IMPACT OF PROFITABILITY ON STOCK RETURNS BASED ON THE PRICE, RETURN AND DIFFERENCED MODELSIN TEHRAN STOCK EXCHANGE

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Abstract: In this study, the impact Profitability was investigated on Stock Returns based on the price, return and differenced model. Profitability was considered as independent variable and firm size and life cycle as control variables. The sample was included 60 members of the Tehran Stock Exchange during the period of 2005 to 2012. Library study was used for collecting information. Quantitative methods were utilized including statistical analysis and multiple regression analysis. Also STATA version 11 and Excel software were used for the analysis of data and results. The results suggest that all models profitability impact on stock returns and profitability factor should be addressed for earning higher returns.

Keywords: Profitability, Stock Returns, price model,return model,differenced model.

1. INTRODUCTION

Firmly, the stock price is one of the most important effective factors on potential investors' interest for investing in exchanges market in all period of time. In addition, return due toinvestment is also important for investing, since all the investing events are done in order to the return gaining. Return evaluation is only the logic way in which the investors do for different and alternative investments comparison. Now, the investors needs to cognize the effective factors on price and return to decide about stock trading and in the meantime, accounting earning as the main components of financial performance seems to be able to play the deserve roll in return and stock price and investors decisions in stock trading. Users of accounting information predict the future of companies' performance and use it for companies rating (Easton and Sommers 2003). So far, the different models are provided for explaining of the relation between return and profitability stocks that each case owns the different explaining ability in various environments. The purpose of this study is to check out the relation between return and profitability stocks in return, price and differenced models in order to defining the explaining ability the relation in each of these models. Price model dealing with the relation

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between price stock and earning and return model checks the relation between return stocks with earning and earning changes. Although, theoretical basis of both models is common (Ohlson 1995).

According to the mentioned prehistory, this study intention is to answer this question: Are the price and return and differenced models able to express the effective profitability on companies' stocks return?

2. STUDY THEORETICAL BASIS

Investors' intention is to gain the expected return. Stock return depends on multiple factors. Growth and investment opportunities are included among these factors. The growth ability indicates possibility stock income and dividend more than average. Thus, the companies with high growth opportunities earn more stock return. Because such as these companies are potentially able to gain revenue share (Ohlson 1995). One of the most influential factors is the best stock return element. A return investment represents resulted earnings. Thus, investors must consider many factors in order to fund return increasing, otherwise, the results achieved by investment will not be desired (Ismail and Kim 1989).

Briefly, it can be stated that a stock return, is the revenue collection that belongs to the stock by a financial period and includes received earning and fund earning. The term "stocks return" is the revenues in which are achieved. In order to calculate a stock return, price changes and currency should be consideredduring investment period. According to this definition, return consists of received stocks earning (earning in cash) and return caused by stock price changes (fund earning) (Banz 1981). A stock return is affected by different factors that some of them include: profitability, company size and company life cycle. Earning of each stock is one the most important financial ratio marked by investors. Stocks purchase tendency with more earning by each stock exist among all the investors. Since, earning per each stock and stock return are the most significant criterions play a greater role in company performance evaluating, every company can increase its earning per each stock by investing in study with low return. While fund return of a new study is more than long term debt cost after its tax, becauseof increasing earning per each stock. However, study return is not enough to give desired return to the stock holders, cause reduction in stocks price and stock price coefficient and price to earning coefficient (Ismail and Kim 1989).

Based on experimental studies in different countries, earning of per stock has the following uses (Banz 1981):

1. Evaluating, define and verdict about stock price.
2. Predicting the impression on revenue of each stock in future and its growth rate, stocks price.

3. Cash earning coverage evaluating and socks earning ability afford.
4. Estimating of profitability power and earning process level evaluating.

Another effective aspect on stock return is company size. Generally, this concept described based on stock market value explains that the companies with greater size means with higher stocks market value in comparison to the companies contains lower stocks market value have lower return(Anandarajan, Hasan *et al.* 2006).

