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## **THE AMOUNT OF EXCESS CASH HOLDINGS AND THEIR INFLUENCE ON ABNORMAL RETURNS IN IPO'S IN TEHRAN STOCK EXCHANGE**

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### **ABSTRACT**

This study investigates the extent of surplus cash holdings and their influence on abnormal returns in initial public offerings of stock in Tehran Stock Exchange. The 101 companies during the period 2003 to 2012 were selected. Selective approach to testing hypotheses, examining cross-sectional data Regression testing analysis and compared statistically independent samples was used to test hypotheses. The results show that the retention surplus cash holdings by firms and abnormal returns in initial public offerings of stock, there general relationship between. In general, there is no significant relationship. But tests determined that for each year of. But the procedure was determined for each year of. During the 2005 years (significant negative association) and 2009 years (significant positive relationship), there. Also, the stability of the cash surplus items stored during some years now have changed and so we can say is unsustainable. Given the similarity of the average abnormal returns varied over the study period. One can say that the variable of interest over the years has remained stable. During the years of said the variable of interest has remained stable.

**Keywords:** *Cash Holding, Abnormal Return, Initial Public Offering*

### **INTRODUCTION**

Capital markets are so important in developing economic activities, investment and optimal allocation of capital; capital market is a market in which stock and whole securities of different companies are presented for sale, suppliant companies can simply provide their required funds with rather little expense. These markets also make people be able to invest their savings funds though little in presented securities and shares in stock exchange; so, they are apportioned in resulted earnings from companies' activities. Therefore, it is appeared why the role of the markets is great in each country's economy and how their importance is. Broad securities' offering to investors is called public offering and the first public issuance of securities by a company is regarded as initial offering. The basis of each scientific research is its design, because the researcher bases his whole researches on it. In this step, the research's problem is specified and the researcher finds out that what unknown thing is for him and what he should make revealed. He studies the problem's aspects in order to define it. It is reviewed the related literature for determining the possible variables and on its basis, the research's hypotheses are provided. Then, he determines descriptive and causal variables; after that, statement of the problem is embarked on according to its nature and features. In this regard, the present chapter, titled "the research's totalities", looks at the study highly and generally and makes the reader familiar with which is being analyzed. The general purpose of the present research is to study surplus cash and to explain its relationship with stock unusual returns of newly accepted companies in Tehran stock exchange.

Therefore, the research's problem is firstly presented. The purpose of this section is to be generally familiar with the subject of the study and to understand scientifically its aspects. In the following, according to the research's questions, some hypotheses will be presented, the research's basic variables will be explained and the method of their measurement will be declared. Finally, the manner of data analysis and hypotheses test is generally determined. In the regard of value analysis made for shareholders, a company's cash flows are of certain importance. Managers can invest the intended funds in the projects with positive net present value by using the determination of appropriate growth

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opportunities, and then, increase their shareholders' wealth. According to the conflict of interest theory between managers and possessors, it is possible for some managers to be enforced to invest surplus cash flows in the projects with negative net present value in order to secure some of their personal interest in short-term. As a result, managers have wasted these funds, instead of paying them to shareholders. Jensen (Agency Cost Of Free Cash Flow, Corporate Finance, and Takeovers, 1986) was the first person who analyzed the mentioned problem in the form of his well-known theory. He regarded the resulted expenses from surplus cash remainder as the expenses which have been invested in the projects with negative net present value. In Jensen's viewpoint, the enterprises with high surplus cash and little growth attempt to supply their short-term interests by using wrong investment of cash flows.

In the present research, holding surplus cash in statistic sample companies will be studied by presenting a conceptual model. Furthermore, it will be surveyed the stability or instability of holding cash during various periods of time. Therefore and according to mentioned discussions, it will be studied the effect of surplus cash on stock unusual return of freshman companies in Tehran stock exchange.

### **Research Hypotheses**

The studies show that researchers have paid attention to some factors like growth opportunities, debit amount, financial leverage and company size, companies' credit and profitability in the explanation of holding surplus cash. Moreover, it is approved that surplus cash remainder has inevitable effects on companies and their investment method as well as the treatment of company's management for these funds (Garcia *et al.*, 2009; Harford *et al.*, 2008; Opler *et al.*, 1999).

