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The Usefulness of Income Statement Components: Empirical Evidence from Palestine Exchange (PEX)

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Thesis Approval

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This thesis was defended successfully on 11.9.2025 and approved by:

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Declaration

I declare that this Master dissertation has been composed by me and is based on my own work, unless stated otherwise. I confirm that this Master's thesis is my own work and I have documented all sources and material used; no other person’s work has been used without due acknowledgement.

All references and verbatim extracts have been quoted, and all sources of information, including graphs and data sets, have been specifically acknowledged. To my best knowledge, this Master dissertation has not been accepted in any other previous application for a degree, in whole or in part.

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Date: 3.12.2025

Dedication

(قُلْ إِنَّ صَلَاتِي وَنُسُكِي وَمَحْيَايَ وَمَمَاتِي لِلَّهِ رَبِّ الْعَالَمِينَ)

[سورة الأنعام، الآية 162]

- To my parents, the two souls who breathed life into me, who poured their years, their strength, and their love into shaping the person I have become.

You have always been my steady anchors; whenever life shook me, you sheltered me with your constant support and boundless affection.

- To the soul that left this world but never left our hearts, my brother, the martyr Qais, your presence still fills every corner of our lives.

- To my siblings, the ones who give me strength and stand beside me like extensions of my own soul.

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Abstract

This thesis presents evidence from the Palestine Exchange regarding the relative information content of five competing performance indicators: Gross Profit, Net Income from Operations, Income from Continuing Operations, Earnings, and Comprehensive Income. The sample included industrial and service corporations, with secondary data collected from 2015 to 2024, resulting in a total of 130 firm-years observations. The descriptive-analytical approach was employed by gathering panel data from financial reports and the Palestine Exchange. Stock returns (R) were used as the dependent variable to evaluate the strength of these indicators. Various econometric tests were conducted using SPSS and Eviews, including descriptive statistics, correlation matrix, Ordinary Least Squares (OLS) regression analysis, diagnostic tests of OLS assumptions, Random Effect (RE) and Fixed Effect (FE) Models, Hausman Test for Selecting RE or FE, Akaike Information Criterion, and Schwarz Criterion/Bayesian Information Criterion (BIC) for model selection. Regression analysis assumptions, such as normal distribution, multicollinearity, and error independence, were found to be met. The study demonstrated the usefulness of all five tested performance indicators, with Net Income from Continuing Operations showing the highest relevance, followed by Comprehensive Income, Earnings, Net Income from Operations, and Gross Profit. These findings provide valuable insights to help users make informed decisions. Recommendations include applying this study to the Palestinian financial and investment sectors, as well as other markets in the Middle East, where evidence is lacking. Palestinian investors are advised to consider these results when using accounting performance indicators for decision-making purposes. Additionally, it is recommended that the Palestine Exchange require the disclosure of calculated figures per share for the performance indicators outlined in this study to aid in interpreting stock prices within the Palestinian context.

Keywords: Palestine Exchange, Gross Profit, Net income from operations, net income from continuing operations, earnings, comprehensive income, relative usefulness.

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Chapter One: Introductory

1.1 Background

Stock investments are considered one of the most important economic activities that generate millions or trillions of dollars yearly, and many companies, investors, and speculators work in it. Therefore, the focus was and still is on factors determining and affecting its returns and prices. Users of Financial statements, like investors, search for the performance figures reported in the income statement to evaluate stock returns. Moreover, high performance will lead to high stock prices. This means a firm with high profitability and performance will be a nice meal for investors. In other words, the high performance of a corporation increases the demand for its shares. Accounting value relevance shows that there is an association between financial information and stock prices or returns, summarizes the information that is impounded in share prices, and that the accounting-based measures explain market prices properly. Also, accounting performance will positively influence the prices of a corporation.

Ball & Brown, (1968) were the leading researchers who investigated the relationship between information disclosed in the financial statements and stock prices, (Guananta et al., 2015) show that there is a significant influence of cash flows and the Earnings per share (EPS) on the stock prices between 2008 and 2012 for the industrial Manufacturing Companies that listed on Indonesia Stock Exchange and (Mostafa, 2016) found that earnings changes are dramatically more successful than earnings levels in justifying stock returns in Egypt, moreover. (Omokhudu & Ibadin, 2015) found that earnings, cash flow, and dividends were statistically significantly connected with firms in Nigerian listed companies. It was also advised that investors focus on earnings, dividends, and cash flows while placing less emphasis on book values.

Based on the above-mentioned discussion, this paper aims to provide more recent evidence from the reality of the listed manufacturing and services corporations on the PEX. It focuses on the usefulness of income statement components and their ability to interpret stock returns. This study considers a set of control variables that affect the role of accounting numbers in interpreting stock returns, such as a firm's size, income (profit, loss), etc.

The following sections of this thesis discuss the problem statement, objectives, significance, study model, literature review, methodology, findings, conclusion, and recommendations.

1.2 Problem Statement

The income statement is one of the most important communication tools for firms that provide users with a deep look at their performance. Indeed, the income statement is not one figure but a set of meaningful figures that interpret the performance. This issue motivated the researcher to examine the relative usefulness of these competing figures. The competing figures are (Gross Profit, Net Income from Operations, Income from Continuing Operations, Earnings Per Share, and Comprehensive Income). Many authors, like Ball & Brown (1968), said that the income statement contains information content. Based on the aforementioned, this thesis aims to provide evidence from the reality of the listed manufacturing and services corporations on the Palestine Exchange (PEX). The evidence concerns the usefulness of the income statement components and the ability to interpret stock returns.

