Efficiency of Using Cash Flows Statement Disclosure and its Effect on Earnings per Share in Jordanian Service Sector Corporations

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Abstract

This study aims to identify Cash Flows statement and its effect on accounting disclosure through specifying the International Accounting Standards relating to disclosure of Cash Flows statement; it also aims to identify financial ratios derived from Cash Flows statement and how to use them. The most important results are: Cash Flows statement provides data and information not found in budget or income statement, this gives additional value that the financial analysis and additions on disclosure are not part of it. Cash Flows statement helps in determining the liquidity ratio (company's ability to repay current liabilities), which is considered an indicator of the company's ability to repay current liabilities on schedule and this is a positive indicator on the market share price. The most important recommendations are: financial analysts should pay attention to the disclosure of all cash flows terms, and hold conferences on the importance of cash flows and its timing for investment decisions. The study includes the service sector corporations and their number according to the study is 28 companies; hypothesis has been tested by using test per sample.

Introduction

The basic financial statements (income statement, retained income statement, financial position statement, statement of changes in equity and cash flows statement) contain quantitative and qualitative information can be used in financial analysis and appropriate economic decision-making. The relationship between these statements is identified through studying information flowsing from one list to another; for example, the number of income that represents the final outcome of the income statement is shown as an item of the retained earnings statement. The final balance of retained earnings, which represents a summary of retained earnings statement, is shown as a budget item. The final balance of cash represents the summary of cash flows statement as well as it appears in budget assets. Therefore, this study discusses the extent of using cash flows statement as an indicator of the efficiency of EPS and various related financial ratios.

Statement of Problem

This study attempt to answer the following questions:

1- Do corporations in service sectors use cash flows statement efficiently?
2- Does cash flows statement contribute in giving a positive indicator for the value of one share in public service sector corporations?
3- Do service corporations apply disclosure requirements in cash flows statement?

Purpose of Study

This study attempts to achieve the following objectives

1- Identifying the theoretical framework of cash flows statement, its importance and relation to revenue share.
2- Identifying the most important obstacles facing cash flows statement.
3- Identifying financial ratios derived from cash flows statement, then highlighting its role in assessing the liquidity of facility and the quality of earnings.
4- Getting findings and recommendations help in finding the real relation between cash flows statement and EPS.

Hypotheses

Based on problem statement, the hypotheses are:

1- Corporations in service sector do not use cash flows statement effectively.

2- Cash flows statement does not contribute in giving a positive indicator for the value of one share in the corporations of public services sector.

3- Service corporations do not apply the requirements of cash flows statement disclosure.

Significance of Study

Significance of study considers the following:

1- Cash flows statement is a database of all cash and cash-like movements, banks' accounts as well, which means that it is a map showing the conduct of inflowss and outflowss cash activities during a certain period.

2- Cash flows statement is one of the main financial statements issued by the International Accounting Standards Committee and most of accounting bodies.

3- Cash flows analysis has great importance for businesses because this type of analysis has an important role in the process of planning and decision-making on those installations.

Population and Sample of the Study

The study population consists of public shareholding companies in Amman Stock Exchange in the first market and the market; while the sample of study is Royal Jordanian Airlines represented by accountants, financial managers and internal auditors.

Methodology

The study is based on the inductive and deductive approach at which the inductive approach is based on books, references and previous studies related to the subject of the study. In terms of the deductive approach, it will depend on the questionnaire that is consistent with the variables and hypotheses of the study for the purpose of collecting data about the field study.

Literature Review

-1- **Ahmad Abdullah ,2012** "The Impact of Financial Leverage Sharp Increase on Earnings Management on the Accepted Firms in Tehran Stock Exchange" , Volume 1, Issue 1, November 2012, Pages 94–104

This study aimed to find out the extent to which the administration benefited from increased obligations and the extent of its effect on profits. The study found that CFOs have an incentive to borrow and achieve the cash flowss of the company on appropriate time, but the auditors and accountants believe that these loans entail benefits which lead to increase expenses, and therefore reduce profits. The study included 136 founders in Iran exchange Securities; regression was used to prove the hypotheses, and the most important results were to amend cash flowss according to the company's need for loans, in addition to determine the benefit and the cost of increasing the obligations on the company.

