Original Article

Cash Flow and Profit Effect on the Value of the Companies during Different Stages of their Life Cycle

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Abstract

The present research studiesthe relationship between the cash and profit flows and the value of the companies. According to the life cycle theory, corporations in various stages of economy, have certain behaviors and conditions. This means that economic features of a company are affected by its current life cycle. In order to study the relationship between the cash and profit flows and the value of the companies, multivariate regression using the least squares was used. In this research, 51 companies listed in the Tehran Securities Exchange were investigatedwhose financial information were available during 2011-2016. After collecting the data and analyzing them, the results showed that all independent variables have a significant relationship with the market value of the companies. Results also show that is all independent variables have a significant relationship with the market value of the companies in itsgrowth period. But the effectsof the independent variables' indexes on the market value of the companies are not similar. In companies which are in their growth stage, cash financial supply (finance) variable (CFF) is the most effective one. Also in companies which are in their maturity stage, the net interestvariable (NI) is the most effective one.

Key words: Life cycle value, Market value of the companies, Cash flows, Net interest (profit)

INTRODUCTION

Economic developments, globalization and Industrial Revolution resulted in the creation of the big companies. Thesecompanies are common types of companies and to survive and increase their competitive powerare compelled to supply funds via selling stocks. What investors when deciding to purchase shares pay more attention to is the market value of the companies and factors affect that. In fact, investors with recognizing the factors affecting the value of companies, predict the process of price and the value changes accordingly make necessary decisions to purchase or not to purchase the related stocks (P., Novo, p. 68)). The cash flows and interest areeffective factors in determining the value of companies in financial and accounting research and texts.

Cash Flowsand have a very important role in the decisions of the groups like securities exchangeanalyzers, creditors and the administrators. They are interested in evaluating thecash flow of the company a clear and perfect index to assess the company. Company's ability to pay the interest of the stocks arises from its capability in creating cash flow. The annual money supply flow of a company is measured via the cash flow activities. One of the important features of this statement is that it exactly determines theannual resources and expenses of the cash flowwith the classification of the company activities into operational, financial and investment activities will the (Ghalibaf, p. 2005). Profit also is one of the important information in economic decisions. Studies done on the profit are the most voluminousone and include most of the research attempts in the accounting. Profit researches as a guide for DPS, a measuring tool of management efficiency and predicting and assessingthe decisions have been always used by the investors, managers and financial analyzers (Saghafi,1994).

Determining the value of the company is one of the important factors in the process of investment. The value of the company can be determined by the value of financial assets like bonds, preferred stock and normal stock, check. These assets are determined based on the

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book value, the market value, going concept hypothesis, the dissolutionhypothesis and the value of the intrinsic value of company's stock. So the value of any company is defined regarding the value of its stock. Therefore, an investor defines his investing priority regarding the value of the company (Sameti,2007). The users of financial statements can apply historical information related to cash in their judgment about the amount, time and ensuring the realization of the cash flow in the future. This information considerstherelation between the profit of the business unit and its power to raise cash. The news related to the profits and changes of the DPS in comparison to the last years areso important for shareholdersthat so far a lot of theories and views have been proposed in this relation. One of these relevant theories states that the profit changes send a message to its shareholders and investors that how is the financial status of the company (Asadi,2008). On the other hand, regardingthe fact that a lot of information relating the companies accepted in Tehran exchange securities, stock buyers rely more to information related to profit and cash flow statements.