On this basis, it is predicted that there is a significant relationship between surplus cash and stock unusual return. Therefore, hypotheses of the research have been provided and tested as follows:

**First Hypothesis:** There is a significant and positive relationship between surplus cash holding and unusual return in IPO.

**Second Hypothesis:** There is a significant and positive relationship between stability and instability of surplus cash and unusual return in IPO.

## **MATERIALS AND METHODS**

### **The Studied Population**

The population of the present study includes all accepted companies in Tehran stock exchange except financial medium companies and banks. Sample selection is performed among the accepted companies in Tehran stock exchange by paying attention to the following criteria:

- 1) Fiscal year is ended in March (Esfand).
- 2) The company would not have fiscal year change during the studied period.
- 3) The company's transactional symbol is active and should be transacted once in a year.
- 4) The company's financial information is accessible during the studied period of time.

So, sampling method is systematic omission, and according to the presented considerations, the companies not having the intended conditions have been omitted.

### **The Research's Variables**

#### **Independent Variable**

The independent variable of the present research is surplus cash which is computed as follows:

$$(1) LIQ_{i,t} = MTB_{i,t} + SIZE_{i,t} + LEV_{i,t} + OCF_{i,t} + NWC_{i,t} + \epsilon_t$$

$$(2) XLIQ_{i,t} = ALIQ_{i,t} - (BLIQ_{i,t} + 1.5\delta_{i,t})$$

LIQ: surplus cash (banks' supply and short-term bank deposit)

MTB: the company's growth opportunities (the proportion of capital market value to asset's book value)

SIZE: company size (real logarithm of whole assets)

LEV: degree of financial leverage (the proportion of total current and non-current liabilities to total assets)

OCF: operational cash flow (divided to total assets)

NWC: net working capital (divided to total assets)

XLIQ<sub>i</sub>: surplus cash in the company

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ALI<sub>Q<sub>i</sub>, t</sub>: real surplus cash in the company  
 BLI<sub>Q<sub>i</sub>, t</sub>: the desired surplus cash (computed by regression pattern)  
 δ<sub>i,t</sub>: regression model's standard deviation of holding cash

*Dependent Variable*

The research's dependent variable is cumulative unusual return which will be computed as follows:

$$(3) \Gamma_{it} - \Gamma_{mt}$$

$$(4) R = \frac{(1 + \text{priority percentage} + \text{bonus shares percentage})P_t - P_{t-1} + DPS - (1000 \times \text{priority percentage})}{P_{t-1}}$$

For market return, it is also used the following relation:

$$(5) \frac{I_{mt} - I_{m0}}{I_{m0}}$$

$$(6) AR_t = \frac{1}{N} \sum_{i=1}^n ar_{it}$$

$$(7) CAR_{q-s} = \sum_{t-q}^s ar_{it}$$

r<sub>it</sub>: the company's stock return  
 3 r<sub>mt</sub>: price index return and Tehran stock exchange dividend (TEDPIX)  
 ar<sub>it</sub>: stock unusual return (adjusted to stock exchange return)

:  $R_{i,t}$ : the company's total stock return  
 :  $P_{i,t}$ : the mean of company's share price  
 :  $P_{i,t-1}$ : the mean of company's share price  
 :  $D_{i,t}$ : the distribution of shares possession interests in the period of cash profit

I<sub>mt</sub>: price index and dividend at the end of the month  
 I<sub>m0</sub>: price index and dividend in the beginning of the month  
 ART: the average rate of unusual return  
 n: share number in a month

