DOES FIRM SIZE MODERATE THE IMPACT RELATIONSHIP OF PROFITABILITY ON SHARE MARKET VALUE? EVIDENCE OF THE COMMERCIAL SERVICE INDUSTRY OF JORDAN

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ABSTRACT

The study objects for investigating the impact of profitability on share market value, in addition to examining the moderating effect of firm size on the effect relationship of profitability on share market value, of the listed commercial service firms at Amman Stock Exchange. To achieve the objectives of the study, the secondary data that are covering the period 2010-2019, of the entire listed 9 commercial service firms at Amman Stock Exchange, had been collected and used in the analysis and hypotheses testing. The closing price of the firms is used as a measure for share market value, while return on assets is used as a measure of firm profitability. Firm size is used as a moderating variable on the relationship between profitability of firms, as independent variable of the study, and share market value, as dependent variable. The natural logarithm of total assets is used as a measure of firm size. To check whether the data is appropriate for analysis, the normal distribution, multicollinearity, Durbin Watson test, and correlation test, had been done. Descriptive statistics including the mean, standard deviation, minimum and maximum value for each of the dependent, independent, and moderating variables, had used in data description. In addition, the simple linear regression method is employed in testing the first hypothesis, and the hierarchal multiple linear regression methods, had used in testing the second hypotheses of the study. The study hypotheses are tested at 0.95 level of confidence or 0.05 (1-0.95) coefficient of significance. The study shows that profitability has a strong positive significant effect on share market value of the included firms within the sample. In addition, the study demonstrates that firm size has a significant moderating effect on the relationship between profitability and share market value.

Keywords: Share Market Value, Firm Size, Profitability, Return on Assets, Natural Logarithms of Total Assets, and Closing Price.

INTRODUCTION

The share market value normally finds strong attention by different parties, especially investors and shareholders. The change in the share market value represents a change in the share returns, so when the share market value increases, the portion of capital gains is increased, but in case of decrease, a decline in the capital gains of shares occurs. Because of that, the share price is an important financial indicator for the users of accounting information, especially for shareholders, whether they are current or potential investors. An increase in the share market value is a good indicator for improved financial performance, whereas a decline is a bad signal for weak financial performance (Achim, 2010).

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Share prices find enough attention by authors, academics, and practitioners, because business organizations often adopt the policies and procedures that may lead to higher share price, especially because increasing the firm market value is one among the important objectives of corporate business organizations, and an increase in firm market value is beneficial to different parties especially shareholders, management, and employees (McSweeney, 2008). Many prior researches demonstrated that profitability affects the share price, such as Alaagam (2019); Djazuli (2017); Baraket (2014); Al Qaisi et al. (2016).

The role of firm size in share prices is still questionable, and did not given enough attention of research, and whether firm size moderates the effect of profitability on share prices, needs more attention, and also deserves enough concern. In addition, a large doubt exists regarding the relationship between firm size and the share market value. Yuliza (2018) and Adebisi & Lawal (2015), found a significant effect of firm size on share prices, while, Dewi & Nataherwin (2019), found no effect.

Investors, creditors, and other users, take their decision based on the reported financial information. Normally investors invest to achieve reasonable returns to their invested amounts of money, and receive dividends, and the increase in share prices is considered an important portion of these returns. The results of an increase in share price are beneficial to shareholders and to the company, because it is an actual increase in firm market value, where the increase in firm market value means more returns to shareholders. In contrast, a decline in share price means a decline in share returns or a loss. Moreover, an increase in share price encourage investors for investing in the firm, while a decline in share price may encourage current shareholders for selling all or a part of the shares they hold. Because of the questionable moderating effect of firm size on the effect relationship of profitability on share prices, and because rare studies attempted to examine the moderating effect of firm size, the study comes to investigate the profitability impact on share prices, and the moderating effect of firm size, on this relationship. Therefore, the problem of the study is related to the bad results of a decline in share price when occurred. Determining whether share prices are affected by profitability, and whether firm size has a moderating effect in this relation, enable users to make better decisions, whereas, neglecting these relations by decision makers, may lead to bad decisions, and bad results for the entire firm. The problem of the study can be better understood through the following questions. (1) Does profitability significantly affect the share prices of the listed commercial service firms at Amman Stock Exchange (ASE)?, and (2) Does the firm size moderate the profitability and share prices effect relationship of the listed commercial firm at ASE?.