Because important cash flows in the success of the economic entities and the its importancein their survival,cash flows prediction as one of the inevitable components of the schedule financial programing which has been favored by that managers of the economic units. This is of so much importance that the cash flow can be analogized to in economic blood flow in the body. Also,cash flows prediction is one of the subjects most favored by different groups including investors, creditors and statedepartments and financial analyzers. On the other investors and creditors to adopt economic decisions are interested in the future cash flows of economic units, because most of the evaluation models of securities or the assessment models of the economic data are based on the cash flow (Modarres,2003). According to the fact that many factors affect the stock price, so studying the effect of the cash flows and profit on the market value of the companies is important. On the other hand,regarding the possibility that effectthese factors during different stages of the companies'life cycle is different, then studying the effect of cash flows and profit on the value of the companies during the different stages of their life cycle is necessary for knowledge and awareness of the investors and the policy-makers of the company. Also as companies during their different stage of their life cycle experience different cash flowsand profit, therefore stock price impression at each stage can be different. So based on what mentioned in this research, this issue is proposed that what is the effect of the cash flows and profit on the value of the companies during the different stages of the companies' life cycle?

Theoretical Literature
Company's life cycle

All organisms, including plants, animals and human beings, all follow thelife curve or life cycle. These creatures born, grow, and finally die. Alive systems in every phase of their life cycle are part of abigger organization life with specific behavioral patterns to defeat the problems of that period and the problems related to the transition from one period of the other. The theory ofcompany's life cycle assumes that economic companies and firms like all living organisms born, grow and die, and all follow the life curve or life cycle (Adizes, 2010).

Like organisms, growth and deterioration illustrate the commercial units based on their control capability and flexibility. In youth (growth period), organizations are very flexible but oftenarenot manageable. With the increase of organizations, relations change: Increase control and decrease flexibility. Finally, with theiroldness (decline period) their control capability also is decreased.

When business unit possess both control capability and flexibilityit means that it has both the young and old age advantages. This position is known as the evolution and maturitystage.Chart 1 shows the relation between control capability and flexibility in business units (Adizes, 2010).

In economics and management, the institutions' and companies' life cycle divided into some stages. In the literature of this sciences life cycle has been presented with multi-level modelswhich in their frameworks, institutions and their current stage of economic life follow specificpolicies and. These policies are reflected in a way in the accounting data of companies(Adizes, 2010).

In the field of accounting, also some scholars have studied thelife cycle'seffecton the accounting information
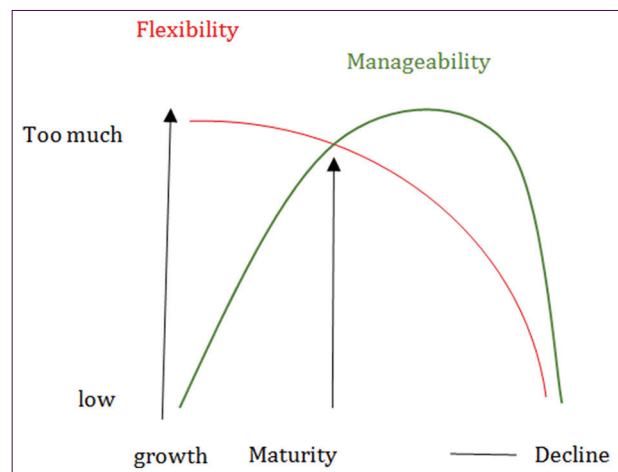

Chart 1: The relation between control capability and flexibility in life cycle of the business unit

(Anthony Kajawah, 1992, Black, 1998, Jenkins, 2004). These scholarspropose 4 stages to describe the company' life cycle:

- The birth Stage
- The growthStage
- Maturity Stage
- The decline or Inertia

In the birth stage, the company's assets scale (company size) is at a low level, the cash flowfrom the operational activities and the profit is low, and companies tosupply the required financeand realize the development opportunities need a high amount cash. Life cycle is the most important issue which every company encounters with. The organizational structure is of the second degree of importance. The Life cycle of the organization shows that how a company grow, gets older (develop) and finally dies (dissolves). The DPS in these companiesis usually 10% maximally and internal efficiency rate in comparison with the financial supply rate is not notable.In other words, the term (IRR≤K) is established (Dehdar, 2007).

In the growth stage, the company size is more than its size in the birth stage, and the scales of sales and revenues also bigger than the birth stage.Financial resources also are more invested on the productive assets. Company in more flexibleconcerning the cash parameters.The DPS in these companies is usually between 10%-50% and internal efficiency rate is more than financial supply rate. In other words, the term (IRR>K) is established (Dehdar, 2007).