Company life cycle is one of the concepts which is entered different scopes during recent multiple decade. The bases used for identification and process classification of company life are different by respect to management literature, economy, and accounting and financial. Foundations like organization strategy properties, innovation level, product market scope, market competitor's numbers and etc are used for identification and cycle procedures separation in management. Classification foundation can be named like company age, company sale growth, investment and growth opportunities, fund cost rate, financial lever, earning division rate, cash current patterns, profitability rate and fund structure in accounting and financial (Anthony and Ramesh 1992). The models used for showing and cycle procedures definition of company life are diverse. In related literature, there are three-staged, fourth-staged, five-staged and even ten-staged models and in meantime we can mention to kothari five-staged model (Kothari and Zimmerman 1995), Edizes ten-staged model and Antony and Ramesh three-staged model. This diversity in company life cycle models and also company life cycle economic literature are divided into birth, growth, maturity and wane stages (Anthony and Ramesh 1992). Kousenidis, in a study titled "relation of earning and return in Greece" investigated the relation between stocks return and accounting profitability for companies in Greece. The results showed that profitability explanatory power is weak for stocks simultaneous returns (V. Kousenidis 2005). Although Haugenstudy showed that it is remarkably unstable during period for relation of profitability and return. When regression was moderatedfor considering the size, the results improved and this theory was reinforced that company size is an important factor in return and profitability relation explanatory. Although income results from theory did not support difference existing between profitability information content for stocks return explanatory, by respect to company life cycle procedure(Haugen and Baker 1996). In 2013, Shubita, in a research titled "stocks return and earning models" checked the relation between earning and stocks price in Jordan's stock exchange. The research results illustrate positive and significant relation existing between earning and stocks price in each price, returned and differenced models and forecast ability of differenced and return models is less than forecast ability price model (Shubita and Alsawalhah 2012).

Dimitropoulos and Asteriou (Dimitropoulos and Asteriou 2009), studied the four models usage which were served by Kothari and Zimmerman 1995for earning and return relation in a study by title "stocks return and earning relation". Totally, their study results showed significant relation existing between return and earning and return forecast ability is more by using commitment earning and price model shows more relevant information compared by return model.Anandarajan and colleagues 2006, tested the factors related to stock owner's rights value in Turkey's emerging markets in a study by title "stocks price in earning roll and clerical value and they deduced clerical value is important index for stocks price and because of inflation more than 75 percent in total, moderatedearning and clerical value explain the stock's price (Anandarajan, Hasan *et al.* 2006). Lam *et al.*, in a study titled"the relationship of ratio book value size to stocks market value ratio, price- earnings and return ratio for Hong Kong's stocks market" investigated stocks return relation, Beta, size, lever and clerical value to market value ratio and price to earnings ratio in Hong Kong's market. In this study he deduced that by Beta variable effect, Beta has not stocks return definition power in Hong Kong's market but three variables such as company size, market price to clerical value ratio and earning to price ratio with stocks return are related to share returns.Kothari and Zimmerman 1995used the two moderatedearning and accounting earning bases in a study by title "earning and return models" and the their checking results showed better price model performance in comparison to return model.

Statistical Society and Sampling Methods

The current statistical society include all the admitted companies in Tehran's stock exchanges that were selected as sample by using organized elimination method of 60 companies among the other and were investigated for 6 years' time period in 2006 until 2011.

3. STUDY HYPOTHESIS

The studyhypothesis has been codified to the following way:

H1: in price model, profitability has effect on the stocks return.

H2: in return model, profitability has effect on the stocks return.

H3: in differenced model, profitability has effect on stock return.

4. DEFINITION AND MEASURING STUDY VARIABLES

The used variables in this study are three types: dependent variable, independent variable, control variable. Dependent variable is stocks return that researcher's purpose is to predict its variability. The study independent variable is profitability on two bases, earning per share and earnings per share divided by the shares

market value of last year which is used as index profitability. Control variables include size and life cycle of company. The mentioned variables are investigated by following.

4.1. Dependent Variable

In this study, dependent variable is stocks return which is defined by utilization of 3 bases in 3 price, return and differenced models.

The criteria are as follows:

- stocks market value in current year end(in price model)
- stock market value in current year end divided on stocks market value in last yearend(in return model) according to the number (1) relation

Relation 1: *stocks market value in current year end/ stocks market value in last year end*

- Changes in stocks market value divided on stocks market value in last yearend (in differenced model) according to the number (2) relation.

Relation 2:*[stocks market value in current year - stocks market value in last year]/ stocks market value in last year*

4.2. Independent Variable

Considered independent variables for profitability base explanatory are as follows:

- Earnings per share (in price model) based on relation (3).

