Indonesian Journal of Humanities and Social Sciences
https://ejournal.uit-lirboyo.ac.id/index.php/IJHSS
E-ISSN: 2746-2188
Volume 5 Issue 1 March 2024

The Effect of Changing the Net Assets of the Economic Unit on the Fair Value

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Abstract

The cognitive and conceptual framework of the study was formulated through the independent variable, which is the ownership structure and its impact on the intermediate variable, which is the profit distribution policy, and the dependent variable, which is the real value of shares .Therefore, the study was built on its problem through a set of questions raised by the researcher, namely, whether there are clear effects of a change in the ownership structure on the intermediate variable on the real value of shares .The premise of the study was that measuring and presenting the net assets of the economic unit on the basis of fair value makes the decisions of current and prospective investors more rational, especially as this reflects the current status of the value of the economic unit. The study concluded that investors should follow the changes in the ownership structure of Iraqi enterprises because they affect the real value of shares in order to access information that enables them to make investment decisions.

Keywords: *Net assets of the economic unit, fair value of shares.*

Introduction

The financing option faced by the company, which is still a mystery of the ownership structure in the financing process. So the capital structure or leverage decision should be examined regarding how the combination of debt and equity in the company's capital structure affects the value of the company, and the combination of debt to equity of the company can have important effects on the value of the company and the cost of capital in maximizing the wealth of shareholders, the company uses more debt capital in the capital structure as the interest paid is a tax deduction and reduces the actual cost of debt. Other shareholders do not have to share their profits with debt holders, as debt holders receive a fixed return. However, the higher the debt capital, the higher the company's risk, and therefore the higher the cost of capital. It is therefore important to identify the important elements of the capital structure and accurately measure these elements, and then the company will receive the best given capital structure at a certain time.

Therefore, profit distribution decisions are one of the basic components of the entity's policy, and it has been viewed as an issue of importance in the financial literature, and the distribution of profits and the remuneration of shareholders on their investments

and risk tolerance depends on multiple factors, the most important of these determinants are: the level of profits, financing restrictions, investment opportunities, the size of the company, pressure from shareholders and regulatory authorities, The relationship between the dividend policy and agency costs was a recent development in the theory of Corporate Finance, which focuses on the problem of how to use the dividend policy to reduce the cost of agency, as this link is based on the idea that the company's control and management is useful in reducing agency conflicts, and in convincing managers that the market is in a position not to abuse their positions, and company managers may divert cash flow for personal use or pursue unprofitable investment projects.

Therefore, the aim of this study is to find out the impact and change of ownership structure on the real value of shares through the dividend distribution policy for entities listed on the Iraq Stock Exchange and entities listed on the Qatar Stock Exchange; this study looks at the ownership structure as an independent factor of real value through the level of profits.

Method

We will present the contents of the research according to the following methodology:

Research Importance

The importance of the research stems from the following: The importance of the research lies in the fact that it addresses an important topic in the fair value of shares for the structure of net assets, it is one of the concepts used to express the values of diverse assets, and this concept still needs to be clarified, especially in its application in multiple economic, social and political environments; therefore, the importance of this study highlights the proposals submitted by the relevant authorities on measuring the real value of shares for the structure of property rights.

Research Problem

The presentation of the ownership structure by following an inappropriate method with the presence of the phenomenon of change in prices makes administrative and financial information inappropriate for investors, and then their decisions are irrational, and based on the financial management literature, these investors were not informed about the calculation of the real value of shares, as that value was indicated as a ready-made number in that literature without going into the details and procedures necessary to measure and reach that desired number . Therefore, the research problem boils down to the following questions: What role do dividends play in changes to the fair value of shares and rationalizing the decisions of current and prospective investors?; Does the change in the ownership structure affect the fair value of the shares?. And does the change in the ownership structure affect the fair value of the shares and the dividend policy?

Research Objectives

The study seeks to achieve the following objectives: Knowledge contribution in the field of financial management and Business Administration in knowing the impact of the ownership structure on the fair value of shares through the dividend distribution policy; Identify the extent to which the fair value is affected by the change in the net assets of the economic unit; Identify the extent to which the fair value is affected by the dividend distribution policy. And the extent to which the fair value of shares is affected by changes in the ownership structure and dividend distribution policy.

Research Hypothesis

A significant influence relationship of the ownership structure exists in the real value of shares. And there is a significant impact relationship between the changes in the net assets of the economic unit through the policy of profit distribution in the real value of shares.

Result and Discussion

Knowledge bases of net assets economic unit

The concept of net assets economic unit

Before going into clarifying the concept of net assets, the researcher considered clarifying the net assets of contributing economic units because of its importance in this research, as well as the prevalence of this type of economic units in the Iraqi environment, net assets represent the residual rights of shareholders, I.E. property owners, where it is called property rights, so it is defined in some accounting literature with different definitions but their contents are similar, where it is defined [1] as the remaining rights of total assets after payment of all obligations and is called (ownership right, Shareholders ' Equity, Net remaining assets) while it is also defined as representing claims on the net assets (net assets) economic unit, because the right of ownership is The remaining right (residential Equity) after the economic unit has paid its obligations to third parties.