The study is important because it investigates an important issue for different parties. When shareholders and investors became surer of the effect of profitability on share prices, they can depend on several profitability measures to take their decisions based on hard ground and beneficial information. Moreover, when managements of firms perceive the moderating role of firm size on the relationship between profitability and share market value, they will give the firm size more attention, and they will struggle to increase the firm size, in case this role is positive, just to be reflected at a form of an increase in share price. The findings of the study are beneficial for different parties including, shareholders, investors, firm managements, creditors, and other stakeholders. Current and potential investors can take better investment decisions when they have enough information regarding firm size, and profitability of firms, so they can increase their wealth, or at least, protect their current wealth, and avoid losses and decline in wealth.

The study is an attempt to achieve different objectives. First, the study aims to determine whether firm profitability has a significant effect on share price, and whether this effect is positive or negative, in case in case that this effect exists. Second, the study attempts

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to determine whether firm size has a moderating effect on the effect relationship of profitability on share market value. The third objective that the study attempts to add more, to the available current literature of the direct effect relationship of profitability on share prices, and more important to the moderating role of firm size on profitability and share price relationship.

LITERATURE REVIEW AND PRIOR RESEARCH

Share Prices

Several values of shares are used in the terminology of business. The share market value or what is called share price is subject to change, depending on information and news regarding the different aspects of firm financial performance. Whereas the share market value reflects the information regarding the performance of the firm, the book value per share reflects the recorded values of assets and liabilities, and seldom the share market value equals the share book value are equal. When the market and book values per a share are equal, this means that if at the moment, the firm is liquidated, its assets will be sold at its book value, and each share will receive an amount equals its book value. It may not be a good signal that the share market and book values are equal, because this means that the firm does not achieve profits, and the firm does not grow. The worst situation is when the share market value declines below its market value, because this means the firm incurs losses from its operations. The par value of a share is not related to the share market value nor to the book value, and because of that, some firms determine no par value or stated value of its ordinary issuance of shares.

A share price differs from time to time along the accounting period and it is affected by the news or information concerning the firm. Some consider the closing price as the best indicator for the share market value, and other use a weighted share price. The efficient stock market is the market where share price reflects fundamental information regarding listed firms in the market (Degutis & Novickytė, 2014). Share price is an important indicator for different concerned groups of users, but it is more important to current and potential shareholders. When there is an efficient stock market, the share price reflects the financial performance of firms. Therefore, in an efficient market, share prices tend to increase when the financial performance improves, where it tends to decline when the financial performance is bad. Based on Brealey et al. (2011), a stock market is considered efficient when it is not possible to earn more return than the market return. In different words, the share price reflects the firm fair value, where this value equals the discounted estimated cash flows.

Efficient Markets can be categorized into three levels based on its level of efficiency. These categories are weak, semi-strong, and strong. In a weakly-efficient markets, the current share price reflect the related information of past. For the semi-strongly markets, the current share price reflects all current publicly available information in addition to information regarding the past. In a strongly efficient market, current stock price reflects all possible information which is not necessary to be public information (Brealey et al., 2011).

The share market value is the primary base in determining the firm market value, where there are several concepts of firm value. Face value, market value, intrinsic value, book value, and liquidation value, each of which is considered a concept of firm value. The share concept determines the fair value, by the total market of all shares outstanding. Share price is also a technique, among a number of techniques that can be used to determine the value of corporate business organizations (Goh et al., 2021).

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Profitability

Making profits is the main objective of each business organization, especially because firm survival depends on making profits. When a firm does not achieve a profit, or incurred a loss, for few continuous years, the farm cannot survive, and it will close. Whereas Gibson (1998), defines profitability as *"the ability of a firm to generate earnings"*, Brigham et al. (1999), define profitability as *"the net results of various policies and managerial decisions, and the profitability rates represent the net operating result of the combined effects of liquidity, asset management, and debt management"*.

