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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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CONSIDERING RELATIONSHIP BETWEEN CASH WITH CAPITAL COST AND FINANCIAL FLEXIBILITY

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ABSTRACT

Cash is one of the most important and crucial sources in any profit organization and forming balance between cash in hand and cash requires has been considered as a main factor of economics' health in each profit organization. The study has considered relationship between cash with capital cost and financial flexibility; as both companies which do not maintain cash adequately and companies which maintain considerable cash have suffered many problems. The goal of the research is to study extreme value of cash for investors and to consider connection between financial flexibility and capital cost as well as effect of financial flexibility and capital cost on decisions about holding amount of cash. The present study was conducted from 2006 to 2011 in Tehran stock exchange with a total of 654 observations that were applied for period of the research. The study is an applied research as its purpose and research method is correlated from nature and content point of view. Multiple regressions have been used as statistical method in this research. Results have shown that there is a direct relationship between capital cost and financial flexibility with cash.

KEYWORDS

Cash, financial flexibility, capital cost.

1. INTRODUCTION

With economic aspects of information, financial reporting and accounting system have played crucial role in capital market. Main purpose of financial reporting is to supply investors with information needs. By using accounting information, investors and users can forecast company's future performance and then apply it for the company's valuation. Easley and O'Hara (2003) believe that a company can affect information asymmetry through using value, accuracy and quality of information which has been offered to investors.

Quality of accrual items would be a criterion to determine existed uncertainty on future cash flow and investors believe that the quality of accrual items means closeness of accounting profit to cash (Francis and et al 2005).

Cash related to capital and profit has played important role because it indicates purchasing power which can transform it to other persons or organizations to use for providing their required goods and services.

Capital cost and financial flexibility has been considered from intra and extra -organizational aspects. From extra-organizational viewpoint, capital cost and financial flexibility is applied for securities assessment and performance valuation of a company. From intra-organizational aspect, capital cost and financial flexibility has played a key and basic role in making decisions on investment and priorities of investment, optimum structure of capital and performance assessment of different parts.

One of the most important issues in financial literature is decision making and selecting optimum strategies on investing funds and capital structure to increase overall value of the economic unit. At this regard, issue of general financing, capital cost and financial flexibility have been focused particularly.

Financial flexibility depends on ability of companies to create benefit from unplanned opportunities with regard to financial policies and structures of the companies (Puccia and Jones 2009).

Today, cash flows have central role in many financial decisions, securities assessment models, methods of investment plans appraisal and some tradition and modern analyses of financial management (Power of financial statements' items in forecast cash flows). With regard to increasing growth of investment in cash among companies, unjustified opportunities cost would be created, which the opportunity cost has derived from low efficiency of investment in cash. Also with studies and consideration of related researches, financial flexibility can be one of the main indicators to help identify above mentioned issue.

As performance assessment of companies is valuable for managers, actual and potential investors, financial analysts and other users of financial information in Iran, it is required to examine modern criteria of performance assessment in researches to help make logical decisions.

In the study, we have considered proposed modern criteria on relationship between cash with capital cost and financial flexibility as well as traditional standards of accounting such as applied capital, market value to book value of assets, ratio of operational cash flow to total assets and company size, as performance indicators and then examined the relationship.

Main goal of the study is to consider relationship between cash with capital cost and financial flexibility in accepted companies at Tehran stock exchange. Despite of all failures existed in structure of Tehran stock exchange as well as lack of households' acquaintance with financial investments, stock exchange is one of the most attractive investments and its studies can contribute to allocate sources in the country economy through optimum way. Investors in stock exchange are obtained different interests like dividend per share and increase in share prices. They use financial information for assessing and analyzing stocks. Cash, capital cost and financial flexibility are basic variables which have been reviewed by both investors and managers in capital market and therefore, relationship between these variables is significant for allocating optimum sources in economy.

In this study we seek to answer, is there any significance relationship between cash balance with capital cost and financial flexibility? Can cash balance be an effective factor of capital cost and financial flexibility?