**Related Literature**

Lucan and Fret (2005), by study of the subject during the years 1991 – 1996 in Thailand, indicated that managers' profit estimate is optimistic (the foreseen profit more than real profit) and on the other hand, there is a positive relationship between profit estimate error and long-term unusual return, but this relationship is not significant. Zheng (Information uncertainty and stock returns, 2006), in his research, studied the relationship between freshman companies' characteristics and managers' prediction. His sample was 3186 freshman companies in Canada stock exchange during the years 1982 – 1988. The results determined that there is a positive and significant relationship between cheap wholesale and some variables like annual sale growth and pre-tax profit. Tian (2007) studied the systematic cheap wholesale in Shanghai's and Shenzhen's stock exchanges. His sample included 1397 freshman companies during the years 1991 – 2004. His findings declared that there is a significant relationship between confidential information and share's initial return. He regarded investment risk in initial market and governmental rules as cheap wholesale reasons, because governmental rules cause rationing in initial offering and limit share offering. Krishnan (2007) studied the subject whether company credit (company reputation) has a direct relationship with long-term stock performance in initial public offerings. Cai *et al.*, (2008) by using stock exchange's data of Shanghai, China, have studied long-term stock performance in initial public offerings and the factors effective on it. The results of their study showed some levels of uncommon performance. Furthermore, inordinate initial optimism and the size of stock offeror company were important explanatory factors for this uncommon performance. Opler *et al.*, (1999) Surveyed effective factors on companies' surplus cash in USA for periods of 1971 – 1994, and found out that companies with higher growth opportunities and cash flows with higher risk hold much more cash rather than total non-

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cash assets. Azkan and Azkan (2004) studied a sample of English companies during the years of 1984 – 1999, and showed that there is specifically an important relationship between the amount of management's possession in companies and the company's cash funds, growth opportunities, cash flows, mobile asset, financial leverage and bank liability are generally important factors in determining the amount of company's cash balance. Ferira and Villa (2004) studied a sample of the companies of European Monetary Union's countries during the years 1987 – 2000 whose results indicate that cash balance is positively influenced by investment opportunities and cash flows, and is negatively affected by cash ability of assets, financial leverage, and size as well as bank liabilities.

Aghaei *et al.*, (2010) embarked on the survey of the factors effective on holding cash balances in accepted companies in Tehran stock exchange. Their selective sample includes 283 companies and their study period is during the years 2000 – 2005. The results of the research shows that received accounts, net working capital, merchandise inventories and short-term liabilities are of the most important factors having negative effect on holding cash balances, in sequence. On the other hand, the company's growth opportunities, stock dividends, cash flow fluctuation and net profit are of the most important factors having positive effect on holding cash balances, in sequence; but there are not sufficient evidences for the negative effect of long-term liabilities and companies' size on holding cash balances. According to the developments accomplished during the recent several years in Tehran stock exchange, they are performed different researches about various financial subjects. The first research was accomplished by Ghodrat Allah Talebnia titled "the problems of share pricing of the companies involved in privatization and suggesting an appropriate method for suitable pricing for them"; he attempted to emphasize or reject the relationship between initial price of done transactions of the companies involved in privatization and pricing based on practical theories, and finally, the principal hypothesis of the research has been rejected. Subsequent studies as complement of the mentioned study are presented by Hamid Reza Imani in 2003. The present research studied initial offerings of Tehran stock exchange during the years 2002 – 2003. This research presented various hypotheses about initial offering whose results showed the rejection of some hypotheses and the acceptance of other hypotheses.

AbdehTabrizi and Damvari (2003), in their research titled "the identification of effective factors on stock long-term return of newly accepted companies in Tehran stock exchange", surveyed the companies whose shares were issued in Tehran stock exchange for the first time. This research studied freshman companies in Tehran stock exchange during the years 1990 – 1995 and examined specifically the effective factors on the companies' long-term return; these factors include: the volume of share annual transactions, the company's size and the resulted short-term return from the related companies' shares transactions. The results of the research have indicated more stock long-term return of freshman companies in the market than market index and less stock long-term return of the companies than the market index. So, they have regarded the performance of freshman companies in Iran's stock exchange as similar to the capital markets of different countries. ZarifFard and Mehrjoo (2004) have studied the performance of share pricing in freshman companies in Tehran stock exchange. In this research, it is surveyed stock short-term return of 91 freshman companies during the years 1999 – 2003. The results showed that newly accepted companies' short-term return has been more than the market's return. Imani (2010), in a research titled "the study of the companies' shares pricing in their initial offering to stock exchange", surveyed the difference between share price in initial offering and subsequent prices as well as effective factors on this price difference in accepted companies during the years 2002 – 2003 in a 3 – month period of time. The results of his research indicated that p/e value of the company, industry type, the time of share offering and the amount of company's asset are effective on share price differences, but the percentage of share offering has no effect. Qaemi (2006), in a research titled "the study of stock short-term return of freshman companies in stock exchange", studied the relationship among the offered share volume, company size, market's conditions, possess situation and the existence of similar companies with new share unusual return. The results from 153 sample companies indicated the relationship between market's conditions variables and the existence of similar companies with share unusual return. Ashtab (2007), in a research titled "the study of the relationship between share prediction accuracy and stock unusual return of

