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(58)   (329)
.2003   1998
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(Dechow, 1994)

(2004   )

.   .   /   2007 ©

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(Kothari, 2001).

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(Hackel and Livnat, 1996,

p.8)

.(Sloan, 1996).

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.(Young and O'Byrne, 2001, p. 372) "

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(Callen and
Segal, 2004; Sloan, 1996)   .(   )

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3.

.(Required Expenditures)

(Discretionary Expenditures) –

" :

(Surplus Cash Flow)

(Excess Cash Flow)

( ) (Distributable Cash Flow)

. .(Disposable Cash Flow)

"

(Hackel and Livnat, "

. .1996, p. 273)

"

.(2002) " (Beneda, "

" 2003)

.(Damodaran, 1997, p. 171) "

"

.(Christensen and Demski, 2003)

.(Penman, 2004, p. 324) "

) :

( ) (2003 (Free Cash Flow –

" :for Firm) (FCFF)

.(2001)

:

. .(White, et al., 1997, p. 105) "

(Free Cash Flow –

" :for Equity) (FCFE)

.(2003)

.(Damodaran, 1997, p. 172) "

(Wilson, :

.(2001) 1986; Ali, 1994; Batrov et al., 2001) –

(Supplemental Disclosure)

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(Sloan, 1996)

(Biddle et al.,

1995)

(Batrov et al.,

.   2001)

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(2002   (Batrov et al., 2001)

.(1999   )

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(2003

(Accruals)

(Accruals)

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(2004   )

.(Gentry et

al., 2002; Callen and Segal, 2004)

(Vogt and Vu, 2000)

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(2004   )   .   (Francis et al., 2000)

(Market Value (MVE)

)   of Equity)

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5.

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(2005

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:H$_{01}$

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:H$_{02}$

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:H$_{03}$

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:H$_{04}$

.(Christensen and Demski, 2003)

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:

(2004   )   :H$_{05}$

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:

:H$_{06}$

(Shamia and Talafha, 1990)   (1988   )

.

:

:H$_{07}$

.(2005   2003   )

.

1-   :

$R_{it} = a_0 + a_1 FCFE_{it} + e_t$.

(2004   2001   2001   )   :

(2005   2005   .   a$_1$ a$_0$

R_{it} i   .t

$FCFE_{it}$ i   .t

e_t .

2-

(   )   :

$R_{it} = a_0 + a_1 FCFF_{it} + e_t$.   .

: :

. a_2 a_1 a_0 . a_1 a_0

.t i R_{it} .t i R_{it}

.t i $FCFE_{it}$ .t i $FCFF_{it}$

I CFO_{it} . e_t

.t -4

. e_t :

$$R_{it} = a_0 + a_1\ AE_{it} + e_t.$$

$$R_{it} = a_0 + a_1\ FCFE_{it} + e_t.$$

: :

: . a_1 a_0

(   ) : .t i R_{it}

:(Stock Returns) .t i AE_{it}

4/30 (t) 5/1 .t i $FCFE_{it}$

(t+1) . e_t

) ( ) -5

.(2002 :

: $$R_{it} = a_0 + a_1 CFO_{it} + e_t.$$

$$R_{it} = a_0 + a_1\ FCFE_{it} + e_t.$$

$$R_{it} = \frac{P_{it} - P_{i(t-1)} + D_{it}}{P_{i(t-1)}}$$: . a_1 a_0

.t i R_{it}

.t i :Rit I CFO_{it}

.t i :Pit .t

.(t-1) i :Pi(t-1) .t i $FCFE_{it}$

.t i :Dit . e_t

: -6

(Free Cash (FCFF) -1 $$R_{it} = a_0 + a_1 FCFE_{it} + et.$$

" :Flow of Firm) $$R_{it} = a_0 + a_1 AE_{it} + a_2 FCFE_{it} + e_t.$$

:

. a_2 a_1 a_0

(Revsine et al., 1997, p.212) " .t i R_{it}

: .t i $FCFE_{it}$

= .t i AE_{it}

− + . e_t

.(Revsine, et al., 1997, p.212) -7

(Free Cash Flow of :

:Equity) (FCFE) $$R_{it} = a_0 + a_1\ FCFE_{it} + e_t.$$

$$R_{it} = a_0 + a_1\ CFO_{it} + a_2\ FCFE_{it} + e_t.$$

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.(Penman, 2001; Richardson, 2002)

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.   i

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2003   1998

93

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(1)

:

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%5 (R_{it}) (.

%1   .   −

%25 $(FCFE_{it})$ .12/31   −

%5   −

(R_{it}) $(FCFE_{it})$

.   .

.   −

%10 $(FCFF_{it})$ 58

%10   .   329

$(FCFF_{it})$:   −

(R_{it}) .2003-1998

.

1998   1

%31 (CFO_{it})

%5   )

(R_{it}) %40 (AE_{it}) :
.%5   –

(2)   .

%1

.%6 $(Adj\text{-}R^2)$:

$(FCFE_{it})$.   -1

.   -2

.   -3

%6   .   -4

.   –

(1)

AE$_{it}$	OCF$_{it}$	FCFF$_{it}$	FCFE$_{it}$	R$_{it}$	
**0.40	**0.31	*0.10	**0.25	–	R$_{it}$
**0.31	**0.68	**0.71	–		FCFE$_{it}$
*0.13	**0.47	–			FCFF$_{it}$
***0.40	–				OCF$_{it}$
–					AE$_{it}$

%5   **   %1   ***

.%10   *

(2)

	a$_0$	a$_1$	R	R2	Adj- R^2	t	F
FCFEit	0.07	0.46	25%	6.2%	6%	4.646***	21.6***

%5   **   %1   ***

.%10   *

(Gentry, et al.,   :

.2002; Penman, 2004) $R_{it} = 0.07 + 0.46\ FCFE_{it}.$

–

$(Adj-R^2)$ **(3)**

%10

%0.7

.

: −

$$R_{it} = .06 + .14 FCFF_{it} + e_t.$$

(4) −

%1

%16 %16.3 (-Adj (3) (2)

$(R^2$

$(FCFE_{it})$

. $(Adj-R^2)$ $(FCFE_{it})$

(3)

	a_0	a_1	R	R^2	Adj- R^2	F	t
FCFFit	0.06	0.14	10%	1%	0.7%	3.331[*]	1.825[*]

\ %5 ** %1 ***
.%10 *

(4)

	a_0	a_1	R	R^2	Adj-R^2	F	t
AEit	0.02	0.43	40%	16.3%	16%	63.8***	7.99[***]

%5 ** %1 ***
.%10 *

1994; Plenborg, 1999; Gentry, et al., 2002; Francis, et al.,
.2003)

:

$$R_{it} = 0.02 + 0.43\ AE_{it.}$$

2001)
2004 2004 2002
(Dechow, (2005 2005

.(2005   )   (Biddle, et al., 1995)

$(Adj-R^2)$.

(Gentry et al., 2002; Callen and Segal, 2004;

.Penman, 2004)   .(2003   )

– $(Adj-R^2)$

(5) $(Adj-R^2)$

%1

%9.2 $(Adj-R^2)$ %16

%1

%1   %6

.   (2   )

(5)

	a_0	a_1	R	R^2	Adj- R^2	t	F
CFOit	0.02	0.2	31%	9.4%	9.2%	5.938***	34***

%5   ** %1   ***

.%10   *

(%6)

(2   )

$(Adj-R^2)$:

.%9.2 $R_{it} = 0.02 + 0.56 \, CFO_{it}$.

