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Developing a Paradigm for Fair Valuation in Tehran Stock Exchange

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ABSTRACT

The concept of value is of great importance for investors. The goal of different groups of investors is always to maximize the value of their capital. The aim of this research is developing factors effective on securities in capital market in order to develop a paradigm for fair valuation that leads investors to make better decisions. To study fair value in a precise and comprehensive way, effective variables are divided into three main categories. First: evaluation variables including cash flow (income quality), discount rate, and earnings per share; second: intra-organizational variables of corporate governance including the type of ownership (the number of institutional investors), management quality (the number of boards in charge or centralized management as well as the number of non-in charge board of directors or decentralized management), the amount of reward, compensation and quality of organizational structure; third: variables relating to reporting quality such as offering reliable and on time information. Other variables such as firm size and operation cycle (complexity of business environment) have also been studied. And according to selected sample, methods and statistical analysis, a paradigm for fair valuation has been developed

1 Introduction

The goal of different groups of investors is always to maximize the value of their capital. Yet value has an abstract meaning and calculating value is a challenging work. On the other hand, different valuation methods are being developed and efforts are making to invent and develop more complete and comprehensive methods. In order to help investors, make decision it is recommended that there be a logical relationship between the determined value of an investing opportunity and its real (intrinsic) value. Investors are looking for a free risk return additional to market return, that is, deposit in banks, bonds, inflation premium (rate of inflation coverage). Otherwise holders of financial resources will not be interested in entering the investments fields. If the efficiency conditions are relatively provided, securities market can yield the desired return by meeting the conditions for fair valuation. Fair valuation has been suggested by professional uses a strategy to fulfil the benefits of all interested groups in bonds market. In this paper having analysed the methods of share valuation and significant researches in this field, by considering the qualifications of capital market a paradigm for fair valuation is devel-

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oped. Information about sample firms in Iran Stack Exchange was reviewed and analysed and then using an appropriate statistical method a paradigm for fair valuation has been formed.

Price is one of the most important factors in trading decisions in capital market. Logically several factors have an effect on determining share value, factors such as firm return and performance, liquidity flow and circumstances, capital cost, management quality, chief investors configuration, the type and quality of product, complexity of firm operation, financial information quality reported in the form of interim reports as well as economic and political conditions can impact the general conditions of market (systematic risk or beta factor), [16]. Difference n measurement methods are not originated from a theoretical framework, but from regulations and different practices methods formed during various periods, [2]. Valuation of assets and liabilities and reporting them in statements can play the role of a facilitator for future decision making.

Therefore, it is recommended the value reported in financial reports define the fairest value and improve the clearance of financial reports. Clearance, responsibility, structures, procedures, laws, and regulations have an important role in forming factors affecting the valuation.

If the principles of corporation governance are observed, a more reliable fair value can be achieved, and all beneficiary groups can be related fairly. On the other hand, the quality of financial information plays an important role in determining the share value, [4]. According to studies and researches, relevant, reliable and on time information has a direct impact on true securities value. Fair value paradigm is designed to improve the relevance of accounting information. If securities value is determined according to firm performance, investment opportunities and expectations and economic justifications, high quality financial information and in corporate governance framework traders will show interest. Consequently, it brings about bullishness in capital market and flowering in economy as well as an increase in the number of domestic and foreign investors, [14]. Lack of a rational relationship between securities value and logical parameters leads to negative sequences for capital market. The aim of this research is developing factors effective on securities in capital market in order to develop a paradigm for fair valuation that leads investors to make better decisions. Investors and users of financial reports give priority to managers' goals, plans and adopted mechanisms by them. The quality of financial information is also effective on determining the firm value, [3]. To do a comprehensive research in order to achieve a fair valuation paradigm, relationships among corporate governance variables and their interactions as well as qualitative features of financial information, such as relevance and being on time, will be investigated. According to the researcher's studies the existence philosophy of fair valuation has a close relationship with the establishment of corporate governance system and financial information quality in economic units. Fair value is a value that fulfils the benefits of beneficiary parties in a transaction. Corporation governance system by providing clearance and justice, observing laws and regulations, setting appropriate mechanisms in an economic unit and also by offering high quality financial information tries to realize the benefits of investors or traders, [10]. In case of developing effective models benefits will be observed, and it leads to improving accounting science. in order to study fair valuation in a comprehensive way qualities related to classification of assets and liabilities fall into three main categories: first: valuation variables including cash flow (return quality), rate of discount, and earnings per share; second: intra-organizational variables of corporation governance system including the type of ownership, management quality, compensation and reward, and the quality of organizational structure; third: variables related to quality of financial reporting including offering reliable and on time valuation. Lacks of concordance in information and unknown economic and political risks effective in stock valuation in capital market that are not measurable are the un-

known aspects of this research. Efforts were made that unknown aspects have the least effect on conclusions, [12].

