Using Earnings Prediction Models For Evaluation of Business Continuity In The Iraqi Stock Exchange: An Empirical Study

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Abstract

The study aims to identify the possibility of applying capital asset pricing models in measuring and predicting the market value of shares in the Iraqi stock market companies for the period from (2016-2019) by applying models (accounting evaluation, cash dividend distribution, cash flow). The research sample consists of (14) companies distributed over seven sectors. The annual reports of the research sample were studied using the correlation coefficient and simple regression method to achieve the objectives. The study concluded that the accounting valuation model showed a high ability to predict the market value of the share better than the rest of the models, where the models' ability reached (78%, 14%, 7%) respectively. The study recommended the adoption of an accounting evaluation model to measure and forecast the market value of companies 'shares. The annual statements of business companies should contain information that includes forecasts of future earnings.

Keywords: Accounting valuation model, cash dividend model, cash flow model, stock market value, forecast.

Introduction

Stock markets play a role in the economic development process because they play an essential role in attracting investors and that the success of these markets requires providing the most significant amount of data and information about companies that are reflected when publishing the economic situation of companies, potential investors, financial analysts and government agencies who know the financial position of companies

Common stocks are one of the most popular and acceptable investments among investors. Among the justifications for its acceptability is that it yields different returns, making it compatible with the interests and needs of foreign investors, and the primary aim of the research is to evaluate common stocks. And determining whether the market value of the shares is valued more or less than it should, which will help investors make investment decisions related to buying, selling, or keeping stocks.

The market value of shares is of interest to many current and potential investors, financial analysts, relevant government agencies, and those interested in economic affairs. Many factors affect the market value of stocks, whether from within the company or from the money markets. These factors play an essential role in determining the market price and expectations.

This attempt came to research the extent of the ability of capital asset pricing models to predict the market value of the stock and determine the best of these models and the area to which the models can be applied in the shareholding industrial companies listed on the Iraq Stock Exchange.

The research was divided into four axes. The first topic included the research methodology and previous studies. In contrast, the second topic focused on the theoretical aspect of the research, while the fourth axis had the most important conclusions and recommendations reached by researchers.

- ### the concept of common stock

The common stock is a title document with a nominal value, book value, and market value. The face value is the value recorded on the share voucher and is usually provided for in the articles of association. As for the book value, it represents the value of shares that do not include the preferred shares divided by the number of ordinary shares issued, and finally, the market value is the value by which the stock is sold in the market, and this value may be more or less than the nominal value or the book value (Hindi, 2010: 533)

Shares constitute the capital subscribed (or added) by investors, which includes their financial contributions and determines their company's ownership. Therefore, both the declared capital and the actual capital contributed to it all reflect the total value of the shares obtained by the investors (Jerjawi, 2008: 50)

Public shares are defined as a financial document issued by joint-stock companies with a fixed nominal value (which is the little value). The nominal values are the value that includes the equal rights and duties of their owners. People get these resources in the primary markets, where the resources are made available to everyone, and they may be exchanged in the secondary markets. Therefore, they are subject to changes in their market value continuously and for various reasons. (El-Helou, 2010: 34). Another definition of shares is that it is a document confirming the shareholder's right to own part of its capital. Therefore, it represents the original owner of the institution and is one of the primary means of long-term financing in the establishment, especially permanent capital. Companies rely almost entirely on issuing these shares for the money. Especially when starting work (Bilgebliya, 2010:10)

- ## The concept of forecasting profits

Predicting profits is one of the essential achievements in developing thought and accounting application, as it is necessary for rationalizing investment decisions and determining the value of various investments, and depends on the level of accuracy through which, because lack of precision in prediction leads to loss of resources in addition to failure to make the best use of capabilities Available, which results in projects not being able to achieve their goals, whether they are represented in attaining the maximum possible profit or in performing services in the best possible way (Al-Amin, 2000: 35)

The company's future profit is the main factor affecting stock prices and profit-related information, one of the most critical accounting information (Chang et al., 2008: 2).

