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THE RELATIONSHIP BETWEEN INFORMATIONAL CONTENT OF CASH FLOWS STATEMENT AND STOCK RETURNS FROM ACCOUNTING PERSPECTIVE OF IAS (7) (AN EMPIRICAL STUDY)

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ABSTRACT: *The cash flow statement has considered as an important and a suitable statement for economic decision-making, in addition to, this statement provided an importance of the information, which reflects the interest of financial analysts in its numbers. Therefore, this study aimed to show the importance of the information content of the cash flows statement, and testing the relationship between each of the cash flows (operating- financing- investment) and stocks returns. This study has applied on the insurance companies that listed in the Damascus Stocks Exchange from 1/10/2006 to 31/12/2010, in order to test the relationship between their cash flows and stocks returns. The study found many important results: The financial analysts interesting in the numbers of cash flow, as it is less vulnerable to distortion of the other financial statements numbers especially the income statement. The IAS (7) noted that the most of the companies prefer to accordance the cash flow statement with the direct method that it has provided information that is more useful and disclosures in the decision-making process. When applying the study on the statement of insurance companies that listed in the DSE the relationship between stock returns and cash flows of these companies have ranged between presence of a statistically significant relationship (either direct correlation or inverse) and the lack of a statistically significant. The study concluded many of the recommendations that researcher believes that they may be useful in interest of cash flows statement and their uses and analysis.*

KEYWORDS: Informational content, **Cash flows, Stock returns.**

INTRODUCTION

The accounting information, which is provide, consider by the financial statements of great importance for decision makers, where this importance is measured by the extent of the ability of this information to meet the needs of the growing decisions makers.Installations have been for a long time to fully rely on traditional financial statements (balance sheet, income statement, a list of retained earnings), which is based on the accrual basis only. These lists have been sufficient somewhat meet the needs of users of financial statements and relied upon in making economic decisions. However, because of the widening gap between the needs of decision makers because of the widening size installations activities, and the inability of those lists to meet these needs. As well as the need to detect deception and distortion that can be played by some of the facilities in the lists of their income at the ways and follow different accounting policies, leading to huge amounts show a profit while these facilities may not be able to fulfill their obligations. Due to lack of sufficient liquidity, appeared the need to have financial statement are based on a cash basis in addition to the traditional financial statements in order to disclose the financial condition of the facility realistically, here it is the cash flow statement appeared.

The statement of cash flows to the investor is of great importance because of the information they provide. Many studies and scientific research has proven its importance both in or disclosed in the financial ratios derived from them. In addition, the degree of correlation between risk and information related to the cash flows are much higher than they relate to other information. Thus, stock prices respond to information of cash flows in different way of its response to the information according to the accrual basis. Through the analysis of the statement of cash flows can be identified many of the problems that may exposed to establish financial solvency and forecasting bankruptcy and liquidity problems.

Research problem

There are many benefits that will accrue to users of the financial statements of the entities should prepare a statement of cash flows because they provide important information about the operating, investing and financing activities of the facility. With the continuous increase in interest in this list is mandatory and prepared as a basic list added to the traditional financial statements, and because the very limited number of studies have linked cash flows and stock returns for insurance companies applied as a study. Therefore, there was an urgent need to put the study of the problem and the answer to the main question is the following: Is there a relationship between the informational content of the statement of cash flows and stock returns for insurance companies listed on the Damascus Securities Exchange?

Research importance

Because of the importance placed on this issue by the relevant accounting thought in the world, this study comes to recognize the relationship between the informational content of the statement of cash flows and stock returns. In addition, to see how both of them in the appropriate interpretation of the relationship between the cash flows and stock returns for insurance companies listed on the Damascus Securities Exchange. The relationship between these variables test earns itself a special importance for the study. In terms of identifying the level of efficiency of the Damascus Securities Exchange and volume of information available to investors and the quality and size of the accounting disclosure in the annual reports of listed companies where.

Research objectives

This research aims to:

1- Study the informational content of the statement of cash flows.

2- Test the nature of the relationship between both the cash flows from operating activities and investing activities and financing activities between stock returns and insurance companies listed on the Damascus Securities Exchange.

3- Analysis and testing of the nature of the relationship between the cash flows of the combined activities and stock returns for insurance companies listed on the Damascus Securities Exchange.

Previous studies

Many research studies looked at the subject of the statement of cash flows. as well as there are some studies that aimed to examine the relationship between the cash flows and stock returns of different aspects, and some of these studies are:

1) **Dahdouh study, (2008), entitled "Analytical study of the informational content of the statement of cash flows".** This study aimed to find out the views of a group of people interested in the field of accounting for the importance of the information provided by the statement of cash flows in helping to take many decisions. Add to highlight the impact of the

methods developed in the suitability of the information provided in the economic decision-making. The study concluded that the statement of cash flows suitable for making many of the economic decisions. It prefers the direct method used in the preparation of the indirect method, because of the offer of more useful information that in making decisions in many aspects not provided by the indirect method.