Using a single measuring criterion (standard) in accounting several current problems, caused by using different criteria and evaluating manager performance in relation to agency theory, can be solved, [6]. Assets and liabilities valuation is done based on methods attributed to assets and credits. Therefore, qualities related to classification of assets and liabilities fall into three main categories: input value, output value, and economic value. Different measuring methods, assets and liabilities valuation, and finally return measurement arise from features related to assets and liabilities or from difference in measuring methods, [7]. Applying fair valuation as a new approach in accounting leads to unity inn procedure in evaluating elements in statements. Fair valuation is an interesting subject in assets and liabilities measurement, because it fulfils most of the requirements of financial report quality and it eases decision making for investors.

Fair values can hold the relevance value, because they reflect current economic conditions that is, circumstances under which users must make decision. Fair values are comparable, because assets and liabilities are evaluated based on their features but not based on qualities of the economic units.[11] Fair value leads to a stable procedure, because changes in economic conditions show changes in value. Moreover, since statements show the assets value transferring non-profit unit, fair values can provide the cooperative equality of financial reporting. Research and investigation in stock valuation and developing a paradigm for fair valuation can lead us to completing the valuation methods, revising methods for collecting accounting information, developing accounting science, developing a paradigm for high quality financial reports, observing the benefits of users and economic decision makers and finally maintaining and extending investments and financial reports in the country. If developed paradigms can boost the quality of financial reporting, the preservation of financial resources, increasing the investments, reaching a reasonable return for investors in stock exchange will be feasible. [9]

In the main subject of study, fair valuation of firm share and also in minor subjects related to the main subject, that is, corporate governance system and quality of financial information (reliability and being on time). They are included:

1. Cash flow. Estimating cash flows is the most important and important step in the process of valuation. The necessity of predicting sale volume, product price, increase in production volume, and operational cost are some causes of difficulty in estimating cash flow. Furthermore, in comparison to accounting return, cash flow can be understood more easily. Cash flow-based valuation is effected by tax, depreciation, and investing requirements (including net cost of working capital). There are different viewpoints regarding accurate measurement of cash flow such as changes in cash from operation; cash from operation and investment; cash from operation, investment, and financing activities.

2. Expected return rate including risk free rate and risk premium, different methods and approaches to determining expected return rate in valuation are some challenges of evaluating firms.

3. Capital cost and how it is calculated can also have an effect on firm valuation.

Studying the above-mentioned factors leads to presenting different valuation methods of firm valuation such as cash flow discount, dividends, free cash flow discount, relative valuation, and valuation of retained earnings.

4. The relevance of financial information has a negative relationship with reliability. Hence in order to do more accurate research and to eliminate the controversies among the qualitative features of finan-

cial information, only two qualities are studied here and they are reliability and being on time.

5. Corporate governance system variables can be divided into two parts: intra-organizational and outside- organizational variables. Intra-organizational variables are:

5.1. Ownership centralization: relative ownership of every natural and legal investor (institutional investors)

5.2. Quality of board of directors: those who are in charge of observing owners' benefits which is done by monitoring chief manager's decisions.

5.3. Compensation and reward

5.4. Multipart structure: refers to substitution of business segments (departments) in order to control the manager's governing decisions.

Outside- organizational variable of corporate governance system includes market of corporate control and refers to taking control over firms with weak performance in order to improve the competitive advantage. Outside- organizational mechanism is not popular in Iran and will remain unstudied in this research.

The aim of this study is to develop an appropriate paradigm for firm valuation. This paradigm is developed under the name of fair valuation and according to limits, previous methods, variables under study in corporate governance, and qualitative features of accounting information. Our desired paradigm is going to yield maximum efficiency and minimum limitation in capital market of country

2 Literature Review

Some studies related to the fair value that have been studied in this research are presented as follows:

Riedel et al. [5], the study examines the use of fair value in financial reporting and reduce audit fees paid. Findings of this research show; collecting and presenting evidence to conclude that the financial statements based on fair value compared to cost reduce audit expenses.