Whereas property rights are defined as a set of funds invested by owners in the form of capital at the beginning of the life of an economic unit plus profits minus losses and withdrawals [2].

Equity (net assets) differs in its components depending on the nature of the economic unit if it is (money Company, Company of Persons, Holding and subsidiary companies, etc.) , And for the subject of this research, the components of property rights of Joint-Stock economic units will be studied because of their connection with the practical side of this research, which will be in the economic units registered on the Iraq Stock Exchange.

Components of net assets (equity)

[1] Fred Phillips et al., *Fundamentals of Financial Accounting* (McGraw-Hill Ryerson, 2015).

[2] Radwan Mohammed Al-Anati, *Accounting Principles and Their Applications*, ed. 5th Edition (Safa publishing house, Amman, 2005).

After we got acquainted in the previous paragraph with the concept of net assets (shareholders 'equity), and according to what the IASC settled on in the framework it provided for the preparation and presentation of financial statements that the rights of owners in general are the rights remaining in the assets of the economic unit after excluding all the liabilities of this economic unit, shareholders' equity, accordingly, consists of the capital of issued and paid shares and the bonus of issuing shares, retained earnings excluding any dividends, reserves of all kinds, whether legal reserves, general reserve, emergency reserve and other reserves.

Therefore, when the economic unit is liquidated, the assets are liquidated, then the liabilities are paid off, and the liquidation surplus remains, which is distributed to shareholders [3].

Capital

There are two concepts of capital: he financial concept of capital, which is the invested funds or invested purchasing power, in which capital is synonymous or equal to the net assets or equity of the enterprise; The physical concept of capital, which is the operational capacity and in which capital is considered as the productive capacity of the enterprise,for example, units of output per day [4].

As for the definition of capital from the point of view of traditional economics [5] as the money that was used to generate other money, Adam Smith was the first to give Capital a place among the factors of production and defined its meaning, this term was used before many writers such as Physiocrats and others, but they mostly wanted money that is lent at interest.

There are certainly many terms that are used in practical life to define capital in economic units, and each type of capital has a certain connotation, and we will define them as follows [6]: Authorized capital: it expresses the amount of value that the economic unit was authorized to issue in accordance with the articles of Association of the economic unit; Issued Capital: here the shares that have already been issued are called without the shares that have been authorized to be issued but have not yet been issued, and it is worth noting that it is also called subscribed capital; Paid-in-Capital: it represents the value of the shares that have been paid in full; Invested Capital (Invested Capital): as the capital in joint-stock economic units consists mostly of two types of shares: Ordinary shares (Common Stock): they are shares of equal value classes ,each of which has the same (same) rights , which allows the shareholder the right to vote at the General Assembly meeting and the possibility of participating in the profits of the economic unit, as well as the

[3] Mayada Salem Reza Al-Araji, "Performance Evaluation Using Financial Analysis Indicators for Investment Decisions," *University of Mosul* (Al-Qadisiyah University, 2004).

[4] David Cairns, *Applying International Accounting Standards* (Lexis Nexis Butterworths, 1999).

[5] Basharat Hossain, "Economics of Information and Advertising: A Comparative Analysis in View of Conventional and Islamic Economics," *Journal of Economics* 2, no. 2 (2014): 151–67.

[6] Mohamed Matar, "Role of Disclosure of Accounting Information in Strengthening and Activating Institutional Control," in *5th Professional Scientific Conference of the Association of Chartered Accountants of Jordan, Amman*, 2003, 24–25.

division of liquidation output, ordinary shares are considered the basis in the formation of mixed and private shareholding economic units through subscription, and these shares are subject to increase their market value and are also subject to reduction according to the reputation of the economic unit and its status in the competition market. They will also be clarified in subsequent paragraphs. And preferred Stock: it is issued when the Joint-Stock economic unit needs additional funds, and preferred shares have some characteristics over ordinary shares, most notably their priority in obtaining a share of the profits realized and distributed, as well as their progress in obtaining the liquidation product. The issuing company of preferred shares has the right to refund them at a later date and at a specific price above the original price, and sometimes shareholders of preferred shares have the right to convert their value into ordinary shares. It is worth noting that the Iraqi law did not authorize the issuance of this type of shares.

Share issue premium

It is a type of capital reserves represented by the amounts received through the issuance of shares with a value exceeding their par value [7], which means that the price of issuing shares is higher than the par value of the shares, and this can happen in economic units that are successful in their business and make profits and that shareholders are ready to pay this bonus to the unit, and if the bonus occurs, it is considered a capital gain and is considered part of the shareholders ' equity [8].

Reserves

Reserves are one of the important topics in the field of accounting because of their important role in supporting the financial position of the economic unit, and they are considered a requirement of prudent financial policy as they are considered a protective shield for the capital of the economic unit, as the use of the term reserves is not strange to many economic units in the field of industry, trade and others in the countries of the world [9].