This thesis relies on an empirical research approach while gathering secondary panel data on industrial and service corporations. The firm's size and profitability (loss or gain) were considered control variables contributing to deflating the impact of the firm's size and loss. Based on the researcher's understanding, there has been no prior research conducted in Palestine that examines the usefulness of income statement components. This lack of investigation inspired me to delve into this topic within the context of the Palestinian environment.

The general question

Do income statement components have value relevance in the case of the listed industrial and service corporation on the PEX?

1.3 Research Questions

This thesis mainly aims to answer the following sub-questions:

Question 1: Does *Gross Profit* have value relevance for the listed industrial and service corporations in the PEX?

Question 2: Does *Net Income from Operations* have value relevance for the listed industrial and service corporations in the PEX?

Question 3: Does *Income from Continuing Operations* have value relevance for the listed industrial and service corporations in the PEX?

Question 4: Does *Earnings Per Share* have value relevance for the listed industrial and service corporations in the PEX?

Question 5: Does *Comprehensive Income* have value relevance for the listed industrial and service corporations in the PEX?

1.4 The Objectives of the Thesis

This thesis achieves the following main objective: Examining the usefulness of income statement components of the listed industrial and service corporations on the PEX. This main objective falls into five subobjectives that assist us in arranging the relative usefulness of the income statement components. These subobjectives are:

1. Examining the value relevance of *Gross Profit* for the listed industrial and service corporations in the PEX.
2. Testing the value relevance of *Net Income from Operations* for the listed industrial and service corporations in the PEX.
3. Investigating the value relevance of *Income from Continuing Operations* for the listed industrial and service corporations in the PEX.
4. Investigating the value relevance of *Earnings Per Share* for the listed industrial and service corporations in the PEX.
5. Investigating the value relevance of *Comprehensive Income* for the listed industrial and service corporations in the PEX.

1.5 Significance of the study

There is theoretical and practical significance to this thesis as follows:

One: The Theoretical Significance

This thesis presents rare evidence from the operations of industrial and service corporations listed on the PEX. While many authors have studied the value relevance of EPS in Palestine, few have introduced evidence from the Palestinian economy regarding the usefulness of income statement components. This research addresses a gap in the literature and contributes new theoretical knowledge to the Palestine Exchange.

Two: The Practical Significance

An empirical investigation provides live evidence from the PEX about the relative usefulness of the following income statement components (Gross Profit, Net Income from Operations, Income from Continuing Operations, Earnings Per Share, and Comprehensive Income). The relative usefulness assists the PEX, users, and stakeholders in knowing which performance number gives more value relevance when explaining the stock return. Also, the findings may contribute to supporting policymakers in the PEX in enhancing disclosure regulations.

1.6 The Hypotheses

This thesis aims to examine the following hypotheses:

1- There is value relevance of gross profit for the listed industrial and service corporations on the PEX.

2- There is value relevance of net income from operations for the listed industrial and service corporations on the PEX.

3- There is value relevance of net income from continuing operations for the listed industrial and service corporations on the PEX.

4- There is value relevance of earnings for the listed industrial and service corporations on the PEX.

5- There is value relevance of the comprehensive income for the listed industrial and service corporations on the PEX.

1.7 Operational Definitions

Below are the definitions of many terms, concepts, and variables used in this thesis.

1. **The usefulness, information content, or value relevance** means the ability of information to influence a user's decision. In other words, information can make a difference in the decision-making; moreover, that information must have predictive, confirmatory value, or both. Predictive means a value is a component of investors' forecasting algorithms to create future predictions. In contrast, confirmatory means information users can confirm or correct their predictions (Deegan,2014, p. 13).
2. **Income Statement:** An important financial statement that evaluates a firm's operational performance during a specific period. Different businesses and companies use the income statement to measure many aspects of investment, like investment size, profitability, and the worthiness of credit, whereas the income statement provides the users who have different goals with the needed information that allows them to forecast the future quantity, time, and uncertainty of cashflows (Kieso et al., 2019, pp. 3-4).
3. **Income Statement Components:** This term generally refers to the transactions that the income statement summarizes, such as revenues, expenses, gains, and losses. These components will fall into six sections: operating, non-operating, income tax, discontinued operations, noncontrolling interest, and earnings per share (Kieso et al., 2019, pp. 6-7).
4. **Gross Profit:** The residual amount of total revenue compared to the expenses of goods sold. It shows the amount provided to handle running costs and to generate profits (Purba et al., 2022; Mao, 2023).
5. **Net Income from Operations:** Some researchers use the term net profit instead of operating profit to express the findings obtained when the company's operating costs, which include wages and salaries, consumption, and the expenses of goods sold, are subtracted from gross profit. Non-operating income and costs are not taken into account (Choiriyah et al., 2020; Eng & Vichitsarawong, 2022).
6. **Income from Continuing Operations:** Economists use the term income from continuing operations to relate to the net income created by a company's fundamental business tasks, excluding revenues or deficits from terminated operations or extraordinary items. It emphasizes the earnings generated from the company's main business operations (Curtis et al., 2014; Lima et al., 2022).

7. **Earnings Per Share:** EPS is the amount of a company's profits distributed to each ordinary share. It is assessed through dividing the net profit less preference dividends by the weighted average number of ordinary shares outstanding during the period (Gharaibeh et al., 2022; Fadhilah & Akbar, 2024).
8. **Comprehensive Income:** Aqel (2021) and Fadlallah (2022) define Comprehensive income as representing all variables in a company's equity during a given period, except changes caused by contributions or distributions from owners. It comprises both net income and other comprehensive income (OCI), which includes currency translation adjustments and unrealized gains and losses on certain assets.
9. **Firm's Size:** Many papers computed the firm's size using the natural logarithm of the firm's market value or revenues, such as (Daraghma, 2008). This study follows the previously mentioned works by considering the natural logarithm of a firm's revenue as a proxy for a firm's size. Firm's Size = Log (Revenues).
10. **Palestine Exchange (PEX):** a private company founded in 1995 to support investments in Palestine. The first trading session was held in February 1997. PEX provides investors with an automated, transparent, and equitable trading platform and concentrates on attracting diverse local, national, and international investors, including individuals from the Palestinian Diaspora (PEX Website).

