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An Examination of the Value Relevance of Accounting Earnings in Egypt

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Abstract

The purpose of this paper is to determine whether changes in Earnings Yield are correlated with the disclosure of financial accounting information. The sample includes annual data for 43 non-financial firms listed in EGX 50. The data covers 9 years from 2013 – 2021. The author has reached general results based on hypotheses developed from related literature. The results show that: **(a)** Sales Revenue (percentage change), Gross profit (percentage change), Dividends per Share (DPS), Market Risk, Quick Ratio, Accounts Receivables Turnover, Debt / Total Assets Ratio, Book Value per Share (BVPS) and Earnings per Share (EPS) their results have a positive impact on Earnings Yield, **(b)** Total Accruals (Percentage Change) this result has a negative impact on Earnings Yield, **(c)** Firm Size has a significant negative effect on Earnings Yield.

Key Words: Accounting earnings measures, Value Relevance, Earnings Yield, EGX50

Introduction

The general purpose of financial reporting is to offer financial information about the business so that present and potential equity investors, lenders, and creditors can decide in their capacity as capital providers. Accounting information users must use financial reporting as the basis for making choices regarding alternative uses of scarce resources. Therefore, accounting information must be useful through influencing investors' investment decisions. Thus, value relevance—which Francis and Schipper (1999) defined as the ability of financial statement information to influence stock prices—relates to the utility of accounting information. Value relevance studies examine the relationship between financial information and stock market values. Value relevance of accounting information has become a key research topic for the majority of accounting researchers, particularly in the developed capital markets, according to Ball and Brown (1968). This is comparable to Ball and Brown's (1968) pioneering study. The statistical relationship between accounting indicators and stock market performance has been studied by a number of academics (Bepari, 2015; Collins et al., 1997; Khanagha, 2011; Alfaraih and Alanezi, 2011).

Research Objectives

The research is conducted in order to fulfill the following objectives.

1. To identify how accounting information affects Earnings Yield.
2. To find the relationship between accounting information and Earnings Yield.
3. To examine the relevancy of accounting numbers to Earnings Yield and risks.
4. To mention variables that may affect Earnings Yield.

Research Statement

The problem that the research mentioned in the paragraph aims to address is the need to identify relevant accounting earnings and cash flow measures that are significantly associated with Earnings Yield and risks. This is important for equity investors to

make informed financial investment decisions based on the risk-return trade-off. The study also aims to contribute to the literature by examining the relevancy of accounting numbers to both Earnings Yield and risks, and by using the statistical properties of the partial adjustment model to examine the relative value relevancy of each accounting number.

Global stock markets experienced turmoil in 2008, which increased criticism of the usefulness and relevance of accounting information. There are some worries that rapid economic and high-tech advances, which usually affect the value relevance of accounting information, have not kept up with accounting theory and practice. The argument is that because service-oriented businesses are naturally high-technology-driven, their financial statements are less important when determining their basic market worth. "While accounting can be a significant factor in some decisions, accounting that masks or fails to capture meaningful information for the benefit of all investors is not sound and puts investors at risk," claims Sutton (1997:1). As a result, people who have funds to lend and invest will do so in sectors where there is a need for accounting information (Germon and Meek, 2001). How well accounting information satisfies user needs determines its value and quality (Khanagha, 2011).

Significance of the Study

This study extends the literature on value relevance of accounting earnings and cash flow numbers in terms of validity and reliability. The expected outcome is to help equity investors identify the relevant accounting earnings and cash flow measure that are associated significantly with the Earnings Yield and risks. The relevant proposition is that the positive (negative) and statistically significant association between accounting numbers and Earnings Yield (volatility) indicates high quality

accounting numbers that financial managers can rely on when conveying the value of the company to the equity stockholders. This study contributes to the related literature in two ways. First, this study examines the relevancy of the accounting numbers to Earnings Yield and risks. Other related studies consider mainly the stick returns only. The risk consideration is quite critical to equity investors as far as the informative financial investment decisions rely on the risk-return trade-off. Second, this study uses the statistical properties of partial adjustment model in order to examine the relative value relevancy of each accounting number. Other related studies do not examine the partial adjustment.

