged through the knowledge of the impact of the capital asset pricing model on the rate of return and risk in the Iraqi industrial company and analysts Malin and researchers in this field.

methodology

1- The problem

The review of the contributions of previous studies and the theoretical literature shows that the issue of evaluation is still controversial. The issue has been raised in several questions, among which are the reasons that push companies to pay the dividend, even though it raises a tax that harms the share. (Myers, 2000) suggests that shareholders prefer to distribute profits when they have a fear of expropriation by corporate managers, that is, lack of legal protection for them. To those that have not The number to be legal came from state legislation or as provided by the protection of corporate governance to shareholders. Todd Mitton (2004) has questioned

the existence of protection for shareholders through corporate governance and legal legislation of the state. The problem can therefore be framed by the following questions.

- What is the readiness of the industrial companies to apply the profit model ?.
- What is the degree and ability of industrial companies to apply the profit model in valuation?
- How does the use of the profit model affect the stock valuation?
- What is the effect of the application of profit model on taxes under the analysis of profits of industrial companies for the period of time?
- Is the stock market value negatively correlated with the actual tax rate?
- Is corporate tax one of the important determinants of systemic risk
- the extent of the embodiment of the dimensions of knowledge of the problem in the Iraqi market for securities ?.

2- Research Importance

This issue is of great importance at the academic and practical level. The profit model in stock valuation is and still is an issue that requires research in order to arrive at facts in the field of financial management as the subject of an eternal issue. It is also important through the important conclusions and recommendations of the departments of companies and investors. The impact of the capital asset pricing model on the rate of return and risk in the Iraqi industrial company, analysts and researchers in this field.

3- Research goals

- Calculate the cost of financing owned using CAPM model and the relationship between return and market risk measured by Beta by applying the study to a sample of industrial companies.
- Focus on the tax in the valuation of ordinary shares in order to reach results that result in knowledge facts.
- Selection of the model of valuation of profits in industrial companies.
- Analysis of the alternative market portfolio from the reality of the companies sample study.

4- Hypothesis

This study assumes that the leverage of companies in the research sample

is 25%. In other words, companies use loans in their capital structure at 25%
The valuation of the share under the profit model is better if taxes are used and the real value of the share based on the profit model is more accurate in the case of tax utilization.

5- Domain and search data
Domain Place :

Iraqi industrial joint stock companies listed in the Iraqi market for securities whose characteristics are suitable to the subject of the research, including the mixed and private sector companies that support the data analysis, and the number of these companies (2) companies. Since the research community is the industrial sector, it was found appropriate to use the simple random sampling method. And excluding those companies whose full financial data were not available for research and analysis as relevant to the current research. To become a research sample two companies ie 20% of the research community.

6- Time domain

The duration of the research was determined between 2008-2012 and the choice was made for the availability of data related to the research. The financial statements relating to these years were approved for both companies.
Data and Period Research period

The valuation process depend of the ordinary shares is mainly based on the financial statements included in the financial statements. The balance sheet shows the assets, liabilities and equity at a certain period of time. The income statement provides guidance on the future profits of the company. Data were collected for the years 2008-2012 due to the availability of all data needed for research and analysis in the sample companies for the said years. The study duration was set at five years, based on a study by Guenther et al. (2013) and Noor et al. (2010), which defined the period of research needed to measure the tax planning by five years. The study (Sabli & Noor 2012) Tax, so the current research will take the larger period in line with the studies of both (Guenther et al.) And Noor et al.

Theoretical Review
1- Model Stocks Valuation Based on Earnings

There seems to be a constant debate in the investment circles about the relationship of profit-divided earnings to the primary source of the value of a common stock, since it is clear that revenue is important for shareholders because revenue is the basis of the flow necessary to pay the share dividend, but the dividend share is also important because it Is what the shareholders actually receive from the company, which is the center of interest for the discount models of the share dividend. The effect of the tax on how the profit-split policy affects value is three-point, and is linked to the profit-sharing policy. The right side is the argument group that believes that the increase in the dividend will increase the value of the company. On the left side there is a radical group that finds that the increase in distribution will reduce the value. Middle-of-the-road, which finds that profit-sharing policy does not lead to any differences. The role of taxation is greater in the valuation of ordinary shares in order to reach results that lead to knowledge facts.