Chapter Two: Literature Review and Hypotheses Development

This chapter presents theoretical discussions and previous work that support the development of the thesis's hypotheses.

2.1 Palestine Exchange (PEX)

The Palestine Exchange (PEX), incorporated as a private shareholding company in early 1995 (Omar & Mahir, 2018; PEX, 2019; Kalaf, 2023), was mainly sponsored by the Palestine Development and Investment Company (PADICO). The PEX became operational in August 1996 and held its first trading session on February 18, 1997 (Omar & Mahir, 2018; Zebdah, 2022). Notably, the PEX was designed from the beginning to be a fully electronic exchange and depository, using systems provided by EFA Software Services, a Canadian company (Omar & Mahir, 2018; PEX, 2019). Under the supervision of the Palestinian Capital Market Authority (CMA), the PEX provides a place for securities trading and contributes to the economic development of Palestine (PEX, 2019; Kalaf, 2023).

The Stock Exchange was transformed into a public joint stock company in 2010 (Zebdah, 2022; Kalaf, 2023). The PEX has listed 47 companies with a combined market capitalization of around US$3 billion in the financial, insurance, investments, industrial, and services sectors (Omar & Mahir, 2018; PEX, 2019; Zebdah, 2022). According to the official PEX website, the exchange has 47 companies distributed across different sectors: seven banks, seven insurance companies, nine investment, thirteen industrial, and eleven service corporations (PEX, 2019).

Over the years, PEX has achieved many notable milestones. On April 24, 2007, PEX launched an e-trading portal, providing more investors with better access and facilitating trading. Furthermore, in June 2023, the PEX established the Al-Quds Islamic Index, an important index for Islamic investors. Finally, regarding international recognition, PEX secured membership on the board of the Arab Federation of Capital Markets for 2024– 2026, further enhancing its regional reputation (PEX, 2019).

Since its establishment, the Palestine Exchange has undergone significant transformation, expanded the list of listed companies, and diversified into other economic areas. By providing a regulated and organized securities trading market, PEX

significantly contributes to Palestine's economic growth through strategic initiatives and technological developments (Omar & Mahir, 2018; PEX, 2019; Zebdah, 2022).

Finally, do not forget that the Palestine exchange is inefficient, contains few listed corporations, has low trading volume, and is a weak financial market. These characteristics may influence the role of accounting numbers in explaining a firm's fair market value. Despite these disadvantages of the PEX, it is necessary to provide practical and theoretical implications from the reality of this market.

2.2 Value Relevance (Usefulness)

Value relevance was one of the most significant and leading terms and concepts of the 20th century. It is about the quality of accounting data and its importance in determining predictive equations and forward pathways for the stock markets and prices. Value relevance, as stated by Jianwei and Chunjiao (2007), is "the ability of accounting numbers to summarize the information underlying the stock prices, therefore, the value relevance is shown by a statistical relationship between financial information and prices or returns. Researchers have extensively researched this idea, applying accounting data in different studies to examine its effect on financial markets and decision-making processes.

Many researchers have examined this concept in depth; a study by Vijitha and Nimalathasan (2014) analyzes the Colombo Stock Exchange to ascertain the relative value relevance of the listed firms' financial information. They find that fundamental financial ratios, such as Earnings Per Share (EPS), Net Asset Value Per Share (NAVPS), and Return on Equity (ROE), have significant positive relationships with share prices at the 1% level of significance. This demonstrates the strong links between accounting information and market valuations. Furthermore, Senthilnathan (2012) shares that in cross-sectional studies, profits excluding the current year also give statistically significant additional information for projecting the price at the end of the following year. The efficient market hypothesis assumes that stock prices reflect all relevant market information and are only relevant for predicting future prices. Senthilnathan's results show that current year profits are necessary and a significant additional explanatory variable for predicting future prices, especially in the US context.

In the Arab market, a study conducted by Khanagha (2011) provides additional evidence of the value relevance of accounting information, with an analysis of the Abu Dhabi Securities Market (ADSM) using a pricing model with two independent variables providing crystal clear confirmation of the value relevance of accounting information in explaining stock prices. This proves that accounting information is essential for various regions' financial decision-making and market prediction. Not only are equity markets affected, but the value relevance of accounting information also plays a role for creditors. The gap in this area is addressed in this study by Karilainen (2014), which examines creditors' use of accounting information. It is noteworthy that Swedish banks use financial statements as the only source of information for their decisions. They use this source 50 percent more than other sources at an aggregate level. This underlines the practical importance of financial statements when assessing creditworthiness and making lending decisions.

However, the importance of financial statements varies depending on the country's financial system. Ali and Hwang (2000) examined the value relevance of financial accounting data for manufacturing firms in 16 countries between 1986 and 1995. They showed that financial statements in bank-oriented financial systems are less value-relevant than their market-oriented counterparts. This shows the influence of the institutional and legal environment on the usefulness of accounting information. It should be noted that this residual form represents a limit, as the variance of the residual must be defined to include all values, and thus the corresponding distribution to determine the value relevance. Whether for stock price predictions or credit decisions, the quality and relevance of accounting information are important and continue to impact financial markets and decision-making processes worldwide.