Zheng [17], in connection with the relevance and reliability of fair value valuation of derivatives did. Findings of this research show; most of accountants in valuation of derivatives on the use of fair value compared to cost agree and believe that the information is more relevant than costing method.

Barth [2] research in 2006 in relation to the relevance of fair value, in accordance with Standard No. 107, for the valuation of bank securities compared to the cost of the offer. The results show fair value for derivatives, especially compared to the cost of a better way to show the value of securities.

Hosseini [13] in his thesis, role of institutional shareholders as one of the most important criteria for corporate governance changes in the market value of the shareholders' review. The findings indicate that although the degree of institutional investors in listed companies in Tehran Stock Exchange is quite high, but there is no significant relationship between institutional ownership and retuned.

Tariverdy et al. [8] by research in relation to the residual income method, discounted cash flow, adjusted earnings in the fair value of companies listed in Tehran Stock Exchange in 2012 did. The results show the average fair value of the companies using the profits remaining and the average value of IPO stock offering significant difference exists, however, between the fair values of discounted cash flow and adjusted earnings compared with IPO difference there is significant.

According to SFAS 157 [7] mentions three approaches to the estimation of fair value:

(A) Market Approach: The market approach uses prices and other information generated by market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach often uses market multiples derived from a set of comparable.

(B) Income Approach: The income approach uses valuation techniques to convert future amounts (e.g., earnings, cash flow, etc.) to a single present amount. Valuation techniques consistent with this approach include the present value technique, option pricing models, and the multi period excess earnings method.

(C) Cost Approach: The cost approach is based on the amount that would be required to replace the service capacity of an asset (i.e., current replacement cost).

Some measuring techniques developed by professionals and international groups are as follow: cash flow discount, discounted paid future earnings, net return of current value per share. These techniques are based on the above approaches.

Mentioned approaches are reviewed briefly in this research. Then in order to have a rich study and to complete the valuation method and finally to develop a more comprehensive method, intra-organizational variables and qualitative features of accounting information are studied. By considering the limits of current valuation methods and capital market in country, some new aspects of this research are: introducing effective factors on determining fair valuation, investigating scientific principles such as hypotheses, methods, models and paradigms, and finally developing a paradigm for fair valuation**.**

3 Research Hypotheses and Innovativeness

According to research questions hypotheses will be as follow:

5.1. Main Hypotheses (Fair Valuation): There exists a meaningful and positive relationship between factors of determining firm's value of shares as a new valuation approach. Following hypotheses are classified as a subset of main hypotheses:

1. There is a meaningful and positive relationship between cash flow and fair value of firm.

2.There is a meaningful and positive relationship between discount rate (expected return) and fair value of firm.

3.There is a meaningful and positive relationship between changes in earnings per share (earning response coefficient) and fair value of firm.

5.2. Main Hypotheses: There is a meaningful and positive relationship between intra-organizational variables of corporate governance and fair valuation. This Subordinate hypothesis is classified into following subsets:

1.There is a meaningful and positive relationship between the type of ownership of firms (institutional investors) and fair valuation.

2.There is a meaningful and positive relationship between management quality and fair valuation.

3.There is a meaningful and positive relationship between compensation and fair valuation.

4.There is a meaningful and positive relationship between organizational structure (presence of multi-part units) and fair valuation.

5.3. Main Hypotheses: There exists a meaningful and positive relationship between qualitative fea-

tures of accounting information and fair valuation.

1.There is a meaningful and positive relationship between offering reliable information and fair valuation.

2.There is a meaningful and positive relationship between offering on time information and fair valuation.

5.4. Main Hypotheses: There is a meaningful and positive relationship between firm size (the amount of required capital) and fair valuation.

5.5. Main Hypotheses: There is a meaningful and positive relationship between operation cycle (the number of products) and fair valuation.

Subordinate hypotheses are formed to investigate the main subject of study in a comprehensive way.

However, using fair value as a measurable quality in accounting and bringing the goals of financial reporting to completion in current complicated business environment is increasing. Because of qualities of fair valuation, it has been dealt with by professionals and international groups during the last decade, [2].

Fair value is gradually becoming a widely-used measurement attribute. The Financial Accounting Standards Board (FASB [9-10]) has issued a standard solely devoted to fair value measurements (FASB [9-10]) and the International Accounting Standards Board (IASB) has issued a discussion paper, based on the FASB standard. And a review of the submissions1 to the IASB on the IASB discussion paper reveals that there is a concern that use of fair value in IFRS may be widened in the future.