The relevancy of accounting earnings to stockholders

In business and financial accounting, financial reporting is a very important source for relevant information that any investor needs for any investments decisions. According to Financial Accounting Standards Board (FASB) C 5, "The individual items, subtotals, or other parts of a financial statement may often be more useful than the comprehensive figures, to those who make investments, credit, or any other decision." International Accounting Standards IAS 1, 8, 35, 16, 21 and 25 explain how to prepare an income statement. According to studies conducted by Livnat and Zarowin (1990), Garrod and Hadi (1998), Lipe (1986), Ramakrishnan and Thomas (1998), and Kallunki et al. (1998), investors have a variation of significance on each component of income. The Income Statement is one of these reports, and investors frequently use it to evaluate a firm and decide whether to invest or not.

The FASB outright rejects the argument that the goal of financial accounting is to value equity: "Information (provided by financial reports) may help those who want to estimate the value of a business company, but financial accounting is not designed to measure directly the value of an enterprise." (See paragraph 41 of SFAC No.

The FASB statement's rejection of accounting's direct valuation role implies that other criteria—criteria that are not represented by the value-relevance criterion—are taken into consideration when determining accounting and its standards.

Some accounting researchers have been increasingly critical of the relation accounting information value. The argument that accounting numbers are no longer important in terms of value has been created and pushed in a lot of literature in developed nations (Dontoh, Radhakrishnan, and Ronen, 2001; Ramesh and Thiagarajan, 1995). These criticisms were founded, among other things, on the theories of high technology, fraud, a dynamic corporate environment, and high conservatism (Brown, Lo, and Lys, 1999). This concept was also expanded in response to the claim that traditional financial statements are no longer relevant as the economy shifts from a developed economy to one that is advanced, service- and high-tech oriented (Collins, Maydew & Weiss, 1997). These opinions were supported by studies conducted in the past that looked into the connection between accounting information and stock prices and found that, in most cases, it had been over time declining (Lev and Zarowin, 1999; Francis and Schipper, 1999; Core, Guay & Buskirk, 2003).

On the other hand, their opinions were strongly exit by research by Collins, Maydew, and Weiss (1997), who claimed that accounting data was no longer relevant or valuable. Balachandran and Mohanram (2006) demonstrated that there is no conclusive evidence that industries with growing conservatism see a higher decline in value relevance than industries with declining conservatism in a recent study of the relationship between the value relevance of accounting information and traditional theory. A proportional study of the value significance of all reported earnings and their components was done as well out by Callao, Cuellar, and Jarne in 2006. Research of this kind supports the net income figure's value relevance. Gjerde,

Knivsfla, and Saettem (2007) discovered that, even after accounting for changes in fundamental economic variables, the time drifts taken as a whole to assess value-relevance had not decreased. It is not at all clear how significantly Egyptian accounting information is reflected in equity valuations, unlike in developed markets. Furthermore, it is unclear in Egypt what kind of accounting data should be used for fundamental analysis and valuation. This study's primary goal is to examine the relationship between accounting numbers seen in financial statements and share prices on the Egyptian stock exchange, as well as the significance of such numbers and ratios to investors and decision-makers.

The ability of accounting numbers to summarize the information underlying the stock prices is referred to as the value relevance of accounting information, and it is evidenced by a statistical correlation between financial information and prices or returns. From early works like Ball and Brown (1968) to more recent work like that of Ohlson (1995), accounting academics have provided strong proof that accounting information is related to Earnings Yield.

Earnings and book values have been empirically demonstrated to be significant variables in explaining stock price variations in the accounting literature as early as Ball and Brown (1968) and extending to work done by Ohlson (1995). Prices-based models are being used in more studies for value relevance research as a result of Ohlson's (1995) theoretical work. For example, Collins et al. (1997) demonstrate that, based on the Ohlson model, the combined value relevance of earnings and book values has somewhat improved during the previous 40 years. The results are generally stable. Based on an option-style valuation, Burgstahler and Dichev (1997) formulate and test the hypothesis that equity value is a convex function of both earnings and book value. model.8 Barth et al. (1998) create and analyse the relationship between

equity book value and net income and financial health using a sample of 396 bankrupt enterprises. They conclude that when financial health declines, the incremental explanatory power of equity book value (net income) increases (decreases).

According to the general findings of the research mentioned above, which focuses on the value relevance study conducted in the United States, accounting information is both valuable and relevant. (Jianwei; Chunjiao, 2007). According to Meyer (2007), accounting reported figures are crucial to the concept of establishing and matching a company's worth. The most significant source of externally realistic and feasible company information is still thought to be the financial statements.