The conclusion is that the value, relevance, usefulness, and information content of accounting data refer to the ability of these figures to explain a value, such as a stock price.

2.3 Income Statement: Its Components and Usefulness

Many authors have discussed the concept of the income statement, which is considered an essential financial term for companies. It is also known as a profit and loss statement, showing a company's revenues, expenses, gains, and losses. In their book, Kieso, Weygandt, and Warfield defined the income statement as "the report that measures

the success of company operations for a given period. It is also often called the statement of income or statement of earnings. (Kieso et al., 2019, p. 158). The report helps investors use its information, such as profitability, investment value, and creditworthiness, to predict, make wise decisions, and minimize risks. Therefore, it plays a crucial role because it has valuable effects and benefits on the investors' and creditors' businesses.

(Kieso et al., 2019) Summarizes the three main advantages of the income statement. First, it shows the history of the company's past performance by presenting the income and expenses to compare its performance with other competitors, which helps the company overcome its mistakes and improve its performance. Secondly, it provides the data basis for predicting future financial outcomes. The data collected from past performance can help create a clear understanding of future predictions that determine important next steps. Finally, it helps assess future cash flow risk, instability, and uncertainty. In other words, the income statement examines its components to provide information that can prevent the company from making poor decisions that may cost it dearly.

The income statement is one of the most important financial statements, communicating information to users of financial statements about the company's operational results (Dastgir et al., 2010). It matches revenues with expenses for a specific period to determine the net income. Many performance indicators rely on data from the income statement (Jagannath & Koller, 2013). According to International Accounting Standard (IAS) 1, Presentation of Financial Statements (Kuzminska, 2015; Malolle, 2023), the statement of profit and loss and comprehensive income provides a comprehensive overview of the company's performance. The income statement is prepared using the accrual basis of accounting, recognizing income and expenses regardless of whether the transaction is monetary or non-cash (Newberry, 2003). Net income (earnings) is the result of matching revenues with expenses, regardless of their nature (operational or non-operational) (Olayinka, 2022; Khalilov, 2024). Therefore, analyzing the informational content of income statement components is crucial for ranking different indicators to aid decision-making (Black et al., 2021; Schroeder, 2022). The components of the income statement include gross profit, income from operations, income from continuing operations, and comprehensive income.

Earnings summarize the company's profit or loss without detailing the components of this result (Ball & Brown, 1968). It is considered one of the most important factors influencing share prices, as indicated by various researchers. However, the question arises: Do the income statement components used to measure profitability offer different informational content? Answering this question involves evaluating other profitability metrics that may provide better insights than the earnings figure. Several studies have shown that net profit can be misleading and inconsistent (Richardson, 2001; Elmoatasem, 2005; Kustono et al., 2021), prompting a comparison with other profitability indicators. In this case, the focus is on Gross Profit, Net Income from Operations, Net Income from Continuing Operations, and Comprehensive Income. Subsequent analysis of each indicator's informational content from previous studies will help form the study's hypotheses. This study is based on agency theory, suggesting a conflict of interest between management and shareholders, potentially leading to adjustments in earnings figures (Jensen & Meckling, 1976). This leads the management to change the earnings figure to reflect a non-realistic figure. For this reason, other performance figures may have more informational value than earnings. This is the main objective of this thesis. Specifically, the study will provide rare evidence from the PEX.

Malolle (2023) demonstrates that the income statement is a medium of communication that assesses a firm's success or failure over a specific period. He explains that this statement includes a series of measures reflecting the outcome of operations, including net income and net income from operations. Lessambo (2022) demonstrated that the multiple-step income statement format is superior to the single-step format. This is because the single-step format is less informative about earnings and does not provide detailed information about the various types of income. This motivates a firm to report the multiple-step income statement. Mashoka (2022) illustrated that the balance sheet can convey more informative data than the earnings figure in the income statement. This is because earnings can be distorted by estimates, judgment, falsification, and nonoperational elements that are included in the earnings. The argument of Mashoka motivated this study to explore the role of the components of the income statement compared with the earnings.

2.4 The Usefulness of Gross Profit

According to the International Accounting Standards Board (IASB), gross profit is computed as the difference between the net sales (revenues) and the cost of sales (cost of goods sold). This figure will be presented in the third line of the income statement, representing the difference between the selling price and the product or service cost (Kieso, 2019). This number communicates information about the profitability and performance. This information is relevant for decision-making and valuing security prices (Gibson, 2004). The authors debated the role of the gross profit in explaining security prices. Some authors concluded that the gross profit figure is useful, but others demonstrated a lack of usefulness. Financial analysts use gross profit to evaluate a firm's profitability. This indicates that this figure measures the results of operations (Gibson, 2004).

Many authors' findings supported the usefulness of the gross profit. For example, in the United States, Mao (2023) demonstrated that gross profit plays a vital role in explaining stock returns. Also, Mao shows that the relative importance of the gross profit is stronger than the EPS. This evidence was introduced from the efficient capital market in the U.S.A. Also, Shi et al. (2021) provide evidence from China about the usefulness of gross profit. They found a strong informativeness of the gross profit in interpreting security prices. Shi used gross profit margin as a proxy for gross profit. A higher percentage of gross profit margin leads to increasing stock prices. Moreover, Mahdi & Khaddafi (2020) concluded that gross profit influences Indonesia's stock prices. Lento & Sayed's (2015) findings prove the usefulness of gross profit in Indonesia. Other authors concluded that the gross profit is not useful. For example, Purba et al. (2022) and Mahdi and Khaddafi (2020) introduced evidence from the Indonesian stock exchange. The findings demonstrated that gross profit had no impact on stock prices. Vance's (2021) finding is the weak usefulness of the gross profit. Ciptawan and Frandjaja (2022) prove the lack of usefulness of gross profit. Purba et al. (2022), which examined food and beverage companies listed on the Indonesian stock exchange between 2017 and 2019, showed no impact of gross profit margin on stock returns.