Future profits are taken from the accounting information that affects the value of the securities, whether by buying, selling, or keeping them. Investors are considered one of the most used categories of this information because they provide them with indicators of the economic units 'profits and the extent of the confidence available for their investments in them. Profit is one of the most critical elements that investors rely on in assessing the performance of economic units, forecasting future profits, and estimating their investment opportunities. (Babiker and Siddiq, 2015: 98)

Predictability is one of the most critical factors determining the extent of suitability of accounting earnings information to users' needs, especially in the financial markets. As the investment decisions are based on investor expectations and their perceptions of the future performance. Studies also confirm that many entities, especially financial analysts, depend in their procedures on forecasting the future performance of the financial institution and predicting the numbers contained in the financial reports with a particular indication of accounting profits. (Youssef,2012:233)

- ## capital asset pricing models

1- Accounting evaluation models

Ohlson introduced a model known as the "accounting valuation model" for stock pricing based on accounting information, in contrast to two valuation models that were based on deduction of distributions and cash flows, neither dependent on accounting values nor allowed to study the impact of accounting treatments approved by IAS in terms of transferring some of the gains (Or losses) to equity in the statement of financial position rather than being carried over to the income statement (Al-Nawajha, 2014: 77)

The model is based on the following assumptions:

The market value of a company is determined by the present value of its potential future earnings: (Cheng et al.,2014: 37).The yield reduces the carrying amount of the equity without affecting the current profits, which is called the clean surplus. According to this relationship, a portion of the profits is distributed. The remainder is transferred to equity (either reserves or retained earnings), both of which represent part of the book value of equity. (Jabr, 2012: 167) The remaining profit is exceptional profit minus the risk-free yield multiplied by the book value at the beginning of the period (2012: 77, Martinez et al.). The real value of the share is calculated according to the accounting valuation model through the following formula: (Pirie & Smith, 2005: 6)

{P_t = b_t + α_1 x_t ^ a + α_2 v_t}….. 1

While:

P_t = stock price at the beginning of the period t

=b_t Book value of the stock at the end of the period t

x_t ^ a = represents the remaining profit at the end of the period t (exceptional profit)

= 1_∝ 2_∝ Form coefficients

V = Other information

2- Profit discount Model

Williams first invented the dividend distribution model (DDM) in 1938. This model is considered one of the most used models in evaluating common stocks because dividends are the basis for estimating the original value. This model is a straightforward implementation of what is called fundamental analysis.

The main objective of this model is to find the actual value of the stock represented by collecting the present value of an increasing series of future profits that are deducted for each stage of this series at a specific discount price or the appropriate required rate of return (Obeidat, 2008,59). The future value of ordinary shares can be calculated using the dividend discount model through the following formula: (Olweny,2011.128)

{V_ j = D_1 / (1 + K_1) 1 + D_2 / (1 + K_2) 2 + D_3 / (1 + K_3) 3 + ··· + D_n / (1 + K_n) n}..... 2

While:

V_j: the value of the common stock, j

: D _t distributions over period t

K: rate of return required per share j

3- Discounted cash flow model

The flow deduction model is based on the principle of deduction of expected profits from investments and securities. Despite its simplicity, it mainly depends on one of the dimensions of the investment decision only, which is the expected return or cash flow and does not address or care about the other dimension of any investment or financing decision and the risks associated with investments. Financial and return inventory value.

According to this model, the sum of the present value of the expected cash flow (expected profit distributions in addition to the present value of the expected selling price of the stock in the future is approved according to the following formula (Al Ali, 2010, p. 320310)

{V = ∑_ (t = 1) ^ (t = n) 〖CF〗 _t / (1 + r) t}….. 3

While:

〖CF〗 _ t : cash flows over the t period

R: cash flow discount rate

The evaluation of discounted cash flows is one of the main methods of the evaluation entry for the project, company, or assets that use the concepts of the time value of money, and all future flows are estimated and discounted to give their current value and that the amount of future cash flows is both imports and expenditures, and the net present value is taken as a value or price (2011: 11, Karlsson & Josefsson)

research methodology

The research aims to achieve the following goals:

Determining the best model for capital asset pricing models appropriate for application in industrial joint-stock companies and highlighting the explanatory ability of (accounting evaluation model, cash flow model, and dividend distribution model) in determining stock prices

The main challenge is that the market value of shares relies on the individual beliefs of those who trade in the market. Therefore this difference is a reason for the market price to be unstable about ordinary shares. Therefore, the market value of

the stock is higher or lower or equivalent to the book value. Consequently, the research problem lies in the following: "Iraqi industrial joint-stock companies do not use mathematical models to predict the market value of their shares?"