Retained earnings retained earnings

International accounting standards define retained earnings as accumulated profits (or losses) minus any distributions of profits [10].

Retained earnings represent profits earned by the economic unit from its operations, and it has not distributed them to shareholders (ordinary shareholders), whether all or part of the profits are within a predetermined percentage, but in any case,

[7] Rick Wicks and Arne Bigsten, *Used Clothes as Development Aid: The Political Economy of Rags* (Sida, 1996).
[8] Eugene F Fama and Kenneth R French, "The Equity Premium," *The Journal of Finance* 57, no. 2 (2002): 637–59.
[9] Erich Gundlach, Desmond Rudman, and Ludger Wößmann, "Second Thoughts on Development Accounting," *Applied Economics* 34, no. 11 (2002): 1359–69.
[10] Al-Araji, "Performance Evaluation Using Financial Analysis Indicators for Investment Decisions."

they are considered available for distribution if the economic unit decides so. These dividends represent earned Capital as distinguished from Paid-In-Capital [11].

Knowledge bases of the fair value of shares

Fair value concept Fair Value Concept

The concept of fair value is one of the concepts included by the radical school, which is distinguished by its choice of current value as the basis for evaluation. Although the current accounting model relies heavily on historical cost, the official releases and notes submitted for discussion issued by the Financial Accounting Standards Board indicate a trend towards providing more information about current value [12].

We can present the definition of fair value by dividing it into two groups as follows:The first group: definitions that emphasize that market value is a key indicator of fair value: Market value is the most widespread and common value when determining the fair value, provided that efficiency is available in the securities market, and therefore market value in an efficient financial market is the best indicator of fair value , and there are a number of different definitions of market value in an efficient market that express fair value, including the following:

I. fair market value: the first accounting organizations that developed a definition of fair value in March 1959 were IRSs (US Internal Revenue Service) and defined it as: the price at which property is exchanged between a willing buyer and a willing seller when the former is not forced to buy and the latter is not forced to sell, and both parties have reasonable knowledge of the facts associated with the transaction [13].

Justifications for the fair value shift

To achieve the goal of accounting in providing appropriate information to the decision-maker, Sterling believes that the information provided to them should be in the field of decisions that they can make, including investment alternatives in the market, personal details and interpretations of prices existing in the market related to the decisions of borrowers and investors, and these decisions in their entirety depend on some issues: Cash currently available to invest in the upcoming project; The amount of cash to be made available for investment in the upcoming project; The risk ratio that enables the decision maker to compare preferences. And that prices are interpreted under the risk rates of the market.

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[11] Erik Larson and Samuel Zalanga, "Indigenous Capitalists: The Development of Indigenous Investment Companies in Relation to Class, Ethnicity, and the State in Malaysia and Fiji," in *Political Power and Social Theory* (Emerald Group Publishing Limited, 2004), 73–99.

[12] Financial Reporting Policy Committee of the Financial Accounting and Reporting Section of the American Accounting Association et al., "The American Accounting Association's Financial Reporting Policy Committee's Response to the Preliminary Views on Financial Statement Presentation," *Accounting Horizons* 24, no. 2 (2010): 279–96.

[13] Ahmed M Hamad, Mohamed Kouta, and Yasmine M Afify, "Evaluation of Probabilistic Payment Systems," in *The 8th IEEE International Conference on E-Commerce Technology and The 3rd IEEE International Conference on Enterprise Computing, E-Commerce, and E-Services (CEC/EEE'06)* (IEEE, 2006), 19.

Fair value of the share

Fair value refers to the actual value of a company or shares that is determined through fundamental analysis without reference to its market value ,it is also called the basic value, and it is usually calculated by adding the future income generated by the company and deducting it to the current value, and to evaluate the fair value of the value of the company or shares by taking into account quantitative and qualitative factors, and knowing the fair value gives investors information about the value of the business before owning any ownership in it [14].

Fair value refers to the value of a company, stock, currency, or product as determined by fundamental analysis without reference to its market value, and is typically calculated by adding the discounted future income generated by that company, stock, currency, or product to obtain its present value [15].

As Figure (1) shows the market equilibrium when the stock price is equal to its fair value if the stock market is reasonably efficient the gaps between the stock price and fair value should not be too large and should not persist for too long, however there are cases when the price of an individual stock may be much higher or lower than its fair value and this difference may persist for a long time [16].