In the maturity stage, companiesexperience a stable and balanced sales and their need to cash in most cases is supplied via the internal sources. As assets The scale of company's assets is also proportionallymore than the size of the growth stage. The DPS also The DPS in these companies is usually between 10%-50%. Because the cash abundance and reduction in reliance to policy of external financial resources supply, usually rate of internal efficiency in these companies is equal to or more than the financial supply rate. In other words, the term(IRR≥K) is established (Dehdar, 2007).

In the decline stage of the development chances are generally low. The parameters ofprofitability, cash and commitments realizations are descending and finalists and company has been stuck in a high competitive condition. Also finance supply costs from theexternal financial resources are so high that in most cases the rate of internal efficiency is less than the rate of financial supply. In other words, the term (IRR<K) is established (Dehdar, 2007).

In the existing literature, four stages have been proposed for the life cycle: 1) introductionstage, 2) growth stage, 3) maturity stage, 4) decline stage. Companies, not only do not possess the entry qualification and possibility to enlist inTehran securities exchangein the introduction stage but also in the decline stage (due to the losing condition) they are expelled from the exchange panels (based on Tehran securities exchange entry regulations. Companies should be profitable in two consecutive years and this possibility should be available in the future or the least investment required for theirpresence in the first and second main hall's panels should not be respectively less than ten and 40 billion rials and their performance must not be negative). Accordingly, companies have been accepted in and statistical society research, it seems that the only possible ways for the inclusion of the companies in Tehran securities exchange is that they place in only two stages of theirlife cycle meaninggrowth and maturity (the current research's statistical population). On the other hand,in the study performed by Lemon and Zinder, 2007 the intended companies also classified in two stages of growth and maturity.

Cash Flowand Net Profit of Companies

Pablo Fernandez, 2002 believes that there is a principle of the accounting and finance that the net profit of is just a reflection, but cash flow is a fact. Though this can be considered absolutely correct, but it can be regarded as a good one. Today there are a lot of analyses about net profit as the main and only valid factor todescribe the performance of the companies. Based on this approach, a company with increasing the net profit has a better performance and with reducing itdoes its worse. It said that in the companies with a higher net profit in the last year brings more wealth and prosperity to its shareholders in comparison to the companies which have had lower net profits. Also, according to the same logic, companies with positive net profit increase and companies negative net profit decrease the value of the shareholders of the companies. Of course, all these theories may be wrong. In many analyses adding depreciation to the net profit often reproduces digitscalled accounting cash flow or the operation cash flow. But the important point is that many people familiar with this issue but mistake the cash flow with net profit. In classic view, the net profit is obtained through subtracting theexpenses from the income during the intended period and this simple concept is based on the fact in calculations only the necessary expenses must be included. This is not easyalways because often too many data are used calculations (Fernandez, 2002).

There is a difference between the cash flow input and cash flowoutput. The precise meaning of this difference is that the money entered into the company is less than money goes out of it. Concerning the flow of cash, there are two other two other concepts including the

cash flow of the shareholders' equity, and free cash flow. Also, capital cash flow is among the other terms which is used in this relation. Always when the cash flow improves, company performbetter and the shareholders will prosper more.

Accounting Cash flow, cashflow of the shareholders' equity, free cash flow and capital cash flow:
Often the financial texts, propose the following definitions for accounting cash flow:
Depreciation + net profit after subtracting the taxes = cash flow accounting (Fernandez, 2002).

Cash Flow of the Shareholders' Equity
This is a cash flow which remains after supplying the necessary investments and working capital, paying the financial expenses, expenses of the employees and creating new debts in the company.