2. LITERATURE AND HISTORY OF RESEARCH

With establishing large companies and increasing number of stockholders, it becomes impossible for stockholders to control units directly; and selected managers have gained considerable freedom to employ economical sources of units. Gradually providing information for stockholders has been replaced with financial reporting of information preparation for creditors, as rate of people, who use financial statements, has changed, goal of information preparation has been changed. The goal of providing financial statements is assessing managers' duties at this time.

Profit measurement (as a tool of assessing manager performance) has been questioned which was previously done through financial statement; because the way that is applied for obtaining profit would be important for assessing managers duties. From that time operating statement has implanted in financial statements, during several years balance sheets and profit and loss as well as attachments and related tables were formed financial statements.
Accounting Principles Board in the United States issued declaration number 3 in 1963 to provide standards for preparing and delivering the financial statement; it offered to change name of the financial statement into "statement of source and application of funds" and then presented as supplementary information along with annual reports. Since funds at the declaration was described with all financial sources, therefore the financial statement includes financial aspects of any major deals, apart from their direct impact on funds; purchasing fixed asset in return for issuing bond can be an good example. It is true that no money has been exchanged in the event, but such an event must be reflected at the statement of source and application of funds. Positive reactions of accounting profession on the matter has led Accounting Principles Board to issue declaration number 19 in 1971 with title of "change reporting in financial statement". Such failures cause creditors and investors conclude that accrual accounting has kept distance from enterprises' cash flow. Capital cost is a concept which always has been considering by financial experts and also is a main factor to create a gap between accounting profit and economic profit; the concept has been defined differently. One of the more acceptable definitions is describing capital cost as minimum rate of return in which if it was acquired, value of economics unit would be fixed. In a conceptual manner, cost expense of a company is an investor opportunity cost for investing at that company. Cost expense has two important aspects; first aspect is that all securities assessment patterns depend on cost expense. Second aspect explains that investing funds through company and determining investment priorities as well as recognizing capital structure without capital cost would not be practical (Salimi Ahmad 2007). Byoun in 2009 defined financial flexibility as a degree of capacity and speed which a company can provide its required sources for defensive reactions (discharge of debts) and aggressive reactions (investment) in order to increase the company value. Puccia and Jones in 2009 described financial flexibility as ability of companies to create benefit from unplanned opportunities with regard to financial policies and structures of the companies. Flexibility is a key mechanism to control dynamic of investments which financial decisions and related uncertainty would be appeared due to lack of flexibility. Financial flexibility can be defined as companies' ability to allocate again cash flow between bond and stockholders for better adjustment of operational risk and value creation in long term (Donaldson 1969, 121).
Kim, Mauer and Sherman (1998) and Williamson (1999) have shown that investment in circulating assets (or flexible) will be too costly, as the company could invest in fixed assets generating investment instead of investing in circulating assets.
Gouni and et al (2002) in a research with title "considering companies' cash on hand behavior" were observed behavior of cash on hand in Japan, France, Germany and England during 1983 to 2000. They used ARCH and GARCH methods to consider companies' cash on hand behavior and then compared some countries. Results have indicated that legal structure of a country and ownership structure are played significant role to determine the company cash on hand. They found that greater protection of stockholders is related with lower cash and ownership focus has negative impact on cash level.
Pinkowitz and et al (2004) tested impact of stockholders' equity throughout a country on holding cash and then indicated that cash has less value for minority stockholders in countries with lower stockholder protection. The result is coordinated with the assumption that weak protection stockholders' equity will allow managers and controlling interest stockholders to employ the company's sources for their interests.
Kalcheva and Lins (2007) reviewed that how protecting stockholders' equity can affect cash holding. They found countries with weaker laws for stockholders tend to hold more cash. In addition, they conclude that cash assets have negative relationship with company value.
Marchica and Mura (2007) investigated relationship between financial flexibility and investment decisions and concluded that there is a strong relationship between financial flexibility and investment. On the other hand, after a period of low lever, companies with financial flexibility have more ability to perform capital costs (Marchica and Mura 2007).
Harford and et al (2008) reached the conclusions that American companies with weaker corporate governance structure; have spent reserves of cash surplus in mergers which destroy value. Moreover, American companies with lower protection of stockholders' equity and high level of cash holding, have lower flexibility and value. Other studies offer evidences using international information, they explain that there is negative relationship between company cash holding and protecting stockholders' equity; and when companies with weak corporate governance structure hold high level of cash, its value would be decreased, especially while stockholder protection is low throughout country.
Robets and Groinger (2010) studied factors which affect companies' cash balance with title "considering effective factors on companies' cash balance"; they used multiple regression for considering and testing their hypotheses. Results have shown that both tangible assets and company size has negative relationship with cash balance and also there is a nonlinear relation between financial lever and liquidity holding. Paying dividend and operational cash flows have positive relationship with cash reserves but there is no significant relation between opportunities growth and cash balance.
Yuanto (2011) tested relationship between corporate governance mechanisms for cash balance and impact on firm value in Singapore. Some results indicate that corporate governance in firms with lower efficiency tends to cash holding. Other results have shown that managers reserve cash for precaution due to flexibility and conflict between manager and owners and representation theory. In addition to companies with pyramidal ownership structure, there are one man companies which hold lower cash on hand and have higher market value.
Subramanian and et al (2011) had done similar research on reviewing relationship between firm structure and level of cash holding. They collected some evidences from the environment of New York stock exchange during 1988 to 2006 and then indicated companies with decentralized and diversified ownership have held significantly cash lower than companies with centralized ownership. Their considerations have explained that companies with diversified ownership would hold less cash on hand because they communicate with other companies and industries and have more investment opportunities and growth.