Relation 3*: earning per share= pure earning in the end of current year/ total divided shares in the end of year*

- Earnings per share divided on stocks market value in last yearend (in price and differenced models) based on relation(4):

Relation 4: *earning per share in current year / value of stock market in the end of year*

4.3. Control Variables

Company size equals stocks owners' rights market value natural logarithm in yearend based on relation (5).

Value of stock market of owners= (value of stock market in the end of current year) . (Quantity of shares in the end of current year)

- Company life cycle is obtained by respecting to the 4 following bases:
1. Sales growth equals sells in current and last yearend difference divided on sells in last yearend based on relation (6).

Relation 6: SGt = ((SALES$_t$ – SALES$_{t-1}$) / (SALES$_{t-1}$)) × 100

SG: Sales growth.

SALES: sales from beginning to current yearend.

2. change in funds costs that is obtained by constant property changing between current and last year based on relation(7).

Relation 7: CEVt = (CE$_t$ / VALUE$_t$)×100

CEV: change in funds costs.

CE: funds cost; that is obtained by constant property changing between current and last year.

VALUE: stocks owners' rights market value + long term debts clerical value

3. Company age in which equals establishment and last year difference in calculation based on relation (8).

Relation (8*: AGE = CYEAR – FYEAR*

CYEAR: current year in calculation

FYEAR: (founded).establishment year.

4. Dividend that is obtained by companies financial statements.

Separation companies to life cycles procedures manner:

In this research, companies' separation to wane and maturity growth procedures by above 4 mentioned variables usage and according to methodology () is as follows:

1. Initially, each variables amount of sales growth, funds costs, dividend to company (life) age ratio were calculated for each company in all years.

2. Companies are divided to 5 categories according to 4 mentioned variables using statistical quintile in every industry that are given a grade 1 to 5 according to table (1) by respecting to perching in intended (category) quintile.

3. Then, a compounded grade gains for each company in every year that is assorted by considering following conditions in one of growth, maturity and wane procedures:

    a. If total grades are between 16 or 20, it is in growth procedures.

    b. If total grades are between 9 or 15, it is in maturity procedures.

    c. If total grades are between 4 or 8, in is in wane procedures.

Table 1
Calculation of company life cycle

quintile	Company age	Selling growth	Fund expenditure	Divided earning
1st quintile	5	1	1	5
2nd quintile	4	2	2	4
3th quintile	3	3	3	3
4th quintile	2	4	4	2
5th quintile	1	5	5	1

In order to company life cycle calculation, first, 4 mentioned variables are calculated and then they will be classified to 5 categories based on industry quintile ranking. And each category is given a number. At last, the numbers related to a company in a yearare accumulated. And they are classified in one three growths, maturity and wane in part number 3 based on mentioned classifying.

Used models in hypothesis test

For first hypothesis test, multiple variables regression model is used based on compounded data as relation (9).

$$P_{i,t} = \alpha_0 + \alpha_1 X_{i,t} + \alpha_2 (X_{i,t} \times S) + \alpha_3 D_m + \alpha_4 D_d + e_{i,t}$$

P_{it}: i company stocks value in current yearend.

X_{it}: I company earnings per share in current year end.

S: company size artificial variable; the companies are classified based on size that is stocks owners' rights natural logarithm andmiddle numbers are calculated. For companies which their calculated size is less than middle, it is considered one value and for those more than middle, it is considered H_0value.

D_m: Artificial variable is considered 0 for 1 maturity procedure companies and other.

D_d: Artificial variable is considered 0 for 1 wane procedure companies and other.

For second hypothesis testing, multiple variables regression model is used based on compounded data as relation (10).

$$P_{i,t} / P_{i,t-1} = \gamma_0 + \gamma_1 X_{i,t} / P_{i,t-1} + \gamma_2 [(X_{i,t} / P_{i,t-1}) \times S] + \gamma_3 D_m + \gamma_4 D_d + e_{i,t}$$

P_{it-1}: i company stocks value in last yearend.