Cash flow of the shareholders' equity shows the cash flow available to shareholders in a company which is divided for profit sharing or repurchase shares. Cash flow of the shareholders' equity in each financial period simply shows the difference between the input cash flowand output cash flow of that period

(Fernandez, 2002). In the predictions thecash flow of the shareholders' equity in each financial period should be equal to the sum of DPS and shares repurchase.

Free Cash Flow
It is a cash flow ofthe operation after subtracting the taxes and without counting liabilities and interest costsof the company. So, free cash flow are the funds which are accessible to the company after supplying the necessary investments and working capital, paying the financial expenses and assuming that there are noliabilities. In companies with no liabilities or no financial leverage, the free cash flowis the cash flow of the shareholders' equity.

Often, it said that free cash flow cash has been created in the company to supply funds required for shareholders and creditorsshows. This claim is not correct because it is the capital cash flow that shows the cash createdby company belongs to the shareholders and creditors (Fernandez, 2002).

Capital Cash Flow
It is the cash flow available for the creditors in addition to cash flow of the shareholders' equity. The creditors cash flow includes the total funds paid in addition to the repayment of the loan principle) or after the deficit increase in the principle of loans (Fernandez, 2002).

THEORETICAL FRAMEWORK AND HISTORY

Antony and Ramesh, 1992 showed that the responseof the stock market to two accounting function scales meaningmonitoring the sales and investing the functional capitals even after controlling the size and error risk is among the performance measurement scales. However, they do not study the value relation of the revenues or cash in all the stages of the company's life cycle.

Reza and Samadian, 2012 checked the relation between the stock price and profit quality using Leuz Parton-Simko and Penman models in company's life cycle.

The main purpose of this study was to study the relation between the stock price and profit quality using Leuz Parton-Simko and Penman models in company's life cycle. The data collected in this study in two steps. First, sampleswereclassified into the growth, maturity and decline stages. Then combined cross-section regression analysis, Paired-T, and Two-Tailed-T-test were performed. This hypothesis was examined in years 2004-2009. Test results showed thatLeuz Parton-Simko and Penman modelsof growth and maturity and decline stages are significant. And version regression version of growth, maturity, and decline are nor significant.

Aharony and colleagues, 2006 found out that the cash flow accounting and commitment accountingis less informative, but depending on the company's life cycle, the explanatory power of the commitment accounting is more cash flow accounting. Barth Black, 1998 in a research showed that in the growth and decline stages, the cash flow accounting have more informative than the profit accounting and in maturity stage, the profit accounting is moreinformative than the cash flow accounting. Barth Black and colleagues, 2005 in a research found out that dividing the profit into two parts of commitment and cash flow items or into five parts includinga cash flowand four commitment parts, reduces the prediction error average them helps to forecast the value of the company.

Bassam, 2002 in a research based on the evidences obtained from the Oman an America securities exchange checkedboth the capability of cash and commitment components in the determining the value of the company and the power of these components in forecasting profit abnormal profits, profit, cash flows, DPS and efficiency. The results of this investigation show that commitment and cash flowitems have explanatory power in forecasting theabnormal profit, future efficiency and determining the value of the companies. In addition to this, combined use of commitment and cash flow is more efficient thanusingthese components separately in prediction of thefuture abnormal profits.

Charitou & Clubb in a researchstudied the content information of the profit and cash flowin Japan. The results of this investigation shows that profit id more informative than cash flow. On the other hand, the results of research showed that Japanese investors use profit and cash flow information to evaluate thecompany.

Kordestani and Roodneshin, 1996in a research concluded thatthe cash profit constituents, the book value of the shareholders' equity and return on equity are considered among the useful data to determine the value of the company. Also the cash profit provides more informationin comparison to changesin the accounts receivable, changes in inventories and changesin accounts payable as three part of the commitment profit.

Asadi and Basirinia, 2009 in a research studies the to study the relation between the profitability and the cash flow in companies and its effect on the DPS and results showed a strong relation between profitability and DPS, a weak relation between the cash flow and DPS and also lack of influence of the industry type on DPS. Hashemi and colleagues, 2010studied capacities of the cash and commitment components of the profit in predicting of the abnormal profit and determining the company value. The results showed the capacity of cash flowand total items of the commitment profitin the determining the company value and predicting the normal profit.