2) **Luo study,(2008), entitled "Operating cash flows unusual and stock returns".**This study aimed to examine the operational cash flows unusual ability to express future cash flows. This study applied to a sample of 500 companies listed on the New York Stock Exchange, AMEX, and NASDAQ, and for the period from 1988 until 2000. This study concluded that the cash flows are unusual elements contain the predictive ability of increasingly about future cash flows. In addition to that, stock prices may fail in their ability to reverse this predictive ability fully. This study suggested that the current reporting on the cash flows that might mislead investors in their perceptions about the ability of companies to generate cash flows.

3) **Khalayleh study, (1998), entitled "The relationship between the cash flows and stock returns in the long term".** This study focused on the relationship between the cash flows and stock returns test in the long term, using relatively long periods; extended from the year 1985 until the year 1994. The study sample included on (31) facility in order to reduce measurement errors industrial companies listed on the Amman Financial Market. According to the most important findings of the study: the existence of a relationship is low and not statistically significant (α = 10%) between the cash flows and stock returns. In addition, that this relationship does not improve significantly when they are prolonging the period of return. The study came up with several recommendations of the most important: First that the relationship between the cash flows and stock returns need to re-test the application, either on other markets or on the same plant, but in future periods free of chaotic events. Second, re-test the relationship between the cash flows and stock returns based on the American Accounting Standard No. (95).

4)

5) **Mansour study, (2001), entitled "the appropriateness of the statement of cash flows of information in decision-making: the study of practical theory"**. This study aimed to address information provided by the statement of cash flows, which depends on the cash basis prepared in recognition of gains and expenses .Which can providing information to help users of these make their decisions based on that. The study applied to Helwan Cement Company, which had established in 1929 as a going private Egyptian contribution. The study found several results of the most important: First, the preparation of the statement of cash flows of the proposed form provides additional information to show the effect of factors (sales change, change of profitability, change capital ratios working group) on cash flows. Second, it has to prepare the statement of cash flows in detailed than those published by the company.

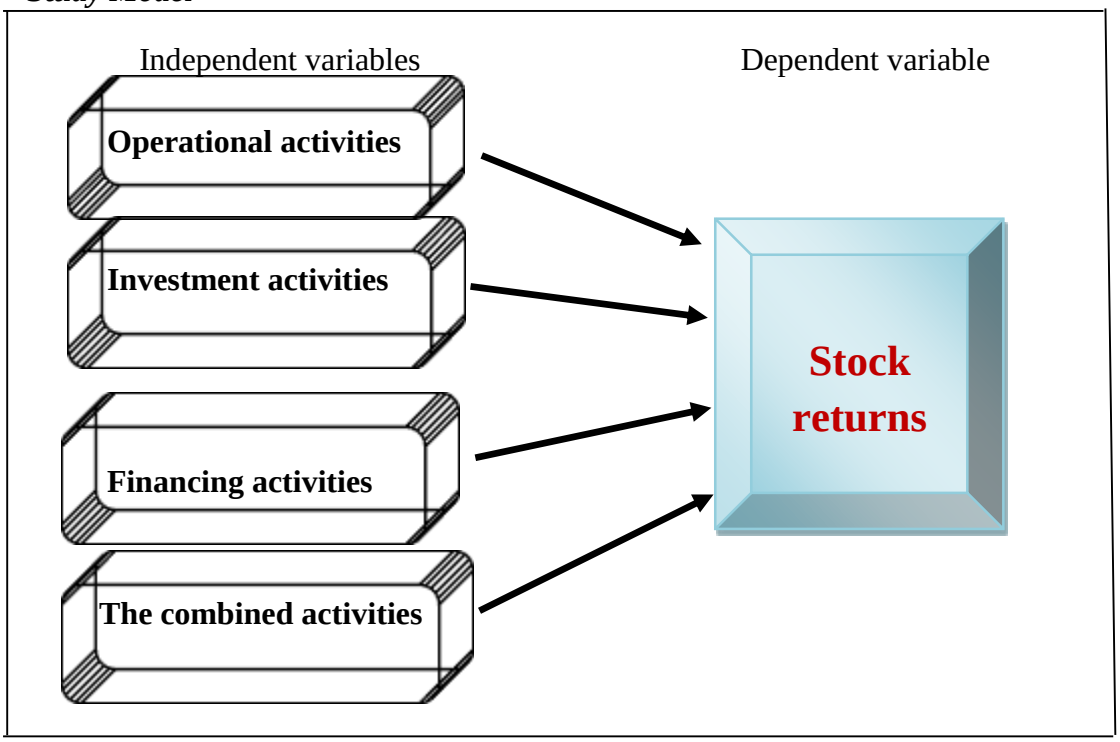
6) **Alkhaddash and Abadi study, (2005), entitled "The relationship of each of the accounting earnings and cash flow to equity market value of the shares".** This study looked at the relationship of accounting attributable to shareholders' equity at market value of the shares. As well as the relationship of the cash flows to equity market value of the shares and reach financial ratios based on cash basis to minimize the shortcomings in financial ratios based on the accrual basis. The study sample included on (26) industrial facility Jordanian public shareholding, during the period from the year 1993 until the year 2002. The study concluded that several of the most important results: First, the statement of cash flows provide additional information and important information and support provided by traditional accounting statements. Second, the presence of a statistically significant relationship between the market