For third hypothesis testing, multiple variables regression model is used based on compounded data as relation(11).

$$\Delta P_{i,t} / P_{i,t-1} = \beta_0 + \beta_1 X_{i,t} / P_{it-1} + \beta_2 [(X_{i,t} / P_{it-1}) \times S] + \beta_3 D_m + \beta_4 D_d + e_{i,t}$$

P_{it}: i company stocks value changes in current yearend.

5. RESULTS OF STATISTICAL ANALYSIS:

Table 2
Descriptive Data

variables	index	mean	SD	min	min
Value of stock market in the end of year	A1	5117.47	6122.127	209	70871
shares value of stock market in current year/ value of shares in past year	A2	1.1156	0.8105	0.1061	8.1970
Change in value of stock market/ value of shares in past year	A3	0.1156	0.8105	-0.8938	7.1970
Earnings per share	B1	879.52	1176.193	-1552	7523
Earnings per share/ Value of stock market in the end of year	B2	0.1633	0.2501	-1.6016	1.5356
Company size. Earnings per share	B1s	621.5024	1182.72	-1552	7523
Company size. (Earnings per share/ Value of stock market in the end of year	B2s	0.0901	0.2055	-1.6016	1.5356

In this study, in inferential level, it is initially focused on regression classical hypothesizes investment and in next stage, compounded data test investment.

5.1. Classical Regression Hypothesizes Assessment

In order to linear regression classical hypothesizes investment, first, existing or not existing hypothesis of first order self-autocorrelation and then variance sameness hypothesis was tested.

5.1.1. Absence Self-correlation Assessment

Durbin-Watson statistic has been used for absence self-autocorrelation investmentin regression model results. Since, this number is between critical value of 1.5 and 2.5, the problem of self-coefficient type1 does not exist in residuals

Table 3
Durbin-Watson statistic

Hypothesis	Test type	Statistic	Result
1st hypothesis	Durbin-Watson	1.97	not self-coefficient
2nd hypothesis	Durbin-Watson	2.16	not self-coefficient
3th hypothesis	Durbin-Watson	2.06	not self-coefficient

5.1.2. Variance Homogeneity Test

Table number (4) indicates the Variance homogeneity test

Table 4
Variance inhomogeneity test

Hypothesis	Test type	probability	Chi²	Result
1st hypothesis	Variance inhomogeneity test	0.0000	661.49	Variance inhomogeneity
2nd hypothesis	Variance inhomogeneity test	0.0000	555.78	Variance inhomogeneity
3th hypothesis	Variance inhomogeneity test	0.0000	551.48	Variance inhomogeneity

As table (4) results indicated that Chi2 is more than 0.05or inthe otherhand, calculated possibility amount for three patterns is 0/000000. Subsequently, H_0 hypothesis representing variance anisotropy existing in these patterns has been rejected and variance homogeneity problem has been solved by using GLS method.

5.1.3. Flimer

In this F limer test part is used in order to diagnosing any heterogeneity existing between intercept. Then, F limer statistic has been calculated by using obtained squared residuals sum from these two patterns and statistic amount is compared to critical amount.

Table (5), F limer test results shows study hypothesizes.

Table 5
F limer test

Hypothesis	Test type	probability	statistic	Result
1st hypothesis	F limer	0.0000	3.24	panel
2nd hypothesis	F limer	0.0339	1.41	panel
3th hypothesis	F limer	0.00959	1.28	panel

As the F limer test results is less than 0.05, H_0 hypothesis based on common effects pattern proportion or minimum of ordinary collective squares is rejected and panel data method is used in order to estimating of this model. Hausman test is necessary for panel data type defining according to the F limer test results.

5.1.4. Hausman Test

Hausman test results are reported for study hypothesizes in table (6).

Table 6
Hausman test result

Hypothesis	Test type	probability	Chi_2	Result
1st hypothesis	Hausman	0.0008	19.01	Constant effect
2nd hypothesis	Hausman	0.0128	12.71	Constant effect
3th hypothesis	Hausman	0.0209	11.57	Constant effect

By respecting to table (6) results, Hausman statistics amounts have been estimated. Possibility amount is less than 5%. This amount shows that H_0 hypotheses were rejected in 0.05 significance level. Thus, Hausman test recommends constant effects pattern for three hypothesizes.