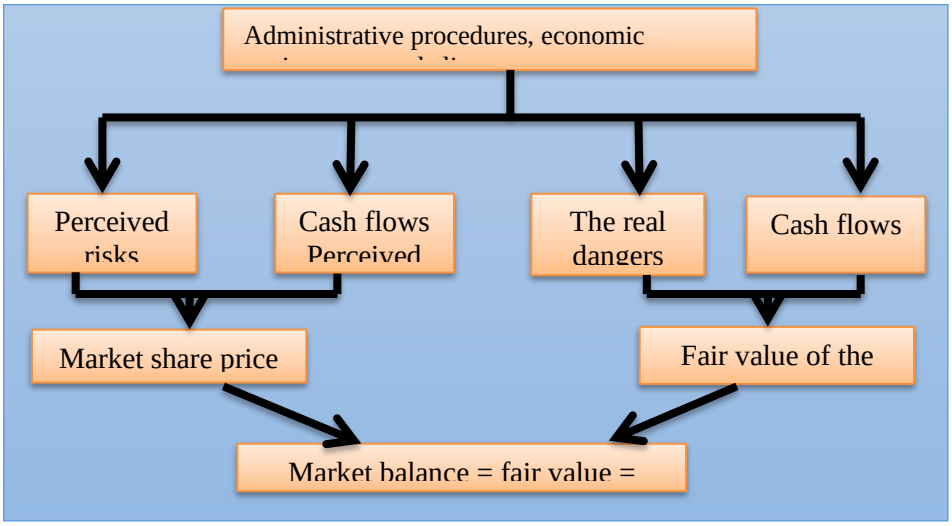


Figure 1. Fair value determinants and share prices.

[14] Paul W Kiranga, "The Relationship between Intrinsic and Market Values of Listed Companies in the Nairobi Securities Exchange" (University of Nairobi, 2013).
[15] Hugh Grove and James Lockhart, "Evolution of Corporate Governance towards Intrinsic Value," *Corporate Law & Governance Review* 1, no. 1 (2019): 8–13.
[16] Eugene F Brigham and Joel F Houston, *Fundamentals of Financial Management* (South-Western Cengage Learning, 2013).

Areas of development of data mining

Recent advances in both mathematics (where new efficient and fast algorithms were developed) and database technology (new research allowed the development of databases, as well as for computers) have contributed to the development of data mining. data. In another way, it can be said that data mining has developed from several fields, including information technology, artificial intelligence, traditional statistics, high-performance computing, computer graphics and data computer visualization, and thus we have an abundance of mining techniques. The available data can be classified into four categories: databases, statistics, artificial intelligence and computer visualization [17].

The fair value of the shares is defined as the present value of all cash payments to the investor discounted according to the risk-adjusted interest rate K [18]. If we estimate that the fair value exceeds the market value of the shares then the shares are undervalued and a good opportunity to buy if they are liquid. Simplistically, we can assume that future profits will continue to grow which are classified by G. Therefore, the equation is presented as follows [19]:

$$p = \frac{D}{K-g} \qquad (1)$$

Dividend divisor: D

It is a part of the net income distributed to ordinary shareholders in the event that the company makes a decision to distribute dividends to shareholders and depends on the ability of the company or financial institution, that is, if it is full, i.e. it has liquidity, it makes a decision to distribute dividends, either in the case of expansions, meaning that the company is expanding its production capacity or aims to invest in the available investment opportunities, and the return that is achieved must exceed the opportunity cost, as shareholders may want distributions in order to invest their money in investment opportunities that achieves a return greater than the return that the company achieves by investing profits the dividend divisor is one of the influential factors that gives an indicator The value of the company will be maximized through a high cash dividend distribution ratio, and this happens because investors see that cash dividends are a low-risk issue in order to increase the possibility of achieving capital gains, and in this case the company needs to consider the distribution of dividends in relation to maximizing the wealth of shareholders as retained earnings, and that dividends in the assumption that the information about the announcement of dividends and their expectations lies in The impact on stock prices [20].

The required rate of return Ke

[17] Supatcharee Sirikulvadhana, "Data Mining as a Financial Auditing Tool" (Citeseer, 2002).
[18] Eugene F Brigham and Michael C Ehrhardt, "Financial Management: Theory & Practice (Book Only)," *Cengage Learning*, 2013.
[19] Suzana Baresa, Sinisa Bogdan, and Zoran Ivanovic, "Strategy of Stock Valuation by Fundamental Analysis," *UTMS Journal of Economics* 4, no. 1 (2013): 45–51.
[20] Muryani Arsal, "Impact of Earnings per Share and Dividend per Share on Firm Value," *ATESTASI: Jurnal Ilmiah Akuntansi* 4, no. 1 (2021): 11–18.

The required rate of Return is the return that the investor requires for using the capital he has spent in investment opportunities and this rate must exceed the cost of financing and to calculate the required rate of return, the capital asset pricing model (CAPM) is adopted and is as follows:

capital asset pricing model (CAPM)

In the early sixties of the last century, the capital asset pricing model (CAPM) was introduced (Sharpe, Lintner) and is considered one of the most challenging topics in financial economics, being a major development of the theory of capital structure, as the expected return on assets can be estimated by adopting the CAPM model, which is linearly related to systemic risks, which are measured through the trial version of assets and many managers justify their decisions based on (capital asset pricing model) [21].