And testing the relationship between accounting profits and market returns of shares in Iraqi industrial companies helps to know the importance of measuring future profits in those companies in predicting the market price of a claim.

The following hypotheses were tested:

The central research hypothesis is as follows: "The use of capital asset pricing models leads to the prediction of future profits down to the market value of the stock" and is divided into sub-assumptions:

- The first hypothesis: The accounting evaluation model can better measure and predict the market value of shares than the cash flow discount model for shares of industrial joint-stock companies listed on the Iraq Stock Exchange.
- The second hypothesis: The accounting evaluation model can better measure and predict the market value of stocks
- the practical side
  Comparing the results of the three models with the actual market value

  an introduction

  This topic focuses on comparing the value of the stock according to the three models (the accounting evaluation model, the cash dividend model, the cash flow model) with the average market value of the shares to test the research hypotheses

  First - Compare the results of the stock valuation according to the accounting evaluation model with the average market value of the shares

  Table No. (1) clarifies the results of the stock value according to the accounting valuation model and compares that value with the average market value to determine the evaluation results, if the share price in the market is valued at a value higher or lower than necessary.

  It turns out that the pricing was inflated, meaning that the average market value of the stock is higher than the average of the stock value according to the accounting evaluation model that appeared in (Al-Amin Insurance Company, Dar Al Salam Insurance Company, Modern Sewing Company, Babylon Hotel, Middle East Fish Production and Marketing Company). Where it appeared that the average (market value) of the share in each of them was estimated (1.618 - 2.37 - 2,653 - 46.625 - 15,438) dinars, respectively, while the accounting evaluation model showed that the value of the share in each of them was estimated at (1.397 - 2208 - 1.916 - 40.023 -12.767)) Dinars respectively.

  While the pricing was reduced, that is, the average market value of the stock is lower than the average value of the share according to the accounting evaluation model that appeared in (the Iraqi Investment Bank, Babel Bank, the Iraqi Land Transport Company, Al-Mamoura Real Estate Investment Company, Al-Zawraa Financial Investment Company, Al-Weamam Financial Investment Company Iraqi company for the production and marketing of agricultural products, Iraqi company for carpets and furniture, Karbala Hotels Company)

  As the average market value in each of them (0.983, 0.67, 3.63, 4.052,1.715,1.285, 10.225, 4.5, 2.538) dinars, respectively, while the average value according to the accounting evaluation model in each of them (1.128,0.802, 6.881, 5.620, 1.764, 1.374, 14.5100, 4.664, and 3.590) dinars, respectively

Table (1)

Comparing the results of stock valuation according to the accounting evaluation model with the average market value of shares

Number	The name of the companies	The value of the stock according to the accounting valuation model	Average market value	The difference between the two values	Evaluation results of the research sample companies
1	Iraqi Investment Bank	1.128	0.983	-0.191	Too little
2	Babylon Bank	0.802	0.67	0.132-	Too little
3	Iraqi Land Transport	6.881	3.63	2.251-	Too little

	Company				
4	Al Mamoura Real Estate Investment Company	5.620	4.052	1.568 -	Too little
5	Al-Zawraa Financial Investment Company	1.374	1.285	0.089-	Too little
6	Al-Weyam Financial Investment Company	1.764	1.715	0.401-	Too little
7	Al-Amin Insurance Company	1.397	1.618	0.146	Too much
8	Dar Al Salam Insurance Company	2.208	2.37	0.162-	Too much
9	Iraqi Company for the production and marketing of agricultural products	14.5100	10.225	4.285-	Too little
10	Iraqi Company for Carpets and Furniture	4.664	4.5	0.164	Too little
11	Modern sewing company	1.916	2.653	1.169	Too much
12	Karbala Hotels Company	3.590	2.538	-1.052	Too little
13	Babylon Hotel	40.023	46. 625	6.602	Too much
14	Middle East Fish Production and Marketing Company	12.767	15.438	2.671	Too much

Second - The value of the stock according to the dividend model, with the average market value of the share