2- Khamees and Jarrah, 2007. "Dimensions of the Market-based and Operating Cash Flows Ratios of Jordan's Industrial Corporations"

The study aimed to identify the informational content of the market and the ratios of operating cash flowss. To achieve this, the exploratory factor analysis and confirmatory factor analysis have been applied on (26) ratios to test the representation of each ratio set for a financial trend differs from trends represented by the other ratios. Moreover, it has been assumed that there are nine trends measured by financial ratios, namely: profitability, cash center, short-term liquidity, inventory turnover, accounts receivable turnover, working capital turnover, financial leverage, market indices, and cash flows. The study has been applied on Jordan's industrial public corporations between 1998 and 2002 for the study population consisting of (73) industrial corporations listed by Jordan's public corporations manual in 2003, at which the number of views used in the study has reached (232) views.

The results of the exploratory factor analysis showed the presence of seven trends is measured by financial ratios, namely: Return on investment, liquidity, inventory turnover, accounts receivable turnover, capital turnover, market rates, and cash flows ratios. On the other hand, the results of the confirmatory factor analysis have shown lack of representation of cash flows and market trends for different trends and the rest of the other trends.

3-**Zawahreh**. "The Effect of Liquidity and Efficiency Ratios on the Profitability of Jordanian Banks and Insurance Companies listed in Amman Bursa for Securities". Master Thesis, Yarmouk University 2005

The purpose of this study was to find the relationship between liquidity and efficiency ratios on the profitability of banks and insurance companies for the years 1999-2000. The most important results of the study were the existence of a positive relation in banks between liquidity and efficiency ratios, with an inverse relationship between the two. The study recommended the need for future studies to find the relationship between other types of ratios and their impact on cash flows; in addition to select other sectors to find the nature of the relationship between liquidity and profitability.

4- **Al-Khadash, Al-Abbadi. 2005.** "The Relationship between Accrual-Based Values, Cash-Based Values and Stock Prices".

This study examines the significance of the rate of return to equity as a ration of accrual basis and the cash flows to equity as a ratio of cash basis in analyzing the financial performance of the industrial public corporations in Jordan. To achieve the goal of this study, the examination covered a sample of 26 Jordanian industrial public corporations that are listed on the Amman Stock Exchange Market for 2002, to be circulated for at least ten years The study concluded that cash flows statement provides important additional information supports information provided by other financial statements, as well as cash flows values and its financial ratios has more importance than that based on an accrual basis in assessing the financial situation of the companies.

5-**Ali, 2003.** "The Importance of Accounting Profits Compared with Cash Flows in the Interpretation of Liquidity: An Empirical Study".

This study aimed to test the importance of accounting profits, compared with cash flows in the interpretation of changes in the liquidity of the industrial and service Jordanian public corporations from 1996 to 2001. To achieve the objectives of the study, the researcher applied the simple and multiple regression method on a sample of (74) companies from the two sectors. The study concluded that the best variables in explaining changes in liquidity are: cash flows of operating activities, followed by the net accounting profit of operating activities and finally the working capital.

This Study Differs from Previous Studies

1- It is based on a study about the efficiency and effectiveness of using the financial statements in the services sector.
2- It is based on linking Earnings per share by cash flows statement and finding the nature of that relationship.
3- It is based on the finding the commitment of service sector corporations to disclose accounting according to international accounting standards and determine the extent to which stakeholders benefit from it.