Investors still worry that accounting practice has not kept up with the pace of fast-moving economic and high-tech changes, which in turn permanently affects the value and relevance of accounting information, despite the fact that financial statements are widely used, and numerous efforts are being made to improve and advance the way information is presented (Oyerinde, 2009).

According to Leif (2007), the ability of financial statement information to capture and summarize data that determines the firm's value.

Massive accounting fraud in developed nations, particularly the US, quickly shifting business environments, and reports from some researchers indicating that the relevance of accounting information has decreased strengthen the importance of Meyer's affirmation (Lev and Zarowin, 1999 and Francis and Schipper, 1999).

However, according to numerous academics (Vieru, Perttunen, and Schadewitz, 2005; Collins, Maydew, and Weiss, 1997), accounting information is still valuable. Value relevance research, according to Beaver (2001), examines the association between a share price as a dependent variable and a collection of independent accounting variables from the financial statements. Financial economics has made extensive use

of market-based research (Lev and Ohlson, 1982; Bernard, 1989; Verrecchia, 2001; Kothari, 2001). According to researchers (Healy and Palepu, Shackelford and Shevlin, and Kothari, 2001), the main focus is on assessing characteristics associated with capital markets to accounting information. Studies that addressed value relevance studies are mainly divided into four main categories: [I] information content studies, [II] value relevance studies, [III] valuation relevance studies, and [IV] value relevance studies, which are based on experimental designs Ball and Brown's (1968) and the association between equity values and accounting information.

By focusing primarily on measuring and predicting potential future surprises and mapping them to changes in equity market value, Lo and Lys differentiate valuation relevance studies from value relevance research (such as Frankel and Lee, 1998). It is not necessary to define any potential accounting measures under consideration because value relevance research typically estimates specific models that map accounting information into equity market value changes. Although the valuation relevance approach's experimental design makes it evidently possible to control the variables that have been removed, the value relevance approach's non-experimental design must rely on theoretical model prediction that is accurate enough to make the issue of the missing variable seem unimportant from an empirical standpoint. According to Christie (1987) and Barth, Beaver, and Landsman (2002), Lo and Lys' distinction between value relevance and valuation relevance is so significant that it actually provides us information about the analysis underlying the value relevance approach and its relationship to the capital markets research in accounting.

There are several ways to think about this descriptive justification.

Value relevance has been the subject of numerous, varied research. There are various perspectives on value relevance of accounting data. While some researchers focus on

the measurement view, which summarizes business transactions and other events, others give priority to the prediction view, which forecasts earnings, the information view, which examines the information content of accounting data, and so on.

Four methods are identified by Francis and Schipper (1999) to investigate the value relevance of accounting information: Amir, 1993; Amir and Lev, 1996; Barth and Clinch, 1998; Lev and Zarowin, 1999; Hung, 2001) are examples of the measurement view of value relevance. [2] Value relevance from the prediction perspective (e.g., Ou and Penman, 1989; Lev and Sougianis, 1996). [3] the information view of value relevance (e.g., Ball and Brown, 1968; Beaver, 1968); and [4] the fundamental analysis view of value relevance (e.g., Sloan, 1996).

In order to summarize the information that influences equity value, we will be using the measurement view in our study and relying on financial statements, particularly the income statement. We shall measure Egypt's accounting information environment by strictly sticking to the value relevance method to accounting equity markets research. Our primary goal is to examine a set of financial information that the Egyptian equity market might view valuable.

According to Germon and Meek (2001), the primary reason accounting exists as a science is that it fulfils a need that stakeholders have for information. Accounting data must be responsive to users' needs, especially those of investors, in order to be considered relevant. Value relevance research is based on a straightforward logic that strongly supports the encouraging experimental findings of economists. The body of Capital Markets Accounting (CAPM) research that investigates the relationship between accounting measures and equity market values is referred to as having "value relevance" by Amir, Harris, and Venuti (1993).