Table No. (2) shows the results of the stock value according to the cash dividend model and comparing that value with the average market value to determine the results of the evaluation, if the stock price in the market is valued at a value higher or lower than necessary

It turns out that the pricing was inflated, meaning that the average market value of the stock is higher than the average value of the share according to the cash dividend model, which appeared in the average market value in each of them. While the pricing was reduced, the average market value of the stock is lower than the average value of the share according to the cash dividend model. It appeared that the average market value of the claim in each of them is equal to (0.67 - 1.285 - 1.715 - 1.618 - 2.37 - 2.653-2.538) dinars, respectively, while the value of the share according to the form of cash dividends in each of them is equal to (1.307 - 3.217 - 2.444 -) 2.76 -2.823-2.959, 2,979) dinars respectively

Table (2)

Comparing the results of the stock valuation according to the cash dividend model with the average market value of the shares

Number	The name of the companies	The value of the stock according to the accounting valuation model	Average market value	The difference between the two values	Evaluation results of the research sample companies
1	Iraqi Investment Bank	0.317	0.983	0.666-	Too little
2	Babylon Bank	1.307	0.67	-1.98	Too little
3	Iraqi Land Transport Company	1.071	3.63	-2.559	Too little
4	Al Mamoura Real Estate Investment Company	3.017	4.052	1.035	Too little
5	Al-Zawraa Financial Investment Company	3.271	1.285	-1.986	Too little
6	Al-Weyam Financial Investment Company	2.444	1.715	-0.729	Too little
7	Al-Amin Insurance Company	2.76	1.618	-1.142	Too much
8	Dar Al Salam Insurance Company	2.823	2.37	0.453-	Too much
9	Iraqi Company for the production and marketing of agricultural products	2.401	10.225	7. 824	Too little

10	Iraqi Company for Carpets and Furniture	4.293	4.5	0.207	Too little
11	Modern sewing company	2.959	2.653	-0.306	Too much
12	Karbala Hotels Company	2.979	2.538	-0.421	Too little
13	Babylon Hotel	32.966	46. 625	13.659	Too much
14	Middle East Fish Production and Marketing Company	11.946	15.438	3.492	Too much

Third - Comparing the results of the stock valuation according to the cash flow model with the average market value of the shares

Table No. (3) clarifies the results of the stock value according to the cash flow model and comparing that value with the average market value to determine the results of the evaluation, if the share price in the market is valued at a value higher or lower than necessary

And from it, it turns out that the pricing was inflated, meaning that the average market value of the stock is higher than the average value of the stock according to the cash flow model, which appeared in (the Iraqi Investment Bank, Al-Zawraa Financial Investment Company, Dar Al Salam Insurance Company, the Iraqi Company for Production and Marketing of Agricultural Products, a company Iraqi Carpets and Furniture, Modern Sewing Company, Karbala Hotels Company, Babylon Hotel, Middle East Fish Production and Marketing Company (where the average market value in each of them) reached 0.983,1.715,3.63, 46.625, 4.5,2.653,4.5,15.438, 10.225 (dinars respectively), while the average value according to the cash flow model in each of them was 0.60 9,0.375,1.09,3.802, 1.838,1.138, 0.877,30.796,9.197) dinars respectively

While the pricing was reduced, i.e., the average market value of the stock is lower than the average value of the share according to the cash flow model, the company's average market value appeared (1.715,1.618) dinars, respectively. In contrast, The value of the stock appeared according to the company's cash flow model (3,583,423) dinars, respectively. While the value of the store appeared according to a negative cash flow model in each of (Babel Bank, the Iraqi Company for Land Transport, Al-Mamoura Real Estate Investment Company), where the average market value in each of them reached (0.67,1.177,4.052) dinars, respectively, while the negative value of the stock according to a model Cash flows (-0.239, -1.071, -1.905) dinars, respectively

Table (3)

Comparing the results of stock valuation according to the cash flow model with the average market value of stocks