In fact, if the management increases the dividend-paid earnings per share, the management will make the shareholders more wealthy, suggesting that the decision on the share dividend (a measure of the amount of dividend paid by the management) is a very important one. The argument was finally resolved in 1961 when Modigliani and Miller (1961) published an original paper showing that the primary source of the value of the share in the ordinary stock is the earnings rather than the share dividend. In other words, the management opinion on the dividend is Is relatively important because there is no impact on the value of those investments in the company. This model evaluates stocks through the input of earnings per share rather than distributions. As long as the profits are the right of the shareholders, the proper valuation must be based on them and not on the basis of distributions. (Modigliani and Miller 1961: 411-433)

The value of the ordinary stock is calculated according to this model by equation (1). (Obidat, 2008 64))

$$V = \sum_{t-1}^{\infty} \frac{E_t - I_t}{(1+K)^t} \quad \text{.....(1}$$

E_t = Expected EPS at end of period t of new investments

I_t = Profits earnings in period t for the new company's investments

This model is affected when the stock is assessed on a profit basis and not on a dividend basis. This means the calculation of the double effect of distributions, which is a direct effect of future distributions and indirectly affects retained earnings that will be part of future distributions. 1999: 388).

Common Stocks Valuation

Ordinary shares are defined as a document with a single nominal value that is offered for public subscription and has the ability to trade and is not payable on a specified date. The financing of ordinary shares is the first and most common form of finance (Khriyush et al., 1999: 146). Also, financing through the issuance of ordinary shares will not incur any legal burdens or obligations such as distribution to ordinary shareholders (249Madura, 1995)

The valuation of ordinary stocks is very difficult compared to the valuation of stocks and bonds. The profits on ordinary shares can not be accurately defined, unlike the cash flows of bonds that are known to be very accurate. Therefore, the uncertainty about the profits of ordinary shares is high over time, That the dividends distributed on ordinary shares can increase and grow over time as opposed to preferred stocks and bonds that are fixed, all of which made the process of estimating the future cash flows of ordinary shares a complex process (Field, 1989 670)

2- Earnings

It's hard to interpret and compare what we mean by earnings per share. Earnings per share are different things for different companies. They can mean a lot to a company without other companies. The question is that the profits determined by the company represent a record or account reflecting a series of options that may increase or decrease the methods of financial accounts. For example, Deprecation Methodists have a direct impact on the EPS calculation but at the same time do not affect the value of the cash flow because this method relies on non-cash costs. However, in other options, Valuation of Inventory affects its profit calculations. This method is usually followed when there is a merger of two companies. There are many other methods used by stock analysts for the purpose of predicting profits or dividing the earnings per share to determine The real value of the shares is by discounting the expected dividend per share by an appropriate rate of return for a similar risk capital, or by determining the implied return on the share by arriving at the discount rate that makes the present value

of all the expected earnings per share equal to the current market price of In either case it is necessary to arrive at a forecast divided by earnings per share as the share of earnings per share is equal to the earnings per share multiplied by the payment rates. Within one year, the company generates revenues and bears the costs of the area of accounting for money, called the difference between income and costs (cash flow) and in the area of accounting accruals (Accrual) and used by almost all companies, including income and costs on the estimates of accountants related to non-monetary paragraphs such as Excess costs incurred from cash flow for profit :

Profits can be classified into three basic groups, the first group includes accounting profits and economic profits, and the second includes permanent profits and interim profits, while the third group includes annual profits and quarterly profits.

A-Accounting Earning and Economic Earning

The accountants normally place on a quarterly or annual basis a financial statement of the company ending with a number related to the accounting profits (called the accounting profits of the company or net income). These profits represent the difference between revenues and costs. This difference for the total profits of the ordinary share is divided by the number of shares payable for the purpose EPS calculation. It can also be divided into book value per share for the purpose of calculating the ROE and Equation (2) reflecting the accounting profits of the Company.

$$B_{.} = B_{.\,.} + E^{a}_{.} - D_{.} \quad \text{..... (2)}$$

(Bt) represents the book value of ordinary shares at the end of the period,

And (t) represent the accounting profits for period (t),

(Dt) denotes the profit divider during period (t).