Though historical cost is still the dominant basis of measurement in accounting, there has been a gradual shift away from historical cost Despite the increasing use of FVM in IFRSs, the IASB Framework (Para 100) does not mention 'fair value' as a measurement attribute. Individual standards and discussion papers have defined fair value though there have been some variations in the definitions. For example, IAS 39 (Para 9) defines fair value as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction" [9]. SFAC 7 defines fair value as "the amount at which that asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale" [10].

SFAS 157 (Para 5) defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" [10]. Taking the above definitions and also other definitions into consideration, it can be inferred that in determining fair value the main emphasis is on output price according to inherent value of firm and expectation from future performance of the firm. SFAS NO 157 established three approaches for fair valuation, [12].

4 Methodology

Required data about variables was gathered from database of accepted companies in Stock Exchange, statements and auditing reports, and then classified. Finally, according to the type of data and using appropriate statistical method results were extracted and analysed. During the process of research, similar books and researches have been studied. Some interviews were done with professionals and

teachers. Consequently, the relationship among determined variables and fair valuation was observed and studied. Efforts have been made to make sure that the results of the research be usable and reliable for different groups such as investors, stock exchange companies, agents, stock exchange organization, stock exchange Company, and audits.

This research, hence, is a quantitative work. It is also a pseudo empirical research because of studying and observing data from different companies. And it is a correlation research because the relationship between financial information and fair valuation has been investigated. Since an appropriate statistical method has been chosen and applied to examining the primary guesses on relationship among variables it can be considered an inductive research.

In this research, according to statements and stock market price fair valuation was determined for each firm in our population, then using multivariable regression method relationship among independent variables (including cash flow, rate of discount, earnings per share, the type of ownership, management quality, rewards, the quality of organizational structure, offering reliable and on time information, firm size and operation cycle) and fair valuation have been analysed.

4.1 Population, Methods of Sampling, and Sample Size

The studied population contains accepted and active companies in capital market of the country during a period of time from 2012 to 2017. An appropriate population was gathered from among the companies. Following measures were considered when selecting the samples:

1. The end of fiscal year is March.
2. Selected firms must not be related to financial intermediation.
3. Firm has a trading halted no longer than four months.
4. Firm must be during the period of study.
5. The book value of firm must be positive.

4.2 Data Analysis Methods and Tools

Applying appropriate methods such as studying interim financial reports, information about stock price of firms available in Tadbir and Rahavard-e-novin Soft wares, auditing reports, and management board reports have been collected and then according to the foregoing qualities in section 7, irrelevant information has been omitted. Finally, information was classified according to the required features. Using descriptive statistical techniques, main indices and distribution, the amount of variable were calculated. Then Pearson correlation coefficient was determined for independent variables and the dependent variables (fair valuation or market valuation).

According to the type and amount of correlation coefficient the relationship among variables are defined. Before analysing statistical data, Skewness and Kurtosis test was applied to study the normality of data distribution. MINITAB and SPSS have been used to study and analyse the data.

4.3 Statistical Method

Normality is one of the conditions and assumptions required to apply Pearson correlation coefficient and multivariable correlation. Normality test for distribution of variables was done using Skewness and Kurtosis test. Two-variable correlation test and Durbin Watson test were applied to analyse and clarify the independence of independent variables from each other. Then using multivariable correlation test the relationship among independent variables and fair valuation (dependent variable) was determined. ANOVA Table shows the amount and the type of relationship among independent variables of the research. The most important formulas applied are:

$R= \sum(Xi-\ddot{X}) (Yi-\bar{Y})/ \sum(Xi-\ddot{X})2/N-1) (\sum(Yi-\bar{Y})2/N-1)$

The above formula can be defined and studied in the following limit.

$yx\sqrt{1/n} + (Xi- \ddot{X})2/ \sum (Xi- \ddot{X})2$

Besides the above-mentioned analysis, in order to analyse the distribution of variables in more comprehensive way, configuration of the amounts of independent variables has been classified in the form of circular and column charts.

5 Data Analysis and Findings

First of all, we want to make sure that selected variables are correlated in this research. In other term does any correlation exist between the selected variables? Based on the findings of the research which is demonstrated in the below table and the sum of F statistic the variable is correlated at significant level of e5%.