3. RESEARCH HYPOTHESES
In this study, the researcher is sought to find answers for the following questions:
- Is there any significant relationship between capital cost and cash?
- Is there any significant relationship between financial flexibility and cash?

Following hypotheses are explained with respect to the goals of the research and the literature:
- First hypothesis- there is significant relationship between capital cost and cash.
- Second hypothesis- there is significant relationship between financial flexibility and cash.

4. RESEARCH METHOD
Since purpose of the study, it is an applied research. Research methods have correlated nature and content. The study has been conducted in framework of inductive-deductive reasoning. Therefore, theoretical basics and history of research were done through library studies, articles and sites were in deductive framework and data collection had been conducted inductively to accept or reject hypotheses.

4.1. RESEARCH VARIABLES
Independent variable of the research is cash and dependent variables of the research include capital cost and financial flexibility.
Methods of computing research variables:
CAPEX = capital cost
Capital cost: costs of stockholders' equity have been computed through division net profit to market value of stockholders' equity or profit ratio of each stock divided by price of each stock.

Cost of stockholders' equity is equaled to ratio of net profit to stockholders' equity. Numerator and denominator have been divided by number of stocks which finally would be ratio of $\frac{E}{P}$.

$$CAPEX = \frac{NI}{MVE} / \frac{Stock}{Stock} = \frac{EPS}{PRICE}$$

NI= Net profit of firm
MVE= Market value of stockholders' equity
Stock= number of firm shares at end of financial course
EPS= earnings per share
PRICE= share price of firm in market
INDSTDCF= industry average cash that the firm has activity on it
Q= market value to book value of assets
LNAT= log total asset
CFe= ratio of operational cash flow to total assets
NWC= applied capital
BKDEBT= book value of debts to total assets
RD_SALE = net sales of firm (i) multiply in time (t)
DIVDUM= cash dividend approved by assembly
ACQUI = total assets productivity (it equals to operational profit divided by total assets)
Second hypothesis can be tested through the following regression model:

$$\begin{aligned} Cash_{i,t} = c &+ \alpha_1 DC_{i,t} + \alpha_2 INDSTDCF_{i,t} + \alpha_3 Q_{i,t} + \alpha_4 LNAT_{i,t} \\ &+ \alpha_5 CFe_{i,t} + \alpha_6 NWC_{i,t} + \alpha_7 FL_{i,t} + \alpha_8 BKDEBT_{i,t} \\ &+ \alpha_9 RD\_SALE_{i,t} + \alpha_{10} DIVDUM_{i,t} + \alpha_{11} ACQUI_{i,t} + \varepsilon_i \end{aligned}$$