5.2. Analysis Results of First Hypothesis (H1)

Table 7
Test results of 1st hypothesis

$P_{i,t} = \alpha_0 + \alpha_1 X_{i,t} + \alpha_2 (X_{i,t} \times S) + \alpha_3 D_m + \alpha_4 D_d + e_{i,t}$							
variables	index	Coefficients of constant effects	T statistic	T statistic possibility	GLS coefficient	Z statistic	Z statistic possibility
intercept	α_0	2505.72	7.38	0.000	1621.53	5.18	0.000
Earnings per share	B1	2.08	5.1	0.000	3.36	9.93	0.000
Life cycle of company during maturity phase	Dm	-380.76	-0.75	0.454	-218.05	-0.51	0.609
Life cycle of company during wane phase	Dd	-223.74	-0.33	0.741	241.66	0.45	0.650
(Company size) (earnings per share)	B1S	1.5	3.72	0.000	0.90	2.66	0.008
F statistic	73.52			Determination Coefficient		0.7972	
F statistic possibility	0.0000			Trimmed Determination Coefficient		0.78	
Durbin-Watson statistic	1.974153			statistic wald-chi^2		785.04	
Possibility of statistic wald-chi^2						0.0000	

Table number (7) represents results caused by estimating of relation number (4) using STATA software after generalized squares minimum regression method (GLS) applying for variance inhomogeneity removing. As table (7) shows B1 variable coefficient (earnings per share) equals 3/36 that by one fold increasing in B1 variable (earnings per share), stocks market price amount increased by 3.36 fold. The artificial variables of D_m (for companies in 1 maturity phaseand others

companies0)and D_d (for companies in 1 wane phase and othercompanies 0)were not significant. B1S variable coefficient (B1variable by S company size artificial variable multiplication (for companies who their sizes are less than calculated middle, value one and for more than middle, value 0)) equals 0/90 which stocks current price amount increases 0.90 fold by one unit increasing in B1S variable. Chi2 statistic is 785.04 for Waled chi2 test that is more than table critical amount. soH_0 hypothesis mentioning absence of pattern significant is rejected and this pattern is significant in terms of statistics or in another phrase, admission possibility levels of calculated H_0 hypothesis is 0/0000 which H_0hypothesis has been rejected and it is significant in terms of statistics.

First hypothesis is not rejected by respecting to obtained results. Evidences show that these variables coefficient are significant in 95% confidence level. In price model, profitability has positive and significant effect based on earnings per share positivity. Namely, return stocks increases by earnings per share increases.

5.3. Analysis Results of Second Hypothesis H2:

Table number (8) represents results caused by estimating of relation number (4) using STATA software after generalized squares minimum regression method (GLS) applying for variance anisotropy removing.

Table 8
Test results of 2nd hypothesis

$P_{i,t}/\ P_{i,t-1} = \gamma_0 + \gamma_1 X_{i,t}/\ P_{i,t-1} + \gamma_2\ [(\ X_{i,t}/\ P_{i,t-1})\times S] + \gamma_3 D_m + \gamma_4 D_d + e_{i,t}$							
variables	index	Coefficients of constant effects	T statistic	T statistic possibility	GLS coefficient	Z statistic	Z statistic possibility
intercept	γ_0	0.86	11.94	0.000	0.92	5.18	0.000
Earnings per share	B2	1.68	7.44	0.000	1.21	9.93	0.000
Life cycle of company during maturity phase	Dm	0.05	0.44	0.662	-0.003	-0.03	0.972
Life cycle of company during wane phase	Dd	0.31	1.99	0.047	0.28	2.61	0.009
(Company size) (earnings per share)	B2S	-1.21	-4.08	0.000	-0.72	-2.81	0.005
F statistic	14.5			Determination Coefficient			0.6364
F statistic possibility	0.0000			Trimmed Determination Coefficient			0.61
Durbin-Watson statistic	2.160762			statistic wald-chi^2			44.70
Possibility of statistic wald-chi^2							0.0000