Karami and Pmrani studied the effect of thecompany's life cycle and conservativeness on the value of the company and the results of their research showed that in the stages of growth and maturity, investors are more interested in operating property and abnormal operationalprofit the conservative companies and in the decline stages the opposite of this subject is true.

According to Myers, 1997 the value of the company has two components: Growth opportunities and local assets. It is expected that the data which provide for theaccounting performancescale be different for both components. As thevalues of these two componentsare different in different stages of life cycle, so it is expected that the scale value of the accounting performance scale in every stage change. In the early stages of the life cycle, the growth is the bibber component in the value of the company in the next stages, assets-in-place are thebigger components so here the first hypothesis is presented: "There is a significant relation between the market value of companies, growth and maturity stages of its life cycle and operational cash flows, investment cash flows,financial supply cash flows and net profit of companies".

The life cycle predictions originate from the researches of Stikine, white, Sonhi, Fried. In the early stages there are little assets-in-place, CFO or NI. current operating information may not be the same value relation in the stock returns for companies in this stage of life cycle. A big part of the early value of the company consists of the value of its growth opportunities. Maybe originally companies need investment in this stage to be able to invest in the following growth opportunitieswith pure positive investment value. Assets-in-place may be very different from assetswill be required by the company in the future. In growth stage, the investment has begun and also some budget has been achieved, and the proportion of the assets-in-place value to the company value is higher than the early growth. Nevertheless, the growth opportunities are still the main components of the general value of the company and achieving thenecessary investment and budget is still an important issue. Then, regarding the importance of investment cash flow in the growthstage, the second hypothesis is presented: "There is a significant relation between the investment cash flow in the growth stage of and the market value of the companies in comparison to the other stages".

Former researches Showed that in the growth and decline stages, the cash flows are more informativethan the profit but in the maturity, profit is more informative than the other parameters in predicting companies value is (Black, 1998). So the thirdhypothesis is presented: "There is a significant relation between the net profit in the maturity and the market value of the companies in comparison to the other stages".

Many of the investigations done in the capital markets show a significant relation between the net profit in the maturity and the market value of the companies but in Iran no onehas investigated the effect of the profit and cash flows on the value of the company concerningitslife cycle.

METHODOLOGY

Research method of applied in this research is descriptive- correlational, because the relation between variables will be examined. Also concerning the purpose of research, it is practical andconcerning the approach, it is an ex-post-facto research. A descriptive research includesa collection of methods which describe the conditions or phenomena in check. Regarding the issue and the main aim of this research meaningchecking the effect the cash flows and profit on the company value in different stages of its life cycle, the regression research method has been used in here.

Statistical Population and Samples

Statistical population of this research includeall companies which have been accepted in Tehran Securities Exchange. The population included all companies during the period of 2009-2015 was selected though screening. The following features are selected as the common features of the chosen samples:

1. They should have a continuous presence during the research period of in the stock.
2. Companies whose fiscal year end in March;
3. Companies which do not have any transaction interrupts.
4. They should have purchased some shares in the last month of the year.
5. Their necessary data and financial statements be accessible for the years 2009- 2015.

According to the mentioned conditions, 91 companieswere selected and the necessary data and information were extracted for the analysis. So the total number of years in the study is 245.

Data Collectingmethod

In this research first data and information collected applying the library method. In the library the theoretical foundations of the research were gathered fromPersian and Latin journals then data related to the research variables were collected via the Tehran securities exchange registered during the period of 2009-2015.

Version and Research Variables

The pattern to assessthe performance of the is in the following:

In the above model MV is the dependent variable of the research and shows the market value of the companies and is calculated via multiplying the stock price at the end of the year in the number of shares published. CFI, CFO, and CFF are the independent variables of research. NI shows the net profit of the company extracted from the profit and loss statement. CFI, CFO, and CFF are respectivelyoperational cash flow, investments cash flow and financial supply cash flow which all have been extracted from the cash flow statement.