Profitability may be expressed in different terms, such as earnings, income, gains, rate of return et al, despite that these terms are used in accounting literature to mean different things. Nevertheless, there are several measures or indicators of profitability in the literature of accounting and finance. Return on Assets (ROA), Return on Investment (ROI), Return on Equity (ROE), operating profit margin, net income margin, et al, are common measures of profitability. Profitability of firms appears normally in the income statement, where the multiple income statement shows different levels of profit or income, starting from gross profit, followed by operating profits, then income before interests and tax, and income after interests and before tax, and ended with net income.

Firm Size

Firm size can be determined based on different measures. Firm size can be determined using different measures such as number of employees, capital, total assets, sales volume, et al, but total assets is considered the most common measure of firm size. Despite these different possible and appropriate measures of firm size, but each of these measures is clear that they are related to each other. For instance, high number of employees means that there are high sales volume, large capital and large assets. In addition large total assets needs for large number of employees to manage and deal with these assets, and for sure a large capital had been invested in acquiring these large assets.

Several studies investigated the effect of firm size on firm performance, and other financial indicators. According to Gaur & Gupta (2011), larger firms achieve better performance, and the same idea had been demonstrated by Liargovas & Skandalis (2010), when they revealed that positive relationship exists between firm size and financial performance.

Prior Researches

Investigating the impact of profitability on share market value may be given enough attention, and most prior research found among different factors, that share price reflects the profitability of firms. The issue that had not been given the deserved attention in this context is firm size, where a firm size may moderate the profitability and share market value relationship. Therefore, this section presents some of the related prior research to share price, with focus on profitability and firm size.

Nguyen et al. (2020) investigated the macro-economic variables, ratios, and indicators of share prices. The purpose of the study was to analyze the determinants of share prices of listed steel firms at Vietnam. Secondary quarterly based-data covering the period 2006-2019, and attributed to a sample consisted of 10 out of 19 listed firms at Vietnam, had been collected and used in the study. Descriptive statistics and the least square methods are used in analysis and hypotheses testing. Based on the least square method of analysis, the study showed that ROE, CO_2, and construction rate, each of which has a significant effect on share

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prices. In more details, the study found that ROE and Construction rate have a positive, and CO_2, has a negative impact on share prices.

Using multiple measures of profitability, a study carried out by Alaagam (2019), to investigate the relationship effect between profitability and share price. Three measures of profitability had been examined in their effect relationship between profitability and share price including, net profit margin, ROA, and return on equity. Quarterly data covering the period 2011-2018, for 11 Saudi banks, had been collected and used in the analysis. Using the autoregressive distributed lag model, the study showed that there is no long-term effect relationship between profitability and share market price, and ROA has a significant positive effect on share market value.

Yuliza (2018), examined whether firm size and earnings per share affect the share prices of some listed firms in Indonesia. The specific purpose of the study was to approve that firm size is moderating the effect of earnings per share on share price. The data of a sample consisted of the best 45 firms based on LOQ index companies, had been collected and used in the analysis. Using the regression method, the study found that firm size and earnings per share affect the share prices, and firm size moderates the effect of earnings per share on share prices.

Djazuli (2017), investigated the impact of financial leverage, profitability, market performance, and macroeconomic, on share price of the listed food and beverage firms at Indonesian Stock Exchange. Data covering the period 2010-2014, of 11 listed firms at the Indonesian Stock Exchange, had been collected and used in the analysis. The multiple linear regression methods had been used in hypotheses testing. The main findings of the study are that return on equity and price earnings ratio have a positive significant effect on share price, whereas, debt equity ratio has a negative impact on share price. The study did not show an effect of interest rate nor exchange rate on stock prices.

Al Qaisi et al. (2016) carried out a study to test the impact of several possible determinants of share market value. The study took into consideration several possible variables that may have an effect on share prices including, return on equity, ROA, firm size, debt ratio, and company age. To achieve the objectives of the study, secondary data covering the period 2011-2015, concerning the 20 entire listed insurance firms at ASE. Using simple and multiple linear regression methods, the study finds that, ROA, debt ratio, firm age, and firm size, each of which, has a significant impact on profitability, and no significant impact of return on equity on share price had been found.