The previous discussion indicates mixed evidence of the usefulness of the gross profit. For this reason, this thesis examines the following hypothesis that says:

Hypothesis 1: *There is value relevance of gross profit for the listed industrial and service corporations on the PEX.*

2.5 The Usefulness of Net Income from Operations

Agnes Cheng et al. (1993) investigated the relative and incremental value relevance of three income indicators (earnings, net income from operations, and comprehensive income). The finding shows a lack of value relevance for net income from operations, while earnings and comprehensive income have value relevance. Choiriyah et al. (2020) came up with the result that net profit margin, earnings per share (EPS), and operating profit margin collectively have a distinct influence on the stock prices of banking companies listed on the Indonesia Stock Exchange (IDX). However, when examined separately, the net and operating profit margins show no meaningful effect on stock prices. Conversely, earnings per share (EPS) significantly affect the stock prices of these banking companies. A Doukakis (2010) study shows that future profitability can improve the separation of reported profits. The results show significant differences in the information content of the basic events when earnings are split into operating income, non-operating income, extraordinary expenses, and credit. In a study of manufacturing firms listed on the Tehran Stock Exchange between 2008 and 2012, Baharlo et al. (2014) found that earnings strongly correlate with stock returns, whereas operating income has a weak impact. According to these results, earnings provide information beyond operating income. Brown & Sivakumar (2003) indicated that earnings were distorted by accounting policies and estimates due to the flexibility of the General Accepted Accounting Principles (GAAP). They examine the usefulness of earnings GAAP-based compared to net operating profit. The finding shows that net operating profit is more than GAAP-based earnings. Eng & Vichitsarawong (2022) investigate the usefulness of operating income and earnings. The findings show that the operating earnings have more value relevance than earnings. Chen & Wang (2004) investigated the information content of two figures (operating income and earnings) from the reality of the Chinese stock market. The finding supported that earnings' usefulness is greater than operating income. Bao & Bao (2004) showed that earnings are more useful than operating profit in Taiwan, but the component of net income is more useful than earnings.

The previous discussion shows strong debate regarding the usefulness of net income from operations; for this reason, this thesis examines the following second hypothesis:

Hypothesis 2: *There is value relevance of net income from operations for the listed industrial and service corporations on the PEX.*

2.6 The Usefulness of Net Income from Continuing Operations

Income from continuing operations means earnings plus/ minus income from discontinued operations (Kieso, 2019). Curtis et al. (2014) show that the net income before discontinued operations has value relevance more than earnings. Also, Lima et al. (2022) indicated that the net income from continuing operations contains informativeness above the final number of performances. Using data from listed companies in France and the United Kingdom, Ramond et al. (2007) examined the periods before (1993–2004) and after (post-2005) the introduction of International Financial Reporting Standards (IFRS). They found that operating income, net income, and comprehensive income are related to stock returns. In addition, at an aggregate level, net income generally has greater explanatory power than comprehensive income. Total income provides additional information that net income alone cannot provide. Finally, the discontinued operations may contain a bad signal. Based on the aforementioned discussion, this thesis aims to test the following third hypothesis:

Hypothesis 3: *There is value relevance of net income from continuing operations for the listed industrial and service corporations on the PEX.*

2.7 The Usefulness of Earnings (EPS)

The eminent work of Ball & Brown (1968) was the root of testing the usefulness of accounting numbers. The Ball & Brown examined the information content of earnings and found a substantial nexus between stock prices and earnings. This work opens the domain for other researchers to provide more evidence. Fadhilah & Akbar (2024) used the data of six companies from 2014 to 2023 listed on the Indonesian Stock Exchange. They concluded that earnings per share do not significantly impact the stock returns of companies in the telecommunications sector. Gharaibeh et al. (2022) conducted a study for a group of six manufacturing companies listed on the Jordanian Stock Exchange (JSE) between 2011 and 2021, which shows that Earnings per Share (EPS) and stock price were positively correlated. Purba et al. (2022) examined food and beverage companies listed on the Indonesian stock exchange between 2017 and 2019, showing that neither earnings per share (EPS) nor gross profit margin clearly impacts stock returns. In a study of

manufacturing firms listed on the Tehran Stock Exchange between 2008 and 2012, Baharlo et al. (2014) found that earnings strongly correlate with stock returns, whereas operating income has a weak impact. According to these results, earnings provide information content beyond operating income. An Indonesian study shows earnings influence stock returns in the consumer goods industry, as listed on the Indonesian Stock Exchange (IDX) from 2016 to 2019. It also emphasizes that investors can make investment decisions based on earnings because if the company earns more, investors' stock returns will be greater (Wiranti et al, 2021). Bataineh and Rababah (2016) studied Jordanian-listed industrial companies between 2011 and 2015 and compared the usefulness of earnings and comprehensive income. The results show that earnings are considered more useful than comprehensive income. Tubay and Bendo (2018) examined the income data from the financial statements of industrial firms listed in the Philippine Stock Exchange between 2014 and 2016 to decide whether various income items, namely net income, other comprehensive income, and total comprehensive income, have a remarkable impact on company valuation. The company value was determined based on the market price of outstanding shares after the publication of audited results. However, their panel regression analysis showed that none of the earnings figures had a statistically significant relationship with enterprise value. In addition, a study by Saputra (2022) on food and beverage companies listed on the Indonesian stock exchange for 2018-2021 shows that revenue has no impact on share price, while earnings have a significant impact. However, both net profit and total revenue play a crucial role in valuing the share price. The results of Fatmawatie, N. (2023) study provide information that earnings have no significant effect on the stock price of the company Kalbe Farma TBK for 2013–2020. Based on the abovementioned discussion, this study examines the following fourth sub-hypothesis:

Hypothesis 4: *There is value relevance of the earnings for the listed industrial and service corporations on the PEX.*

2.8 The Usefulness of Comprehensive Income (CI)

Palestine has adopted the International Financial Reporting Standards (IFRS) and the IAS since 2005. These standards include the All-Inclusive Performance Approach of comprehensive income, where total comprehensive income is considered the complete measure of income, including all income components (IAS 1: Presentation of Financial

Statements). According to the IFRS, Devalle, and Magarini 2012 comprehensive income is calculated by deducting beginning stockholders' equity from ending equity, based on Clean Surplus Accounting. Fadlallah (2022) illustrated both the EPS and the comprehensive income to interpret the stock price in Egypt. In Japan, Kubota (2011) stated that comprehensive income has additional informational content beyond profits. This highlights the importance of disclosing comprehensive income in financial statements. Hodgson & Russell (2014) examined the application of IAS. They conclude that comprehensive income, disaggregation of earnings, and earnings contain information that explains stock prices. Park (2018) concludes that the value relevance of the comprehensive income increased after adopting the IFRS. This finding motivated the need to report comprehensive income under an all-inclusive approach that communicates the whole income instead of partially reporting figures in the income statement.

The authors debated the usefulness of the information content of the comprehensive income. For instance, Kanagaretnam (2009) and Dhaliwal et al. (1999) conclude that the relative usefulness of comprehensive income is beyond the EPS. More evidence is supported by Acar and Karacaer (2017), who investigated evidence from Turkey and found that comprehensive income is more effective than net income.

In contrast, many authors demonstrated that the usefulness of comprehensive income is less than the usefulness of earnings. For instance, Kanagaretnam et al. (2009) show that the relative information content of operating income is better than that of net income. The explanatory power of profits and operating profits is greater than that of comprehensive income. This provides evidence that the information content of profits is better than that of comprehensive income. Another study by Rusdiyanto and Narsa (2019) used secondary data from 174 commercial banks in the Indonesian Stock Exchange between 2011 and 2016, revealing that net income influences stock prices. In contrast, profit changes and total income have nothing to do with stock prices. Aqel (2021) examined the informativeness of earnings compared to comprehensive income for Palestinian corporations listed on the PEX. He concluded that EPS and comprehensive income are both useful figures. Moreover, earnings were the dominant factor. Also, El Madbouly and Muhammed (2019) found that net income and comprehensive income positively correlate with the market value of shares.

Based on the previous discussion, the debate shows two findings regarding the value relevance of comprehensive income. The first is that the relative value relevance of comprehensive income is more than earnings. The second is that the informativeness of the comprehensive income is less than that of earnings. For these reasons, this thesis examines the following fifth sub-hypothesis:

Hypothesis 5: There is value relevance of the comprehensive income for the listed industrial and service corporations on the PEX.

2.9 Stock Returns

In this thesis, the stock returns will be expressed as (the closing stock price minus the opening stock price) divided by the opening stock price (Dastgir et al., 2010; Devalle & Magarini, 2012; Choiriyah et al., 2020; Ciptawan & Frandjaja, 2022; Dahmash et al., 2023). The previous work examines the value relevance of accounting figures by investigating the nexus between accounting figures and stock returns. When the association is statistically significant and positive, the study says that the accounting numbers have positive value relevance. Also, when the association is statistically significant and negative, the study says accounting numbers have a negative value relevance. Moreover, an insignificant nexus between accounting numbers and stock prices means that accounting numbers have no impact on stock returns, which means a lack of value relevance of this figure. Ball and Brown (1968 said that the stock price or stock returns are a function of information.

R = F (accounting data)

Where:

R = Stock Returns

F =Function

Accounting data = any accounting figure or information (financial or non-financial), or good news or bad news.

In mathematics, the expression should be formulated as a function:

$R = a_0 + a_1$ (Accounting data)

Where:

R = Stock Returns (dependent variable).

a_0 = Constant (statistically significant constant means other independent variables will influence stock returns).

A1 = accounting data response coefficient (a significant statistical coefficient means there is value relevance of this data or accounting number)

Accounting data = Independent variable that will influence the dependent variable.

This type of investigation is under the umbrella of market-based accounting research, which relies on stock prices as the dependent variable.

2.10 The Relative Value Relevance

The relative value relevance was used extensively in accounting literature. This concept enables us to arrange the competing accounting figures based on their ability to predict the dependent variable (Firth, 1981; Biddle et al., 1995). The dependent variable in Market-Based Accounting Research is stock prices (stock returns), such as Ball & Brown's eminent work, and a lot of researchers to this day. We can arrange these competing numbers in econometrics by relying on many statistical indicators, such as R-squared or adjusted R-squared.

For example, suppose the study investigates the relative value relevance of two independent competing variables: the EPS and CI (comprehensive income). Two equations should be formulated:

$R_{it} = a_0 + a_1 EPS_{it}$ …… (1)

$R_{it} = a_0 + a_1 CI_{it}$ ……..……..… (2)

The regression analysis outcomes will generate many measures that indicate which variable has relative value relevance to another, such as R-squared, Adjusted R-squared, and Akaike Information Criterion (AIC).

