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Following the Announcement of Stock Split on the Trading Prices (Analytical Study of the Amman Financial Market)

mohammad ahmad saleh alnaimat
National University of Life and Environmental Sciences of Ukraine (kiev)
Faculty of Economics

Abstract
This study aimed to know the effect of the announcement of the stock split on the trading price to achieve this goal is the use of the hypothesis which suggests that he does not have a significant effect to announce a stock split on the trading price .The study of banks and industry community and I study sample included on (4) banks and the retail operation during the period between 2002 to 2015 were used to market model (MM) to calculate the unusual earnings per share of the sample banks showed the results of the analysis the lack of effect of the announcement retail stocks on trading prices.
Keywords: market model (MM), the residual theory of dividend , walters model, Gordon model, Theory inadequate distributions to Madkilana and Miller, Tax Excellence theory

1- Introduction
The issue of distribution of profits in joint-stock companies and the role to have played such a policy in estimating market values of the company related to financial topics which concern policy researchers and thinkers in the accounting and financial management field. And will be in this research focus on retail stocks a policy where we will study the effect of the announcement of the stock split on trading prices. We have touched on this aspect of search theoretical distribution of profits and some of the factors affecting the trading price of the policy .the practical side of it which it is focusing on the impact of the announcement of the stock split on trading prices .the study contains four chapters consist of a general framework for the study (research methodology) then the theoretical framework, followed by the presentation and analysis of the results and the fourth chapter concludes the study findings and recommendations.

The problem of the study
It can be formulated in the form of a question: Is there a significant effect of the stock split on trading volumes prices?

2-Objectives of the study
This study aims to:
2-1: Identify the concept of dividend policies in general.
2-2: Identify the concept of retail stocks in particular.
2-3: recognize the effect of the announcement of the stock split on trading prices.
2-4: Identify the concept of trading prices and the factors influencing them.

3-The importance of study
Since the inception of the Amman Stock Exchange in 1978, it has dozens of companies from various sectors to increase the number of its shares by face value segmentation her. In theory, this method increases the total number of shares and reduce the value of the stock in the same proportion of retail and does not involve any additional value, it is not change in the ownership percentage of each shareholder and not change in the assets or profits of the company.
This study was to determine the impact of this measure practically on trading prices.

4-Hypotheses:
The formulation of the following hypothesis, which have been drawn from the problem of the study.
H0 : It does not have a significant effect to announce a stock split on the trading price.

5-The study community and sample and the unit of analysis
The study population includes all banks and industrial companies listed on the Amman Stock Exchange and which carried the announcement of the indivisibility of the shares during the period between 2002-2015. In the first phase of the research was to gather information for the entire study population, as was access to needed for the analysis of data related to which in days preceding and following the date of the announcement. But in the second stage, and was two exceptions are:
Middle East Investment Bank due to the lack of the closing price per share for a period of study .
Potash Company due to the stability of prices of most shares closing days of the study.

And thus the sample includes three banks and the company has become one**.**
Data sources:
5-1 : The theoretical framework for the study were selected based on references and studies and theses related to the search topic.
5-2 : The information contained on the date of the announcement of the stock split was obtained on the part of the Amman Stock Exchange and the remaining part by a field visit to the same banks and corporations.
5-3 : financial statements which have been adopted in the analysis process, such as:
Closing prices, the market index, the index of the market has been obtained from the daily bulletin of the Amman Financial Market.
5-4 : To determine the study sample were consulted annual reports Amman Financial Market

6-Previous studies

6-1 :In 1969, a team of researchers led by Fama and publishes and Jenson Loral studying the relationship between the company's decision to split the nominal value of the shares and the granting of bonus shares on the one hand and the behavior of the prices of shares on the other. The study included sample (sample) on the 622 company and covered the period between 1927 to 1960 and concluded that the stock price is influenced by operations of the distribution of bonus shares and stock split, the impact expected on the distribution of profits for equity stakes in the future .They also show that this effect appears before the period from the date of announcement of the retail and ends in the month following the month of distribution, which means that the market hands as in this case, because the share price responds quickly to new information available.