By definition, an equity market value has a significant relation to a value-relevant accounting measure (Beaver, 1998; Ohlson, 1999; Barth, 2000; Barth, Beaver, and Landsman, 2002). The significance of value relevance studies is connected by Barth, Beaver, and Landsman (2002) to the reliability and relevance of standard qualitative accounting features. In other words, an accounting measure is only regarded value relevant if it is both relevant and reliable, according to their argument, relevance and reliability are both necessary and significant for a value relevant accounting measure. They go on to say that if value relevance is absent, an accounting metric may be both irrelevant and unreliable. It is typically difficult to determine which attribute—irrelevance or unreliability—weakened value relevance when the accounting measure is both irrelevant and unreliable. This is mostly because it is impossible to evaluate the relevance and reliability of an accounting amount individually; also, neither relevance nor reliability can be a divisible attribute (Barth, Beaver, and Landsman, 2002, p. 4).

One of the best sources to find accounting information on a business is its financial reports. Helping investors determine equity value is one of the goals of financial reporting. Accounting figures must be related to the existing value of the company in order for financial information to be considered value relevant. One of the main goals of financial reporting cannot be achieved if there is no relationship between accounting numbers and value of the company, making accounting information not considered value relevant (Leif, 2007).

Investors can identify investment opportunities with the use of financial reporting, which is an essential component of disclosure. The primary goal of financial statements is to provide accurate information about a company's cash flow, operational performance, modifications and variations in control, and financial status.

Generally speaking, investors are unable to assess the performance of the businesses in which they want to make investments personally. They mostly rely on the financial reports that these organizations' management provides. Among other things, financial reporting needs to be thorough, accurate, and relevant in order to be useful. These qualitative attributes require that the information offered be impartial and devoid of any bias towards favouring one side over another. The ability to forecast future events should be provided by accounting information to all decision makers. It should also increase users' awareness of how to distinguish between two types of information and their similarities and differences. People are prepared to invest more capital in developed country markets because they can obtain better quality financial information there than anywhere else in the globe, which explains why these markets are successful (Tuner, 2001). Analyzing the value-relevance of figures from financial statements in a particular market or setting helps evaluate its utility and sheds light on the topic of market efficiency, giving stock market participants and authority useful data for their respective activities.

Indeed, Barth, Beaver, and Landsman (2002, p. 3) state that value relevance is an operationalization of the standard criteria of accounting information relevance and reliability because an accounting amount will only be value relevant—that is, have a predicted significant relation with share prices—if it reflects information relevant to investors in valuing the firm and is measured reliably enough to be reflected in share prices.

The previous sentence makes clear that the focus is on evaluating clearly defined valuation models, which is crucial for the value relevance approach to equity markets accounting study once more.

In practical terms, however, our results might specifically identify the set of accounting numbers in the financial data that is made public and that directly impact equity values in Egypt.

In a stock market, this is obviously important for fundamental analysis, valuation reasons, and the consequent distribution of wealth among investors and companies. When deciding whether to lend money or make an investment in a particular company within a certain industry, investors typically use financial statements as their primary source of information (Reilly & Brown 2006). However, do companies really disclose their true financial situation in their financial statements, or do they omit any significant information and misleading the decision-maker as a result?

Getting accurate information to decision makers is the primary objective of financial reporting. OU and Penman's (1989) study, which examined the value relevance of financial information when it has a statistical link with stock prices while taking the efficient market hypothesis into consideration, is considered one of the seminal research in the field. The term "information perspective" refers to the analysis of this relationship.

Finding the critical information that explains the stock price is the primary objective of such a study. However, what information from financial statements should be taken into account that is directly related to stock prices, and what theoretical model is used to measure this relevance of value? James Ohlson, a professor at New York University's Stern School of Business, was able to provide answers to these questions with a strong theoretical foundation in 1995. His findings have subsequently had a significant impact on research on the value-relevance of financial statement data.

There is a clear correlation between accounting earnings and Earnings Yield, as demonstrated by the findings of Ball and Brown (1968).

I. Data, Methods of Statistical Estimation and Tests

Model 1: Base Models (The effects of Earnings Measures on Earnings Yield)

The following tables present the descriptive statistics of model 1. These statistics include Mean, standard deviation, min, and max.

Table (1): Descriptive statistics

Variable	Obs	Mean	Std. dev.	Min	Max
Earnings Yield	387	0.23938	0.84895	-1.11017	9.87955
Sales Revenue (Percentage Change)	387	0.05103	0.73474	-30.54700	12.85875
Gross Profits (Percentage Change)	387	0.04651	0.19753	-18.40963	60.95455
Dividends Per Share (DPS)	387	0.00136	0.39624	-8.11263	15.19819
Quick Ratio	387	0.37386	4.09041	-133.68852	201.81274
Accounts Receivables Turnover	387	2.51567	7.31836	-6.18591	86.99479
Debt / Total Assets Ratio	387	0.24734	0.18436	-0.03235	0.31541
Earnings Per Share (EPS)	387	1.43E+09	1.66E+11	-32810.2759	1.70E+13
Total Accruals (Percentage Change)	387	0.04838	0.49182	-3.42248	16.99928

Table (2): final set of variables that will be included in the model.