Rules:

1. A model with the highest R-squared or Adjusted R-squared is the best or has relative value relevance above another model.
2. The AIC is an indicator used for valuing the quality of an econometric equation for a data set. A model with the lowest AIC score is a better-quality model.

This study follows the previous work and provides more details regarding variables, econometrics, and data sources presented in Chapter Three.

2.11 Summary of Previous Findings

Tables 2.1, 2.2, 2.3, 2.4, and 2.5 summarize the previous work findings regarding the usefulness of the performance indicators used in this thesis.

Table 2.1 The usefulness of Gross Profit

Author &year	Findings
Gibson , 2004	Gross Profit is relevant for decision-making and valuing security prices
Mao , 2023	Gross profit plays a vital role in explaining stock returns, and the relative importance of gross profit is stronger than that of EPS.
Shi et al.,2021	a strong informativeness of the gross profit in interpreting security prices.
Mahdi & Khaddafi , 2020	Gross profit has an influential role in explaining stock prices.
Lento & Sayed's , 2015	Usefulness of gross profit.
Purba et al., 2022 **Mahdi and Khaddafi, 2020**	Gross profit had no impact on stock prices.
Vance , 2021	Weak usefulness of the gross profit.
Ciptawan and Frandjaja , 2022	The lack of usefulness of gross profit.
Purba et al., 2022	No impact of gross profit margin on stock returns.

Table 2.2 The Usefulness of Net Income from Operations

Author & year	Findings
Agnes Cheng , 1993	A lack of value relevance for net income from operations, while earnings and comprehensive income have value relevance.
Choiriyah et al. , 2020	The result showed that net profit margin, earnings per share (EPS), and operating profit margin collectively influence stock prices.
Doukakis , 2010	There are significant differences in the information content of the basic events when earnings are split into operating income and non-operating income.
Baharlo et al. , 2014	Earnings strongly correlate with stock returns, whereas operating income has a weak impact (earnings provide information beyond operating income).
Brown & Sivakumar , 2003	Earnings were distorted by accounting policies and estimates due to the flexibility of the GAAP. They examine the usefulness of earnings GAAP-based compared to net operating profit. The finding shows that net operating profit is more than GAAP-based earnings.
Eng & Vichitsarawong , 2022	Operating earnings have more value relevance than earnings.
Chen & Wang , 2004	Earnings' usefulness is more than operating income.
Bao & Bao , 2004	showed that earnings are more useful than operating profit, and the component of net income is more useful than earnings.

Table 2.3 The Usefulness of Income from Continuing Operations

Author & year	Findings
Curtis et al , 2014	Net income before discontinued operations has more value relevance than earnings.
Lima et al. , 2022	Net income from continuing operations contains information above the final number of performances.
Ramond et al. , 2007	examined the periods before (1993–2004) and operating income, net income, and comprehensive income are related to stock returns. In addition, at an aggregate level, net income generally has greater explanatory power than comprehensive income. Total income provides additional information that net income alone cannot provide. The discontinued operations may contain a bad signal.

Table 2.4 The Usefulness of Earnings

Author & year	Findings
Ball & Brown , 1968	substantial nexus between stock prices and earnings.
Fadhilah & Akbar , 2024	Earnings per share do not significantly impact the stock returns.
Gharaibeh et al. , 2022	Earnings per Share (EPS) and stock price were positively correlated.
Purba et al. , 2022	Neither earnings per share (EPS) nor gross profit margin impacts stock returns.
Baharlo et al. , 2014	Earnings strongly correlate with stock returns, whereas operating income has a weak impact. Moreover, earnings provide information content beyond operating income.
Wiranti et al. , 2021	Earnings influence stock returns.
Bataineh & Rababah , 2016	Earnings are considered more useful than comprehensive income.
Tubay and Bendo , 2018	Net income, other comprehensive income, and total comprehensive income remarkably impact company valuation.
Saputra , 2022	Revenue does not impact share price, while earnings have a significant impact. Net profit and total revenue are crucial in valuing the share price.
Fatmawatie , 2023	Earnings have no significant effect on the stock price.

Table 2.5 The Usefulness of Comprehensive Income

Author & year	Findings
Devalle and Magarini , 2012	Based on Clean Surplus Accounting, comprehensive income is calculated by deducting beginning stockholders' equity from ending equity.
Fadlallah , 2022	Shows that both the EPS and the comprehensive income are used to interpret the stock price.
Kubota , 2011	Comprehensive income has additional informational content beyond profits. This highlights the importance of disclosing comprehensive income in financial statements.
Hodgson & Russell , 2014	Comprehensive income, disaggregation of earnings, and earnings contain information that explains stock prices.
Park , 2018	Concludes that the value relevance of the comprehensive income increased after adopting the IFRS. This finding motivated the need to report comprehensive income under an all-inclusive approach that communicates the whole income instead of partially reporting figures in the income statement.
Kanagaretnam , 2009 Dhaliwal et al. , 1999 .	The relative usefulness of comprehensive income is beyond the EPS.
Acar and Karacaer , 2017	Comprehensive income is more effective than net income.
Kanagaretnam et al. , 2009	The relative information content of operating income is better than that of net income. The explanatory power of profits and operating profits is greater than that of comprehensive income. This provides evidence that the information content of profits is better than that of comprehensive income.
Rusdiyanto and Narsa , 2019	Net income influences stock prices. In contrast, profit changes and total income have nothing to do with stock prices.
Aqel , 2021	EPS and comprehensive income are both useful figures. Moreover, earnings were the dominant factor.
El Madbouly and Muhammad , 2019	Net income and comprehensive income positively correlate with the market value of shares.