As table (8) shows B2 variable coefficient (division of earnings per share on last stocks price) equals 1.21 that A2 amounts (division of current stocks price on last stock price) increases 1.21 units by one unit increasing in B2 variable (division of earnings per share on last stocks price). D_m artificial variable (for companies in 1 maturity procedure and other companies 0) has not been significant. D_d variable coefficient (for companies in 1 wane procedures and other companies 0) equals 0.28 which A2 amount (division of current stocks price on last stocks price) increases 0.28 units by one unit increasing in D_d variable. B2S variable coefficient (B2 variable by S company size artificial variable multiplication (for companies who their size is less than calculated middle, value 1 and for those more than middle, value 0)) equals -0.72 that A2 (division of current stocks price on last stocks price) reduces -0.72 unit by one unit increasing in B2S variable. Chi2 statistics amount is 44.70 for Waled chi^2 test that is more than table critical amount. So, H_0 hypothesis indicating pattern significant absence has been rejected and this pattern is significant in terms of statistics or in another phrase, calculated H_0 hypothesis admission possibility level equals 0.0000 that is rejected by respecting to H_0 hypothesis and pattern is significant in terms of statistics.

According to the achieved results, second hypothesis is not rejected in this study. Evidences show that this variable has been significant in 95% confidence level. According to positivity of the earning per share to stocks market value in last yearend ratio coefficient, in return model, profitability has positive influence on stocks return. Namely, stocks return increases by earnings per share to stocks market value in last yearend ratio increasing.

5.4. Analysis Results of third Hypothesis

Table number (9) represents results caused by estimating of relation number (4) using STATA software after generalized squares minimum regression method (GLS) applying for variance anisotropy removing.

As the table (9) shows B2 variable coefficient (division of earnings per share on last stocks price) equals 1.03 that A3 amount (division of current stock price changes on last stocks price) increases 1.03 of unit by one unit increasing in B2 variable. D_m artificial variable (for companies in 1 maturity procedures and other companies 0) was not significant .D_d variable coefficient (for companies in 1 wane procedures and other companies 0) equals 0.34 that A3 amount (division of current stocks price on last stocks price) increases 0.34 of unit by on unit increasing in D_d variable coefficient. B2S variable coefficient (B2 variable by S company size artificial variable multiplication (for companies who their sizes are less than calculated middle, value 1 and for those more than middle, value 0)) equals -0.51 that has not been significant in terms of statistics. chi_2 amount is 38.59 for waled Chi^2 test that is more than critical amount so H_0 hypothesis indicating pattern significant absence has been rejected and this pattern is significant in terms of statistics or in another

Table 9
Test results of 3th hypothesis

$$\Delta P_{i,t} / P_{i,t-1} = \beta_0 + \beta_1 X_{i,t} / P_{it-1} + \beta_2 [(X_{i,t} / P_{it-1}) \times S] + \beta_3 D_m + \beta_4 D_d + e_{i,t}$$

variables	index	Coefficients of constant effects	T statistic	T statistic possibility	GLS coefficient	Z statistic	Z statistic possibility
intercept	β_0	-0.18	-2.48	0.014	-0.12	5.18	0.053
Earnings per share	B2	1.27	6.58	0.000	1.03	9.93	0.000
Life cycle of company during maturity phase	Dm	0.12	0.99	0.322	0.07	-0.03	0.384
Life cycle of company during wane phase	Dd	0.31	1.99	0.057	0.34	2.61	0.002
(Company size) (earnings per share)	B2S	-0.94	-2.55	0.011	-0.51	-1.50	0.134
F statistic	11.58			Determination Coefficient			0.5013
F statistic possibility	0.0000			Trimmed Determination Coefficient			0.49
Durbin-Watson statistic	2.160762			statistic wald-chi²			38.59
Possibility of statistic wald-chi²							0.0000

phrase, obtained hypothesis admission possibility level is 0.00000 that has been rejected according to the H_0 hypothesis and this pattern is significant in terms of statistics.

By respecting to the achieved results, third hypothesis of this study is not rejected. Evidences show that this variable coefficient was significant in 95% confidence level. Based on positivity of earnings per share ratio coefficient to stocks market value in yearend, in differenced model, profitability has significant and positive influence on stocks return. Means stocks return increases by increasing in earning per share ratio to stocks market value in last yearend.