Iqbal et al. (2016) carried out a study to investigate the impact of financial leverage on share price of cement sector of Pakistan. In brief, the authors of the study examined different measures of financial leverage on share prices. The panel-data approach of fixed and random effect approach is used for the period 2005-2015. Descriptive statistics, correlation, and multiple linear regression methods had used in data analysis and hypotheses testing. The study revealed that debt ratio and degrees of financial leverage, each of which has a significant negative impact on share price, while firm size has a significant positive impact on the market value of shares. In addition, the study indicated that debt to equity ratio has no significant impact on share prices.

Kuncová et al. (2016), analyzed the effect of firm size on financial performance of firms belong to the raising of swine sector. The performance had been measured in the study using different profitability ratios, labor productivity, and operating ratio, whereas firm size is measured using natural logarithms of sales volume and total assets. Data required for the accomplishment of the study had been collected from Albertina CZ data base. Using the regression method in testing the hypotheses, the study showed that larger firms achieved

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higher economic performance, when compared with smaller ones, and the economies of scale play an important role in sector of raising swine.

The impact of conservatism on the financial performance, using firm size as a control variable of insurance listed firms at ASE, where financial performance is represented by Return on Assets (ROA), Earnings Per Share (EPS), and share market value. The data covering the period 200-2014 of a sample consisting of 12 firms had been collected and used in the analysis. Using the multiple linear regression method in hypotheses testing, the study demonstrated that insurance listed firms' exercise accounting conservatism, and accounting conservatism has a significant positive impact on ROA, EPS, and share market value.

Narayan et al. (2015) investigated the determinants of share prices of 13 major banks of India. The study had been done using a novel work. A panel Granger causality test is followed in this study. Several potential determinants of share prices had been investigated, including economic activity, interest rates, and exchange rates. The study showed that while economic activity and currency depreciation cause an increase in share market value, the increase in interest rate cause a decline in share price.

Adebisi & Lawal (2015) carried out their study to review the most important factors affecting the share market value, with a focus on microeconomic factors. The study is a review study, and not applied. The study referred that the findings of prior researches are diverse and conflicting, and this is the reason standing behind the existence of the study. Despite this conflict in the findings of prior studies, the study demonstrated that earnings per share, dividends per share, book value per share, dividend payout ratio, price earnings ratio, and firm size, are the most important and common determinants of share market prices.

Barakat (2014) carried out a study with the aim of investigating the impact of financial leverage, financial structure, and profitability, on share market value of industrial listed firms at Saudi Stock Market. To achieve the study purposes, data covering the period 2009-2012, and due to a sample consisting of 64 listed firms at Saudi Stock Market, had been collected and used in the analysis. Descriptive statistics, correlation, in addition to simple and multiple linear regressions, all of these are statistical methods used in the analysis of data and hypotheses testing. The study showed that a significant effect exists of return on equity and capital structure, on share prices. Moreover, the study demonstrated that an insignificant weak inverse effect relationship exists between financial leverage and share market value. The study also found a positive effect relationship between capital structure and return on equity.

Menaje (2012) carried out a study for the purpose of investigating the effect of earnings per share and return on assets, on share prices of listed firms in Philippines. The study used the 2009 financial report, and the sample included 50 firms. The correlation of statistics is used in the analysis and hypotheses testing. The study demonstrated that earnings per share and share prices are strongly correlated, and ROA has a weak correlation.

Chen & Chen (2011) carried out a study with the purpose of investigating the effect of profitability on firm value, using capital structure as a mediator variable and firm size and industry as moderating variables. To achieve the purpose of the study, the authors collected and used secondary data covering the period 2005-2009, of 302 electronic and other 345 listed firms at Taiwanese Stock Exchange. Using the multiple regression method, the study demonstrated that profitability has a significant positive effect on firm value, and a negative effect on leverage. The study also finds that leverage has a negative impact on firm value, while profitability has a mediating effect. In addition, the study showed that industry type moderates the relationship between profitability and leverage. Moreover, the study showed that firm size moderates the relationship between profitability and leverage.

