

The Role of the Private Ownership of Economic Value and Rate of Return on Assets

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Abstract—Given that the transfer of state-owned enterprises and privatization in other words more quickly in recent years has taken the present study is to evaluate and compare the performance of public and private companies accepted in Tehran Stock Exchange using measures of economic value added (EVA) and the rate of return on assets (ROA) pay. Statistical analysis of the results that have been obtained by Excel indicates this is the relationship between the percentage of private ownership and the rate of return on assets and economic value added, has a direct and significant and about 0.14 to about 0.07 changes and economic value of changes in asset returns can be explained by means of private property. The relationship between the rates of return on assets is a direct and significant economic value.

Keywords—About privatization, economic value added, the rate of return on assets

I. INTRODUCTION

IN recent years the government's privatization of state-owned shares of companies turned to the private sector. The first time the first program of privatization, economic development, social, cultural years 1368-1373 to improve efficiency and reduce the size of state enterprise in economic activity and optimal use of the opportunities presented according to Article 44 of the constitution, it has taken more quickly. In this study, using data from private and public companies and compare the aforementioned information, in determining the amount of the difference between these companies and to what extent the government is able to achieve the objectives of privatization policy and a measure of economic value and rate of return on assets used to measure performance and the impact of private ownership on the economic value and rate of return on assets has been tested.

II. THEORETICAL FRAMEWORK

Privatization

It is said that a series of privatization measures in the different fields and levels, Ownership, control or management of the public sector and the private sector are handed out. According to the country's overall economic policy should be the role of government ownership and direct management firm policy guidance and oversight to change. Administrative process of privatization, financial and legal governments in many countries to reform economy and administrative system of the country to carry out much broader concept of transferring public assets to the private sector policies and divestiture activities that were previously exclusively refers to

the government. The most positive effects of privatization tend to optimize the size of government and increase the economic growth of the country.

Weaknesses In Accounting Earnings

Economic decisions of users of financial statements requires the assessment of the entity's ability to generate cash, time and uncertainty is created in addition, financial statement results management responsibility or accountability for their stewardship that reflects the resources placed at their disposal.

But the history of accounting, accounting earnings, the most important role has the responsibility to provide this information. However, accounting earnings also have shortcomings, including the fact that companies can use to sell assets, to manage earnings. If the defect is Income before interest expense lenders considers, and the share of taxes paid to the government through, however, the expected return to shareholders, who are responsible for the major role in financing the company does not consider. The next shortcoming in accounting earnings is that accountants can simply manipulate it in such ways as:

Inventory valuation methods such as LIFO or FIFO
Fixed asset depreciation methods: straight line, such downside

Ways of dealing with capital costs such as research and development costs to expense accounts in the same period or as long-term assets are depreciated.

Stored Procedure: The maximum amount of these fees directly to the professional judgment of Company Directors and is determined by looking at the processes that affect profitability.

Consolidated goodwill amortization methods: Businesses can combine the interests of the Union or the shopping done in one of two ways.

In the interests of unity method is basically no such thing as consolidated goodwill while the purchase method of combination locks make annual depreciation costs and reduce profits to follow.

The Concept Of Economic Value Added (EVA)

Equity is an economic resource and the opportunity cost is the opportunity cost of equity in the financial statements is not considered. EVA subtracting the opportunity cost of equity, net income comes so a measure of the opportunity cost of all resources used by the company to consider. If net profit is equal to the opportunity cost of capital employed, the company has not created any value, even if the net amount is too large the shareholders by investing in other projects with similar risks, returns will equal the cost of acquisition

opportunities. And the net profit is less than the opportunity cost of capital employed will decrease firm value. Only when the net profit of the company is greater than the opportunity cost of capital employed, increased corporate value and shareholder wealth is increased accordingly.

Application Of EVA

EVA applications can be summarized as follows:

- A) Internal applications: a management tool for performance measurement, benchmarking of productivity tools for explaining the relationship between ownership and Management Company, means matching costs with revenues
- B) External Applications tool for investment, a measure of stock price forecasting, assessment of value creation framework, financial management, corporate valuation techniques, and capital budgeting criteria .