value of the shares and the percentage of cash flows to equity, and the presence of a statistically significant relationship between the market value of the shares and the percentage of rate of return to shareholders' equity and market value of the shares.
What distinguishes the current study from previous studies is the environment in which they conducted this study looking at the relationship between the informational content of the statement of cash flows and stock returns for the insurance companies listed on the Damascus Securities Exchange.

Research Hypotheses
This study aims to test a set of basic hypotheses that have formulated according to scientific bases with respect to cash flows and their relationship to stock returns:
The first hypothesis: There are statistically significant relationship between the cash flows from the activities (operational, investment, and financing) both separately and stock returns for insurance companies listed on the Damascus Securities Exchange.
The second hypothesis: There are statistically significant relationship between the cash flows from the combined activities and stock returns for insurance companies listed on the Damascus Securities Exchange.

RESEARCH METHODOLOGY

It depends on this research on the following methodology:
1. Find the problem of determining the following question: Is there a relationship between the informational content of the statement of cash flows and stock returns for insurance companies listed on the Damascus Securities Exchange?
2. To study the theory relating to research and study of the information content of the statement of cash flows, and then applied to do the study on the relationship between the cash flows and stock returns for the insurance companies listed on the Damascus Securities Exchange.
3. Access to the conclusions of a researcher from the theoretical and practical framework for the research.
Study Model



Research limits
This study is limited to the study and analysis of the relationship between the informational content of the statement of cash flows and stock returns for insurers listed in the Damascus Securities Market for the period between 1/10/2006 (date of incorporation) and up to 31/12/2010.

LITERATURE REVIEW

Despite the modern era of the emergence of the statement of cash flows, however, this list has seen great interest by the financial community because of the offer this list of important information, which will benefit users of financial statements when making economic decisions. Where the statement of cash flows came to answer the many inquiries that failed to traditional financial statements (income statement, retained earnings and balance sheet) to provide clarification around, and for the assessment of facility's ability to generate cash and cash equivalent of cash and the timing to make sure the degree of this Propagations. Where currently considered this list of the basic financial statements, which provide important information not provided by other traditional statements.

***Cash flow statement's evolution*:**
It passed several time stages even settled on what it is now in terms of form and content. The following stages of this statement as follow, Dahdouh (2008, pp205-204).This statement arose initially in the form of a simple statement called the (statement of incoming and outgoing sources) which was include only the presentation of the increase or decrease in the budget elements. Several years later amended its name to the list of allocated funds.

In 1961, the Council accounting issues principles emanating from American Chartered Accountants compound (AICPA) Accounting Bulletin No. (2), entitled (cash flow analysis and a statement of allocated funds) as stated in this bulletin need to include a statement of funds allocated in each annual reports to shareholders. In 1963, the US Parliament approved accounting principles (APB), related Decision No. / 3 / where the old name has amended to (statement of resources and uses). It explained the preparation and presentation of it. Also to be not compulsory. In 1971, the American Council of the accounting principles (APB) issued the publication No. (19), which recommended compulsory prepare a list of changes in financial position as an integral part of the financial statements. In 1987, the US issued Financial Accounting Standards Board (FASB) Accounting Standard No. (95), under which was to bring the cash flow statement instead of the statement of changes in financial position.
In 1992, the International Accounting Standard No. (7), was adopt by the International Accounting Standards Committee (IASC) which compel businesses to prepare the statement of cash flows.

***Definition of cash flows statement and the purpose of preparing*:**
It is the statement of cash flows as a list showing the cash receipts (receipts), cash payments and net change in cash from the three activities are operating activities, investment activities and financing activities for economic entity during a specific period. In a manner conducive to reconcile the cash balance in the first period and the last period. It also identified the International Accounting Standards Committee (IASC) in the standard (7) as ready cash in addition to demand deposits. The cash also include other types of accounts that have the same general characteristics of demand deposits, which are entitled to the customer deposits and

withdrawals at any time without prior notice. And the international standard number (7), also define cash equivalents as short-term investments convertible immediately to a specific amount of cash and which are not exposed to substantial risk lead to changes in value. Equivalent cash is obtained for the purposes of monetary interview short-term cash commitments rather than for investment purposes or for any other purposes and therefore is only in those investments that do not exceed a period of maturity of three months or less from the date of acquisition. The main purpose of the preparation of cash flows statement is the recipients of cash and cash payments to the company during the accounting period. The second purpose for the preparation of this statement is to disseminate information about the investment and financing activities of the entity for the period in question (Ismail et al., 2000, p. 143).