Number	The name of the companies	The value of the stock according to the accounting valuation model	Average market value	The difference between the two values	Evaluation results of the research sample companies
1	Iraqi Investment Bank	0.609	0.983	0.374	Too much
2	Babylon Bank	-0.239	0.67	0.909	Too much
3	Iraqi Land Transport Company	-0.063	3.63	3.693	Too much
4	Al Mamoura Real Estate Investment Company	-1.905	4.052	5.957	Too much
5	Al-Zawraa Financial Investment Company	0.375	1.285	0.91	Too much
6	Al-Weyam Financial Investment Company	3.583	1.715	-1.868	Too little
7	Al-Amin Insurance Company	1.795	1.618	0.177-	Too little
8	Dar Al Salam Insurance Company	1.09	2.37	2.28	Too much
9	Iraqi Company for the production and marketing of agricultural products	3.802	10.225	6.423	Too much
10	Iraqi Company for Carpets	1.838	4.5	2.662	Too much

	and Furniture				
11	Modern sewing company	1.138	2.653	1.515	Too much
12	Karbala Hotels Company	0.877	2.538	1.161	Too much
13	Babylon Hotel	30.796	46. 625	15.829	Too much
14	Middle East Fish Production and Marketing Company	9.197	15.438	6.241	Too much

Fourth - Measuring the percentage deviation from the average market value declared by companies according to the accounting evaluation model

Table No. (4) shows the percentage of deviation from the average market value declared by companies according to the accounting evaluation model, and it is clear from this that the ratio of departure from the average market value declared by companies was in each of them respectively: (19%, 21%, 62%, 37% 7%, 23%, 9%, 42%, 4%, 44%, -41%, 14%, 17%)

According to the accounting evaluation model, the highest deviation rate from the average market value declared by companies appeared in the Iraqi Company for Land Transport by (62%). In contrast, the lowest deviation rate occurred in the Iraqi Company for Carpet and Furniture. By (4%).

From the table, we note that the percentage of deviation from the average market value declared by companies according to the accounting evaluation model seemed hostile. The deviation percentage appeared in each of them. According to the accounting evaluation, the value of the stock is greater than the average market value. In contrast, the percentage of deviation from the average market value declared according to the accounting evaluation model was high (the Iraqi Land Transport Company, Al Mamoura Real Estate Investment Company, Modern Sewing Company, and the Middle East Company for Fish Production and Marketing). According to the accounting evaluation model, we find that the deviation is that the average market price per share is greater than the share's value. While the deviation rate was low in each of (Al-Wiyam Financial Investment Company, Dar Al-Salam Insurance Company, Babel Hotel, Middle East Fish Production and Marketing Company), where the deviation ratio appeared in each of them (0.23. 0.07, 0.14.0.17)

Table No. (4)

The percentage of deviation from the average market value declared by companies according to the accounting evaluation model

Number	The name of the companies	The value of the stock according to the accounting valuation model	Average market value	The difference between the two values
1	Iraqi Investment Bank	-0.19	1.128	0.983
2	Babylon Bank	-0.21	0.802	0.67
3	Iraqi Land Transport Company	0.62	6.881	3.63
4	Al Mamoura Real Estate Investment Company	0.37	5.620	4.052
5	Al-Zawraa Financial Investment Company	-0.07	1.374	1.285
6	Al-Weyam Financial Investment Company	0.23	1.764	1.715
7	Al-Amin Insurance Company	0.09-	1.397	1.618
8	Dar Al Salam Insurance Company	0.07	2.208	2.37
9	Iraqi Company for the production and marketing of agricultural products	0.42-	14.5100	10.225
10	Iraqi Company for Carpets and Furniture	-0.04	4.664	4.5
11	Modern sewing company	0.44	1.916	2.653

12	Karbala Hotels Company	0.41-	3.590	2.538
13	Babylon Hotel	0.14	40.023	46. 625
14	Middle East Fish Production and Marketing Company	0.17	12.767	15.438

Fifth- Measure the percentage of deviation from the average market value declared by companies according to the dividend model

Table No. (5) shows the percentage of deviation from the average market value declared by companies according to the cash dividend model. It was found that the percentage of deviation from the average market value declared by companies was in each of them. (66%, 49%, 70%, 26% 55%, 43%, 71%, 19%, 77%, 5%, 12%, 17%, 29%, 23%)

The highest rate of deviation from the average market value declared by the companies according to the dividends distribution model appeared in each Iraqi company for the production and marketing of agricultural products by (77%), while the lowest deviation rate appeared in the Iraqi Company for Carpets and Furniture by (5%)