Variance Inflation Factor (Multicollinearity)	VIF
Sales Revenue (Percentage Change)	7.851554
Gross Profits (Percentage Change)	6.851169
Dividends Per Share (DPS)	2.44869
Quick Ratio	4.55375
Accounts Receivables Turnover	0.651172
Debt / Total Assets Ratio	5.499116
Earnings Per Share (EPS)	4.144285
Total Accruals (Percentage Change)	7.122085

$$Y_1 = b_o + \sum_i b_i * X_i + \varepsilon$$

Table (3): **Hausman test.**

Test:	Ho: difference in coefficients not systematic
	chi2(11) = (b-B)'[(V_b-V_B)^(-1)](b-B)

	= 1.21
	Prob>chi2 = 0.9998

From the above table, we can conclude that the best model for fitting the first model is random effect model as the p-value associated with the test is larger than 5%.

RESET test.

Ramsey RESET test using powers of the fitted values of Earnings Yield.

Ho: model has no omitted variables

F(3, 386) = 1.13

Prob > F = 0.3368

From the above we can conclude that at 95% confident we fail to reject the null hypothesis of the Reset test which means that the linear model is appropriate.

Heteroskedasticity test.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of Earnings Yield

chi2(1) = 51.21

Prob > chi2 = 0.0000

From the above table we can conclude that the null-hypothesis of the Breusch-Pagan / Cook-Weisberg test for heteroskedasticity is not rejected and this with confident 95%, this mean that variances of residuals are constant, this means that we will not use the robust estimation in order to estimate the parameters of the model.

Summary of the model.

In the following table the results are summarized in the following table According to the listed results, The p-value equals 0.0000 which is significant (less than 0.05). This means that there is at least 1 variable of the independent variables has significant effect on Assets. Also, from the value of Adjusted R^2 value of 0.6624 indicates the fit of the model. The proposed model could infer 66.24% of the total variance in the Earnings Yield.

Table (4) : Summary of the model

Random-effects GLS regression	Number of obs	=	387

Group variable: ID	Number of groups	=	43
R-squared:	Obs per group:		9
Overall = 0.1524	max	=	104
	Wald chi2(12)	=	64.19
corr(u_i, X) = 0 (assumed)	Prob > chi2	=	0.0000

Model 2: The effects of Earnings Measures and Firms' Size on Earnings Yield

Table (6): Hausman test

Test:	Ho: difference in coefficients not systematic
	chi2(12) = (b-B)'[(V_b-V_B)^(-1)](b-B)
	= 1.03
	Prob>chi2 = 0.9999

From the above table, we can conclude that the best model for fitting the first model is random effect model as the p-value associated with the test is larger than 5%.

RESET test.

Ramsey RESET test using powers of the fitted values of Earnings Yield.

Ho: model has no omitted variables

F(3, 386) = 1.19
Prob > F = 0.3132

From the above we can conclude that at 95% confident we fail to reject the null hypothesis of the Reset test which means that the linear model is appropriate.

Heteroskedasticity test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of Earnings Yield

chi2(1) = 53.06
Prob > chi2 = 0.0000

This the above table we can conclude that the null-hypothesis of the Breusch-Pagan / Cook-Weisberg test for heteroskedasticity is not rejected and this with confident 95%,

this mean that variances of residuals are constant, this means that we will not use the robust estimation in order to estimate the parameters of the model.

Summary of the model.

In the following table the results are summarized in the following table According to the listed results, The p-value equals 0.0000 which is significant (less than 0.05). This means that there is at least 1 variable of the independent variables has significant effect on Assets. Also, from the value of Adjusted R^2 value of 0.6701 indicates the fit of the model. The proposed model could infer 67.01% of the total variance in the Earnings Yield.