Importance and objectives of cash flows statement:

The importance of the statement of cash flows of the content is to provide information that is not available in the other financial statements, and provide an explanation for a number of other issues fail Statements for submission (Matar, 2006, p. 161).The statement of cash flows help provide appropriate and essential information for users of this list will enable them to assess the company's ability to achieve positive cash flow in the future, Dahdouh (2008, p210).According to the International Standard No. (7), this statement helps users to develop models to assess and compare the present value of future cash flows for various companies, and improve the comparability between the performance reports for several companies because they exclude the effects of accounting treatments for the same transactions and events. American Financial Accounting Standards Board ((FASB in IAS (95) identify the objectives of the statement of cash flows are the two goals) Dahdouh (2008, p. 210):

1. to provide users of financial statements with information about the cash receipts and payments of the company during the period.
2. to provide users of financial statements with information about the monetary effects of operational, investment and financing activities.

About the statement of cash flows can also achieve the following objectives (Matar 2006, pp166-162):

1. The quality of earnings evaluation.
2. Evaluate of the liquidity.
3. Provide funding policies.
4. Predict future cash flows.

The International Standard No. (7), has pointed out that the objectives of cash flows statement reflected the following:

1. Provide users of financial statements with a basis to assess the ability of the company to obtain cash and cash equivalents and the needs assessment for the use of these cash flows.
2. Provide the necessary information on the historical changes in cash and cash equivalents of information classified by operating, investing and financing activities of the company.

Classify information in cash flows statement:

In accordance with the International Standard No. (7);the statement of cash flows (cash receipts and payments) has classified based on operating, investing and financing activities of the entity.

First: operating activities: the main revenue-generating activities at the facility, in addition to other activities that are not considered investment or financing activities.

Second, investing activities: They possess associated with long-term assets and disposal activities.

Third: financing activities: Those activities are result in changes in the size and components of capital ownership and borrowing operations carried out by the company.

Methods of preparation of the statement of cash flows:
The cash flows statement can prepare in two ways, namely:Direct and Indirect method. The difference between two methods in measuring the results of the cash flows associated with the operational activities only, while the cash flows associated with financing and investment activities do not vary according to the method of preparation methods, but they differ in the level of disclosure of the items that make up the final figure. According to the International Standard No. (7), it encourages companies to use the direct method in the preparation of the statement of cash flows, and because no offer of information that could be useful in estimating future cash flows. The following is a brief explanation of the two ways.

First: direct method: Under this method, cash purchases and cash operating expenses are deduct from cash sales to arrive at net cash flow from operating activities. Then add the net cash flow from investment operations and net cash flow from financing operations to get net Cash flow during the year. Then added the balance of cash at first year to get to the cash balance at the end of the year (Ismail et al., 2000, p. 147).

Second: indirect method: This method begins with net income, and adjust to get the net cash flow from operating activities. In accordance with international standard number (7), is adjusted net profit or loss for the effects of the operations of a non-monetary, and any deferred payments or owed for operating cash receipts or payments in the past or the future, as well as items of income or expense related to the cash flows of investment or financing.

Note:
Disclosure requirements did not oblige to follow a particular method. The model most commonly used is prepared in accordance with the direct method because it provides a more useful and convenient than the form prepared information in accordance with indirect method. Moreover, this is in line with the appropriate disclosure, which has become a cornerstone requirements important pillars of the financial statements published preparation. In addition to the detailed information on the operating cash flow provided by the direct method, which serves financial analyst in the derivation of ratios more abundant and appropriate financial and operational indicators of the activity of the establishment of those provided by the indirect method. Perhaps this is the motivation that made IAS (7) encourages follow the direct method in the preparation of this list.

Practical study
An overview of the Damascus Securities Exchange
It established by Legislative Decree No. 55, of the President of the Syrian Arab Republic on 1/10/2006. In addition, which provided for the establishment of Securities Market in Syria, known as ((Damascus Securities Exchange)). The decree award the market juridical personality and financial and administrative independence. It linked to Syrian Financial Markets Authority. It operates under its supervision. Therefore, it is the headquarters of the market city of Damascus, as the market law stipulates that a decision of the Council of Ministers may market converted into a joint stock company, owned by members of the market at the appropriate environment to provide it, while remaining subject to the supervision of the Commission. Market manages a board of directors from nine members are nominated by the President of the Council of Ministers, on the proposal of the Board of Commissioners of the leaves of the Syrian Commission on Financial Markets. Executive director of the market, and as a deputy appointed

by the Prime Minister on the recommendation of the Board of Commissioners, and the proposal of the Board of Directors.
Financial resources of the market consist of the following: association fees, subscriptions annual members, commissions collected by the market to meet the buying and selling processes. Also, the credits allocated by the state, grants and donations received by the market of any entity approved by the Authority, the fines accruing for offenses committed systems market, and any other resources determined by the Commission. Syrian shares are listed shareholding companies in the market trading has divided into the following sectors: (agricultural sector, insurance sector, banking sector, the industrial sector, the services sector), with the possibility of including a new contribution of different sectors of other companies.