Rate Of Return On Assets (ROA)

One of the measures of performance, return on assets is calculated. Return on assets and the company's ability to generate profit in relation to the total amount invested in the company to measure. The simplest form of profitability analysis, communication between reported net income and total assets reflected in the balance sheet is calculated that way.

$\text{Total assets} / \text{net assets} = \text{Return}$

But if a company fails to meet its investment proportion will increase your profit reduced rate thus increasing the volume of Investment Company gets itself will not improve shareholder.

This ratio is used to measure management practices and management efficiency in using assets to generate net profits of the show.

Review Of Literature:

Karim Ansari and investigative power of traditional accounting standards and the new criteria are based on the increase in value added in explaining changes in the market were examined.

The results indicate a 95% confidence level greater explanatory power produced EVA compared with traditional measures of accounting CVA and EVA measures were refined. Thus there is the most relevant criterion for assessing the economic value of managing for shareholder value creation. Hassan Abaqry in 1386 as the impact of ownership structure on financial performance of companies, research groups listed chemical industry has for this purpose, the ratio of rate of return on assets and return on equity has been used, results of this study indicate that the rate of return on assets in state-owned enterprises, private enterprises are more desirable chemical groups of the group, but the ratio is equal to ROE.

Research Hypotheses:

First Hypothesis: The increase in the share of private sector companies accepted in Tehran Stock Exchange, EVA increases.

Second hypothesis: the increase in the share of private sector companies accepted in Tehran Stock Exchange rate of return on assets increases.

Scope Of Research

Four-year period from 1383 to 1386 field investigation included all the listed companies in Tehran Stock Exchange; the following conditions must be met:

- 1- Companies that before 83 years were accepted in Tehran Stock Exchange.
- 2- At least once a year to have their shares traded on an exchange.
- 3- Because of comparability, the end of their fiscal year ending in March, and the scope of its financial year when the survey have not changed.

Some of the listed companies, including banks and financial institutions (investment companies, financial intermediaries, holding, banks and leasing s) due to the nature of their activities are excluded from the target population .

Research Methodology

The purpose of this study is given in terms of practical implementation method, descriptive and correlation. In this study, the relationship between the dependent and independent variables were assessed using Pearson and Spearman correlation coefficients are examined and the relationship between variables and the impact of the independent variable on the dependent variable together with the data is analyzed.

Data from various sources on the financial statements of companies and websites has been collected and analyzed by Excel software.

Test research hypotheses

First hypothesis: the rise of private ownership of listed companies in Tehran Stock Exchange, EVA increases. The Pearson correlation coefficient between the two variables of private property and economic value of listed companies in Tehran Stock Exchange with a value of 0.373 Spearman correlation coefficient is 0.344 both test is significant at 99% confidence. To examine the impact of private ownership of economic value added regression test was used. The overall ratio test statistic 25.497 99% confidence level, is significant. Slope coefficient of variable is 5.059 whereas the private ownership of EVA with 99% confidence level is significantly positive. We can therefore assume that: "With the rise of private property EVA increases."

R-squared value of 0.139 indicates a unit increase in the percentage of ownership in the private sector increased by 0.14 of EVA occurs.

Second hypothesis: the rise of private ownership of listed companies in Tehran Stock Exchange rate of return on assets increases. The Pearson correlation coefficient between the two variables and the rate of return on assets of privately owned companies in Tehran stock exchange value of 0.259 and the Spearman correlation coefficient is 0.217; both tests are significant at the 99% confidence level. To examine the impact of private ownership on the rate of return on assets of listed companies in Tehran Stock Exchange of regression testing is used. The overall coefficient of 11.343 test statistic is significant at 99% confidence level, which implies a linear relationship between two variables. Slope coefficients vary private sector rates of return on corporate assets statistic 3.368, 99% confidence level is significantly positive. We can

therefore assume that: "With the rise of private ownership of listed companies in Tehran Stock Exchange rate of return on assets increases."

R-squared value of 0.067 indicates that with an increase in the percentage of units owned by the private sector, an increase of 0.07

III. CONCLUSIONS

This study clearly demonstrates the privatization of the companies surveyed are in bloom and grow and the results expressed its Stump is the diminishing role of the state in charge of the case, can be expected to increase the economic value and rate of return on the asset.

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