Thus accounting profit can be calculated as follows:

$$E^{a}_{t} = B_{t} - B_{t-1} + D_{t} \quad \text{..... (3)}$$

From the other point of view, which is Mudklyani-Miller's view, accounting profit is not focused on cash flow when it is achieved. Managers often do not have the correct perception when they focus on the accounting definition of profitability or earnings per share. The company's goal is not to maximize earnings per share, Maximize the wealth of shareholders representing the price per share, equal to the discounted cash flow of the company. Accounting profit is calculated according to the destination of these according to the equation:

$$At = R_{.} - (W\&S)_{.} - Z_{.} \quad \ldots\ldots\ldots \quad (4)$$

As the accounting definition of profit (At) does not subtract the total investment (I) from revenue as expenses, instead instead capitalizes the carrying amount of the new investment in the balance sheet and calculates a certain depreciation rate (Zt) and (Rt) (W & S) wages and salaries in the equation. While the economic profit from the point of view of the two authors above as cash flows, so the appropriate profits for decision-making are cash flows discounted and realized for the shareholders in other words is divided profits as in the following equation assuming that the company does not issue new shares.

$$D_t = R_t - (W\&S)_t - I. \quad \ldots\ldots\ldots\ldots\ldots \quad (5)$$

whereas :

D_t: represents economic profit.

R_t: Sources of money represented by returns.

I_t: The New Investment.

That is, the dividend is the remaining cash flow after the operating and investment costs are paid out. Economic profits can also be defined as the amount or amount that will be achieved from the equation below if the change in the carrying amount of the company is equal to the change in the economic value of the company as follows:

$$E^{e} = V_{.} - V_{.\,.+1} + D_{.} \quad \ldots\ldots\ldots\ldots\ldots (6)$$

Where it expresses economic profits (Vt-Vt-1) represents the change in the

market value of the ordinary share of the company (assuming no change in the market value of the company's other securities), and (Dt) represents the dividend. It is easy to show that the estimated book value and the market value (economic value) of stocks are often very different, but the previous two equations point to equal accounting profits and economic profits because the book value is equal to market value. In order to gain a guess of the truly independent value, analysts must analyze accounting profits and not be fooled by the manipulation that accountants might make at the management's request, which would appear to be more valuable and that would deceive investors for even a short time. Has developed an entirely free estimate of all possible manipulation types exercised by the administration. We do not mean that the accounting profits are not related to the valuation of the security, but we mean that it should be considered as one of the sources of information about the future prospects of the company. These profits are used in the valuation of shares.

B-Permanent and Temporary Components of Earnings

The valuation of ordinary shares individually reflects a wide variation in price / earnings ratios over time. One of the possible explanations for this is that it is possible to consider reported profits to have two components. The first component is (permanent) that can be replicated in the future while the second component is the temporary component which will probably not repeat. The forecast for the future earnings of the company, indicating that the changes in the real value of the share then the price-earnings ratio will be relatively low because of the small number in the denominator and, conversely, if the temporary component is negative then the price-earnings ratio will be relatively high because of the number The great is in the sanctuary.

The fixed profit component will change over time, forcing investors to reconsider their forecasts and this will change the price of the company's shares and the price / earnings ratio. However, changes in the temporary component will have greater effects on the price / profit ratio, as this component will sometimes be positive and negative Other times, as a result, the company's price / earnings ratio will fluctuate over time. If this is a complete explanation of the large variation in these ratios over time and across companies then most of the variation to the price / profit ratio in the company will be the same temporarily but over time these ratios tend to

change to a medium ratio for the market as a whole. Resulting in an average of temporary components for each group of approximately zero. Two explanations can be given for this first difference: the appropriate discount rates vary due to differences in stock characteristics. Second, there is the possibility of constant differences between economic profits and accounting profits resulting from the use of different methods of accounting. There is evidence that the market sees these differences in accounting profits, and so it is not surprising that the price / earnings ratios of shares vary and some of these differences persist for a long time.