An overview of the insurance companies:
1. Syrian International Insurance Company-Arup: It found with a capital of 1 billion Syrian Liars on the date of 20/6/2006, as a public company, began its activities in the insurance 6/7/2006. Management headquarters in city Damascus.
2. Syrian National Insurance Company: It founded with a capital of 850 million Syrian Liras on the date of 18/6/2006, as a public company, and began its activities in the insurance 6/8/2006. Management headquarters in the city of Damascus.
3. United Insurance Company: It founded with a capital of 850 million Syrian Liras on the date of 18/5/2006, as a public company, and began its activities in the insurance 4/6/2006. Management headquarters in the city of Damascus.
4. Aquila Insurance Company: It founded with a capital of 2 billion Syrian Liras on the date of 16/12/2007, as a public company, and began its activities in insurance 27/3/2008. Management headquarters in the city of Damascus.
Study Instrument

After completion of the study to determine problems, and hypotheses, the researcher covers all variables model study, in its final form to the following parts:
1. Collection of cash flows statement for the insurance companies listed on the Damascus Securities Exchange and covered by the study sample and for the period from 1/10/2006 until 31/12/2010
2. Statistical analysis of the data entered using the following tests:
- Mean of the study variables for each insurance company.
- To identify the direction relationship between the independent and dependent variables. Through using Pearson correlation coefficient at the significant level (0.05).

Variables of the study:
Dependent variable: stock returns.
Independent variables: Cash flows from operating activities, cash flows from investing activities, cash flows from financing activities, cash flows from the combined activities.

RESULTS AND TEST HYPOTHESES:

The Means:
For the purposes of testing hypotheses of the study, it was use the mean for the variables to insurance companies listed according to a study in the Damascus Securities Exchange, which are show in Table (1):

Table (1): Means of the variables of the study

Variables	Syrian International Insurance Company	Syrian National Insurance Company	United Insurance Company	Aquila Insurance Company
Stock returns	25.1	68.176	48.808	8.0425
Operational activities	300,307,707.00	301,158,480.00	271,504,834.60	145,323,459.00
Investment activities	(394,192,923.80)	(391,016,063.20)	(370,692,373.20)	(237,710,746.50)
Financing activities	186,999,999.80	124,210,210.00	129,030,000.00	500,006,348.75
Combined activities	93,114,783.00	34,352,626.80	29,842,461.40	407,619,061.25

First: earnings per share:

It notice from the above table, that the average of stock returns (earnings per share)of the Syrian National Insurance Company was the best among the total of insurance companies listed on the Damascus Securities Exchange, and used within the study sample. It achieved an average annual value of return (68.176).Followed by both the United Insurance Company and the Syrian International Insurance Company – Arup followed by Aquila Insurance Company. Thus, it finds that all insurance companies have achieved a positive average annual return; this is a good indicator of the performance of these companies.

Second: the cash flows from the activities:

1. Cash flows from operating activities:
   It notes that the best revenue has been achieved between these companies is the Syrian National Insurance Company- Arup. It gets an average cash flows from operating activities for the period of the study (301 158 480), while for the rest of the insurance companies were as follows in order of preference: Syrian Company International Insurance - Arup, United Insurance Company, Aquila Insurance Company.
2. Cash flows from investing activities:
   It notes that the Syrian International Insurance Company - Arup has invested the amount of average (394 192 923) in long-term assets, the highest average invested insurance companies listed on the Damascus Securities Exchange during the study period, followed by Syrian national company ranked Insurance, then United Insurance Company ranked, and finally Aquila Insurance Company.
3. Cash flows from investing activities:
   It notes that the Syrian International Insurance Company - Arup has invested the amount of average (394 192 923) in long-term assets, the highest average invested insurance companies listed on the Damascus Securities Exchange during the study period, followed by Syrian national company ranked Insurance, then United Insurance Company ranked, and finally Aquila Insurance Company.
4. Cash flows from financing activities:
   It notes that all insurance companies listed on the Damascus Securities Exchange have cash flow from financing activities in a positive. This means that it has to issue new shares or bonds, or to obtain long-term loans. In addition, this reflects the need for these companies of external financing, to the Syrian national Insurance Company (124210210), then the United Insurance

Company, then the Syrian international Insurance Company - Arup, and finally Aquila Insurance Company (500006348).