The CAPM (capital asset pricing model) developed by Sharpe [22] is based on the Modern Portfolio Theory of(Markowitz), which was developed by him , as the capital asset model is a linear equilibrium model of returns on investments that shows returns above the risk-free rate using covariance with the market as a whole, and in order to determine the risks of individual securities as well as portfolio risks in relation to the market as a whole, where it is important with regard to changes in the return on the market portfolio[23]. It is also one of the basic and most influential concepts in modern finance. It is closely related to portfolio theory and finds its application in portfolio risk management and security assessment [24].

The equation of the asset pricing model (CAPM)

Nel [25] emphasizes that the basic principle of CAPM in corporate events has very little impact on the required return of the asset and the related risks are market risks, which indicate the sensitivity of asset returns to market returns, which is reflected in the beta that the classic Sharpe-Lintner model CAPM expected return of assets consists of three variables namely beta (β) stock, risk-free rate (Rf) and expected market return Rm)) so that:

$$E(Ri) = R_f + [E(R_m) - Rf\,]\,\beta i \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots..(2)$$

Risk-free rate of return: (Rf)

The key variables in the model include the return from the market of which the existing one is a part during the same time frame [26], which is the risk-free interest rate

[21] Chengyu Yang, "Research on China's Exchange Online Financial Market: An Exchange Online Financial Capital Asset Pricing Model," *American Journal of Industrial and Business Management* 9, no. 04 (2019): 1045.
[22] William F Sharpe, "Capital Asset Prices with and without Negative Holdings," *The Journal of Finance* 46, no. 2 (1991): 489–509.
[23] Josipa Džaja and Zdravka Aljinović, "Testing CAPM Model on the Emerging Markets of the Central and Southeastern Europe," *Croatian Operational Research Review* 4, no. 1 (2013): 164–75.
[24] Michael Zabarankin, Konstantin Pavlikov, and Stan Uryasev, "Capital Asset Pricing Model (CAPM) with Drawdown Measure," *European Journal of Operational Research* 234, no. 2 (2014): 508–17.
[25] W S Nel, "The Application of the Capital Asset Pricing Model (CAPM): A South African Perspective," *African Journal of Business Management* 5, no. 13 (2011): 5336–47.
[26] Madhura Ranade, "A Study of The Best Combination of Technical Analysis Tools Used in The Stock Markets: Evidence in Indian Context," *International Journal of Management (IJM)* 11, no. 8 (2020).

such as the emerging interest on government bonds and Treasury bills, and this rate is still subject to uncertainty and inflation, therefore it is not completely risk-free [27]. The risk-free rate of Return is the confirmed return obtained from risk-free assets , which are short-term government securities (such as treasury bills)or any other government securities , where interest on them represents a risk-free return [28], and the risk-free rate of return referred to by Rf is the return that investors can earn without any risk, US Treasury bonds are often used as a tool for the risk-free rate using the interest rate on US Treasury bonds for one month as a risk-free rate for models in the US financial market [29]. The risk-free rate is usually the yield of bonds or interest on Treasury transfers, and despite the fact that risk-free assets are actually not practical because they still carry a small amount of risk, so the risk-free rate is applicable in investing. The yield of 10-year US government bonds is often used as a risk-free rate. Investors can use other prices taking into account a certain duration of the investment [30].

Market risk premium (RPm)

The second step in the asset pricing model equation is to determine the difference between the expected rate of return for the entire stock market and the risk-free rate can be estimated by the market risk premium from historical data or future data [31].

Return on market portfolio (Rm):

The market portfolio includes and is the most widely diversified portfolio available, and having an optimally efficient market portfolio is one of the most important individual effects of CAPM. Theoretically, once such a portfolio is held, diversification away from risk should be the return on the market portfolio , which includes all risky assets.again, it is doubtful whether a portfolio of this type will exist at all. as with the risk-free rate of return, it is not easy to estimate the market return, it is usually approximated using stock market indices of the market, however, the problem still remains as to which index should be used as an alternative [32].

Beta coefficient: (β)

It is a measure of the systemic risk of securities, namely the sensitivity of the expected asset returns to the expected market returns [33] this is the most important among

[27] E R Laubscher, "A Review of the Theory of and Evidence on the Use of the Capital Asset Pricing Model to Estimate Expected Share Returns," *Meditari: Research Journal of the School of Accounting Sciences* 10, no. 1 (2002): 131–46.

[28] Matteo Rossi, "The Capital Asset Pricing Model: A Critical Literature Review," *Global Business and Economics Review* 18, no. 5 (2016): 604–17.

[29] Ki-Soon Choi, Eric C So, and Charles C Y Wang, "Going by the Book: Valuation Ratios and Stock Returns," *Available at SSRN 3854022*, 2023.

[30] Trung Do, "Capital Asset Pricing Model in Building Investment Portfolio," 2014.

[31] Hendrik Andries Snyman, "Investigating Momentum on the Johannesburg Stock Exchange" (Stellenbosch: University of Stellenbosch, 2011).

[32] Laubscher, "A Review of the Theory of and Evidence on the Use of the Capital Asset Pricing Model to Estimate Expected Share Returns."

