

عنوان مقاله:

The Impact of Insufficient and Excess Cash on Future Performance

محل انتشار:

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خلاصه مقاله:

Transaction costs in financial markets is an important item of the cost, therefore, these costs would convince corporate executives to attempt to maintain cash assets. On the other hand, the presence of information asymmetry between managers and investors (actual and potential) in the capital market has also caused some limitations; hence, establishing some precautionary motives for the company's liquidity demand can be a criterion for the action. Thus in this research, we study the implications of insufficient and excess cash for the future performance of chemical and pharmaceutical companies in Tehran Stock Exchange. We start by estimating the optimal cash of chemical and pharmaceutical companies, then we investigate the effects of deviation from the estimated optimal cash on the future performance of these companies. For the purpose of this study, a sample of ۳۰ listed chemical and pharmaceutical companies on the Tehran Stock Exchange was studied in the period between ۲۰۱۰ and ۲۰۱۶. A total of ۲۱۰ cases was observed, among which ۱۰۰ cases were related to the companies with excess cash and ۱۱۰ cases to the companies with insufficient cash. The statistical method used in this research is the multiple regressions. Four hypotheses suggested in order to reach the objectives of the study, all of which were confirmed. The result of the hypothesis testing shows that a higher cash balance than the estimated ideal level in chemical and pharmaceutical companies would yield a positive return on operational assets and abnormal return in the future. Meanwhile, a lower cash balance than the estimated ideal level in chemical and pharmaceutical companies would lead to a negative return on operational assets and abnormal return in the future.

کلمات کلیدی:

Insufficient Cash, Excess Cash, Performance

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