The relationship between quality of earning (earning dispersion) and stock return of listed companies in stock exchange

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Abstract The first step in evaluating the performance of a business unit is measuring the acquired return regarding predetermined goals to that. Since the enhancement of stockholders' wealth has been considered as the main goal of business units, an entity shall perform in such a way that increases proper return of stockholders' wealth. In the investment process, return is a driving force which makes motivation and is considered as a reward to investors. The return caused by investment is significant for investors because investment is done naturally for earning return. In this study, the relationship between earning dispersion and stock return in stock exchange of Tehran has been studied. The main goal of this research is assessing and comparing the relationship between earning dispersion and stock return using Jorgenson et al. model(2012). Research population is all companies listed in exchange stock of Tehran. The research sample which was obtained by scanning method included 183 companies. The analysis of collected data was done by regression and significance t-test methods. Then the research hypotheses were examined. The obtained results suggested that there was no significant relationship between current and future earning dispersion and current stock return. Thus, the first hypothesis that states there is a significant relationship between current earning dispersion and current stock return and also the second hypothesis which states there is a significant relationship between future earning dispersion and current stock return are rejected.

Keywords : Keywords: earning dispersion, stock return, profitability, company development, size of company