The table shows that the percentage of deviation from the declared average of the market value according to (cash dividend distribution model) was negative in (Bank of Babylon - Al Zawra Financial Investment Company - Alwiman Company Financial Investment - Al-Amin Insurance Company). Dar Al Salam Insurance Company, Modern Sewing Company, Karbala Hotels Company) The deviation percentage appeared in each of them (0.49 -, - 0.55, -0.43, 0.71 -, 0.19 -, - 0.12, -0.17), and this is because of the value of the stock the profit model is greater than the average market value. While the percentage of deviation from the average market value declared according to the dividend model was high in (the Iraqi Investment Bank, the Iraqi Company for Land Transport, the Iraqi Company for Production and Marketing of Agricultural Products, and the Babylon Hotel, the Middle East Company for Fish Production and Marketing) where the ratio reached in each of them (0.66,0.70,0.77), respectively, and the reason is that the average market value of the share is greater than the value of the share, while the declining rate of decline in both (Al-Mamoura Real Estate Investment Company, Iraqi Carpet and Furniture Company, Babel Hotel, Middle East Company To produce and market fish) where it appeared Deviation ratio (0.26.0.05, 0.29.0.23) Respectively

Table (5)

The percentage of deviation from the average market value declared by companies according to the cash dividend model

Number	The name of the companies	The value of the stock according to the accounting valuation model	Average market value	The difference between the two values
1	Iraqi Investment Bank	0.317	0.983	0.66
2	Babylon Bank	1.307	0.67	0.49-
3	Iraqi Land Transport Company	1.071	3.63	0.70
4	Al Mamoura Real Estate Investment Company	3.017	4.052	0.26
5	Al-Zawra Financial Investment Company	3.271	1.285	-0.55
6	Al-Weyam Financial Investment Company	2.444	1.715	-0.43
7	Al-Amin Insurance Company	2.76	1.618	0.71-
8	Dar Al Salam Insurance Company	2.823	2.37	0.19-
9	Iraqi Company for the production and marketing of agricultural products	2.401	10.225	0.77
10	Iraqi Company for Carpets and Furniture	4.293	4.5	0.05
11	Modern sewing company	2.959	2.653	-0.12

12	Karbala Hotels Company	2.979	2.538	-0.17
13	Babylon Hotel	32.966	46. 625	0.29
14	Middle East Fish Production and Marketing Company	11.946	15.438	0.23

Sixth- Measuring the percentage deviation from the average market value declared by the research sample companies according to the cash flow model.

Table No. (6) shows the percentage of deviation from the average market value declared by companies according to the cash flow model. It was found that the percentage of deviation from the average market value declared by companies was in each of them. (38%, 64%, 87%, 53% 71%, 89%, 11%, 54%, 63%, 59%, 57%, 65%, 34,40%)

The highest percentage deviation from the average market value declared by companies appeared according to the cash flow model in Al-Wiyam Financial Investment Company (89%), while the lowest percentage deviation appeared in Al-Amin Insurance Company (11%)

From the table, we note that the percentage of deviation from the average market value declared by companies appears to be a negative cash flow model in (Al-Wisam Financial Investment Company, Al-Amin Insurance Company), where the deviation ratio appeared in each of them (0.89 -, - 0.11). because The stock value of the cash flow model is greater than the average market value. .While the percentage of deviation from the average market value declared according to the cash flow model is high in both (Iraqi Investment Bank, Babylon Bank, Iraqi Land Transport Company, Al Mamoura Real Estate Investment Company, Al-Zawraa Financial Investment Company, Dar Al Salam Insurance Company, Iraqi Company for Production And marketing of agricultural products, the modern sewing company, the Iraqi carpet and furniture company, the modern sewing company, the Karbala Hotels Company, the Babylon Hotel, the Middle East Fish Production and Marketing Company(

As the ratio in each of them (0.38, 0.64, 0.87, 0.53, 71.0,0.54, 0.63, 0.59,0.57,0.65,0.34,0.40) is due to the fact that the average market value per share is greater than the share value according to the cash flow model

Table (6)

The percentage of deviation from the average market value declared by companies according to the cash flow model.