DC= book value of debts to assets return
Fl= financial flexibility
Financial flexibility: in order to identify companies with financial flexibility, companies which had lower financial lever in three consecutive years than median population are classified as companies with financial flexibility (Marchica and Mura 2007).
Financial lever is amount of debts that has been used for financing assets of a firm.

$$Financial\ LEVER = \frac{Total\ Debt}{Total\ Asset}$$

Total debt= book value of total debts
Total asset= book value of total assets

4.2. METHOD OF DATA COLLECTION

Field method has been employed for collecting information on accepting or rejecting research questions; and library method applied to gather information about research literature.
Statistical population includes all companies accepted in Tehran stock exchange which were active in stock exchange from beginning 2006 to 2011. Elimination method has used for selecting statistical sample and following criteria is considered for this purpose. If a company achieved all criteria, it would be selected as research sample.

- ✓ The company must be accepted in Tehran stock exchange before 2006 and has been operating there until end of 2011.
- ✓ The company has not changed its financial year during 2006 to 2011 and its financial year ended in March (19 March).
- ✓ The company has been continuously active and has at least 80 trading days in year.
- ✓ The company has not involved in group of investment companies or financial intermediaries.

After considering above items, 109 companies were remained which selected as research sample. Therefore, our observations reach to 654 year-company.

4.3. ANALYSIS RESEARCH HYPOTHESES

At this step, as dependent and independent variables have been determined and computed, the research hypotheses would be tested and analyzed. First we test existence of correlation between dependent and independent variables and then regression method has been applied to determine relationship between dependent and independent variables. In fact analyzing regression help us to find linear relation between variables, if exist. At the end, correlation index has been employed to determine level of relationship between dependent variable and independent variables in the research.

5. RESULTS

5.1. CONSIDERING NORMALITY OF VARIABLES

As normality of dependent variable lead to normality of rest of model, it is necessary to control the normality before fitting the model.
Null hypothesis and alternative hypothesis for test of normality are as follows:
H_0: data distribution is normal
H_1: data distribution is not normal
Kolmogorov-Smirnov test has been employed to test above hypotheses. In this test, when significance level is lower than 5%, null hypothesis will be rejected with 95% certainty (table 1).

TABLE 1: KOLMOGOROV-SMIRNOV TEST

Abbreviation	Cash
Number of data	656
Mean	90860.0595
Standard deviation	3.30032E5
Absolute maximum deviations	.392
Maximum positive deviations	.358
Maximum negative deviations	-.392
Value of statistic z	10.028
Significance level	.000

It is shown in table 1, because significance level of dependent variable is smaller than 0.05, H_0 has been rejected and H_1 has been accepted; it means that data does not follow normal distribution. Mathematical conversion (second power logarithm) has used to normalize variables. The following test considers normality of converted variables.

TABLE 2: KOLMOGOROV-SMIRNOV TEST

Abbreviation	LNCASH
Number of data	655
Mean	19.4997
Standard deviation	3.35851
Absolute maximum deviations	.054
Maximum positive deviations	.054
Maximum negative deviations	-.038
Value of statistic z	1.372
Significance level	.056

It is shown in table 2, because significance level of dependent variable is larger than 0.05, H_0 has been accepted and H_1 has been rejected. On the other hand data has normal distribution. Therefore hypothesis on normalize variable is accepted.