6-2 :In a study by researcher Johnson, which he referred to the relationship between the stock split and the market price for these shares that prior to 18 months from the retail operation of the retail operation to 4 months after the retail and regardless of the increase in dividends van which shares conducted by retail have their returns higher than which not being the retail, it produces the Johnson concluded that the stock split have a positive impact on earnings per share. Following the announcement of the dividend on shares

6-3 :Sabah osama ali alsarab(2006) Listed on the Palestine Exchange companies "An Empirical Study Message supplementary requirement for a master's degree in accounting and finance The research resulted in a set of results as: the share of share of the profits affects the market price of shares, and the impact per share of the distributed cash profits is greater than that of the share of the impact of retained profits on both price and the values of the circulation of shares in the market, the share of net profit per share is higher than the change in the market price. And the research recommended the following: Recommendation advertising campaigns work, training courses for investors to encourage saving, the revitalization of dealing with the Stock Exchange, and encourage the entry of more specialists, the members of the Stock Exchange and investment banks and the brokerage firms specialized to provide advice and guidance for both companies and investors alike, and maintaining market stability, and the recommendation of the selection of efficient management, the interest of publication of financial lists, And the separation of the results of each branch separately, and further specialized studies on the level of activities and sectors.

7 -Data analysis and test hypotheses

This chapter includes a tool to talk about the study and tools study tests, and ends test the hypotheses of the study .It was observed that all the studies that examine the effect of a certain announcement on the trading price of the subject of the event study applied.

8: Steps test the hypothesis

8-1 : To determine the day of the announcement of the event and is symbolized by the symbol (day 0).
8- 2: determining the period that will be studied before and after the date of the announcement.
(in our study of 180days before the date of the announcement).
8- 3: The effective yield is calculated for each bank of banks (RJ).
8- 4: calculating the expected return for each bank E(R) .
8- 5: calculation of abnormal returns.
8- 6**:** Calculating the average yield unusual.

9: To do examine the hypothesis will be used to market model

$$\sum(RIT) = \hat{\alpha} + \hat{\beta}_{\, I\,RM + E}$$

(^ : ESTIMATR)

10: Steps Analysis

10-1 : Calculated yield earnings per share (effective yield)(RI):

It represents a change in the daily closing prices for each sample banks and is calculated according to the following equation:

$$RIT = \frac{PIT - RIT - 1}{PIT - 1}$$

PIT : The closing stock price of the company (i) at the end of the next day(t).

PIT – 1 : The closing stock price of the company (i) at the end of the previous day(t-1) .

10- 2: Calculating the expected return ∑(RI) :

To calculate the expected return on the stock of each bank will be calculated based on the market model

$$RI = \hat{}\alpha 1 + \hat{}\beta\, RM + E$$

α1: Constant equation of the company which is part of the yield which is achieved regardless of the relationship between the market rate of return on the stock and return on the company's shares.

β : The stock sensitivity toward systemic factors in the market.

$$\beta = \frac{COV\ (RIT.RM)}{VAR\ (RMT)}$$

Or the rate of a mile linear relationship between earnings per share (rit) and return on the market portfolio(rmt)

RM : he yield on the market.

E : Random error, which is unusual return.

RI: Expected earnings per share.

10-3: Calculating the market rate of return:

The change in the daily closing index to market prices

$$RM = \frac{PMT - (PMT\text{-}1)}{PMT - 1}$$

RM : Market rate of return in the period (t).

PMT : Market index in the period (t) .

PMT – 1 : The index of the market in the period (t – 1) .

10-4 : Calculating the unusual yield :

Calculated for each period and for all banks and companies .

$$Ab.\ R = Act.R - \sum xp.R$$

$$AR = Ri_{\ actual} - \hat{}\alpha i + \hat{}\beta_{actual}\ RM$$

10-5 : Average non-normal return :

It is calculated by dividing the sum of (ar) each sample companies and divided by the number of companies .

$$AR = \varepsilon \frac{AR}{N}$$

10-6 : Calculating the average yield cumulative unusual :

Where it is calculated for all banks and sample

11: Statistical tests

To test whether there was a statistically significant effect of the announcement of stock split on the trading price of the test has been used (t - test), were used to the style of simple and multiple regression to estimate each of the (α) alpha and(β) beta .

12: analysis of data

We have been extracted regression equation to predict how much revenue is expected for each of the companies in the study were reached following results .