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freshman companies in stock exchange", surveyed the stock of freshman companies during the years 1999 – 2005. The results showed that there is a significant difference between the foreseen profit and actual profit of stock. Moreover, there was a negative relationship between share prediction accuracy and new shares' unusual return. Bagherzadeh (2007), in his research titled "the role of accounting information in pricing of the shares of freshman companies in Tehran stock exchange", concluded that initial offerings of stock during the years 2004 – 2007 have been priced under-reliance rather than transactional price at the end of the first month that led to the share's positive unusual return. Its major reasons were theoretical consequences of informing and information asymmetry in Tehran stock exchange. In 2009, there was also a research titled "the study of share pricing method in initial offering" performed by Zahra Moradi in which some hypotheses were presented in relation to stock initial offering in Tehran stock exchange during the years 2001 – 2008. The hypotheses consist of investor's reaction, the number of days when new share price is recorded as well as accounting variables such as EPS, p/e and several subsidiary hypotheses; the result of the research showed that the number of days for recording share price in Tehran stock exchange has been averagely about 19 days during the studied years, and among the studied variables, just p/e variable has been effective on short-term performance of IPO. As the last research performed until now, Elham Tajik's research was performed during the years 2009 – 2010 which embarked on explaining financial and non-cash factors on short-term performance of IPO in Tehran stock exchange. This research calculated and analyzed the three-month return of IPO during the years 2004 – 2008; during the intended years, 56 freshman companies entered Tehran capital market that some studies have been performed about short-term performance of the companies' stock, and in the following, the effect of financial and non-cash factors in the form of 5 variables on short-term performance of IPO has been tested. The studied variables in this research included: the volume of share issuance, reputation amount of audit firms of financial statements of freshman companies, capital possession amount of natural and legal persons, the possession type of the company newly entered to stock exchange (governmental/personal) and the amount of company's asset that the effect of the intended items on short-term return once separately and the other time in a combined form, on short-term performance of IPO, was studied and measured.

Kashani and NaghiNejad (2009) selected a sample of 78 accepted companies in Tehran stock exchange during the years 2001 – 2006, and studied the effect of financial constraint on the sensitivity of cash balance. They showed by using the criteria of company size, company age, the proportion of dividend and the enterprise as an agent of financial constraint that cash flows do not have any significant effect on the levels of holding cash, and there is no significant difference between the sensitivity of cash flows – cash of the companies with financial constraint and the companies without any financial constraint. Tehrani and Hesarzadeh (2009) studied the effect of free cash flows and financial supply constraint on more investment and low investment in 120 accepted companies in Tehran stock exchange during the years 2000 – 2006. The results indicated that the relationship between free cash flows and more investment is direct and statistically significant. There was no significant relationship between the constraints of financial supply and low investment in accepted companies in Tehran stock exchange. Fakhari and Taghavi (The quality of accruals and cash balance, 2009) surveyed the effect of accruals' quality on the companies' cash remainder by using a sample of 150 companies during the years 2002 – 2006. This research has measured accruals' quality by Decho and Dicho model. The results showed that there is a negative and significant relationship between accruals' quality and cash remainder; it means that accruals' quality is important and relevant as an effective factor on the amount of cash balance. Mashayekhi *et al.*, (2005) studied the relationship between optional accruals and the resulted cash from the activities in manufacturing companies of Tehran stock exchange, and showed that earnings management is existed and the management applies optional accruals as the compensation for the reduction of the resulted cash from the activities. Review of related literature shows that some factors like growth opportunities, liabilities, financial leverage and company's size have been considered by researchers in the explanation of holding residual cash. Furthermore, these studies indicate that residual cash remainder has inevitable effects on companies and their investment manners as well as the treatment of company's management to

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these funds. It was conducted a study by SalehiNejad and Rabiei in 2011 about valuable residual cash. The result shows no relationship between these two variables.