5.2. TEST OF HYPOTHESES

TEST OF FIRST HYPOTHESIS

H_0: there is not significant relationship between capital cost and cash.
H_1: there is significant relationship between capital cost and cash.

$$\begin{cases} H_0: \rho = 0 \\ H_1: \rho \neq 0 \end{cases}$$

TABLE 3: CORRELATION COEFFICIENT, COEFFICIENT OF DETERMINATION, DURBIN-WATSON TEST BETWEEN CASH AND CAPITAL COST

Model	correlation coefficient	determination coefficient	Adjusted coefficient of determination	Standard error of estimate	Durbin-Watson statistic
1	.842[a]	.708	.704	1.81277	1.724

According to table3, Pearson correlation coefficient between cash and capital cost is 0.842. The figure shows a significance relationship between two variables with 5% error level. As outcomes of SPSS software, tables are indicated that because significance level is lower than 5%, H_0 has been rejected with 5% error level and existence of correlation between two variables has been confirmed. Also adjusted coefficient of determination equals to 0.704 which is a proper number and has presented an appropriate fitting from changes of capital cost with using cash. One of the regression hypotheses is independence of errors; if the independence of errors hypothesis has been rejected and errors were correlated with each other, using the regression is impossible. Durbin-Watson statistic apply to review independence of errors, if value of Durbin-Watson statistic has placed in distance of 1.5 to 2.5, the hypothesis which explains there is a correlation between errors will be rejected and it is possible to use the regression. According to table (3-4), the value of Durbin-Watson statistic is 1.724 and the figure has shown that errors are separated from each other and there is no self-correlation between errors, then the hypothesis which explains there is a correlation between errors will be rejected and we can use the regression.

TABLE 4: REGRESSION ANALYSIS OF VARIANCE FOR CASH AND CAPITAL COST

Model		Sum of squares	Degree of freedom	Mean squares	F statistic	Significance level
1	Regression	5016.557	10	501.656	152.658	.000[a]
	Remaining	2066.987	629	3.286		
	Total	7083.544	639			

Table 4 shows analysis of variance between capital cost as independent variable and cash as dependent variable, as per the outcome, general significance of the regression model has been tested through ANOVA table and the following statistical hypotheses.
H_0: there is not linear relation between two variables.
H_1: there is linear relation between two variables.
As significance level is smaller than 5%, H_1 has been accepted. Now we look for the relationship:

TABLE 5: COEFFICIENTS OF REGRESSION EQUATION FOR INDEPENDENCE AND CONTROL VARIABLES

Model	Abbreviation	Unstandardized Coefficients		Standardized coefficients	Statistic t	Significance level	Collinearity Statistics	
		B	Standard error of Coefficient Column B				Tolerance	Variance inflation factor
1	(Constant)	-5.159	0.976		-5.287	0		
	INDSTDCF	7.37E-06	0.0001	0.676	10.641	0	0.115	2.701
	Q	-0.22	0.172	-0.042	-1.28	0.201	0.424	2.356
	LNAT	4.332	0.158	0.785	27.424	0	0.566	1.767
	CFe	0.317	0.247	0.029	1.283	0.2	0.916	1.091
	NWC	-1.41E-06	0.0001	-0.503	-7.404	0	0.101	2.939
	CAPEX	4.322	0.158	0.785	27.424	0	0.313	3.199
	BKDEBT	-1.226	0.517	-0.07	-2.371	0.018	0.54	1.853
	RD.SALE	-5.45E-08	0.0001	-0.132	-2.954	0.003	0.234	4.278
	DIVDUM	0.0001	0.0001	-0.084	-2.494	0.013	0.406	2.462
	ACQUI	3.604	1.068	0.133	3.373	0.001	0.298	3.361

Constant value and coefficient of independence variable in the regression equation are provided respectively in outcome of table 5 and in column B. The equation is as follows:

$$Cash_{i,t} = -5.159 + 7.37E-06 * INDSTDCF_{i,t} - 0.22 * Q_{i,t} + 4.332 * LNAT_{i,t} + 0.317 * CFe_{i,t} - 1.41\text{E}-06 * NWC_{i,t} + 4.322 * CAPEX_{i,t} - 1.226 * BKDEBT_{i,t} - 5.45E-08 * RD\_SALE_{i,t} + 0.0001 * DIVDUM_{i,t} + 3.604 * ACQUI_{i,t} + \varepsilon_i$$