As the result of Pearson correlation demonstration in the following table, first of all, all the variables are independent from each other and secondly, at significant level of 5% and the result of Pearson correlation test, hypotheses number (5-1-3),(5-2-1),(5-4) are accepted (there are positive & direct relationship between variables) and hypotheses number (5-1-1),(5-1-2),(5-2-2),(5-2-3),(5-2-4),(5-3-1),(5-3-2) are not accepted (there are negative & indirect relationship between variables).

Table 1: ANOVA Multi correlation

Model	Sum of Squares	d.f	Mean Square	F	Sig
Regression	13949731918	10	1394973192	114.65	0
Residual	5998468490	493	12167278		
Total	19948200408	503			
Regression	13949728946	9	1549969883	127.647	0
Residual	5998471461	494	12142654		
Total	19948200408	503			
Regression	13947862240	8	1743482780	143.829	0
Residual	6000338168	495	12121895		
Total	19948200408	503			
Regression	13944094164	7	1992013452	164.56	0
Residual	6004106243	496	12105052		

Table 1: Continued

Total	19948200408	503			
Regression	13939807846	6	2323301308	192.178	0
Residual	6008392561	497	12089321		
Total	19948200408	503			
Regression	139330075497	5	2786601509	230.704	0
Residual	6015192860	498	12078700		
Total	19948200408	503			
Regression	13919487642	4	3479871911	288.031	0
Residual	6028712765	499	12081588		
Total	19948200408	503			
Regression	13903853214	3	4634617738	383.384	0
Residual	6044347193	500	12088694		
Total	19948200408	503.			

Results of data analysis for each hypothesis are as the following:

Table 2: Correlations

		Price	Cash Flow	Discount Rate	EPS	Type of Ownership	Number of Boards	Amount of Reward	Quality of Organizational Structure	Reliability	On time Information	Size of Firm	Operation Cycle of Firm
Price	Pearson Correlation	1	.057	.018	.828	.061	.059	-.06	-.013	0	-.03	-.114	-.007
	Sig.(2-taild)		.200	.670	0	.138	.155	.13	.746	0	.511	.006	.857
	N	588	504	588	588	588	588	504	588	588	504	588	588
Cash Flow	Pearson Correlation	.057	1	-.03	.065	.053	-.01	.107	.073	0	0	.169	.01
	Sig.(2-taild)	.200		.479	.144	.239	.828	.017	.102	0	.999	0	.823
	N	504	504	504	504	504	504	504	504	504	504	504	504
Discount Rate	Pearson Correlation	.018	-.03	1	.084	-.25	.041	-.08	0	0	-.15	-.19	-.047
	Sig.(2-taild)	.670	.479		.041	0	.323	.047	1	0	0	.649	.253
	N	588	504	588	588	588	588	504	588	588	504	588	588

Table 2: Continued

Earnings Per Share	Pearson Correlation	.828	.065	.084	1	-.00	.074	-.05	-.049	0	-.02	-.09	.025
	Sig.(2-taild)	0	.144	.041		.894	.074	.247	.238	0	.590	.03	.553
	N	588	504	588	588	588	588	504	588	588	504	588	588
Type of Ownership	Pearson Correlation	.061	.053	-.259	-.006	1	-.054	.213	.119	0	.146	.16	.014
	Sig.(2-taild)	.138	.239	0	.894		.192	0	.004	0	.001	0	.732
	N	588	504	588	588	588	588	504	588	588	504	588	588
Number of Boards	Pearson Correlation	.059	-.010	.041	.074	.074	1	.036	-.031	0	.005	-.062	.111
	Sig.(2-taild)	.155	.828	.323	.074	.192		.425	.454	0	.916	.135	.007
	N	588	504	588	588	588	588	504	588	588	504	588	588
Amount of Reward	Pearson Correlation	-.068	.107	-.089	-.052	.213	.036	1	.087	0	.24	.336	.074
	Sig.(2-taild)	.13	.017	.047	.247	0	.425	0	.051	0	0	0	.098
	N	504	504	504	504	504	504	504	504	504	504	504	504
Quality of Organizational Structure	Pearson Correlation	-.013	.073	0	-.049	.119	-.031	.087	1	0	-.021	.342	-.052
	Sig.(2-taild)	.746	.102	1	.238	.004	.454	.051	0	0	.643	0	.206
	N	588	504	588	588	588	588	504	588	588	504	588	588
Reliability	Pearson Correlation	0	0	0	0	0	0	0	0	0	0	0	0
	Sig.(2-taild)	0	0	0	0	0	0	0	0	0	0	0	0
	N	588	504	588	588	588	588	504	588	588	504	588	588
On time Information	Pearson Correlation	-.029	0	-.156	-.024	.146	.005	.24	-.021	0	1	.01	.065
	Sig.(2-taild)	.511	.999	0	.59	.001	.916	0	.643	0	0	.827	.148
	N	504	504	504	504	504	504	504	504	504	504	504	504