FINDINGS AND RESULTS

Descriptive Results

As observable in Table 2, for all the variables, the central and distributive parameters have been calculated separately. For example, dependent variable(the value of the company) with 245 views for7 years includes a minimum, maximum and mean of respectively1.05, 2.03 and 8.89.

The mentioned variable's distribution range changes based on the standard variance covers a range of 0-2.39 and therefore it shows no significant difference among the units in check. Regarding the positive skewness then the variable distributionis skewed-right and the relation ofmean > median > modeis true. In case the value of this statistics were negative, it was skewed-left and other words the distribution would incline more to the left and the relation of mean < median < mode were right. Basically as this getscloser to zero, then the data distribution resembles more to the normal distribution. The skewness index (SK) for this variable is 6.346 and other words the distribution of data tends to the right side and the relation of mean > median > mode is true. The kurtosis value for this variable is 46.06 and shows that the variable distribution is more tailed in comparison to the normal distribution. In the Eviews softwareif the kurtosis index is more than 3, theethe distribution leptokurtic in comparison to the normal distribution. In short,the more the skewness and kurtosis of a variable the more the data concentrated and vice versa. The kurtosis index is calculated via the following formula:

The independent variable (net profit) with 245 views for7 years includes a minimum, maximum and mean of respectively -3.955, 85.74 and 1.119. The mentioned variable's distribution range changes based on the standard variance covers a range of 0-7.007 and therefore it shows no significant difference among the units in check. Regarding the positive skewness (10) then the variable distribution is skewed-right and the relation of mean > median > mode is true. The kurtosis index for this variable is 110.7 and shows that the variable distribution is more tailed in comparison to the normal distribution.

RESULTS ANALYSIS

First Hypothesis

"There is a significant relation between the market value of companies, growth and maturity stages of its life cycle and operational cash flows, investment cash flows, financial supply cash flows and net profit of companies".

The remaining chart illustrates a heterogeneous variance and the lack of the continuous correlation in remaining of the regression version and to fix the heterogeneity,White Test was used.

Model assessment were performed using the combined methodson the hypothesis s for 37 companies. GLs method was used to processthe combined data pattern. The above tables show that in the period of crisis what factors affect the processing of the market value of the

sample companies in the stocks. As it is observed in this table, T-Test values with Significance level of 90% show that the effect of the variables of the net profit, Operational cash flow, investment cash flow and the market value of the company from the previous period is statistically significant on market value of the current period. Also the variables of the net profit, and operational cash flow, and the market value of the company from the previous period has a positive direct relationship with the market value of the current period (dependent variable). On the other hand, investment cash flow has a negative relationship (reverse) with the market value of the company's current period (dependent variable). The correlation coefficient of the model shows that approximately 38.1% of changes in dependent variable can described by the significant independent variables in this model that shows the high power of the model in describing the dependent variable behavior. T-Test, though its possibility is zero, also shows that regression model with significance level of 88% is right and significant totally.

Second Hypothesis

"There is a significant relation between the investment cash flow in the growth stage of and the market value of the companies in comparison to the other stages".

To study the effect of the variables like net profit, and operational cash flow, investment cash flow and the financial supply cash flow on the market value of the company in the growth stage, first using factors like company life, DPS percentage, sales growth rate, operational expenses rate and of the rate of investment costs, companies are divided into two groups of companies in the growth and the companies in maturity. According to these classifications, two models with the different number of companies were tested. The second model which used to test Second hypothesis used 105 observations in the growth stage and the following model was estimate for this number of companies.