C- Annual Earnings & Quarterly Earnings

These studies and other studies indicate that the annual accounting profits are going according to what is called in the science of statistics in the random path model, ie, the annual profits for the coming year can be considered equal to the annual profits achieved in the past year plus a random error by equation (7)

$$E_{\text{▲}} = E_{\text{▲}\ ,} + \epsilon_{\text{▲}} \quad \text{.....(7)}$$

whereas :

Et: Next Annual Profits.

Et-1: The profits achieved in the past year.

Is the party of the random error. :

Under this model, the subsequent year's profits are just a win for the past year.

Another model of profit is the way that the change in profit is considered to be an independent and uniform distribution as follows:

$$E_{\text{,}} - E_{\text{,-1}} = \epsilon_{\text{,}} \quad \text{..... (8)}$$

Taxes

Taxation should deal with the tax revenue divided by income and capital returns. For individual shareholders, the effective tax rate on the income share is higher than that of the individual. Of the tax rate on capital returns, divided by a tax as regular income of capital returns taxed at a somewhat lower rate, and capital income tax is different until the sale of shares, this second appearance of the tax on capital gains makes the rate of tax The actor owes much less because the present value of the tax is lower. This

debate about the effect of the tax on how the profit-divided policy affects value is three-point, and is linked to profit-sharing. The Right is the argument that believes that the increase in margin will increase the value of the company. On the left side there is a radical group that finds that the increase in distribution will reduce the value. In the middle there is the Middle-of-the-Road, which finds that the policy of divider does not lead to any differences.

The effect of taxes and tax savings on the value of the company

The company's taxable income means that a company whose capital structure consists of loans and property rights can achieve tax savings estimated at the interest rate multiplied by the tax rate. Modigliani-Miller does not claim that if there is a corporate income tax. The market value of a company whose capital structure consists of loans and equity will exceed the market value of a similar company but its capital structure consists solely of equity. However, they emphasize that the difference between the market value of the two companies should not exceed or exceed the present value of the realized tax savings. As for the increase or decrease of the difference, the audit process will be able to restore the balance between the two companies on the basis mentioned and which gives the equation (Hindi, 639: 2004)

$$V = V^* + R \times T \quad \text{..... (9)}$$

Whereas

v = The market value of the company whose capital structure consists of loans and equity

* v = Value of the company The structure of its capital consists of property rights only

R= value of borrowed funds

Tax Rate

R × T = represents the present value of tax savings The current value of tax savings is calculated by equation

$$R \times T = \frac{T \times F \times R}{\text{.....}} \quad (10)$$

F= The formula of the expected annual tax savings is the equal value of the interest (F × R) multiplied by the tax rate (T). The denominator represents the interest rate on the loans, which at the same time represents the discount rate (Hendi, 640: 2004)

Effect of taxes on earnings per share

Earnings per share (EPS) is linked to the net income realized during the period and available to the ordinary shareholders in the number of ordinary shares issued, calculated according to the following equation (Ross, et., 2002: 66)

(11) ..... Earnings Per Share = Net Income / Number of Shares

The calculation of the earnings per share calculation shows that the net income realized and available to the ordinary shareholders is divided by the number of ordinary shares issued to reach the amount of profits that will be available to the ordinary share holder. Most of the accounting standards issued by international professional associations have emphasized the need to disclose them in the published financial statements, as they are important indicators used by many financial analysts as a basis for stock performance. , 2002).

Required Rate Return

The desired rate of return is defined as the rate of return on an investment that includes a certain degree of risk, because investors are looking for an investment that provides them with the highest return possible with the lowest level of risk, ie investors differentiate between return and risk when making their investment decision (Haddad, 128) What is intended here is the systemic risk that can not be avoided by diversification. Therefore, the interest of the financiers is concentrated on this risk because the irregular risk can be avoided by diversifying the investment. The higher the systemic risk, the higher the rate of return on the funds invested in the assets Of origin. The rate of return on investment can be calculated through the capital asset pricing model (CAPM) to take systemic risk into consideration by equation (1-9) (Amari, 279: 2013)