$(Adj-R^2)$ (Livnat and Zarowin, 1990; Pfeiffer

$(Adj-R^2)$ et al., 1998; Plenborg, 1999; West and worthington, 2000;

.Batrov et al., 2001)

2004   )

.(2005   2005

$(Adj-R^2)$.

–

: $(Adj-R^2)$

(6) $(Adj-R^2)$

(CFO_{it})

(R_{it}) $(FCFE_{it})$ $(FCFE_{it})$

%9.2   %1 (R_{it})

.17.5 (F)   .%1   %17.5 $(Adj-R^2)$

:   :

$R_{it} = 0.033 + 0.49CFO_{it} + 0.14FCFE_{it}.$ $R_{it} = 0.04 + 0.27AE_{it} + 0.02FCFE_{it}.$

(6)

$(Adj-R^2)$

$(FCFE_{it})$ (t)   (4   ) %16

(CFO_{it}) (FCFEit)

%1 (sig)   t = 2.6

(5   ) %9.2

(CFO_{it}) $(FCFE_{it})$

%9.2   .(Penman and Yehuda, 2004)

$(FCFE_{it})$ -

(7)

.(Biddle, et al., 1995)

(6)

	a$_0$	a$_1$	a$_2$	R	R^2	Adj-R^2	T	F	sig
	0.04	---	---	43%	18%	17.5%	1.74***	15***	0.01
AEit	---	0.27	---	---	---	---	6.86***	---	0.01
FCFEit	---	---	0.02	---	---	---	2.6**	---	0.05

%5   ** %1   ***
.%10   *

(7)

	a$_0$	a$_1$	a$_2$	R	R^2	Adj-R^2	T	F	sig
	0.033	---	---	31.2%	9.7%	9.2%	1.75***	17.5***	0.01
CFO$_{it}$	---	0.49	---	---	---	---	5.57***	---	0.01
FCFE$_{it}$	---	---	0.14	---	---	---	1.02	---	0.31

%5   ** %1   ***
.%10   *

6. - 7.

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.1 ( )   (Livnat and Zarowin, 1990;
( )   Pfeuffer et al., 1998; West and Worthington, 2000;
( )   Batrov at al., 2001)
                                                            (2005
.8   .(2005

                                                            (Sloan, 1996)
.9
:   (Gentry et al., 2002; Penman,
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- .   (FCFF)
.10 ( )
                                                            (Gentry, et
.11   .al., 2002; Penman and Yehuda, 2004)
.   .3

:   (FCFF)
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.3   %0.7   .%10
                                                            .5
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.4   .

                                                            .6

.5   (Gentry, et al., 2002; Callen and Segal,
                                                            .2004; Penman and Yehuda, 2004)

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Information Content for Free Cash Flow

Abdel Razzaq H. Salem and Husein A. Khasharmeh*

ABSTRACT

This Study aims at testing the information content of free cash flow. The main objectives of this study can be summarized as following:

1- Testing information content of both free cash flow for equity and firm.

2- Testing relative and incremental information content of free cash flow for equity compared with accounting earnings and net cash flow from operations.

3- Testing relative and incremental information content of free cash flow for firm, compared with accounting earnings and net cash flow from operations.

The study sample consisted of (329) observations firm/year, for 58 Jordanian industrial corporations listed in Amman Bourse, over the period from 1998 to 2003. The study utilizes simple and multiple regressions models to test its hypothesis.

The study concluded that free cash flow has information content, and the information content of both accounting earnings and net cash flow from operations are superior to free cash flow's information content. Finally, it found that free cash flow for equity has incremental information content beyond accounting earnings, but does not have incremental information content beyond net cash flow from operations.

Based on these results, the study recommended that investors, financial analysts and managers should adopt a set of different measures (cash and accrual-based measures) to evaluate company performance, as well as pay attention to free cash flow for equity. The study also suggested that it would be beneficial to Jordanian industrial corporations to disclose free cash flow for equity.

Keywords: Free Cash Flow, Information Content, Relative and Incremental Information Content.