In order to test the hypothesis s of the model, GLs method was used to process the combined data pattern. The above tables show that in the period of growth what factors affect the processing of the market value of the sample companies in the stocks. As it is observed in this table, T-Test values with Significance level of 90% show that the effect of the variables of Operational cash flow and investment cash flow is statistically significant on market value of the current period. Also the variables of the operational cash flow and, the investment cash flow has a positive direct relationship with the market value of the current period (dependent variable). The correlation coefficient of the model shows that approximately 0.818% of changes in dependent variable can described by the significant independent variables in this model that shows

the high power of the model in describing the dependent variable behavior. T-Test, though its possibility is zero, also shows that regression model with significance level of 90% is right and significant in all. From the other hand the Watson-Durbin Test has been performed for the regression model of the first hypothesis. And as the result (1.96) is between 1.5-2.5, then the lack of the correlation between the constituents of the model has been proved. Based on the significance of the investment cash flow and according to the fact that "β" Index has the most effect in the growth stage, then it is possible to say that the second hypothesis is approved.

Third Hypothesis

"There is a significant relation between the net profit in the maturity and the market value of the companies in comparison to the other stages".

In order to study the third hypothesis of the research 140 observation were performed in the maturity stage and the following model was assessed for this number of observations.

The correlation coefficient of the model shows that approximately 0.995% of changes in dependent variable can described by the significant independent variables in this model that shows the high power of the model in describing the dependent variable behavior. T-Test, though its possibility is zero, also shows that regression model with significance level of 99% is right and significant in all. From the other hand the Watson-Durbin Test has been performed for the regression model of the first hypothesis. And as the result (1.924161) is between 1.5-2.5, then the lack of the correlation between the constituents of the model has been proved. Based on the significance of the net profit and according to the fact that "β" Index has the most effect in the growth stage, then it is possible to say that the second hypothesis is approved (Tables 1-8).

Table 1: Research variables

Row	Variable type	Symbol	Variable
0	Dependent	MV	The market value of the dependent variable shown by MV and is calculated via multiplying the stock price at the end of the year in the number of shares published
2	Independent	NI	Net profit of company extracted from the profit and loss statement
9	Independent	CFO	Operational cash flow extracted from the profit and loss statement
1	Independent	CFI	Investments cash flow extracted from the profit and loss statement
1	Independent	CFF	Financial supply cash flow extracted from the profit and loss statement

Table 2: Descriptive statistics name variables research for total observations

Statistical indexes	The value of the company	Net profit	Operational cash flows	Investment cash flows	Financial supply cash flows
Mean	8.89	1.191	0.81	0.613	0.097
Maximum	2.03	85.74	73.17	19.59	4.62
Minimum	1.05	−3.96	-26.9	0.000016	0.000016
Standard variance	2.39	7	6.22	2.38	0.33
Skewness	6.346	10	7.32	6.03	10.05
Kurtosis	46.06	110.7	82.6	42.04	127.29
Observations	245	245	245	245	245

Table 3: Final estimation of the pattern using the combined regression with thegeneralized least squares

Model components	"β" Index	T-Test	Significance level (sig)
Intercept	2.88E+11	14. 54635	0.0000
Net profit	−1.04E+11	−2.365172	0.0189
Operational cash flow	2. 44E+11	13. 75346	0.0000
Investment cash flow	4.19E+11	10. 53842	0.0000
Financial supply cash flow	4.85E+10	-0.533005	0.5946
The market value of the company a period before	0.040675	9. 058239	0.0000

Table 4: Weightings test

Watson-Durbin test	Significance level	F-Test	Adjusted correlation coefficient of the model	Correlation coefficient of the model
1.94	0.0000	386.02	0.896	0.89

Table 5: Final estimation of the pattern using the combined regression with the generalized least squares in the growth stage

Model components	"β" Index	T-Test	Significance level (sig)
Intercept	4.38E+11	5.489498	0.0000
Net profit	−1.84E+10	−0.519110	0.6046
Operational cash flow	3.23E+11	3.845878	0.0002
Investment cash flow	4.50E+11	4.132106	0.0001
Financial supply cash flow	−1.79E+11	−0.203664	0.8390
The market value of the company a period before	−0.012430	−1.189638	0.2365