[33] Avtandil Gagnidze and Giorgi Gvazava, "Statistical Analysis and CAPM Model for Investments in Georgia's Energy Sector," *Journal of Business* 6, no. 2 (2017): 31–37.

all components and the beta coefficient measures the systematic risk of holding a risky asset, basically the risk can be divided into two components that can be measured by the stock beta, namely: systemic risk: the common risk among all securities refers to any market risk , and systemic risk cannot be reduced through diversification; Irregular risks: irregular risks, also known as individual risks, refer to the risks associated with the company and irregular risks can be reduced by diversifying the investment portfolio and the systemic risk is measured by the beta coefficient, which is calculated according to the formula [34]:

$$Bi = \frac{Cov(Ri,Rm)}{\delta^2 Rm} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(3)$$

$\boldsymbol{Cov(Ri, Rm)}$ **:** The discrepancy between the return on a stock and the return on the market.

$\boldsymbol{\delta^2 Rm}$ **:** The standard deviation of the market.

$\boldsymbol{Bi}$: It is the standard measure of the regular risk of a stock.

The beta coefficient is an indicator of (systemic) risks that cannot be verified , the beta of different stocks can be classified to compare the systemic risks of stocks, and we can see the interpretation of the beta coefficient (β) in Table (1) [35].

Table (1) interpretation of the beta coefficient

Interpretation of the meaning of βi	The direction of changes in the yield of securities compared to changes in market yield	Bi
The volatility (risk) of stocks is higher than the market risk .	The same market	βi > 1
The volatility (risk) of stocks is equal to market risk .	The same market	βi = 1
The volatility (risk) of stocks is less than the market risk .	The same market	βi < 1
Equity risk is not affected by market risk.	There is no relationship	βi = 0

[34] Haruna Glory Ojone, "CAPM: Theoretical Formulation, Empirical Evidence & Interpretation," *Master's Thesis Published, Masaryk University*, 2017.

[35] Sherzod Mustafakulov and Khurshid Khudoykulov, "Verifying Capital Asset Pricing Model in Greek Capital Market," *Central European Review of Economics & Finance* 7, no. 1 (2015): 5–15.

The volatility (risk) of stocks is lower than the market risk but in the opposite direction.	Market reversal	$\beta i < 0$

Source: [36].

Assumptions of the asset pricing model CAPM:

The CAPM model is based on a set of assumptions, which are as follows J assumes that the stock return has a normal distribution but it seems that the distribution is not normal; A assumes that the variance in returns equals the risk; J does not find out about the stock divergence as much as it should; Investors prefer lower risk when faced with a specific expected rate of return; It assumes that investors have equal access to information and agree with each other about the risks and returns of all stocks; PK assumes the absence of taxes and transaction costs; The market portfolio includes all securities in all markets and each security has its own specific weight in the market; A market portfolio theoretically includes all securities held as capital assets but in practice they are replaced by stock indices [37]; Investors can trade securities at a fair price and borrow and lend risk-free assets indefinitely. in the stock market, assets are usually overvalued or undervalued. the main reason is that investors sometimes overreact to good news and bad news about the economic situation. Therefore, stock volatility can rise and fall in a short-term horizon. Moreover, risk-free assets are impossible in real life because they still contain secondary risks such as default risks and interest rates; The CAPM model assumes that all investors are rational i.e. risk averse and aim to maximize return and minimize risk as mentioned before, investors can invest aggressively in stocks or conservatively by dividing the capital by a certain amount but CAPM only takes into account risk averse investors; it is not suitable for risky investors.And CAPM assumes that all investors have homogeneous expectations and agree that the returns of all assets will be available to everyone and this assumption is actually not true. In the above assumption, it becomes clear that the stock market consists of a set of risks and that information is not available to everyone. That is why it is not correct to assume that all investors have the same expectations[38].

The importance of the CAPM capital asset pricing model

The asset pricing model (CAPM) calculates the market risk premium is the difference between the expected return of the market portfolio and the risk-free rate is one of the most important figures and has been extensively researched in the financial literature in calculating the equity risk premium, as the expected return plays a major role

[36] Mustafakulov and Khudoykulov.
[37] Hamidreza Vakili Fard and Amin Babaei Falah, "A New Modified CAPM Model: The Two Beta CAPM," *Jurnal UMP Social Sciences and Technology Management* 3, no. 1 (2015).
[38] Do, "Capital Asset Pricing Model in Building Investment Portfolio."

because the government treasury price is a documented rate of return from capital assets (CAPM) for calculating the widely expected return [39].