According outcomes of table 5, rest of its columns include standard coefficients column B, statistic t and significance level have been applied to test hypothesis that explains any of coefficients column B are equaled to zero. If β and α have been respectively constant value and slope of line in regression of population, test of hypotheses for two values can be written as follows:

$$\begin{cases} H_0: \beta = 0 \\ H_1: \beta \neq 0 \end{cases} , \qquad \begin{cases} H_0: \alpha = 0 \\ H_1: \alpha \neq 0 \end{cases}$$

As significance level equals zero at this outcome, equality test of regression coefficient and constant value equal to zero or lower than 5%. Therefore hypothesis which explains these coefficients are equal to zero has been rejected and they must not be eliminated from the equation regression.

TEST OF SECOND HYPOTHESIS

H_0: there is not significant relationship between financial flexibility and cash.
H_1: there is significant relationship between financial flexibility and cash.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

TABLE 6: CORRELATION COEFFICIENT, COEFFICIENT OF DETERMINATION, DURBIN-WATSON TEST BETWEEN CASH AND FINANCIAL FLEXIBILITY

Model	correlation coefficient	determination coefficient	Adjusted coefficient of determination	Standard error of estimate	Durbin-Watson statistic
1	.732[a]	.608	.603	1.81151	1.825

According to table 6, Pearson correlation coefficient between cash and financial flexibility is 0.732. The figure shows a significance relationship between two variables with 5% error level. As outcomes of SPSS software, tables are indicated that because significance level is lower than 5%, H_0 has been rejected with 5% error level and existence of correlation between two variables has been confirmed. Also adjusted coefficient of determination equals to 0.603 which is a proper number and has presented an appropriate fitting from changes of financial flexibility with using cash. One of the regression hypotheses is independence of errors; if the independence of errors hypothesis has been rejected and errors were correlated with each other, using the regression is impossible. Durbin-Watson statistic apply to review independence of errors, if value of Durbin-Watson statistic has placed in distance of 1.5 to 2.5, the hypothesis which explains there is a correlation between errors will be rejected and it is possible to use the regression. According to table (6), the value of Durbin-Watson statistic is 1.825 and the figure has shown that errors are separated from each other and there is no self-correlation between errors, then the hypothesis which explains there is a correlation between errors will be rejected and we can use the regression.

TABLE 7: REGRESSION ANALYSIS OF VARIANCE FOR CASH AND CAPITAL COST

Model		Sum of squares	Degree of freedom	Mean squares	F statistic	Significance level
1	Regression	5016.164	9	557.352	169.844	.000[a]
	Remaining	2067.380	630	3.282		
	Total	7083.544	639			

Table 7 shows analysis of variance between financial flexibility as independent variable and cash as dependent variable, as per the outcome, general significance of the regression model has been tested through ANOVA table and the following statistical hypotheses.

H_0: there is not linear relation between two variables.
H_1: there is linear relation between two variables.
As significance level is smaller than 5%, H_1 has been accepted. Now we look for the relationship:

TABLE 8: COEFFICIENTS OF REGRESSION EQUATION FOR INDEPENDENCE AND CONTROL VARIABLES

Model	Abbreviation	Unstandardized Coefficients		Standardized coefficients	Statistic t	Significance level	Collinearity Statistics	
		B	Standard error of Coefficient Column B				Tolerance	Variance inflation factor
1	(Constant)	-5.092	0.969		-5.257	0		
	DC	1.87E-10	0.0001	0.024	1.101	0.271	0.965	1.036
	INDSTDCF	7.37E-06	0.0001	0.676	10.661	0	0.115	2.685
	Q	-0.233	0.169	-0.045	-1.373	0.17	0.435	2.297
	LNAT	4.31	0.156	0.783	27.557	0	0.574	1.744
	CFe	0.311	0.246	0.028	1.263	0.207	0.917	1.091
	NWC	-1.38E-06	0.0001	-0.492	-8.257	0	0.131	2.653
	BKDEBT	-1.234	0.516	-0.07	-2.392	0.017	0.541	1.849
	FL	5.23	0.211	0.683	24.786	0	0.625	1.719
	RD.SALE	-5.61E-08	0.0001	-0.135	-3.043	0.002	0.234	4.281
	DIVDUM	0.0001	0.0001	-0.084	-2.493	0.013	0.406	2.462