**Findings**

The present section reports the research findings.

1- The situation of statistical distribution of the studied variables

In order to study the normality of statistical distribution of the variables of XLIQ and AR, Kolmogorov-Smirnov test was applied. Table 1 shows the related values of Z and Sig to the intended test separately from 2003 to 2011, and table 2 determines totally the values of the intended parameters (from 2003 to 2011). Having mentioned Sig value is more than 0.05, the studied variables have normal distribution. Figures 2 and 3 show the histograms of AR and XLIQ variables' frequency distribution.

**Table 1: The values of Z and Sig related to Kolmogorov-Smirnov test for the studied variables in separated years**

Sig	(K-SZ)	Variable	Year
0/335	0/961	XLIQ	2003
0/243	1/026	AR	
0/342	0/952	XLIQ	2004
0/089	1/247	AR	
0/362	0/923	XLIQ	2005
0/998	0/397	AR	
1/000	0/320	XLIQ	2006
0/875	0/592	AR	
0/457	0/855	XLIQ	2007
0/743	0/681	AR	
0/389	0/903	XLIQ	2008
1/000	0/341	AR	
0/957	0/511	XLIQ	2009
0/969	0/491	AR	
0/792	0/650	XLIQ	2010
0/522	0/814	AR	
0/493	0/832	XLIQ	2011
1/000	0/335	AR	

**Table 2: The values of Z and Sig related to Kolmogorov-Smirnov test for the studied variables generally from 2003 to 2011**

Sig	K-S (Z)	Variable	Year
0/965	0/485	XLIQ	generally from 2003 to 2011
0/062	1/351	AR	

2- The results of the research's hypotheses test

Now this research has come at a stage where the presented hypotheses in chapter 3 can be tested by using the attained information from companies and applying SPSS software.

3- The first fundamental hypothesis:

There is a positive and significant relationship between holding residual cash and unusual return in "IPO". According to the results of the mentioned tables, there was a negative and significant relationship between QILX and AR with 5% error level in 2005 (Sig<0.05), i.e. the value of AR has been decreased with increasing XLIQ value.

In 2009, there was a positive and significant relationship between XLIQ and AR (Sig<0.05). Therefore, with the probability of 95 percent, it can be said that the increase of XLIQ has increased AR value. In other cases, there was no significant relationship in 5% error level.

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**Table 3: The value of Pearson correlation coefficient (R) and the significant value (Sig) of the studied coupled variables, separately from 2003 to 2011**

Relationship type	Sig	R	Variables	Year
---	0/171	-0/248	XLIQwithAR	2003
---	0/959	-0/009	XLIQwithAR	2004
Significant - negative	<b>0/014</b>	-0/614	XLIQwithAR	2005
---	0/384	0/232	XLIQwithAR	2006
---	0/820	0/180	XLIQwithAR	2007
---	0/995	-0/004	XLIQwithAR	2008
Significant - positive	<b>0/003</b>	0/997	XLIQwithAR	2009
---	0/924	0/041	XLIQwithAR	2010
---	0/722	0/278	XLIQwithAR	2011

**Table 4: The value of Pearson correlation coefficient (R) and a significant value (Sig) of the studied coupled variables, generally from 2003 to 2011**

Relationship type	Sig	R	Variables	Year
---	0/891	-0/014	AR With XLIQ	Generally (from 2003 to 2011)

**The Study of Regression Model**

To study the effect of independent variable (XLIQ) on dependent variable (AR) with separated years as well as generally, regression model was used. The studied regression model is as follows:

$$\beta_0 + \beta_1 = \text{XLIQ}$$

In order to indicate the significance or insignificance of regression models on data value, analysis of variance information related to the tables of 15 and 16 was used. According to the values of Sig and F statistic, it was determined that during the years 2005 – 2009, the fitting regression models given between AR as dependent variable and XLIQ as independent variable were significant (Sig<0.05). The given fitting models were not significant in other cases.