ER-R f) ß……(12))+fR =RR

RR = desired rate of return and = cost of financing owned
R = Risk-Free Rate of Return
ERm = average rate of return for the financial market portfolio
(ERm – Rf) = normal market risk premium or risk price
ß = systemic risk factor (beta)

The above formula shows that the required rate of return on investment includes systemic risk only with the beta coefficient index included in this calculation. Summers (1981: P1100) states that taxes affect the desired rate of return. The deduction of taxes from net income leads to a decrease in the rate of return required and hence the increase in the value of the share because the rate of return represents the denominator of the equation when extracting the value of the share to be used by the researcher In the practical side. Summers also notes that the effect of the tax on the average rate of return required for an investment is longer term rather than short term. Thus, the neglect of tax effects leads to negative results on the company.

Values Enterprise

This model evaluates stocks through the profit input (net operating income distributions, NOI) rather than distributions. As long as the profits are the right of the shareholders, the proper valuation has to be based on them rather than on distributions. This is what Modicliani and Miller (1961) The calculation of the value under this model depends on both the cash flows that are net operating income and the cost of financing. (Modigliani F. & Miller M, 1961: P34)

Values Enterprise And the cost of financing
3.1.1 Calculation of the cost of property finance CAPM: The cost of financing owned under the capital asset pricing model (CAPM) is calculated. The advantage of this model in calculating the cost of finance is that it takes into account the relationship between return and risk. The risk that the model adopts is market risk Measured by the beta factor when calculating the cost of financing property (rate of return required). We will ad-

dress here the first dimension of the problem is the calculation of the cost of funding. The calculation of cost under the capital asset pricing model requires estimating three parameters: the risk-free rate Rf, the financial market risk premium (Rf), and the systemic risk factor (Beta coefficient β). Using the CAPM model,

$$K_u = R_f + (\overline{RM} - R_f)\,\beta \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (13)$$

$$\beta_u = COV\,(R_j\,,\,R_M) / \sigma^2 R_M \ldots\ldots\ldots\ldots\ldots\ldots (14)$$

assume Modkliani-Miller the following assumptions Assumptions: No bankruptcy costs NoBankruptcy Costs. Personal Hoist Homemade Leverage (Ameri, 2010: 299-302).

With No Taxes :

The first famous proposal by Claude Kleaney and Miller demonstrates that the value of the company is not affected by the ratio of debt to the right of ownership, ie that the value of the enterprise is independent of its financial structure. In other words, the capital structure of the company is not afraid of lack of interest in this world. The researchers obtained results showing that both the high or low ratio of debt to equity in the company can be balanced by self-raising (internal borrowing). These results depend on the assumption that individuals can borrow at the same rate of borrowing for companies.

Values Enterprise = $v = \frac{\overline{NOI}}{K} = \frac{\bar{x}}{K}$

Where V: EV, NOI, X: net expected operating income (average net operating income), K: cost of capital

Cost of capital = $k = \frac{\bar{x}}{v}$

With Taxes : In the world of corporate taxes but not costs for bankruptcy, the company's value as a function of leverage. :

Unvalued Values Enterprise = $v_u = \frac{\bar{x}(1-T)}{K_U}$

The cost of the capital of the non-performing entity $K_U = \frac{\bar{x}(1-T)}{V_U}$

Where T = tax rate

Using personal elevation and arbitrage, the value of the enterprise is

VL = Vu + TcD

The M-M formula for the cost of property finance for an enterprise under tax is:

Ke =ku+ (ku- kd) (1-T) (D / E) ……15

For this equation and for the straight line with a constant limit, Intercept is ku. The slope of Slope is:

Slope = (ku- kd) (1-T) …….. ……. 16

- Therefore, the cost of the Ke property increases linearly with the increase in the leverage measured by (D / E).
- The cost of property rights increases or increases with leverage because shareholders are exposed to higher risk.
- The weighted average cost of capital is the rate of return on assets that an enterprise should earn, at a certain level of leverage, which increases the wealth of shareholders.
- The weighted average cost of capital (WACC) changes with an increase in leverage.
- The shareholders' equity shall be increased when the enterprise elects projects whose revenues exceed the weighted average cost of capital (WACC).