Cash Flows Statement Theoretical Framework

Introduction

The financial statements include much accounting data about the previous and the current financial periods; so it is not enough to set up these statements, but they must be analyzed using appropriate methods and tools to convert that data into useful information about the performance of the facility in the past as well as to predict its future, then explain the results of the analysis to serve all parties which are used for accounting data. The analysis using financial ratios is considered as one of the oldest and most important tools of financial analysis. Many authors defined the financial ratios, at which they put several convergent definitions such as: "that the financial ratios represent the study of the relationship between two variables, one represents the numerator and the other represents the denominator.

Financial Ratios Classifications

Financial Ratios could be classified into five main groups according to the used purpose, which are: (Amin, 2004, p 142)

1- Liquidity ratios: measures the company's ability to pay its short-term obligations when due.
2- Profitability ratios: measures the company's ability to generate profits from invested money.
3- Activity ratios: measures the Company's management ability to operate and manage its assets to generate revenue.

4- Debt ratios (capital structure): measures the company's ability to repay the borrowed funds and long-term liabilities, as well as the extent to which the company followed to rely on a third party to fund their needs.

5- Market ratios: measures the properties of ordinary shares that are considered important to the shareholders, investors, lenders, financial analysts and banks. Liquidity, activity and debt ratios measure risks, while profitability and market ratios measure yield.

The cash flows statement and indicators that can be drawn from the important functions of the financial analysis, as it provides information cannot be shown by the income and budget statements. So, this statement is considered as a link between these two statements. It is also more convenient to identify the strengths and weaknesses of the activity of the facility. The main purposes served by the cash flows statement are its ability to assess the quality of the company's profits, assess liquidity in the facility and finance policies, and predict future cash flows as well. (Matar, 2006, pp. 161-165))

Historical Development Cash Flows Statement

Until settling on what it is now, the cash flows statement gone through long period of time relatively developed in terms of form and content. Three basic stages of this development can be distinguished, have taken the statement at every stage as a model commensurate with the needs of the facility and businessmen at that point, as follows (Matar, 2006, pp. 159 – 161)

Purposes and Importance of Cash Flows Statement

The primary objective of the preparation of cash flows statement is to help investors, creditors and others in monetary analysis by providing adequate information on receipts and cash payments during the financial period. Cash flows Statement shows monetary effects of ongoing operations, investment and financing operations during the period, as well as the net increase or decrease in cash during the period, and then how to use that cash. The importance of cash flows stems from its role in providing information that does not appear in any income statement and balance sheet. Therefore, this statement is considered as a link between these two statements (Shanti and Shakir, 2004, p 56); It is also more convenient to identify the strengths and weaknesses of the facility activity including all its information and what can be derived from effective quantity indicators to evaluate the efficiency of the policies adopted by the administration in the field of finance and investment, and future predictability for expansion. The importance of cash flows statement can be illustrated in the following points (Omari, 2000, p 107):

1- Cash flows information of the project is useful in providing users of financial statements of the project's ability to generate cash, and the needs of the project to use this cash.
2- When cash flows statements used in conjunction with the rest of the financial statements, they provide users with information to enable them to assess changes in the net assets of the project and its financial structure, including the facility’s liquidity, its ability to meet debt and to adapt to changing opportunities.
3- The cash flow information helps users to develop models to assess and compare the present value of future cash flows for various projects.
4- Historical cash flow information is used as an indicator for amounts, timing, and the degree of confirmation of future cash flows. They are also useful in testing the accuracy of previous cash flows estimates and examining the relationship between profitability and net cash flow.