Table 17 shows the related information to the values of coefficient of determination and adjusted coefficient of determination for the years when the given fitting model is significant. The values of two mentioned parameters determine a percentage of the changes of reply variable which is explained by the given explanatory variable. Table18 has presented the regression coefficients for the years when the given fitting regression model was significant. On the basis of t statistic value and Sig value, all the computed coefficients could be placed in the applied regression model, because the related Sig value to these coefficients was less than 0.05.

**Table 5: The relative information to regression model between dependent variable (AR) and independent variable (XLIQ), separately from 2003 – 2011**

Durbin – Watson statistic	Model type	Sig	F statistic	Independent variable	Dependent variable	Year
2/046	---	0/171	1/966	XLIQ	AR	<b>2003</b>
1/090	---	0/959	0/003	XLIQ	AR	<b>2004</b>
1/936	Significant	0/042	312/027	XLIQ	AR	<b>2005</b>
2/997	---	0/384	2/103	XLIQ	AR	<b>2006</b>
1/662	---	0/820	0/067	XLIQ	AR	<b>2007</b>
2/935	---	0/995	0/000	XLIQ	AR	<b>2008</b>
1/980	Significant	0/003	334/641	XLIQ	AR	<b>2009</b>
2/130	---	0/924	0/010	XLIQ	AR	<b>2010</b>
3/195	---	0/722	0/167	XLIQ	AR	<b>2011</b>

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Durbin – Watson statistic shows the number 1.936 for the year 2005, and the number is close to 2, which indicates the lack of self-correlation (the difference between actual value and the foreseen value by regression model) among the variables. Moreover, in the year 2009, Durbin statistic shows the number 1.980 and it is close to number 2, which indicates the lack of self-correlation (the difference between actual value and the foreseen value by regression model) among the variables. Therefore, according to the research's data, it can be said that the first hypothesis of the research (with separated years), i.e. the existence of positive and significant relationship between surplus cash and unusual return during the years 2005 – 2009 with 5% error level, is supported. And the computed coefficients in the mentioned years can be used in regression model.

**Table 6: The related information to regression model between dependent variable (AR) and independent variable (XLIQ), generally from 2003 to 2011**

Durbin – Watson statistic	Model type	Sig	F statistic	Independent variable	Dependent variable	Year
1/950	---	0/891	0/019	XLIQ	AR	Generally (from 2003 to 2011)

Durbin-Watson statistic shows the number 1.950 for the entire period under consideration and it is close to the number 2 that indicates the lack of self-correlation (the difference between actual value and the foreseen value by regression model) among the variables. Therefore, based on the research's data, it can be presented that the first hypothesis of this research (entire years), i.e. the existence of positive and significant relationship between surplus cash and unusual return with 5% error level, is rejected. And these coefficients cannot be applied in regression model.

**Table 7: Coefficient of determination and adjusted coefficient of determination for significant models of given fitting**

Adjusted coefficient of determination	Coefficient of determination	Independent variable	Dependent variable	Year
0/253	0/377	XLIQ	AR	2005
0/991	0/994	XLIQ	AR	2009

**Table 8: Regression coefficient for significant models of given fitting**

Sig	Statistic t	value $\beta_1$	Regression coefficients	Independent variable	Dependent variable	Year
0/021	1/865	2/23	$\beta_0$	XLIQ	AR	2005
0/014	-1/740	-0/00006	$\beta_1$			
0/002	-23/969	-8/71	$\beta_0$	XLIQ	AR	2009
0/003	18/293	0/000022	$\beta_1$			

**Regression Model's Formula**

$$AR = 2.23 - (0.00006 * XLIQ)$$

**Testing the Second Main Hypothesis**

"There is a positive and significant relationship between stability and instability of surplus cash and unusual return of IPO."