Direction of the relationship between independent and dependent variable by Pearson correlation coefficient:

First: Syrian International Insurance Company - Arup:

Table (2) of the Syrian International Insurance Company correlation coefficients –Arup

Independent Variables	**Pearson correlation coefficient(r)**	**Coefficient of determination(r^2)**	**significant**
Cash flow from operating activities	**0.909**	**0.826**	**0.0325**
Cash flow from investment activities	**0.903**	**0.816**	**0.0356**
Cash flow from financing activities	**-0.945**	**0.894**	**0.0152**
Cash flow from the combined activities	**-0.495**	**0.245**	**0.3968**

The first hypothesis test: no statistically significant relationship between the cash flows from the activities (operational, investment, and financing).For Syrian International Insurance Company – Arup, it can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:

For operational cash flows:

The results showed that the correlation coefficient between the two variables have (0.909) and the value of (Sig = 0.0325). This is smaller than the significance level 0.05.Which means rejection of null hypothesis and accept the alternative hypothesis. Therefore, it has statistically significant positive correlation between stock returns and cash flows from operating activities for the Syrian International Company Insurance – Arup. It has been among the coefficient of determination (**r^2**) that the independent variable is able to explain what percentage of (82.6%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable has reached (17.4%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For investment cash flows:

The results showed that the correlation coefficient between the two variables was (0.903) and the value of (Sig = 0.0356).Which is smaller than the significance level 0.05.Which means rejection of null hypothesis and accept the alternative hypothesis. Therefore, it is exist statistically significant positive correlation between stock returns and cash flows from investing activities for the Syrian International company Insurance- Arup. It has been among the coefficient of determination (**r^2**) that the independent variable is able to explain what percentage of (81.6%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable reached (18.4%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For financing cash flows:

The results showed that the correlation coefficient between the two variables was (0.903) and the value of (Sig = 0.0152).Which is smaller than the significance level 0.05.Which means

rejection of null hypothesis and accept the alternative hypothesis. Therefore, it is exist statistically significant positive correlation between stock returns and cash flows from investing activities for the Syrian international company Insurance- Arup. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (89.4%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable reached (10.6%), which means the existence of other independent variables effect on the dependent variable (stock returns).

The second hypothesis test: There is statistically significant relationship between the cash flows of the combined activities and stock returns. For Syrian International Insurance Company – Arup. It can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:

The results showed that the correlation coefficient between the two variables was (-0.495) and value ((Sig = 0.3968). This is greater than the significance level 0.05. Which means accepting of null hypothesis and reject the alternative hypothesis. Therefore, there is no statistically significant relationship between stock returns and cash flows from the activities combined for the Syrian International company Insurance- Arup. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (24.5%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable has reached (75.5%), which means the existence of other independent variables effect on the dependent variable (stock returns).

Result: To apply the study on the Syrian International Insurance Company - Arup showed a statistically significant positive correlation between stock returns and both the cash flows from operating activities and cash flows from investing activities. There is inverse statistically significant relationship between stock returns and cash flow from financing activities. There is not a statistically significant relationship between stock returns and cash flows of the combined activities.

Second: Syrian National Insurance Company:

Table (3) of the Syrian National Insurance Company correlation coefficients

Independent Variables	**Pearson correlation coefficient(r)**	**Coefficient of determination(r^2)**	**significant**
Cash flow from operating activities	**0.233**	**0.054**	**0.706**
Cash flow from investment activities	**-0.201**	**0.040**	**0.746**
Cash flow from financing activities	**-0.942**	**0.886**	**0.017**
Cash flow from the combined activities	**-0.387**	**0.150**	**0.520**

The first hypothesis test: no statistically significant relationship between the cash flows from the activities (operational, investment, and financing).For Syrian National Insurance Company, it can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:

For operational cash flows:
The results showed that the correlation coefficient between the two variables have (0.233) and the value of (Sig = 0.706). This is greater than the significance level 0.05. Which means accept of null hypothesis and reject the alternative hypothesis. Therefore, it has not a statistically significant correlation between stock returns and cash flows from operating activities for the Syrian National Company Insurance. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (5.4%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable has reached (94.6%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For investment cash flows:
The results showed that the correlation coefficient between the two variables was (-0.201) and the value of (Sig = 0.746). This is greater than the significance level 0.05. Which means accept of null hypothesis and reject the alternative hypothesis. Therefore, it has not a statistically significant correlation between stock returns and cash flows from investment activities for the Syrian National Company Insurance. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (4%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable reached (96%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For financing cash flows:
The results showed that the correlation coefficient between the two variables was (-0.942) and the value of (Sig = 0.017). This is smaller than the significance level 0.05. Which means rejection of null hypothesis and accept the alternative hypothesis. Therefore, it is exist statistically significant positive correlation between stock returns and cash flows from investing activities for the Syrian National company Insurance. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (88.6%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable reached (11.4%), which means the existence of other independent variables effect on the dependent variable (stock returns).

The second hypothesis test: There is statistically significant relationship between the cash flows of the combined activities and stock returns. For Syrian National Insurance Company. It can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:
The results showed that the correlation coefficient between the two variables was (-0.387) and value ((Sig = 0.520). This is greater than the significance level 0.05. Which means accepting of null hypothesis and reject the alternative hypothesis. Therefore, there is no statistically significant relationship between stock returns and cash flows from the activities combined for the Syrian National company Insurance. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (15%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable has reached (85%), which means the existence of other independent variables effect on the dependent variable (stock returns).