The Ratio of Cash Flows from Operating Activities per Ordinary Share

This ratio is determined by the following relationship:

Net cash flows from operating activities - cash distributions for the outstanding shares

The Weighted Average of Ordinary Shares

This ratio shows the average per share of net cash flows from operating activities, and reflects the facility's ability to distribute cash dividends (Gibson, 2001, P 366)

The Rate of Yield on Equity of Operating Cash Flows

It is identified by the following relation:

Net cash flows from operating activities / equity

This ratio shows the yield on equity of cash flows from operating activities; and whenever this ratio is high; it is a positive indicator of the facility’s efficiency. This ratio is similar to the ratio of yield on equity, but calculated by using the cash flows from operating activities instead of the net income number (Obaidat, 2006, p 68)

Assessment of Liquidity

Liquidity is defined as the facility's ability to convert its assets into cash to be able to pay its current obligations as they fall due. The liquidity ratios link current liabilities with current assets to know the financial situation of the company in the short-term period. As the strength or weakness of the company's liquidity is linked to the availability of net cash flow from operating activities; If the net cash flow from operating activities is positive, it means that there is a cash surplus that the company's management can use either to expand investment activities or in long-term debt repayment. But, .If it is negative, it means that the company may be looking for sources to finance the deficit, either to sell part of its investment or long-term financing. Among the most important ratios that can be derived from cash flows statement to assess the liquidity of facility (Ali, 2003, p 127)

Principles of Displaying and Classifying Information in Cash Flows Statement

Under the conditions required by the accounting standards issued by the professional councils on the preparation of cash flow statement including the International Accounting Standard No.(7), information presented by this statement should be classified in three key sections, at which each section consists of two types of flows, cash inflows and cash outflows. These sections are arranged as follows: cash flows from operating activities, cash flows from investment activities and cash flows from financing activities (Matar, 2003, p. 166). International Accounting Standards Committee (IASC) has issued IAS No. (7) “Cash Flows Statement” in its final image on December 1992, and this standard became effective for financial statements starting from the first of July 1994 to replace the previous standard "Statement of Changes in Financial Position" which was adopted on October 1977. This standard is intended to compel companies to provide information about the historical changes in cash of project by the cash flow statement which classifies cash flows during the period to flows from operating activities, flows of investment activities, and flows from financing activities. This standard stated the following terminology that should be included in the cash flows statement (international standards for financial reporting, 2006, pp. (770-766).

• Cash: it includes ready-made cash and demand deposits; cash is usually kept in order to meet short-term cash commitments rather than for investment and other purposes.

• Cash equivalents are short-term and high liquid investments that can be converted into known amounts of cash in (3) months or less from the date of receiving it without having to be exposed to a significant risk of change in value.

Cash Flows Statement as an Analytical Tool

Cash flows statement is an additional analytical statement for tools of financial analysis such as ratio analysis and break–even analysis, and thus it does the following two key roles (Khalaila, 2004):

A - Historical analysis of the company's financial situation and the development of these situations, which helps in clarifying the strengths and weaknesses of the company and to assess its performance.

B – Expectation of future financial situation of the company based on past performance and in the light of the other variables in terms of market conditions, competition, and others.

To be more specific, this statement helps the analyst to identify the cash inflows and outflows emerging from and into the institution as a result of practicing its activity from production, sale, purchase, payment, financing, and others; it also provides important information about the performance of the institution, and it is considered useful, in particular in the following cases (Matar 2003, p 216):

1 – To show how they use the cash provided by the Foundation, both in operations, investment or financing.

2- To show how the Foundation received the cash whether from operating, investing or financing; assess the organization's ability to generate cash flows from operating in the future, as well as assess the organization's ability to meet its obligations and distribute profits.

3 - To facilitate the comparison between the financial statements of different companies by neutralizing the impact of difference in accounting treatments. It shows fiscal and monetary changes that fail to show the other financial statements, as well as shows the reasons for borrowing followed by the institution and the borrowed amounts.

4 – To show suitability between sources of funding (in terms of duration) and investments in terms of type (trader, constant), as well as the historical analysis of the facility's performance and the evolution of this performance, which helps to identify the strengths and weaknesses in the organization.

5 – To provide useful information for the management of foundation to assist them in making appropriate decisions and planning for the future. Draw the attention of decision-makers to changes or things that require special attention to be addressed. Show mistakes of the past to work on addressing them. In addition, provide information for creditors and shareholders about the philosophy of the financial management of the institution.