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Sunde & Abel (2009) carried out a study with the purpose of investigating the determinants of share prices in Zimbabwe. Interviews and archival methods are the instruments used in the study to collect the required data. There interviews were made with people having the required information in the registered firms at Zimbabwe Stock Exchange, staff of stock exchange, investment analysts, and brokering firms. The study demonstrated that political and economic social factors determine the share prices, where political factors are the most important determinant of share prices. The study also adds that political stability is an important requirement for well performance of stock exchange.

Zivney & Thompson (1987) investigated the relationship between the relative stock prices and firm size. Where a stock relative price ratio is defined in the study as the ratio of the current price to the average of the highest and lowest price a long a time-period. The study showed that the stock relative price ratio is a better predictor of further stock returns than the size of firms. The most important finding of the study is that firm size has no significant relationship with share market value.

Study Hypotheses

The survey made to the impact relationship of profitability on share market value, revealed that many studies investigated this relationship. Examples of the these studies are, Chen & Chen (2011); Adebisi & Lawal (2015); Al Qaisi et al. (2016); Zivney & Thompson (1987), but no enough empirical research is available regarding the possible moderating effect of firm size on the impact relationship of profitability on share market value. Therefore, the first hypothesis is developed to enable testing the impact of profitability on share prices. The hypothesis is appearing, in their null form, as follows.

H_{o1}: *The profitability of the listed commercial service firms at Amman Stock Exchange does not affect the share market value.*

The second hypotheses of the study is developed to enable examining whether firm size moderates the profitability and share price effect relationship. As a result, the second hypothesis had been developed and shown below, in its null form, as follows.

H_{o2}: *The size of the listed commercial service firms at Amman Stock Exchange, does not moderate the impact relationship of profitability on share market value.*

METHODOLOGY

The population of the study includes the entire listed commercial service firms at ASE, and the data covering the period 2010-2019, of the entire listed firms is collected and thereafter, used in the analysis and hypotheses testing.

The dependent variable of the study is share market value, whereas, profitability is the single independent variable in the study, and firm size is a moderating variable that is assumed to moderate the possible effect relationship of profitability on share market value. The annual ending share prices is used as a measure of share market value, and Return on Assets (ROA) is used as a measure of profitability, where ROA is the ratio of income to total assets. Firm size, as a moderating variable, is measured using the base-10 natural logarithms of total assets.

Two regression models that satisfy the needs of the current study are as follows.

Model 1

$$SMV_{it} = a + bROA_{it} + E_{it}$$

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Model 2

$$SMV_{it} = a + bROA_{it} + cSZE_{it} + d\left(ROA_{it} * SZE_{itt}\right) + E$$

SMV_{it}, refers for the share market value of firm i, by the end of year t, and SZE_{it}, refers for the size of firm i, by the end of year t. The small letter a, is a constant referring to the value of the dependent variable, when the value of corresponding independent variable is zero, and the remaining small letters including b, c, and d, are also constants, but each of which, refers to the slope of the dependent variable on the corresponding independent variable.

Descriptive statistics including the mean, standard deviation, in addition to minimum and maximum values of different variables of the study, had been used in data description and analysis. The simple linear regression methods is used in testing the first hypotheses, whereas the hierarchal multiple linear regression method, is used in testing the second hypothesis. Both hypotheses had been tested under 95 percent level of confidence, which is equivalent to 5 percent coefficient of significance. Therefore, and based on this predetermined coefficient of significance, the null hypothesis is accepted when the computed coefficient of significance is higher than 5 percent, and in opposite, the null hypothesis is rejected in case its related computed coefficient of significance is equal or less than 5 percent.

RESULTS AND ANALYSIS

Descriptive Statistics

Selected descriptive statistics are used in the study to describe the data used in the analysis and hypotheses testing, including the minimum value, maximum value, mean, and the standard deviation. Table 1, shows the result of performing these descriptive statistics. As appearing in the table, the mean of share market value is 3 JD, with 5.39 JD standard deviation, where the minimum is 0.27 JD and the maximum is 33.5 JD. With regard to the natural logarithms of total assets, as a moderating variable, the mean is 7.23 with 0.68 standard deviation, where the minimum is 5.67, and the maximum is 8.3. Profitability, as an independent variable, represented by ROA, has a mean of 0.05, with 0.11 standard deviation, were the minimum value of ROA is -0.40, and the maximum is 0.39. This is an overview of the most important descriptive statistics. Based on these descriptive statistics, information is appearing normal, and nothing exceptional. Therefore, the data can be used in the analysis and hypotheses testing.