Table 2: Continued

Size of Firm	Pearson Correlation	-.114	.169	-.019	-.09	.16	-.062	.336	.342	0	.01	1	.047
	Sig.(2-taild)	.006	0	.649	.03	0	.135	0	0	0	.827	0	.26
	N	588	504	588	588	588	588	504	588	588	504	588	588
Operation Cycle of Firm	Pearson Correlation	-.007	.01	-.047	.025	.014	.111	.074	-.052	0	.065	.047	1
	Sig.(2-taild)	.857	.823	.253	.553	.732	.007	.098	.206	0	.148	.26	0
	N	588	504	588	588	588	588	504	588	588	504	588	588

Additional statistical analysis as the following:

Table 3: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std.Error	Beta		
Constant	87.829	2227.726		.394	.693
Cash Flow	.001	.002	.01	.392	.696
Discount Rate	-9549.43	14766.769	-.016	-.647	.518
Earnings Per Share	5.823	.177	.823	32.876	0
Type of Ownership	175.339	70	.064	2.505	.013
Number of Boards	-1.516	96.973	0	-.016	.988
Amount of Reward	-.166	.247	-.019	-.671	.502
Quality of Organizational Structure	372.144	366.538	.027	1.015	.310
On time Information	-105.376	192.087	-.014	-.549	.584
Size of Firm	-2.928	0	-.059	-2.074	.039
Operation Cycle of Firm	-33.157	33.408	-.025	-.992	.321
Constant	875.634	2216.076		.395	.693
Cash Flow	.001	.002	.01	.392	.695
Discount Rate	-9556.26	14745.358	-.016	-.648	.517
Earnings Per Share	5.822	.177	.823	32.968	0
Type of Ownership	175.413	69.773	.064	2.514	.012

Table 3: Continued

Amount of Reward	-.166	.246	-.019	-.674	.5
Quality of Organizational Structure	372.125	366.165	.027	1.016	.310
On time Information	-105.371	191.892	-.014	-.549	.583
Size of Firm	-2.927	0	-.059	-2.078	.038
Operation Cycle of Firm	-33.209	33.205	-.025	-1	.318
Constant	897.645	2213.47		.406	.685
Discount Rate	-9754.011	14724.128	-.017	-.662	.508
Earnings Per Share	5.828	.176	.824	33.143	0
Type of Ownership	175.861	69.704	.064	2.523	.012
Amount of Reward	-.161	.246	-.018	-.655	.513
Quality of Organizational Structure	374.617	365.796	.027	1.024	.306
On time Information	-106.875	191.69	-.014	-.558	.577
Size of Firm	-2.853	0	-.057	-2.046	.041
Operation Cycle of Firm	-33.256	33.177	-.025	.1.002	.317
Constant	824.4	2208.033		.373	.709
Discount Rate	-8680.415	14587.526	-.015	-.595	.552
Earnings Per Share	5.83	.176	.824	33.184	0
Type of Ownership	171.973	69.306	-.063	2.481	.013
Amount of Reward	-.191	.24	-.021	-.797	.426
Quality of Organizational Structure	378.951	365.46	.027	1.037	.30
Size of Firm	-2.798	0	-.056	-2.013	.045
Operation Cycle of Firm	-34.078	33.121	-.026	-1.029	.304
Constant	-465.631	418.739		-1.112	.267
Earnings Per Share	5.824	.175	.824	33.222	0
Type of Ownership	174.051	69.173	.064	2.516	.012
Amount of Reward	-.179	.239	-.020	-.750	.454
Quality of Organizational Structure	379.99	365.218	.027	1.040	.299
Size of Firm	-2.837	0	-.057	-2.044	.042