Number	The name of the companies	The value of the stock according to the accounting valuation model	Average market value	The difference between the two values
1	Iraqi Investment Bank	0.609	0.983	0.38
2	Babylon Bank	-0.239	0.67	0.64
3	Iraqi Land Transport Company	-0.463	3.63	0.87
4	Al Mamoura Real Estate Investment Company	-1.905	4.052	0.53
5	Al-Zawra Financial Investment Company	0.375	1.285	71.0
6	Al-Weyam Financial Investment Company	3.583	1.715	-0.89
7	Al-Amin Insurance Company	1.795	1.618	0.11-
8	Dar Al Salam Insurance Company	1.09	2.37	0.54
9	Iraqi Company for the production and marketing of agricultural products	3.802	10.225	0.63
10	Iraqi Company for Carpets and Furniture	1.838	4.5	0.59
11	Modern sewing company	1.138	2.653	0.57
12	Karbala Hotels Company	0.877	2.538	0.65
13	Babylon Hotel	30.796	46. 625	0.34

14	Middle East Fish Production and Marketing Company	9.197	15.438	0.40

seventh-The appropriate form for research sample companies

The accounting evaluation form applies to both the (Iraqi Investment Bank, Babel Bank, the Iraqi Land Transport Company, Al-Zawraa Financial Investment Company, Al-Weamam Financial Investment Company, Dar Al-Salam Insurance Company, the Iraqi Company for Production and Marketing of Agricultural Products, the Iraqi Company for Carpets and Furniture, Hotels Company Karbala, Babylon Hotel, Middle East Fish Production, and Marketing Co.

As for the dividend model, it applies to both (Al-Mamoura Real Estate Investment Company, Modern Sewing Company), and that the cash flow model is applicable in (Al-Amin Insurance Company)

The researcher believes that the accounting evaluation model applies to the companies listed on the Iraq Stock Exchange because the model depends on two factors that affect stock prices. The book value of the share and the surplus profit is distributable, and other factors as information about the company are available, such as (the political stability of the state, economic indicators related to the company or the industry or the economy as a whole, information related to the company's future profits). The extracted values are close to the average market value of shares with a total percentage of 79% or 86 for each type of separate forms.

The cash dividend model does not apply to companies listed in the Iraq Stock Exchange because the model depends on dividends that only affect stock prices. Companies listed in the Iraq market do not continuously distribute dividends. Therefore, the paradigm is inappropriate in these particular organizations or markets. Although, as a whole, the stock is worth just 14%, its value may be as much as 43% when considered independently.

And that the cash flow model is also unacceptable in the companies listed on the Iraq Stock Exchange because the model depends on the fact that only the net cash flow affects the share price and when the net cash flow is negative because the inflows are less than the external ones and this is reflected in the value the stock becomes negative, And this thing is illogical at 7% as a whole or 29% separately

Eighth - testing the research hypotheses

The research hypothesis test is represented by testing the main and subsidiary hypothesis, so the results of the research showed that the primary research hypothesis could be applied, which is (the use of capital asset pricing models leads to measuring future profits down to the market value of the stock By applying the three models in the research sample companies and comparing the share value according to the three models with the average market value of the shares of those companies

As for testing the following hypothesis:

The first:

idea: The accounting evaluation model can better measure and predict the market value of shares than the cash flow discount model for shares of industrial joint-stock companies listed on the Iraq Stock Exchange.

The second hypothesis: The accounting evaluation model can better measure and predict the market value of shares than the dividend deduction model for shares of industrial joint-stock companies listed on the Iraq Stock Exchange. And that the two sub-hypotheses are tested by comparing the percentage deviation between the value of the stock according to the three models with the average market value of the shares of the research sample companies and table No. (7) shows the sub-hypothesis test.