Capital Market line (, CML SML): Capital market line CML: the capital market line represents the portfolio as a whole. It shows the relationship between the rates of return on an effective portfolio that includes risk-free assets and measures the standard deviation of a particular portfolio. Academic studies in the field of financial management have pointed to adjusting the weights of selected assets in the portfolio, and the missing element in those examples is the risk-free asset. When we take into account the principle of diversification that investors emphasize, here is the need to distribute their capital between financial instruments and the possibility of investing in such assets, and the breadth of opportunities, not only the number of assets increases, but the investor can also borrow on risk-free assets and invest more in stocks [40]. And CML determines the return that the investor expects to receive in the portfolio, and this is a linear relationship between risk and return on effective portfolios, which can be expressed by the following equation:

$$E(R_p) = R_{f+}\sigma_p\left[\frac{E(Rm-RF}{\sigma m}\right] \ldots\ldots\ldots\ldots (4)$$

Where Rp is the portfolio return Rf the risk-free rate of return, Rm is the market portfolio return δ_p and the standard deviation of the portfolio returns and δ_M is the standard deviation of the market portfolio returns [41].

Applied aspect

In this research, the variables of the study are measured for Asiacell and Zain Iraq companies, the research sample was divided into the following paragraphs:

Heuristic analysis to describe the relationship between research variables and hypothesis testing

The present research presents the inferential statistical interpretation of the relationship between the main research variables in its practical aspect with the aim of reaching the accounting interpretation of the relationship between these variables, in terms of analysis and testing hypotheses. To analyze the joint integration of the variables of the research model in the study and analysis of interrelated and influential relationships, the main variables were measured based on the data contained in the financial statements of the communication companies of the research sample.

Testing and analysis of correlation hypotheses between research variables

This paragraph shows us, the correlation relationship test to describe the correlation direction (direct or reverse) and the degree of its strength between the research

[39] Seoki Lee and Arun Upneja, "Is Capital Asset Pricing Model (CAPM) the Best Way to Estimate Cost-of-equity for the Lodging Industry?," *International Journal of Contemporary Hospitality Management* 20, no. 2 (2008): 172–85.

[40] Do, "Capital Asset Pricing Model in Building Investment Portfolio."

[41] Don U A Galagedera, "A Review of Capital Asset Pricing Models," *Managerial Finance* 33, no. 10 (2007): 821–32.

variables (net assets of the economic unit) as an independent "influential" variable and the variable (fair value of shares) as a dependent variable. " the correlation coefficient was relied on (Pearson), and the following table shows the interpretation of the relationship based on the values of the correlation coefficient and according to the rule and as follows[42]:

Table 2. A framework for determining the strength of the correlation coefficient

d	Interpretation of the correlation relationship	Link value
1)	There is no relationship	0
2)	The relationship is acceptable	0 إلى 0.30
3)	The relationship is average	0.31 إلى 0.69
4)	The relationship is strong	0.70 إلى 0.99
5)	The relationship is complete (positive or negative)	1- او 1 +
6)	The relationship is weakly negative	0 إلى - 0.30
7)	The relationship is moderately negative	- 0.31 إلى - 0.69
8)	The relationship is strongly negative	- 0.70 إلى - 0.99

Source: [43]

Testing the first main hypothesis

A significant influence relationship of the ownership structure exists in the real value of shares. The correlation values will be shown in Table (3) below:

Table 3. A significant impact relationship of the ownership structure exists in the fair value of shares

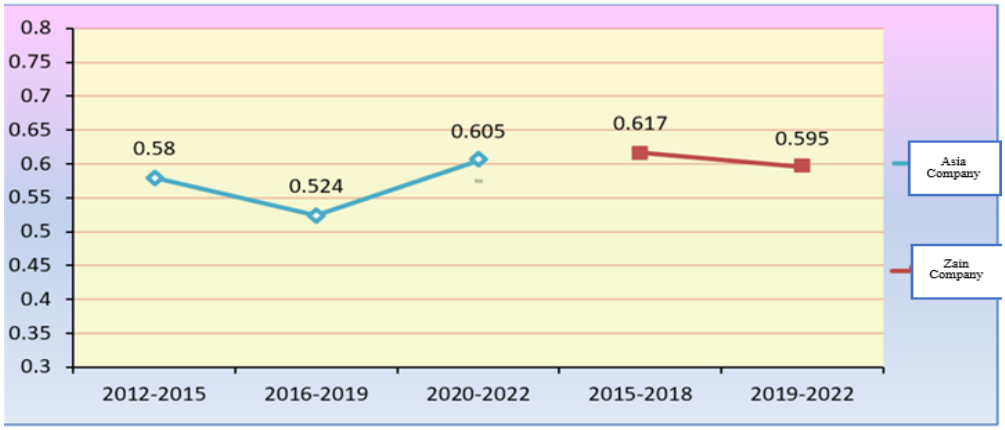
Variants	The time period	Correlation value and level of significance		Z Calculated	Relationship strength	Relationship direction
Asia Company	-2015 2018	Link value	0.524	4.02	Average	Positive ejectivity
		Sig	0.000			
		Link value	0.605	4.88	Average	Positive ejectivity

[42] Mark Saunders, Philip Lewis, and Adrian Thornhill, *Research Methods for Business Students* (Pearson education, 2009).
[43] Saunders, Lewis, and Thornhill.