Table (7) : Summary of the model

Random-effects GLS regression	Number of obs	=	387
Group variable: ID	Number of groups	=	43
R-squared: 0.31001	Obs per group:		9
	Wald chi2(12)	=	59.93
corr(u_i, X) = 0 (assumed)	Prob > chi2	=	0.0000

Discussion of the Determinants of Earnings Value Relevance

Dependent Variables (Earnings Yield)	Basic Model	Basic Model and Effect of firm Size
Sales Revenue (Percentage Change)	0.008055***	0.022089***
	-0.001940	-0.001940
Gross Profits (Percentage Change)	0.005827***	0.005722***
	-0.001640	-0.001640
Dividends Per Share (DPS)	0.001063**	0.001759***
	-0.001140	-0.000248
Quick Ratio	0.003988***	0.001337**
	-0.000189	-0.000189
Accounts Receivables Turnover	0.000144**	0.000283***
	-0.000334	-0.000334
Debt / Total Assets Ratio	0.005386**	0.003732**
	-0.000841	-0.000841
Earnings Per Share (EPS)	1.1841E-14**	1.67892E-14***
	-1.02E-14	-1.02E-14

Total Accruals (Percentage Change)	-0.020207**	-0.004128***
	-0.003980	-0.003980
Size Effect (natural log of Total Asset)		-0.463***
		-0.00152
Constant	01.782***	1.779***
	-0.9921	-0.8724
Observations	387	387
Number Of ID	43	43

Discussions

Model 1: Discussion of the effects of Earnings Measures on Earnings Yields

1-Sales Revenue (percentage change) sales growth

The results of this study indicate that the sales revenue (percentage) has a significant positive effect on Earnings Yield. These results are consistent with previous studies of Kampomo Imam Yulianto1 , Mayasari2 (2022). However, the results of this study are not in line with research conducted by Rista Bintara (2020) the study's findings that the independent variable Sales Growth does not affect Stock Return. The reason for this is that an increase in sales growth does not provide a high rate of return or capital security. The sales growth rate indicates how quickly revenues fluctuate from year to year. The formula: (Current period sales - previous period sales) / previous period sales *100.

2-Gross profit (percentage change) GPM (gross profit margin)

The results of this study indicates that the gross profit (percentage change) has a significant positive effect on Earnings Yield. These results are consistent with previous studies of Dwi Sihono Raharjo and Riska Widarti (2021). The company's primary goal is to turn a profit. A company's performance improves with increasing profits. A company's high profitability is one sign of its success. The Gross Profit Margin (GPM) ratio was the profitability ratio that was investigated in this study.

3-Dividends per Share (DPS)

The results of this study indicate that the dividends per share have a significant positive effect on Earnings Yield. These results are consistent with previous studies of Abdulkarim Garba (2014) and Ishfaq Ahmed (2018)

By calculating the dividend per share, an investor is able to determine the amount of money they will receive per share from the corporation.

Dividend Per Share (DPS) = **(**Net income ÷ Number of Shares Outstanding)*typical payout ratio

Dividend Per Share (DPS) = cash dividend ÷ Number of Shares Outstanding

5-Quick Ratio

The results of this study indicate that the quick ratio has a significant positive effect on Earnings Yield. These results are consistent with previous studies of Wang et al. (2013), Yu & Huang, (2005), Jianwei Liu and Chunjiao Liu, (2007), Anwaar (2016), Zunaini (2016), Tyani (2018), Tarmizi (2018), Dennis Prasetya Wijaya , Ida Bagus Panji Sedana (2020) which stated that Quick Ratio has a significant positive effect on stock returns. Corporate liquidity is a measure of how well a corporation can pay its short-term debt. One metric used to assess the liquidity of a corporation is the quick ratio. Theoretically, a company's ability to meet its short-term obligations is positively correlated with its quick ratio. A company's strong liquidity will entice investors to put more money into it, which will raise stock prices and yield higher returns on investment.

Quick ratio = Quick Assets ÷ current liabilities.

6-Accounts Receivables Turnover

The results of this study indicate that the Accounts receivables turnover has a significant positive effect on Earnings Yield. These results are consistent with

previous studies of Yu, H. Y., & Huang, Y. M. (2005), Wang et al. (2013) and Md. Jahidur Rahman, Ruoling Liu (2021)

Accounts Receivable Turnover indicates how frequently times a company collects its receivables in a period. The receivable turnover rate = credit sales ÷ the average number of receivables.