Table 1
DESCRIPTIVE STATISTICS

Variable	No. of Observations	Mean	Minimum Value	Maximum Value	Standard Deviation
Share Price	90	3.00	0.27	33.50	5.39
ROA	90	0.05	-0.40	0.39	0.11
Log. Assets	90	7.23	5.67	8.30	0.68

The normal distribution, multicollieraity, and Durbin Watson tests are done to examine whether the data is appropriate for analysis. The results of these tests are available in Table 2. The result indicates that the model is useful and valid. The Tolerance and Variance Inflation factor (VIF), are computed and included in the table. The VIF for all variables is less than 10, suggesting the absence of overlapping variables (Dahiyat et al., 2021). The Durbin-Watson (D-W) statistic is also employed and it equals 1.58, and it is optimal, since

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the optimal value of this test is between 1.5 and 2.5, where this value indicates an absence of autocorrelation.

Table 2
DATA VALIDITY TEST AND

Variables	Muticollinearity		Autocorrelation
	Tolerance	VIF	Durbin-Watson
Conservatism	0.822	1.217	
Log. Assets	0,822	1.217	

Correlations

Table 3, shows the coefficient of correlations among the different types of variables. It shows that the coefficient of correlation between firm sizes (log. assets), as a moderating variable, and share market value, as a dependent variable, equals 0.190, and the coefficient of correlation between profitability (ROA), as an independent variable, and share market value, as a dependent variable, equals 0.792. The table also declares that the coefficient of correlation between log. assets, as a moderating variable, and ROA, as a dependent variable, is 0.422. The table also declares that all coefficients of correlation are normal, and the data are valid to be used in the analysis and hypotheses testing.

Table 3
CORRELATION COEFFICIENTS

	Share Price	Profitability (ROA	Log. Assets
Share Price	1	0.792	0.190
Profitability (ROA)		1	0.422
Log. Assets			1

Hypotheses Testing

1st Hypothesis test

The first hypothesis is developed to enable testing the impact of profitability on share market value. Closing price is used as a measure for share market value, and ROA is used as a measure of profitability. The first hypothesis is listed again, in its null form, as follows.

H_{o1}: *The profitability of the listed commercial service firms at Amman Stock Exchange does not affect the share market value.*

The result of simple linear regression test for the hypothesis is presented in Table 4. The table reveals that the coefficient of correlation (R) between profitability and share market value equals 0.792, and the coefficient of determination (R^2) is 0.627. This means that profitability explains around 62.7 percent of the variability in share market value. The test also reveals that the computed t-value equals 12.157, and the computed coefficient of significance equals zero, or a very close value to zero. When the computed t-value is compared with its corresponding tabulated one, which equals 1.96, and the computed coefficient of significance is compared with its corresponding predetermined one, which equals 0.05, it is apparent that the computed t-value is higher than the tabulated, and the computed coefficient of significance is less than the predetermined one. Because the computed t-value is greater than the tabulated, and because the computed coefficient of significance is less than the predetermined one, the null hypothesis is rejected, and instead, its

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alternative one is accepted. The result means that there is a significant positive effect of profitability on share market value.

Table 4
1ST HYPOTHESIS TEST

Variable	R	R^2	T-value	DF	Sig.
Profitability	0.792	0.623	12.157	89	0.000

The regression model became as follows, when the model is solved, and its constants became known.

$$SMV_{it} = 0.997 + 39.343ROA_{it} + 0.386$$

2nd Hypothesis test

The second hypothesis had been developed to enable testing whether firm size moderates the effect relationship of profitability on share market value. Firm size, as a moderating variable is measured using the base-10 natural logarithms of total assets. The hierarchal multiple linear regression method is used in testing the possible moderating impact of firm size on the effect relationship of profitability on share market value. The second hypothesis is listed again, in its null form, as follows.