Disclosure requirements in Cash Flows Statement

IAS No. (7) has included the conditions and requirements for the disclosure of data relating to the cash flows statement as follows (international standards for the preparation of financial reports) 2006, P: 771-776.

1 - Cash flows relating to extraordinary items should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed to assist users of financial statements to understand the impact on current and future cash flows of the facility.

2 - Received cash flows and paid from interest and dividends must be disclosed separately, and to be classified in a consistent manner from time to time as operating, investment or financing activities.

3 - Cash flows related to taxes paid on income must be disclosed separately and to be classified in cash flows from operating activities.

4 - Investment and financing operations, which do not require the use of cash or its equivalent, should not be presented in the cash flows statement, but should be disclosed elsewhere in the financial statements.

5 - Facility should disclose the components of cash and cash equivalents, and disclose the effect of any change in the policy of identifying the components of cash and cash equivalents.

6 - Flow movements between items and cash equivalents are excluded from the cash flows, because these operations are part of the cash management of the facility and not part of the operating, investing or financing activities.

7 - The separate disclosure of cash flows from investing activities is important, because these flows represent the extent of what is paid on the resources that are used in the generation of income and future cash flows.

8 - Cash flows from financing activities should be disclosed separately because it is useful in the prediction about the necessary cash in the future to meet the claims of capital providers.

9 - Cash flows that arise from foreign currency transactions should be registered according to the project's currency under which publishes its financial statements by converting the amount of foreign currency into the currency of the project using the exchange rate prevailing at the date of the cash flow.

10 - The separate disclosure of cash flows that represent an increase in operating capacity and cash flows required to maintain the productive capacity are useful in helping users of financial statements to determine if the project is properly investing.

Cash Flows Statement Structure

Cash flows statement is divided into three sections (Hammad, 2006, p. 94)

1- Cash flows from operating activities.

They are cash flows generated from the main activities carried out by the foundation, which include the following:

- Net cash income for the period.
- Cash Proceeds from clients, i.e. sales revenues.
- Cash paid to suppliers, i.e. price of goods.
- Cash paid for taxes.
- Cash paid for various expenses.

2- Cash flows from investing activities.

They are the cash flows that include the sale and purchase of long-term assets, identifying them requires analysis of the budget elements in the asset part and that have not been analyzed when cash flows from operating activities are identified, such as:

- Cash paid for the purchase of equipment.
- Cash paid for purchase of shares and long-term bonds.
- Cash paid for other long-term investments.
- Cash receipts from the sale of fixed assets or investments.

3- Cash flows from financing activities

They are the cash flows related to getting resources from the owners or returned to them, with regard to obtaining financing from lenders or loan repayments to them, such as:

- Cash Proceeds from issuance of new shares or a capital increase.
- Cash paid for issuance of long-term bonds.
- Cash Proceeds from loans and bank facilities.
- Cash paid on dividends.
- Cash paid to repay the bonds.
- Cash paid to repay loans and bank facilities.

Statistical Analysis and Results

Introduction

After addressing cash flows in theory, the results of the study will be presented and discussed in this chapter, in particular: the stability and credibility of the results, discussing and testing the hypotheses of the study.

The Stability and Credibility of the Results

The testing of credibility (Alpha) has been made to know the extent of internal consistency among the respondents to the questionnaire; Alpha can be explained as the correlation coefficient between the answers and therefore, Alpha value can range between zero and 1 and the accepted alpha value statistically is 60% at least for the dissemination of the results.

Analysis of credibility found that the value of alpha of the questionnaire was 76%, and this value shows that the results of the study can be generalized as they represent a large proportion and greater value of alpha value, which is statistically acceptable.