	-2019 2022	Sig	0.000			
Zain company	-2015 2018	Link value	0.617	5.02	Average	Positive ejectivity
		Sig	0.000			
	-2019 2022	Link value	0.595	5.11	Average	Positive ejectivity
		Sig	0.000			

Source: preparation of the researcher depending on the Program Output (SPSS.V29)

The correlation values of the first sub-hypothesis will be presented in Table (3) below as follows.



Source: preparation of the researcher depending on the Program Output (SPSS.V29)

Figure 2. correlation values of the first main hypothesis

The results from Table (3) and Figure (2) indicated: the existence of an average direct correlation of the net assets of the economic unit and the fair value of shares, where the values of the correlation coefficient achieved an amount of (0.58, 0.524, 0.605) for the time periods (2015, -2019, 2020-2022), respectively, with a moral significance (0%) less than the indicative level (5%), for Asia Company, which indicates the existence of a medium limited relationship between the variables and the highest correlation level during the time period (2020-2022). Asiacell's most recent change in the capital structure indicates its interest in improving the net assets of the economic unit; while the values of the correlation coefficient between the study variables were (0.617, 0.595) for the time periods (2015-2018, 2019-2022) for Zain Iraq, which indicates that there is a good limited relationship between the variables and the highest correlation level was during the time periode (2018-2019). And the value of (z) calculated within the range (3.92 - 4.88) for Asia Company and within the range (5.02-5.11) for Zain company, which is greater than (Z) Tabular (1.96) at the level of morale (5%), and this result indicates the morale of the

correlation., It can be concluded that the concept of indicators of net assets of an economic unit has an impact on the fair value

Testing the second hypothesis

There is a significant impact relationship between the changes in the net assets of the economic unit through the policy of profit distribution in the real value of shares. The correlation of the third sub-hypothesis will be shown as in Table (3) below:

The results from Table (3) and Figure (2) indicated the following: the amount of correlation between the net assets of the economic unit and the distribution of profits reached a range between (0.500, 0.522, 0.392) for the time periods (2016-2019, 2020-2022), and it was the highest correlation level during the time period (2016-2019), and this result provides sufficient support in proving the hypothesis for Asia Company, which indicates that there is a limited relationship between variables, and what supports this result is a significant level (0%), which is lower than the the significance (5%) calculated for the correlation relationship between the two variables; while the correlation coefficient between the study variables was between (0.226, 0.574) for the time periods (2015-2018, 2019-2022) for Zain company for Zain company, it was the highest correlation level during the time period (2019-2022), which indicates a good relationship between variables, and this result provides sufficient support in accepting the second sub – hypothesis. And the value of (z) calculated within the range (5.16 – 5.82) for Asia and within the range (6.16-6.44) for Zain, which is greater than (Z) Tabular (1.96) at a morale level (5%), and this result indicates the morale of the correlation.

Based on the results shown in Table (1, 2, 3), the correlation relationship between the main study variables is significant, as all the values of the correlation coefficient between the variables of Asiacell and Zain Iraq were statistically significant at the level of (1%) and (5%) with a confidence degree of (99%) and (95%) and these results indicate acceptance of the first main hypothesis and the sub-hypotheses emanating from it. That is, "there is a statistically significant correlation of the net assets of the economic unit through the policy of profit distribution in the real value of shares"

Conclusions

The results of the financial and statistical analysis of the relationship between the ownership structure and the real value of the shares showed that the change in the ownership structure makes a big difference in the real value of shares in Iraqi facilities, it is necessary to pay attention to it by the participants in the Iraqi market; The results of the financial and statistical analysis of the relationship between the ownership structure and the real value of the shares proved that the change in the ownership structure makes a big difference in the policy of distribution of profits and the real value of shares in Iraqi facilities, it is necessary to pay attention to it by the participants in the Iraqi market; The results of the financial and statistical analysis of the relationship between the ownership structure and the real value of the shares showed that the change in the ownership

structure does not make a significant difference in the real value of the shares as they are influenced by other factors that must be paid attention by the participants; The results of the financial and statistical analysis of the relationship between the dividend distribution policy and the real value of shares showed that the dividend distribution policy makes a big difference in the real value of Iraqi institutions, which should be paid attention to by participants in the Iraq Stock Exchange. And the real value of the shares is affected by the unstable economic conditions, and this is evident in the Iraqi facilities.

Recommendations to: The need for investors to balance both the ownership structure, the real value of shares and the dividend policy when making an investment decision for a foreign investor in the Iraq Stock Exchange; Issuing tax legislation due to Iraqi enterprises that have suffered in wars and the loss of security and political and secure; The ownership structure changes whenever necessary and in proportion to the size of the economic activity of the enterprise; The need to present all administrative and financial information by the institutions operating in the Iraq Stock Exchange to investors in order to make the right investment decision in the institutions that are suitable for investment as is the case in Iraqi institutions. And the need for investors to balance between the real value of the shares and their market value when making an investment decision; because of the impact of this matter in reaching the real value of the shares they want in Iraqi facilities.

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