Table (7) shows that the percentage of deviation according to the accounting evaluation model is a small percentage compared to the rate of variation that appeared according to the cash flow model, which is high. It indicates that the accounting evaluation model can predict and better measure the shares of the research sample companies than the cash flow model. The accounting valuation model used to determine the book value impacts the stock price. Unlike the cash flow model, which depends only on cash flows, the first sub hypothesis is established here. The accounting evaluation model can better measure and predict the market value of shares than the cash flow deduction model for shares of industrial joint-stock companies listed on the Iraq Stock Exchange. We note that the percentage of deviation according to the accounting evaluation model is also a tiny percentage compared to the ratio of variation according to the cash dividend model. It is high because investment decisions in shareholding firms depend on the accounting information connected to the book value and the business's profitability that the assessment model is based on. Contrary to the cash dividend model, which depends on the distribution of cash dividends, and companies listed on the Iraq Stock Exchange do not distribute dividends constantly, which indicates that the accounting evaluation model can predict and measure stocks better than The cash dividend model, and this proves the validity of the hypothesis

that says (the accounting evaluation model can better measure and anticipate the market value of shares than the dividend deduction model for shares of industrial joint-stock companies listed on the Iraq Stock Exchange)

Table (7)

Sub hypothesis test

Number	The name of the companies	The value of the stock according to the accounting valuation model	Average market value	The difference between the two values	Deviation ratio
1	Iraqi Investment Bank	1.128	0.983	-0.191	-19%
2	Babylon Bank	0.317	0.983	0.666-	66%
3	Iraqi Land Transport Company	0.609	0.983	0.374	38%
4	Al Mamoura Real Estate Investment Company	0.802	0.67	0.132-	-21%
5	Al-Zawra Financial Investment Company	1.307	0.67	-1.98	-49%
6	Al-Weyam Financial Investment Company	-0.239	0.67	0.909	64%
7	Al-Amin Insurance Company	6.881	3.63	2.251-	62%
8	Dar Al Salam Insurance Company	1.071	3.63	-2.559	70%
9	Iraqi Company for the production and marketing of agricultural products	-0.463	3.63	3.693	87%
10	Iraqi Company for Carpets and Furniture	5.620	4.052	1.568 -	37%
11	Modern sewing company	3.017	4.052	1.035	26%
12	Karbala Hotels Company	-1.905	4.052	5.957	53%
13	Babylon Hotel	1.374	1.285	0.089-	-7%
14	Middle East Fish Production and Marketing Company	3.271	1.285	-1.986	-55%

conclusions and recommendations

1- Conclusions

1. The use of the concept of profit forecasting is the cornerstone to measure the value of the stock because the theoretical value of the company's shares is the value of the expected future profits. The increase in the value of the company's shares represents a reflection of the rise in these profits. In return, the decrease in the level of profits indicates a reduction in the value of the shares.

2. Through the applied study, it was found that the three models (the accounting evaluation model, the cash dividend model, and the cash flow model) were not applied by the companies listed on the Iraq Stock Exchange in predicting the market value of stocks because they were not indicated in the issued and approved reports

3. The accounting evaluation model showed the ability to predict the value of the stock better than the cash dividend model and cash flow model, as the ability of the model reached (78%), (14%) and (7%), respectively,

4. The cash dividend model does not necessarily reflect the value of the shares of companies listed on the Iraq Stock Exchange, especially companies that do not distribute cash dividends. As the share price does not depend on only one factor, which is cash dividends, but many factors affect stock prices such as value, book's share, market interest rates, and the general economic conditions of the country, which means that this model is inappropriate in measuring and anticipating the value of the stock In those companies

5. The cash flow model does not reflect the value of the stock because the company's net cash flows, if the company achieves financial losses, will be harmful, and in this case, the share price will be harmful, and this thing is illogical, and this appears in

(Bank of Babylon, the Iraqi Land Transport Company, Al-Mamoura Real Estate Investment Company) As the value of the stock according to the model in each of them reached (-0.239, -1.071, -0.239), which means that this model is inappropriate in measuring and anticipating the value of the stock in those companies

2 - recommendations

The Iraqi Securities Commission must order all the companies listed on the Iraq Stock Exchange to use one of the three models in measuring and forecasting the value of shares to ensure the continued operation of those companies in the stock exchange. The requirement that uses the accounting evaluation model on the Iraq Stock Exchange is the most appreciated model for measuring and forecasting stocks' market values. The necessity of the companies listed in the Iraq Stock Exchange to distribute profits because the returns achieved by the companies and the policy followed in the distribution of profits is the primary goal of the investor when he makes his investment in the shares of these companies.

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