The Base of Decision in Accepting the Study Hypotheses

The study was made on the community of services sector; descriptive statistics of data has been adopted including the arithmetic mean and standard deviation. (Likert) scale, which is consisting of five degrees, was arranged as follows: (5) strongly agree, (4) agree, (3) neutral, (2) disagree, (1) strongly disagree.

In order to accept the hypothesis, the arithmetic average of each paragraph was used, as well as finding the total arithmetic average for paragraphs that represent each hypothesis to be accepted or rejected; assumed mean 3 has been used, at which arithmetic averages for each premise is compared in this assumed mean in order to accept or reject the study hypotheses; and to test hypotheses T test per sample has been adopted.

Description of Sample

The following tables show the distribution of the study sample on the variables (general information):

Table (1) **Years of Experience**

Years of Experience	Frequency	Percentage
Less than six years	12	28%
From 6 to less than 10 years	13	29%
From 10 to less than 15 years	8	17%
15 years and over	11	26%
Total	44	100%

Table (1) shows that the members of the study sample includes ratios close in terms of categories of years of experience, note that the category of 6-10 years represents the highest category, the percentage of 15 years and over represents a similar category 26% and this may give a positive indication of the sincerity of the questionnaire paragraphs, which is reflected on the findings and recommendations of the study.

Table (2) **Degree**

Degree	Frequency	Percentage
College	7	16%
Bachelor	24	55%
post Graduate	13	29%
Total	44	100%

Table (2) shows that the members of the study sample represent the major category of them from the bachelor's degree, which may indicate the presence of Rehabilitation suitable for members of the study sample which will reflect negatively on the stability of the results and recommendations of the study. It has also been noted that the postgraduate category represents the second percentage and this may indicate an increase in direction that the study paragraphs were read by specialists.

Table (3) **Specialization**

Specialization	**Frequency**	**Percentage**
Accounting	21	47%
Finance	10	22%
Business administration	8	18%
Others	5	13%
Total	44	100%

Table 3 shows that the vast majority of the study sample hold accounting degrees, and this means a positive indicator to understand the paragraphs of the questionnaire and also a positive reflection on the goals and results of the study.

Discuss the Study Hypotheses with the Statistical Results

First hypothesis

It effects that "corporations in the service sector do not contribute in the effective use of cash flows statement"

Table (4) - The views of the study sample members in the first paragraphs of the first hypothesis

No	Paragraph	Average	Sequence
1	Financial Analysis helps to meet the wishes of interests' owners	3.74	1
2	cash flow statement provides data and information not found in the balance sheet or income statement	4.24	2
3	The ability of cash flows statement to assess the quality or the quality of the company's profits	3.08	3
4	Cash flow statement shows the cash effects of the ongoing operations, investment and financing operations during the period	2.48	4
5	Cash flow statement provides users with information to enable them to assess changes in the net assets of the project and its financial structure	4.16	5
6	Cash flow helps users to develop models to assess and compare the present value of future cash flows for various projects	3.43	6
Average			3.52

Table (4) shows that the members of the study sample tend to accept the second paragraph ranked first with an average of 4.21; this paragraph represented that the cash flow statement provides additional, important and constructive information for beneficiaries rather than that are presented in the balance sheet and income statement. It is also noted that the fifth paragraph ranked second according the members of the study sample; this paragraph represented that the cash flow statement provides users with information enables them to assess the changes on the net assets of the project and its financial structure, which is reflected positively on the change in the market value of the shares. Moreover, it is noted that the first paragraph accepted by the sample members ranked third; this paragraph represents that the financial analysis helps to provide useful information to stakeholders for both parties, inside or outside the company. It is also noted that the assumed average is 3.52 which is higher than the assumed mean 3, and this indicates that the members of the study sample tend to accept the paragraphs of this hypothesis that cash flows statement is used effectively by public shareholding corporations represented by Jordanian Airlines.