6. DISCUSSION

6.1. Firsthypothesis (H1)

By respecting to achieve results, first hypothesis of this study is not rejected. Evidences show that this variable coefficient was has been significant in 95% confidence level. Based on positivity of earnings per share, in price model, profitability has significant and positive influence on stock return. Means return increase by earnings per share increasing. And the two control variable effect of company size and company life cycle on stocks return as well. These conclusions represent that company size has significant and positive influence on stocks return

in price model. However, company life cycle has no influence on stocks return in maturity and wane and relation between company life cycle and return has not been significant. This result shows investor's attention to earnings per share and company size for more return gaining. In other words, investors consider as a point that paying attention on earnings per share and company size as factors influencing directly on stocks return because stocks return will changes by these factors changing or in another phrase, stocks return will increase or reduce by increasing or reducing of earnings per share and company size,But company life cycle has not effect on stocks return.

These findings are consistent with Kousenidisstudy results (2005). In this research, He tested hypothesis based on size variables or company life cycle addition in order to explanatory power improving on stocks return. These results represents the explanatory power of profitability is weak for simultaneous stocks return. When regression was moderated for size considering, results was improved and this theory representing company size as significant factors in profitability and return relation explanatory was reinforced. Although achieved results did not support differenced existing hypothesis between profitability information content for stocks return explanatory according to company life cycle procedures.

6.2. Second Hypothesis (H2)

By respecting to the achieved results, second hypothesis of this study is not rejected. Evidences show that this variable coefficient has been significant in 95% confidence level. Based on positivity of earnings per share to stocks market value in last yearend ratio coefficient, in return model, profitability has significant and positive influence on stocks price. Means stocks return increases by earnings per share to stocks market value in last yearend ratio increasing. And the two control variable effect of company size and company life cycle on stocks return as well. These conclusions represent that company size has significant and negative influence on stocks return in return model, But company life cycle is not significant in maturity period and has no influence on stocks return and has significant and positive relation with stocks return in wane period. This results show that company size has significant and negative influence on stocks return in return model. But company life cycle is not significant in maturity period and has no effect on stocks return and has significant and positive relation on stocks return in wane period. This conclusion reports investors' attention to earnings per share to stocks market value in last yearend ratio and company life cycle in wane period as well as company size negative effect on stocks return for more return gaining. In other words, investors must consider it as point that during investing on stocks they pay attention to earnings per share to stocks market value in last yearend ratio and company life cycle in wane period as factors influencing directly on stock return and company size with reverse relation, because stocks return changes by these factors changing.

In another phrase stocks return increases or reduces by increasing or reducing of earnings per share to stocks market value in last yearend ratio and company life cycle in wane period and stocks return will reduce or increase by stocks return company size increasing or reducing. Company life cycle is not significant in maturity period and has no relation with stocks return.

These findings are consistent with results of Shubitastudy ((Shubita and Alsawalhah 2012)). He investigated the earning and returns relation in Jordan and accounting performance measuring criterions like ROA, ROE and EPS are considered as bases for company performance evaluating. In this study, He checked 67 companies as instance in 2004 by 2011 periods. The results showed that there is a significant and positive relation between earnings and stocks price in price model.

6.3. Third Hypothesis (H3)

According to the achieved results, third hypothesis of this study is not rejected. Evidences show that this variable coefficient has been significant in 95% confidence level. Based on positivity of earnings per share to stocks market value in last yearend ratio coefficient, in differenced model, profitability has significant and positive relation with stock return. Means stocks return increases by earnings per share to stocks market value in last yearend ratio increasing. And the two control variable effect of company size and company life cycle on stocks return as well. These conclusions represent that company size has significant and negative influence on stocks return in return model. However, company life cycle is not significant in maturity period and has no influence on stocks return and has positive and significant relation with stock return in wane period. This conclusion reports investors' attention to earnings per share to stocks market value in last yearend ratio and company life cycle in wane period as well as company size negative effect on stocks return for more return gaining. In other words, investors must consider it as point that during investing on stocks they pay attention to earnings per share to stocks market value in last yearend ratio and company life cycle in wane period as factors influencing directly on stock return and company size with reverse relation, because stocks return changes by these factors changing. In another phrase stocks return increases or reduces by increasing or reducing of earnings per share to stocks market value in last yearend ratio and company life cycle in wane period and stocks return will reduce or increase by stocks return company size increasing or reducing. Company life cycle is not significant in wane period and has no relation with stocks return.

These findings are consistent with Asterio and Dimitropoulosstudyresults. They studied on 4 models which were used by kothari and zimmerman for earnings and return relation investment. They generally showed there is a significant relationship between return and earnings and also, ability of return forecastingis more by usage of obligatory earnings

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