$$WACC = K = Kd\,(1-T)\,(D / V) + Ke\,(E / V) \quad \ldots\ldots\ldots 1$$

$$WACC = K \quad \ldots\ldots\ldots \quad K = \frac{\bar{X}(1-T)}{V} \ldots\ldots\ldots 2$$

$$WACC = K = Ku\,(1-TL), \qquad L = D / V \ldots\ldots$$

Empirical Analysis and Test

Empirical Analysis

Table (1) Data and indicators of analysis (amounts JD) during the period 2008-2012

Tax savings T_cD ×4 =7 %15	Leverage %D/E 5÷4=6	Property Right E E = 75% of the assets %75×2 =5	Leverage D D = 25% of the findings4 %25×2 =	Rate of return on assets %ROA 2÷1 =3	Total Assets 2	Net operating income NOI 1	the year	Company
68225481	0.333	1364509635	454836545	17	1819346180	307394966	2008	1
88642162	0.333	1772843251	590947750	17	2363791002	401559400	2009	
115550373	0.333	2311007476	770335825	3	3081343302	89093037	2010	
121418018	0.333	24283603675	809453455	3	3237813823	100049821	2011	
146009910	0.333	2920198215	973399405	10	3893597620	372690255	2012	
107969188	0.333	2159383789	719794596	10	2879178385.4	254157495.8	Average	
13473231	0.333	269464632	89821544	15	359286176	50952730	2008	2
13954618	0.333	279092364	93030788	23	372123153	87171386	2009	
14684234	0.333	293684691	97894897	21	391579588	82131785	2010	
48938954	0.333	978779093	326259697	9	1305038791	111610791	2011	
225627666	0.333	4512553324	1504184441	2	6016737766	104396404	2012	
63335740	0.333	1266714821	422238273	14	1688953094	87252619	Average	

The results of the analysis of the rate of return achieved on the investment and the return of the market portfolio of companies (Return on Assets, ROA)

A portfolio was created for each of the two companies' market capitalization, their respective rates of return and the market rate of return, which is the average rate of return for the two companies. The return on investment is calculated by dividing the EBITDA by the total financing invested in assets The company includes the asset finance and the borrower and at the same time the rate of return on the assets because the total financing equals the total assets in the balance sheet of the companies surveyed. This ratio is an indication of the ability of companies to generate profits from existing assets. This ratio measures the profits achieved by companies by investing in their assets, and depends to a large extent on the amount of profits realized from these assets, and it is a measure of the profitability of investments of short and long-term companies. The increase in this ratio demonstrates the efficiency of the operational, investment and financial management policy. The higher this percentage was a good indicator of the efficiency of financial performance in companies. In order to demonstrate the ability of companies to generate profits from their assets, the rate of return on investment for the companies under study was calculated at (2) companies and for five years.

Table (2) The results of the analysis of the rates of return on the investment of companies (Rj) and the average rate of return of the alternative market portfolio $\overline{Rm}$

The average rate of return of the %Rm financial market portfolio	Rate of return on assets %ROA 2Company	Rate of return on assets %ROA 1 Company	Company
16	15	17	2008
20	23	17	2009
12	21	3	2010
6	9	3	2011
6	2	10	2012
12	14	10	Average

Table (2) shows the market portfolio of Company (1) and Company (2), which is derived from the following equation:

Market Portfolio = Rm Company (1) and Rm Company (2) / 2, which ranged between (6) to (20) for the years (2008-2012)
The Market Portfolio (RM) is an important and important indicator in this study. The Company's best market portfolio (1) was in 2008 and 2009 and the Company (2) was in 2009. It has reached the highest annual rate of return on (The rate of return of the market portfolio) for companies during the study period (20) in 2009. The company achieved (2) a higher rate than the annual rate for the year 2009. This is a good indicator of the ability of companies to generate profits through the assets available to them. (1) has achieved a rate lower than the annual rate, which is a sign of the company's weak profitability of generating profits in that year. The lowest annual rate of return on investment for companies sample study was (6) in 2011 and 2012. 2 was the company that continued during the years of study at an increase in the rate of return achieved compared to the annual rate of return of the company (1).