Result: To apply the study on the Syrian National Insurance Company showed, there is no statistically significant correlation between stock returns and both the cash flows from operating activities, investing activities, and the combined activities. There is inverse

statistically significant relationship between stock returns and cash flow from financing activities.

Third: United Insurance Company:

Table (4) of United Insurance Company correlation coefficients

Independent Variables	**Pearson correlation coefficient(r)**	**Coefficient of determination(r^2)**	**significant**
Cash flow from operating activities	**0.953**	**0.908**	**0.012**
Cash flow from investment activities	**0.722**	**0.522**	**0.168**
Cash flow from financing activities	**-0.850**	**0.723**	**0.068**
Cash flow from the combined activities	**-0.763**	**0.582**	**0.134**

The first hypothesis test: no statistically significant relationship between the cash flows from the activities (operational, investment, and financing).For United Insurance Company, it can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:

For operational cash flows:

The results showed that the correlation coefficient between the two variables have (0.953) and the value of (Sig = 0.012). This is smaller than the significance level 0.05. Which means reject of null hypothesis and accept the alternative hypothesis. Therefore, it has a statistically significant correlation between stock returns and cash flows from operating activities for the United Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (90.8%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable has reached (9.2%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For investment cash flows:

The results showed that the correlation coefficient between the two variables was (0.722) and the value of (Sig = 0.168). This is greater than the significance level 0.05. Which means accept of null hypothesis and reject the alternative hypothesis. Therefore, it has not a statistically significant correlation between stock returns and cash flows from investment activities for the United Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (52.2%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable reached (47.8%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For financing cash flows:

The results showed that the correlation coefficient between the two variables was (-0.850) and the value of (Sig = 0.068). This is greater than the significance level 0.05. Which means accept of null hypothesis and reject the alternative hypothesis. Therefore, it has not statistically significant correlation between stock returns and cash flows from investing activities for United Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (72.3%) of the changes in the

dependent variable (stock returns), and the changes that have not been explained by this variable reached (27.7%), which means the existence of other independent variables effect on the dependent variable (stock returns).

The second hypothesis test: There is statistically significant relationship between the cash flows of the combined activities and stock returns. For United Insurance Company. It can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:
The results showed that the correlation coefficient between the two variables was (-0.763) and value ((Sig = 0.134). This is greater than the significance level 0.05. Which means accepting of null hypothesis and reject the alternative hypothesis. Therefore, there is no statistically significant relationship between stock returns and cash flows from the activities combined for the United Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (15%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable has reached (85%), which means the existence of other independent variables effect on the dependent variable (stock returns).

Result: To apply the study on the United Insurance Company showed, there is no statistically significant correlation between stock returns and both the cash flows from investing activities, financing activities, and the combined activities. There is a positive statistically significant relationship between stock returns and cash flows of operating activities.

Fourth: Aquila Insurance Company:

Table (5) of Aquila Insurance Company correlation coefficients

Independent Variables	**Pearson correlation coefficient(r)**	**Coefficient of determination(r^2)**	**significant**
Cash flow from operating activities	**0.812**	**0.660**	**0.188**
Cash flow from investment activities	**-0.981**	**0.962**	**0.019**
Cash flow from financing activities	**-0.343**	**0.118**	**0.657**
Cash flow from the combined activities	**-0.523**	**0.274**	**0.477**

The first hypothesis test: no statistically significant relationship between the cash flows from the activities (operational, investment, and financing).For Aquila Insurance Company, it can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:

For operational cash flows:
The results showed that the correlation coefficient between the two variables have (0.812) and the value of (Sig = 0.188). This is greater than the significance level 0.05. Which means accept of null hypothesis and reject the alternative hypothesis. Therefore, it has not statistically significant correlation between stock returns and cash flows from operating activities for Aquila Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (66%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this

variable has reached (34%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For investment cash flows:
The results showed that the correlation coefficient between the two variables was (-0.981) and the value of (Sig = 0.019). This is smaller than the significance level 0.05. Which means reject of null hypothesis and accept the alternative hypothesis. Therefore, it has an inverse statistically significant relationship between stock returns and cash flows from investment activities for Aquila Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (96.2%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable reached (3.8%), which means the existence of other independent variables effect on the dependent variable (stock returns).

For financing cash flows:
The results showed that the correlation coefficient between the two variables was (-0.343) and the value of (Sig = 0.657). This is greater than the significance level 0.05. Which means accept of null hypothesis and reject the alternative hypothesis. Therefore, it has not statistically significant correlation between stock returns and cash flows from investing activities for Aquila Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (11.8%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable reached (88.2%), which means the existence of other independent variables effect on the dependent variable (stock returns).