Second hypothesis

It effect that "cash flows statement does not contribute in giving a positive indicator for the value of one share in corporations of public services sector"

Table (5) - The views of the study sample members in the paragraphs of the second hypothesis / Earnings

No	Paragraph	Average	Sequence
1	Cash flows statement helps in determining liquidity ratio (the company's ability to repay current liabilities)	3.72	1
2	Cash flows statement helps in determining the yield on common stock	4.19	2
3	Cash flows statement helps in determining the ratio of share price to its yield, which measures future expectations for the company in the market	3.09	3
4	Cash flows statement helps in determining the percentage of paid earnings, which gives an idea on the ratio of dividends profits to ordinary shareholders	3.34	4
5	Cash flows statement helps in determining earnings per share, which gives an indication on the investment opportunities in the company	3.8	5
6	Cash flows statement helps to find Turnover Ratio, which is useful in future predictions	2.46	6
Average			3.43

Table 5 shows that the members of the study sample tend to accept the second paragraph ranked first according to the members of the study sample, an average of 4.19, and this average is due to of the large number of repeated strongly agree and agree. This paragraph represented that the cash flows statement in its contents has the ability to disclose earnings per share, directly or indirectly, and this is a positive indicator for shareholders. It is also noted that the fifth paragraph accepted by members of the study sample ranked second, and this paragraph represented that cash flows statement has an impact in identifying investment opportunities related to the company in the long term and short term through selecting Earnings. As well as, it is noted that that members of the study sample and through the hypothesis average tend to accept the paragraphs of this hypothesis, at which the hypothesis average is 3.43, that is higher than the assumed mean 3; this indicates the presence of a positive contribution of cash flows statement to influence positively on financial ratios relating to earning per share.

Third hypothesis

It effect that "service corporations do not apply the disclosure requirements in cash flows statement".

Table (6) - The views of the study sample members in the paragraphs of the third hypothesis / Disclosure

No	Paragraph	Average	Sequence
1	Cash flows relating to extraordinary items are classified as arising from operating or investing activities	4.8	1
2	Separate disclosure for each of the cash flows received and paid from interest and dividends	4.52	2
3	Facility discloses the components of cash and cash equivalents, and disclose the effect of any change in the policy of identifying the components of cash and cash equivalents	2.73	5
4	The separate disclosure of cash flows is considered as important investing activities, because these flows represent the extent of what is paid on the resources that are used in the generation of income and future cash flows.	3.48	3
5	Disclose the financial ratios related to cash flows statement helps to show real earnings per share.	3.06	4
Average			3.71

Table 6 shows that the members of the study sample tend to accept the first paragraph in terms of the application in cash flows statement in terms of disclosure requirements; this paragraph represented that items of cash flows should be classified within the extraordinary items. It is also noted that the members of the study sample tend to accept the second paragraph that came in second rank, represented by the existence of separate disclosure of cash inflows and cash outflows from various operational, investment and financing activities, and this helps in determining earnings per share, especially operational activities related to the components of the income statement. It is also noted that the hypothesis average is 3.71, which is higher than the assumed mean; this indicates the existence of the application of the disclosure requirements in flows statement for operational or investment and financing activities, and this is a positive indicator on earnings per share.

Test of Study Hypotheses

Results of the First Hypothesis of the Study

First hypothesis effects that "corporations in the service sector do not contribute in the effective use of cash flows statement"

Test T per sample has been used and One Way T-Test for the first hypothesis. Test results were in accordance with the following table:

Table (7)

Results of first hypothesis test

Calculated T	Tabulated T	Statistical Significance T	Null Hypotheses Result H0	Arithmetical Mean
12.27	1.977	0.000	Reject	352

Table (8) shows that that decision rule is to accept the null hypothesis (H0) if the calculated value is less than the tabulated value, and rejects the null hypothesis (H0) If the calculated value is greater than the tabulated value. And therefore, we reject the null hypothesis and accept the alternative hypothesis to the effect that corporations in the service sector use cash flow statement effectively.