The results of analysis of the cost of financing property
This cost was calculated for each of the sample companies using the capital asset pricing model (CAPM) and the CAPM model taking into account systemic risk. Therefore, systemic risk was treated with a business beta (Bu) as shown in Table (3).

Table (3) Results of calculating the cost of financing property Ke

Ke	β	ERm	RF	Company
0.117	0.828	0.12	0.06	1
0.144	1.171	0.12	0.06	2
0.130				Portfolio

Table (3) shows the results of the calculation of the beta coefficient in the calculation of the cost of finance owned by the companies of the study sample, which was calculated from the rates of return obtained from Table

(2). The results of the beta- As the beta coefficient of the sample companies was positive, which means that the increase in the rate of returns of the alternative market portfolio will lead to an increase in the returns of the shares of companies. The decline in the risk factors β for the companies study sample means that these companies are characterized by defensive, The stock returns of these companies were less than the volatility of the The market is also less risky than the market risk of a true 1.

Table (3) shows the average cost of finance for the market portfolio at (0.130). The systematic risk factor is the basis for calculating the cost of financing the property. The more the investor is rational, the lower the systemic risk, and the lower the cost of financing. Therefore, whenever the investor asks for an increase in the required rate of return, he must bear a high systemic risk, because the increase in the rate of return is directly related to the systemic risk (β) and the greater the systemic risk the higher the rate of return required (the cost of financing the property) Decrease in the company's share value.

Table (3) shows the increase in the cost of financing to (2) as it reached (0.144) due to a rise in the regular risk factor (1.171). This will result in a decrease in the value of the ordinary share of the establishment. (1) the cost of financing the property amounted to (0.117) because of the low risk factor regular beta, and this will make the value of ordinary share of (1) low.

Table (4) analysis of the value of the establishment during the period 2008-2012

Values Enterprise V_L $V_L=V_u+T_cD$	Values Enterprise V_u $v_u = \frac{\bar{x}(1-T)}{K_U}$	Company
V_L=198196211 + 107969188 =107971169	254157495.8(1-%15) / 0.109 =198196211 V_u=	1
V_L=570497893 + 63335740 = 63341444	V_u= 87252619 (1-%15) / 1.171 = 570497893	2

5- Conclusions and Recommendations

Conclusions

1- The corporate income tax has a role in increasing the systemic risk factor, which in turn led to an increase in the cost of financing, which contradicted Summers (1981), which led to a decrease in the value of the ordinary share.

2- When the Company makes cash dividends, the real value of the Company's shares decreases, and through the use of retained earnings in the process of making cash dividends, the earnings per share decreases to that company.

3- The industrial companies are characterized by defensive because the fluctuations of their returns less than the market volatility and also less risk than market risk.

4- The validity of using the valuation model based on profit in estimating the real value of the ordinary share is due to the fact that the stock has no maturity date and there is no easy way to know the desired rate of return determined by the market.

5- The Earns Model model is very important among the equity valuation models, as well as being the most common because it has overcome many criticisms of other valuation models, such as the loss of future profits and the ability to achieve cash flows by focusing on expected future profits.

6- The real value of the share is higher than the real value of the share in the case of the zero growth of the company when it has a higher growth rate and is in line with the results of the study (Shamsuddin & Hillier 2004).

Recommendations

1- (Ss) because the higher the desired rate of return, the lower the value of the share.

2- Companies should not make cash dividends more than the earnings per share due to the impact of this work negatively on the decline in the real value of the shares of these companies.

3- The need to work by companies to improve the rate of growth of profits by holding a certain percentage of profits, which improve the real value of shares for these companies.

4- The importance of interest in earnings per share and inclusion in the financial statements because it is an important indicator on which the researchers and analysts as a basis for the valuation of shares.

5- The use of financing companies borrower as it helps to reduce the amount of tax due to tax savings resulting from interest deduction from net income before interest.

6- the need for attention by researchers and scholars to further study the subject of profit model and support these studies practical analysis, which contributes to the diagnosis and cover all dimensions of the problem of study.

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opción
Revista de Ciencias Humanas y Sociales

Año 35, N° 88, (2019)

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.
Maracaibo - Venezuela

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