Table 3: Continued

Operation Cycle of Firm	-33.632	33.091	-.025	-1.016	.310
Constant	-483.994	417.839		-1.158	.247
Earnings Per Share	5.829	.175	.824	33.287	0
Type of Ownership	164.524	67.967	.06	2.421	.016
Quality of Organizational Structure	388.988	364.86	.028	1.066	.287
Size of Firm	-3.155	0	-.063	-2.389	.017
Operation Cycle of Firm	-34.945	33.030	-.026	-1.058	.291
Constant	-674.23	377.215		-1.787	.074
Earnings Per Share	5.824	.175	.824	33.266	0
Type of Ownership	161.476	67.914	.059	2.378	.018
Quality of Organizational Structure	414.217	364.124	.030	1.138	.256
Size of Firm	-3.247	0	-.065	-2.463	.014
Constant	-590.988	370.158		-1.597	.111
Earnings Per Share	5.824	.175	.823	33.255	0
Type of Ownership	164.307	67.888	.06	2.420	.016
Size of Firm	-2.754	0	-.055	-2.211	.027

Table 4: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std.Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
price	588	559	70871	5801.73	6219.165	3.601	.101	25.26	.201
Cash flow	504	-731189	488259	9231.92	78262.77	-1.294	.109	29.452	.217
Discount rate	588	0	0	.14	.013	-.157	.101	-1.312	.201
Earnings per share	588	-1073	7094	967.82	891.164	2.597	.101	10.290	.201
Type of ownership	588	0	23	4.78	2.762	1.805	.101	5.566	.201
Number of Boards	588	0	12	2.89	1.547	1.457	.101	5.095	.201
Amount reward	504	0	6000	419.86	702.79	2.667	.109	10.789	.217
Quality organization structure	588	0	1	.29	.452	.951	.101	-1.099	.201

Table 4: Continued

Reliability	588	1	1	1	0	0	0	0	0
On time Information	504	-1	1	-.53	.85	1.246	.109	-.448	.217
Size of Firm	588	5000000	104000000	485190486	1300924035	5.222	.101	31.104	.201
Operation Cycle of Firm	588	1	35	5.99	4.812	2.657	.101	9.675	.201
Valid N (listwise)	504								

6 Discussions and Conclusion

Price is one of the most important factors in trading decisions in capital market. Logically several factors have an effect on determining share value. It is recommended the value reported in financial reports define the fairest value and improve the clearance of financial reports.

The aim of this research is developing factors effective on securities in capital market in order to develop a paradigm for fair valuation that leads investors to make better decisions. Investors and users of financial reports give priority to managers' goals, plans and adopted mechanisms by them.
The quality of financial information is also effective on determining the firm value. To do a comprehensive research in order to achieve a fair valuation paradigm, relationships among corporate governance variables and their interactions as well as qualitative features of financial information, such as relevance and being on time, will be investigated.[15] Hence, all related variables, which have been known as relevant variables in previous studies, are studied in the framework of assumptions. The aim of studying all relevant variables in an extensive way is to achieve results beneficial to all those involved in accounting.
Lack of concordance in information and unknown economic and political risks effective in stock valuation in capital market plus unknown aspects effective in results is considered 5% as limit error. Primary data required for statistical analysis has been extracted from books available in stock exchange library, Codal website, Information Technology management of stock exchange, the website of accepted companies in stock exchange, library of central bank of Islamic republic of Iran, and some other valid sources.
Our population is composed of 83 accepted and active companies in capital market in Iran from 2012 to 2017. To make sure that research results will be reliable, firms' activities during the last 6 years were studied and variables were extracted.
Accepted firms share five important qualities. These common qualities lead us to results applicable in other studies. Multivariable regression method was applied in this research. Normality test and dependence test were also used.
ANOVA Table was drawn and according to probability and the amount of F to the relationship of independent and dependent variables… from among the dependent variables, annual earnings per share and the type of ownership have a direct and positive relationship and firm size has a negative and direct relationship with fair valuation
According to the results of the research these are the main Suggestion of our Research:

1. According to the relationship of annual earnings per share and fair valuation it is suggested that the relationship between other aspects and sections of earnings such as return from operations, return

from investors, return from other financial recourses and fair valuation be studied.

2. Different methods for calculating return with fair valuation or other valuation are examinable in separate researches.

3. According to the relationship of the type of ownership and fair valuation, the relationship of the type of ownership and other valuation methods are can be studied in separate researches.

4. According to the relationship of firm size and fair valuation, the relationship of firm size and other valuation methods are can be studied in separate researches.

5. The relationship of other dependent variables with weak and unaccepted relationship with fair valuation and other valuation methods and basis are examinable in separate researches.

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