Table (1)

The Company name	Before 10 days	After 10 days
Arab Bank	RI = -0.002+1.353 (RM) SIG = 0.000 T = 13.726	RI = - 0.112 + 5.325 (RM) SIG = 0.344 T = 1.006
Cairo Bank	RI = 0.00019 + 0.186 (RM) SIG = 0.37 T = 0.95	RI = - 0.003 + 0.756 (RM) SIG = 0.235 T = 1.285
Jordan Bank	RI = 0.0012 + 0.641 (RM) SIG = 0.161 T = 1.543	RI =+0.003 – 0.06 (RM) SIG = 0.669 T = -0.444
Petroleum Company	RI = 0.0094 + 0.167 (RM) SIG = 0.859 T = 0.183	RI = 0.007 – 0.251 (RM) SIG = 0.656 T= 0.463

The table indicates the No. 1 to the regression equations that prove the existence of statistically significant for the return expected at Arab Bank in a period (-10), while proving the absence of statistically significant with respect to anticipated revenues for banks and companies in the two periods (+10) and (-10).
Table 2: shows the actual output and expected and is normal to the sample

Table(2)

	Before 10 days		
The Company name	The expected return	Effective yield	Yield extraordinary
Arab Bank	0.001653	0.001628	-2.493 E-05
Cairo Bank	0.00019	8.34 E-06	-0.00018166
Jordan Bank	0.000559	0.003518	0.00295896
Petroleum Company	0.010068	0.009504	-0.00056366

	After 10 days		
The Company name	The expected return	Effective yield	Yield extraordinary
Arab Bank	-0.080583	-0.080974	-0.00039113
Cairo Bank	-0.004512	-0.00458	-6.776 E-05
Jordan Bank	-0.00258	0.002402	0.00498161
Petroleum Company	-0.009107	-0.00949	-0.00038342

Table 3 :shows the averages of return is the cumulative normal during the study period

Table (3)

Day	Earnings per share are expected	Market rate of return	Actual market rate of return	The average yield is normal	The average yield is the cumulative normal
1	0.0037176	0.0024	0	-0.0037176	-0.00372
2	-0.0058207	-0.0063	-0.01	-0.0041793	-0.0078993
3	-0.0006048	-0.0036	0	0.0006048	0.0072945
4	-0.0067296	-0.0032	-0.01	-0.0032704	-0.0105649
5	0.0133242	0.0099	0.01	-0.0033242	-0.0138891
6	0.0116311	0.0017	0.01	0.0016311	-0.0155202
7	0.0054728	0.0016	0.01	0.0045272	-0.010993
8	0.0006084	0.0041	0	-0.0006084	-0.0116014
9	0.0029398	0.0022	0	-0.0029398	-0.0145412
10	0.0125376	0.0056	0.01	-0.0025376	-0.0170788
11	0.0094921	-0.0003	-0.01	-0.0005079	-0.0175867
12	-0.2343121	0.0027	-0.23	0.0043121	-0.0132746
13	-0.0094688	-0.0018	-0.01	-0.0005312	-0.0138058
14	0.0040383	0.0059	0	-0.0040383	-0.0178441
15	-0.0060784	-0.0013	-0.01	-0.0039216	-0.0217657
16	0.0020508	0.0029	0	-0.0020508	-0.0238165
17	-0.00119	0.0035	0	0.00119	-0.0226265
18	0.0069061	0.0089	0.01	0.0030939	-0.0195326
19	0.001317	0.0169	0	-0.001317	-0.0204896
20	0.01346	0.02	0.01	-0.0..346	-0.0243096

The study, which tested the hypothesis says he does not have a trace of the announcement on the retail share prices, it was found that the average return is the cumulative normal was negative for all the shares of the sample, indicating no effect of the announcement of the retail share prices.

12-Results of the study and its recommendations

This study included the identification of public policy and profits on the concept of a stock split and also fought on the factors affecting the trading prices.

And that's where this study is based on analysis of the impact of the announcement of the stock split on the trading price of the decision.

In light of the findings contained in the analysis shows through the behavior of non-cumulative return to normal sample companies during the period leading up to and reduced the history of the media, the lack of impact of the decision announced on retail trading prices.

12-1:The recommendations of the study :

The study recommended the following .

12-1-1 It is recommended to repeat the study at all contributors in Jordan companies (all sectors) that the announcement of the indivisibility of the shares.

12-1-2 Recommended that when the study is repeated to take the weekly or monthly data to find evidence to support the findings of this study, as this study daily statements .

12-1-3 It is recommended to carry out study the impact of other economic information on trading prices.

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