Table 6: Weightings test

Watson-Durbin test	Significance level	F-Test	Adjusted correlation coefficient of the model	Correlation coefficient of the model
1.956678	1811111	109.4636	0.810255	0.817725

CONCLUSION

The results showed that all independent variables have a significant effect on the market value of the

Table 7: Final estimation of the pattern using the combined regression with the generalized least squares in the maturity stage

Model components	"β" Index	T-Test	Significance level (sig)
Intercept	4.22E+11	22.92025	0.0000
Net profit	1.80E+11	6.221933	0.0000
Operational cash flow	6.20E+10	3.033994	0.0031
Investment cash flow	7.46E+10	2.466734	0.0154
Financial supply cash flow	−2.48E+11	−1.494977	0.1383
The market value of the company a period before	−0.073597	−80.52337	0.0000

Table 8: Weightings test

Watson-Durbin test	Significance level	F-Test	Adjusted correlation coefficient of the model	Correlation coefficient of the model
1.924161	1811111	3965.685	0.995	0.995

companies(MV).The "β" Index of the net profit variable (NI), operational cash flow variable (CFO), investment cash flow variable (CFI), and financial supply cash flow variable (CFF)has a positive on the market value of the companies in theperiod of the study. Also checking the effect of the growth and maturity stages on the market value of the companies showed that all the independent variables along all the life stages variable have a significant effect on the market value of the companies. Regarding the results of the two tested models it can be said that the first hypothesis of the research (H1) was approved and the second hypothesis of the research (H0)meaning the lack of relation between the market value of the companies and the life cycles of the companies was rejected. The obtained resultsare consistent with the findings of Anthony and Ramesh (1992), Bassam (2002) and Kordestani and Rooodneshin (2006). Also the results showed that all independent variables have a significant effect on the market value of the companies (MV) in the growth stage. But the effect of the "β" Indexes of the variables is different on the market value of companies. In companies which are in that growth stage, cash financial supply variable (CFF) has the most effect and after that investment cash (CFI) and

operational cash flows) CFO) are respectively in the orders of 1 to 4. Regarding the results of the results of the tested model, it is possible to say that in the growth stage among the cash and profit flows, the investment cash flows are most effective on the growth stage. The obtained results are consistent with the findings of Anthony and Ramesh (1992), Bassam (2002) and Black (1998) Kordestani and Rooodneshin (2006). The results calculated showsthat all independent variables other than the financial supply cash flows variable (CFF)have a significant effect on the market value of companies(MV) in the period of maturity. But the effect of the "β" Indexes of the variables is different on the market value of companies. In companies which are in that maturity stage, the net profit variable (NI), has the most effect and after that the cash financial supply (CFF), investment cash (CFI) and operational cash flows (CFO). Regarding the results of the results of the tested model, it is possible to say that in the maturity stage among the cash and profit flows, the profit cash flows are most effective one on the market value of the companies. The obtained results are consistent with the findings of Anthony and Ramesh (1992), Black (1998), Charitou & Clubb (2000), Bassam (2002) and Kordestani and Rooodneshin (2006).

Regarding the results achieved, the following suggestions can be presented:

1. All of the individuals active in the capital market, policy-makers, financial analyzers and potential investors securities exchange are offered to pay more attention to the life cycle of the companies in the analysis of the investment projects in financial assets and securities exchange.

2. To investment in the stock market on companies which are in the growth stage, the financial supply cash flow variable (CFF), investment cash flow variable (CFI), the operational cash flow variable (CFO), in comparison with the net profit cash flows should be considered to avoid loss and failure in investment.
   The proposal based on the third hypothesis:

3. It is advised that in investment on the companies which are in the maturity stage pay more attention to the financial supply cash flow variable (CFF), investment cash flow variable (CFI), the operational cash flow variable (CFO). Because inclusion of these important factors will lead to selection of anoptimal investment basket with minimum risk and maximum profitability.

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