H_{o2}: *The size of the listed commercial service firms at Amman Stock Exchange, does not moderate the impact relationship of profitability on share market value.*

Table 5, shows the different related statistics and coefficients to the hypothesis. As appearing in the table, and with regard to the first model, the coefficient of correlation (R), equals 0.792, while the coefficient of determination (R^2), equals 0.627, where this refers for that ROA, as a measure of profitability explains 62.7 percent of change occurring in share market value. The computed f-value equals 147.799, and the computed coefficient of significance equals zero, where f-value, and its related coefficient of significance refer that there is a positive significant impact of profitability on share market value. This means that as ROA increases, as the share price increases, and ROA explains 62.7 percent of change takes place on share price.

With regard to the second model, the coefficient of correlation equals 0.808, where this means that the coefficient of correlation increased by 0.016 (0.808–0.792), when firm size variable is added to profitability in the test. This means that when the firm size variable inserted to the model, it led to an increase in correlation coefficient. Table 5 shows that f-value equals 81.59, so, there is a reduction of 66.209 (81.59 –147.799). The table also shows that the computed coefficient of significance equals zero. Because the computed f-value is higher than the tabulated, and because the computed coefficient of significance is less than the predetermined, which equals 0.05, then profitability, as measured with firm size, have a significant impact on earnings quality. In addition, it can be concluded that the strength of this effect relationship is decreased, as a result of including the firm size variable in the test. Considering firm size individually, it has a significant impact on earnings quality, since it has a – 2.52 t-value, and a 0.013 computed coefficient of significance. This means that firm size has a significant impact on share market value, and when added to profitability, it weakened the impact on share market value.

Table 5 also reveals that the related statistics to the third model of the second hypothesis. Regarding the third model, it is clearly notable that the coefficient of correlation (R) equals 0.926, and the coefficient of determination (R^2), equals 0.858. When the values of

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R and R^2 are compared with their values in the second model, it is clear that there is a 0.118 (0.926 - 0.808) increase in the coefficient of correlation, as well as an increase of 0.206 (0.858 -0.652) in the coefficient of determination. In line with this increase in the coefficient of correlation and coefficient of determination, there is an increase in f-value, where f-value is 173.210, and the computed coefficient of significance is still equals zero in the third mode, As a result the interaction between size and profitability. Because the computed f-value is higher than the tabulated, and because the computed coefficient of significance is less than the predetermined, the null hypothesis is rejected, and the alternative one is accepted. This result means that firm size moderates the impact relationship of profitability on share market value This finding agrees the findings of Chen & Chen (2011); Adebisi & Lawal (2015); Al Qaisi et al. (2016); Zivney & Thompson (1987).

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Table 5
THE RELATED COEFFICIENTS & STATISTICS TO THE 2ND HYPOTHESIS

Dependent Variable	Independent Variables	1st Model			2nd Model			3rd Model		
		B	T	Sig.	B	T	Sig.	B	T	Sig.
Total Accruals .	ROA	39.34	12.157	-0-						
	ROA				43.04	12.42	-0-			
	Firm Size				-1.39	-2.52	0.013			
	ROA							-284.5	-9.668	-0-
	Firm Size							-1.347	-3.805	-0-
	(Size*ROA)							44.157	11.163	-0-
	R	0.792			0.808			0.926		
	R^2	0.627			0.652			0.858		
	F	147.799			81.590			173.210		
	ΔR^2	-0-			0.016			0.206		
	ΔF	-0-			- 66.209			91.62		
	Δ Sig	-0-			-0-			-0-		

Based on the results of the second hypothesis test, and when the regression model is solved, and the constants of the model became known, the model appears as follows.

$$SMV_{it} = 9.607 - 284.546ROA_{it} - 1.347SZE_{it} + 44.157\left(ROA_{it} \times SZE_{itt}\right) + 2.525$$

CONCLUSION

The study objects for investigating the impact of profitability on share prices, and examining whether the firm size moderates this effect relationship. The relevant data had collected and used in the analysis and hypotheses testing. Using the simple linear regression method, the study demonstrates a strong positive effect of profitability on share prices. This conclusion implies that higher profits lead to higher share price. The second and more important conclusion of the study is that, firm size moderates the effect relationship of profitability on share prices. This result means that there is interactive impact of firm size on the effect relationship of profitability on share prices.

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