The mentioned hypothesis is studied by analysis of variance method (one-sided ANOVA). To study this hypothesis, the comparison of AR and XLIQ variables' means is used. By using this test, it can be concluded whether the mean of each of the studied variables has been changed during the years 2003 – 2011. The subject leads to the existence of stability or instability of the studied variables.

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To compare the means of the studied variables (AR and XLIQ) from 2003 to 2011 by using parameter tests, it is obligatory to make one of the two conditions of normality of data distribution or the variance being homogenous among the groups. According to the normality of data distribution (table 11), one-sided ANOVA or F-Test was used to compare the means.

**Table 9: The related information to one-sided ANOVA test for XLIQ**

Sig.	F	Mean Square	df	Sum of Squares	
0.000	4.070	1218285976020.91	8	9746287808167.27	Between the years
		299324126555.99	92	27537819643150.92	Within the years
			100	37284107451318.19	Entire

**Table 10: The related information to one-sided ANOVA test for AR**

Sig.	F	Mean Square	df	Sum of Squares	
0.562	0.849	19.58	8	156.65	Between the years
		23.06	92	2121.40	Within the years
			100	2278.04	Entire

**RESULTS AND DISCUSSION**

**The Results of Testing First Hypothesis**

The first hypothesis was declared as "there is a positive and significant relationship between holding surplus cash and unusual return in IPO."

In order to study the relationship between AR and XLIQ variables from 2003 to 2011, and generally according to data distribution normality, Pearson correlation analysis was used.

The results of statistical analysis show that there is a negative and significant relationship between AR and XLIQ in 2005 with 5% error level (Sig<0.05), i.e. with the increase of XLIQ values, AR value has been decreased. Furthermore, there is a positive and significant relationship between XLQ and AR in 2009 (Sig<0.05). Therefore, with 95 percent probability, it can be said that in the mentioned year, XLIQ increase has led to increase AR value. In other cases, there was no significant relationship in 5% error level. Moreover, there was generally no significant relationship between the studied coupled variables (from 2003 to 2011). The results of SalehiNejad and Rabiei (2011) research indicated that there is no significant relationship between surplus cash and the company's value.

**The Results of Testing Second Hypothesis**

The second hypothesis presented that "there is a positive and significant relationship between stability and instability of surplus cash and unusual return of IPO."

According to being homogenous of variance among groups and by using one-sided ANOVA test, the results of statistical analysis showed that Sig value is less than 0.05; so, with 95% confidence level, it can be concluded that there is a significant difference for XLIQ among different years. Tukey's test indicated that the year 2008 had a significant difference with the years 2003, 2004, 2005, 2010, 2007 and 2009, and in can be concluded that surplus cash has not been stable during different years.

Considering that Sig in unusual return is more than 0.05, so variances are homogenous. Using one-sided ANOVA test determined that Sig is more than 0.05, then it can be concluded that there is no significant difference among AR means during the years in 5% error level and they are the same during different years.

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### The Suggestion of the Research's Results

The first hypothesis was presented as "there is a positive and significant relationship between holding surplus cash and unusual return in IPO. By performing the relative test, the statistical hypothesis was approved for the years 2005 and 2009. So, in the case of buying freshman companies' shares, it is suggested to investors not to rely on surplus cash as share selection variable for investment. The second hypothesis was presented as "there is a positive and significant relationship between stability and instability of surplus cash and unusual return of IPO". This hypothesis was not affirmed for surplus cash variable and surplus cash is not stable in different years, but unusual return is stable during different years. This variable is also able to help investor's select freshman companies' shares.

According to the role of transparent, reliable and timely information in decision making, help improve market and public participation in investment, the following suggestions is being made. Considering much more emphasis of stock exchange department as well as auditing organization as compilation reference of auditing standards on accounting information quality, information disclosure and surveying its accuracy, it would be helpful to determine the part of financial information which is more capable of management and manipulation; furthermore, it is helpful in final purpose of capital market, namely, equitable sharing of sources by valuation, to much more emphasize the standards which are more exposed to this subject.

It is suggested to financial analyzers who use technical tools in stock exchange to pay much more attention to future-oriented and prospective-oriented prediction methods.

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