7-Debt / Total Assets Ratio

The results of this study indicate that the debt / total assets ratios have a significant positive effect on Earnings Yield. These results are consistent with previous studies of Md. Jahidur Rahman, Ruoling Liu (2021),Mochammad Ridwan Ristyawan (2019). However, the results of this study are not in line with research conducted by Rona Tumiur Mauli Caroline (2020) the study's findings that the independent variable Debt to total assets does not affect Stock Return. Ratio of Debt to Asset A ratio shows how much of a company's assets are in debt or how much of an impact debt has on asset managers. Greater sources of funding through loans to finance assets are indicated by higher DAR values.

8-Book Value per Share (BVPS)

The results of this study indicate that the book value per share has a significant positive effect on Earnings Yield. These results are consistent with previous studies of P. Srinivasan (2012), Sharma (2011), Zahir and Khanna (1982) and Taimur Sharif, Harsh Purohit & Rekha Pillai (2015). However, this finding inconsistent with Black and Scholes (1974), Fama and French (1992), Oroba Mohammad Jadallah, Fayez Salim Haddad and Ahmad Hussein Al Tarawneh (2023) book value per share do not influence Earnings Yield.

9-Earnings per Share (EPS)

The results of this study indicate that the earnings per share (EPS) have a significant positive effect on Earnings Yield. These results are consistent with previous studies of Yu, H. Y., & Huang, Y. M. (2005), Wang et al. (2013) and Md. Jahidur Rahman, Ruoling Liu (2021),Cerlienia Juwita (2013), Gede Gilang Gunadi & Ketut Wijaya Kesuma (2015), Susiani (2016), Rafrini Amyulianthy, 2 Elsa K.Ritonga (2016), Fitria Firdausi & Akhmad Riduwan (2017) and Dede Hertinaa, Mohd Haizam Mohd Saudib (2019) stating that Earning Per Share has a positive effect on the value of Stock Return. However, the results of the different studies put forward by Abdul Karim (2015) showed that Earning Per Share had a negative effect on Stock Return. Earnings Per Share is described as a market ratio that shows how much return investors or shareholders will get from each share. Earnings Per Share is a comparison between net income after tax in one financial year with the number of shares issued (Ang: 1997). Prospective investors are interested in seeing Earning Per Share because it is one indicator of the success of a company's performance. The high value of Earning Per Share can affect the increase in profits, so the possibility of increasing the amount of dividends that investors will receive will be even greater.

10-Total Accruals (Percentage Change)

The results of this study indicate that total Accruals has a significant negative effect on Earnings Yield. These results are consistent with previous studies of Kanon Chan, Louis K.C. Chan, Narasimhan Jegadeesh and Josef Lakonishok (2001); Ali, LS Hwang, MA Trombley (2000). Accrual (the difference between accounting earnings and cash flow)

Model 2: Discussion of the effects of Earnings Measures and Firm Size on Earnings Yield

After adding the independent variable firm size as a control variable, the following matured

1-**Firm Size** The results of this study indicate that firm size has a significant negative effect on Earnings Yield. These results are consistent with previous studies of Astakhov, Anton, Havranek, Tomas; Novak, Jiri (2017). These results are inconsistent with R.F. Koluku., S.S. Pangemanan., F. Tumewu (2015), Meutia Handayani1,Talbani Farlian2,Ardian3(2019) showed that the firm size has positive influence toward stock return. This research found that the higher the firm size, the higher the company's Earnings Yield are obtained.

2- Sales Revenue (percentage change), Gross profit (percentage change), Dividends per Share (DPS), Market Risk, Quick Ratio, Accounts Receivables Turnover, Debt / Total Assets Ratio, Book Value per Share (BVPS) and Earnings per Share (EPS) their results are unchanged from model 1 as their results have a positive impact on Earnings Yield.

3- Total Accruals (Percentage Change) this result is unchanged from model 1 this result has a negative impact on Earnings Yield.

Conclusion

This paper was conducted to examine the correlation between accounting earning measures and Earnings Yield. Model 1 show that the empirical findings reveal a positive and significant relationship between Sales Revenue (percentage change), Gross profit (percentage change), Dividends per Share (DPS), Market Risk, Quick Ratio, Accounts Receivables Turnover, Debt / Total Assets Ratio, Book Value per Share (BVPS), Earnings per Share (EPS) and Earnings Yield. However Total Accruals (Percentage Change) this result has a negative impact on Earnings Yield. Model 2 show that firm size has a significant negative effect on Earnings Yield.

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