Constant value and coefficient of independence variable in the regression equation are provided respectively in outcome of table 8 and in column B. The equation is as follows:

$$Cash_{i,t} = -5.092 + 1.87E - 10 * DC + 7.37E - 06 * INDSTDCF_{i,t} - 0.233 * Q_{i,t} + 4.31 * LNAT_{i,t} + 0.311 * CFe_{i,t} - 1.38\text{E} - 06 * NWC_{i,t} + 5.23 * FL_{i,t} - 1.234 * BKDEBT_{i,t} - 5.61E - 08 * RD\_SALE_{i,t} + 0.0001 * DIVDUM_{i,t} + 3.687 ** ACQUI_{i,t} + \varepsilon_i$$

According outcomes of table 8, rest of its columns include standard coefficients column B, statistic t and significance level have been applied to test hypothesis that explains any of coefficients column B are equaled to zero. If β and α have been respectively constant value and slope of line in regression of population, test of hypotheses for two values can be written as follows:

$$\begin{cases} H_0 : \beta = 0 \\ H_1 : \beta \neq 0 \end{cases} , \qquad \begin{cases} H_0 : \alpha = 0 \\ H_1 : \alpha \neq 0 \end{cases}$$

As significance level equals zero at this outcome, equality test of regression coefficient and constant value equal to zero or lower than 5%. Therefore hypothesis which explains these coefficients are equal to zero has been rejected and they must not be eliminated from the equation regression.

6. DISCUSSION AND CONCLUSION

The goal of the research is to study extreme value of cash for investors and to consider connection between financial flexibility and capital cost as well as effect of financial flexibility and capital cost on decisions about holding amount of cash.

The present study was conducted from 2006 to 2011 in Tehran stock exchange with 654 observations in total. Since purpose of the study, it is an applied research that its method has correlated nature and content. Multiple regressions have been used as statistical method in this research.

With test of first hypothesis, we conclude that there is positive correlation between independent variable (capital cost) and dependent variable (cash) in accepted companies at Iran capital market which its value equals 0.842. In figure (4-4), statistic F is 152.658 and value of sig= 0 which means the multiple regressions is significant with 95% certainty. Therefore H_0 has rejected and there is significant relationship between capital cost and cash in accepted companies at Iran capital market.

Statistic t which was obtained from variable of capital cost means that coefficient of the variable is significant in level of α=5% with control variables. Value of statistic t equals to 27.424 which indicate there is direct relationship between capital cost and cash. With respect to obtained results there is direct relationship between capital cost and cash in accepted companies at Tehran stock exchange; it means that increase in capital cost would lead to increase in cash and vice versa.

With test of second hypothesis, we conclude that there is positive correlation between independent variable (financial flexibility) and dependent variable (cash) in accepted companies at Iran capital market which its value equals 0.732. In figure (4-7), statistic F is 169.844 and value of sig= 0 which means the multiple regressions is significant with 95% certainty. Therefore H_0 has rejected and there is significant relationship between financial flexibility and cash in accepted companies at Tehran stock exchange.

Statistic t which was obtained from variable of financial flexibility means that coefficient of the variable is significant in level of α=5% with control variables. Value of statistic t equals to 24.786 which indicate there is direct relationship between financial flexibility and cash. With respect to obtained results there is direct relationship between capital cost and cash in accepted companies at Tehran stock exchange; it means that increase in financial flexibility would lead to increase in cash and vice versa.

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