Results of the Second Hypothesis of the Study

It effects that "cash flows statement dose not contribute in giving a positive indication for the value per share in public service sector corporations".

Test T per sample has been used and One Way T-Test for the second hypothesis. Test results were in accordance with the following table:

Table (8)

Results of second hypothesis test

Calculated T	Tabulated T	Statistical Significance T	Null Hypotheses Result H0	Arithmetical Mean
18.26	1.977	0.000	Reject	3.43

Table (8) shows that that decision rule is to accept the null hypothesis (H0) if the calculated value is less than the tabulated value, and rejects the null hypothesis (H0) If the calculated value is greater than the tabulated value. And therefore, we reject the null hypothesis and accept the alternative hypothesis to the effect that cash flows statement dose not contribute in giving a positive indication for the value per share in public service sector corporations.

Results of second hypothesis test

It effects that "service corporations do not apply the disclosure requirements in cash flows statement".

Test T per sample has been used and One Way T-Test for the third hypothesis. Test results were in accordance with the following table:

Table (8)

Results of third hypothesis test

Calculated T	Tabulated T	Statistical Significance T	Null Hypotheses Result H0	Arithmetical Mean
25.18	1.977	0.000	Reject	3.71

Table (8) shows that that decision rule is to accept the null hypothesis (H0) if the calculated value is less than the tabulated value, and rejects the null hypothesis (H0) If the calculated value is greater than the tabulated value. And therefore, we reject the null hypothesis and accept the alternative hypothesis to the effect that service corporations apply the disclosure requirements in cash flows statement

Results and Recommendations

First: Results

The study has found the following results:

1- Cash flows statement provides data and information not found in the budget or income statement, and this gives an additional value that the financial analysis is an addition to the disclosure not part of it.

2- Cash flows statement provides users with information to enable them to assess changes in the net assets of the project and its financial structure, which is reflected positively on the components of financial structure, so it will be good for the purposes of affecting earnings per share and related ratios.

3- Financial Analysis helps to meet the wishes of stakeholders for both parties, inside or outside the company, as shareholders are the most important parties in the company.

4- Cash flows statement helps in determining the earning of common stock, which has close association with operating cash flows statement.

5- Cash flows statement helps in to determining earning per share, which gives an indication of the investment opportunities in the company in the near and far future through the availability of future plans.
6- Cash flows statement helps in determining the ratio of cash flow liquidity (the company's ability to repay current liabilities), which is considered an indicator of the company's ability to repay the current obligations on time, and this is a positive indicator on the market share price.
7- Cash flows relating to extraordinary items are classified as arising from operating or investing activities, and this has an impact on the income statement items, which is reflected on the earnings per share components and various financial ratios related to the cash flows statement.
8- Separate disclosure for each cash flow that is received and paid from interest and dividends; this helps the stockholders to confirm their future expectations about the changes in stock prices in the market and determine the expected risk and earnings.

Recommendations

Based on the results of the study, there will be the following recommendations

1- Cash flows statement shows the cash effects of the ongoing operations, investment and financing operations during the period.
2- The company should have the ability to assess the quality of the company's profits during a certain period.
3- Cash flows statement should help users to develop models to assess and compare the present value of future cash flows for various projects.
4- The necessity to pay attention to cash flows statement that has a positive role in finding Turnover Ratio which is useful in future expectations.
5- Cash flows statement should help in determining the ratio of share price to its earning, which measures the company's future expectations in the market.
6- The facility should disclose the components of cash and cash equivalents, and disclose the effect of any change in the policy of identifying the components of cash and cash equivalents.

7- Disclosure of financial ratios related to cash flows statement helps to show real earnings per share and its future effects on the value of the stock in the market, and the impact of that value on the continuity of the company and its survival in the market; as well as achieves the competitive advantage to ensure the expansion in the market and increase market share.

8- Holding conferences and seminars to illustrate the importance of cash flows statement and its impact on investment decisions to stakeholders.

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