The second hypothesis test: There is statistically significant relationship between the cash flows of the combined activities and stock returns. For Aquila Insurance Company. It can be formulated both hypothesis the null and alternative (the study hypothesis) as follows:
The results showed that the correlation coefficient between the two variables was (-0.523) and value ((Sig = 0.477). This is greater than the significance level 0.05. Which means accepting of null hypothesis and reject the alternative hypothesis. Therefore, there is no statistically significant relationship between stock returns and cash flows from the activities combined for Aquila Insurance Company. It has been among the coefficient of determination ($\mathbf{r^2}$) that the independent variable is able to explain what percentage of (27.4%) of the changes in the dependent variable (stock returns), and the changes that have not been explained by this variable has reached (72.6%), which means the existence of other independent variables effect on the dependent variable (stock returns).
Result: To apply the study on Aquila Insurance Company showed, there is no statistically significant correlation between stock returns and both the cash flows from operating activities, financing activities, and the combined activities. There is an inverse statistically significant relationship between stock returns and cash flows of investment activities.

CONCLUSIONS AND RECOMMENDATION:
Conclusions:
From the above it can be draw the following conclusions:
1) The interesting of financial analysts on cash flows numbers have less vulnerable to distortion for the rest of the financial statements, especially the income statement. Therefore, the profit resulting from the accrual basis based on many of the accounting rules includes various degrees of personal judgment. While the flows cash generated from operations are greater degree of objectivity. The cash flow indicators that can provide financial analysts better quality and

profitability quality and liquidity of financial distress and bankruptcy prediction and risk analysis information.

2) The International Accounting Standard (7) pointed out that most companies prefer the preparation of the statement of cash flows in accordance with the direct method, and so for its information and disclosures more useful in the decision-making process.
3) Most of the accounting issues that dealt with the cash flows classifies cash flows in three steps (operating, investing, financing), and therefore consistent with the economic activities of the company.
4) When applying the study to the insurance companies listed on the Damascus Securities Exchange, they ranged relationship between the presence of a statistically significant relationship (either a positive or inverse) and the lack of a statistically significant relationship between stock returns and cash flows of the companies.

Recommendations:

From the above, the researcher recommends the following:

1) The need of the Syrian companies (public and private) to prepare the statement of cash flows they provided this list of information that the financial decision-making credit.
2) The need for full disclosure of cash flow information because of its impact on investors and financial analysts، especially for companies own decisions.
3) Dependence on the International Accounting Standard No. (7) In the preparation of the statement of cash flows.
4) Do many future studies concerning the informational content of the statement of cash flows in terms of uses, analyzed, etc.

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Appendices

(Summary of the financial statements of insurance companies)

Appendix 1Syrian International Insurance Company-Arup:

Year	Stock Returns	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash flow from the combined activities
2006	-7.38	(9,632,290.00)	(769,874,184.00)	1,204,617,677.00	425,111,203.00
2007	2.3	146,864,629.00	(425,160,326.00)	401,962,553.00	123,666,856.00
2008	25.12	411,820,725.00	(576,773,452.00)	31,545,509.00	(133,407,218.00)
2009	36.74	202,131,445.00	(272,945,815.00)	17,997,007.00	(52,817,363.00)
2010	68.72	750,354,026.00	(73,789,158.00)	(721,122,747.00)	103,020,437.00

Appendix 2 Syrian National Insurance Company:

Year	Stock Returns	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash flow from the combined activities
2006	-5.6	(94,602,997.00)	(52,282,985.00)	850,000,000.00	703,114,018.00
2007	57.06	545,613,492.00	(334,916,908.00)	-	210,696,584.00
2008	96.22	1,169,680,001.00	(54,841,054.00)	(47,835,710.00)	1,067,003,237.00
2009	105.9	(354,014,083.00)	(7,847,440.00)	(92,126,521.00)	(453,988,044.00)
2010	87.3	239,115,987.00	(1,505,191,929.00)	(88,986,719.00)	(1,355,062,661.00)

Appendix 3 United Insurance Company:

Year	Stock Returns	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash flow from the combined activities
2006	4.24	41,450,518.00	(826,341,255.00)	850,000,000.00	65,109,263.00
2007	40	267,947,737.00	(203,009,109.00)	-	64,938,628.00
2008	52.85	333,073,432.00	(249,644,952.00)	(51,000,000.00)	32,428,480.00
2009	58.36	319,426,497.00	(266,049,812.00)	(68,850,000.00)	(15,473,315.00)
2010	88.59	395,625,989.00	(308,416,738.00)	(85,000,000.00)	2,209,251.00

Appendix 4 Aquila Insurance Company:

Year	Stock Returns	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash flow from the combined activities
2006	0	0	0	0	0
2007	-1.85	(10,241,520.00)	(15,482,415.00)	2,051,249,440.00	2,025,525,505.00
2008	-5.69	(11,778,850.00)	(48,902,785.00)	(29,647,693.00)	(90,329,328.00)
2009	4.5	273,787,177.00	(77,322,553.00)	(21,576,352.00)	174,888,272.00
2010	35.21	329,527,029.00	(809,135,233.00)	-	(479,608,204.00)