2.12 Research Gap and Contribution

This thesis covers a research gap in Palestine because the previous work in Palestine concentrated on the usefulness of earnings and cash flows. Many factors set this study apart from previous research:

1. Providing evidence from the Palestine Exchange regarding the information content of income statement components, as no Palestinian study has explored this before.
2. Utilizing advanced econometric methods.
3. Focusing on companies within the industrial and service sectors listed on the Palestine Exchange.
4. Considering control variables, specifically the company's size and the impact of loss on stock returns (information content).
5. Presenting results that rank the utility of the performance indicators, indicating which is most advantageous.
6. Offering policy implications that are beneficial to the financial community.

Chapter Three: Methodology

3.1 Research Method

This thesis follows a descriptive and analytical approach (quantitative research) to investigate the nexus between income statement profitability indicators and stock returns. The indicators are (Gross Profit, Net Income from Operations, Income from Continuing Operations, Earnings Per Share, and Comprehensive Income). This thesis follows previous works such as (Ball & Brown (1968), Bao & Bao (2004), Ramond et al. (2007), Doukakis (2010); Baharlo et al. (2014); Hodgson & Russell (2014); Lento & Sayed's (2015); Bataineh and Rababah (2016); Acar and Karacaer (2017); Park (2018); El Madbouly and Muhammed (2019); Rusdiyanto and Narsa (2019); Mahdi & Khaddafi (2020); Shi et al. (2021); Eng & Vichitsarawong (2022); Fadlallah (2022); Gharaibeh et al. (2022); Lima et al. (2022); Purba et al. (2022); Saputra (2022); Mao (2023); Fadhilah & Akbar (2024). The previous work used the relative information content to arrange these indicators according to their usefulness. It depends on an econometric examination using secondary panel data collected from industrial and service companies listed on the PEX.

The study analyzed the impact of gross profit, net income from operations, net income from continuing operations, earnings per share, and comprehensive income, as independent variables, on Stock returns, which appear as the dependent variable. It is evaluated in this study by using historical data, company size, and gain or loss as control variables. Robust analysis is a concrete path that helps the study to formulate strong findings that assist the stakeholders in the Palestinian environment. Panel data covers the period from 2015 to 2024.

A set of econometrics methods was used, including (Ordinary Least Squares: OLS, Random Effect Regression, Fixed Effect Regression, Hausman Test, Diagnostic test for regression assumptions, descriptive statistics, and correlation matrix). The data in this study are panel data (Gross Sectional Time Series).

The econometric package used was Econometric Views 13 (Eviews 13) and the Statistical Package for Social Sciences (SPSS 27). The significance percentage is 0.05.

3.2 Population and Sample

The population of this thesis consists of industrial and service corporations listed on the PEX from 2015 to 2024. These corporations are 21 corporations (11 industrial and 10 service). The financial corporations were excluded from the study population because it has their special characteristics. Table 3.1 presents data about the population (sector, symbol, and the reporting currency).

Table 3.1: Thesis Population (Industrial and Service Corporations)

Company	Symbol	Currency
Industry Sector		
Arab Company for Paint Products	APC	JOD
Palestine Poultry	AZIZA	JOD
Beit Jala Pharmaceutical	BJP	JOD
Birzeit Pharmaceuticals	BPC	USD
Golden Wheat Mills	GMC	JOD
Jerusalem Cigarette	JCC	JOD
Jerusalem Pharmaceuticals	JPH	USD
Palestine Plastic Industries	LADAEN	JOD
National Aluminum and Profile "NAPCO"	NAPCO	JOD
The National Carton Industry	NCI	USD
The Vegetable Oil Industries	VOIC	JOD
Service Sector		
Al-Wataniah Towers	ABRAJ	USD
The Arab Hotels	AHC	JOD
Nablus Surgical Center	NSC	JOD
Wataniya Palestine Mobile Telecomm.	OOREDOO	USD
Palaqar For Real Estate Dev.& Management	PALAQAR	JOD
Palestine Telecommunications	PALTEL	JOD
Palestine Electric	PEC	USD
The Ramallah Summer Resorts	RSR	JOD
Palestinian Dist. & Logistics Services	WASSEL	USD
Ibn Sina Specialized Hospital	ISH	USD

Source: https://www.alwatanieh.ps/page.aspx?id=gPmFHCa37702743342agPmFHC (Alwatanieh Securities Co.).

The sample met the following terms:

1. A firm should be listed on the PEX.
2. The share is traded during the study period.
3. Availability of accounting and market data.
4. The firm should be listed on the PEX before 2015.
5. Excluding financial companies.

After considering the above-mentioned terms, the study sample consists of 13 corporations listed on the Palestine Exchange from 2015 to 2024. The period covers 10 years. The panel data is 130 firm-years. This sample is enough for running the econometric models. Table 3.2 presents the selected sample in this thesis.

Table 3.2: Study Sample

Company	Symbol	Currency
Industry Sector		
Palestine Poultry	AZIZA	JOD
Birzeit Pharmaceuticals	BPC	USD
Golden Wheat Mills	GMC	JOD
Jerusalem Cigarette	JCC	JOD
Jerusalem Pharmaceuticals	JPH	USD
National Aluminum and Profile "NAPCO"	NAPCO	JOD
The National Carton Industry	NCI	USD
The Vegetable Oil Industries	VOIC	JOD
Service Sector		
Nablus Surgical Center	NSC	JOD
Wataniya Palestine Mobile Telecomm.	OOREDOO	USD
Palestine Telecommunications	PALTEL	JOD
The Ramallah Summer Resorts	RSR	JOD
Palestinian Dist. & Logistics Services	WASSEL	USD

Source: Prepared by researcher ,

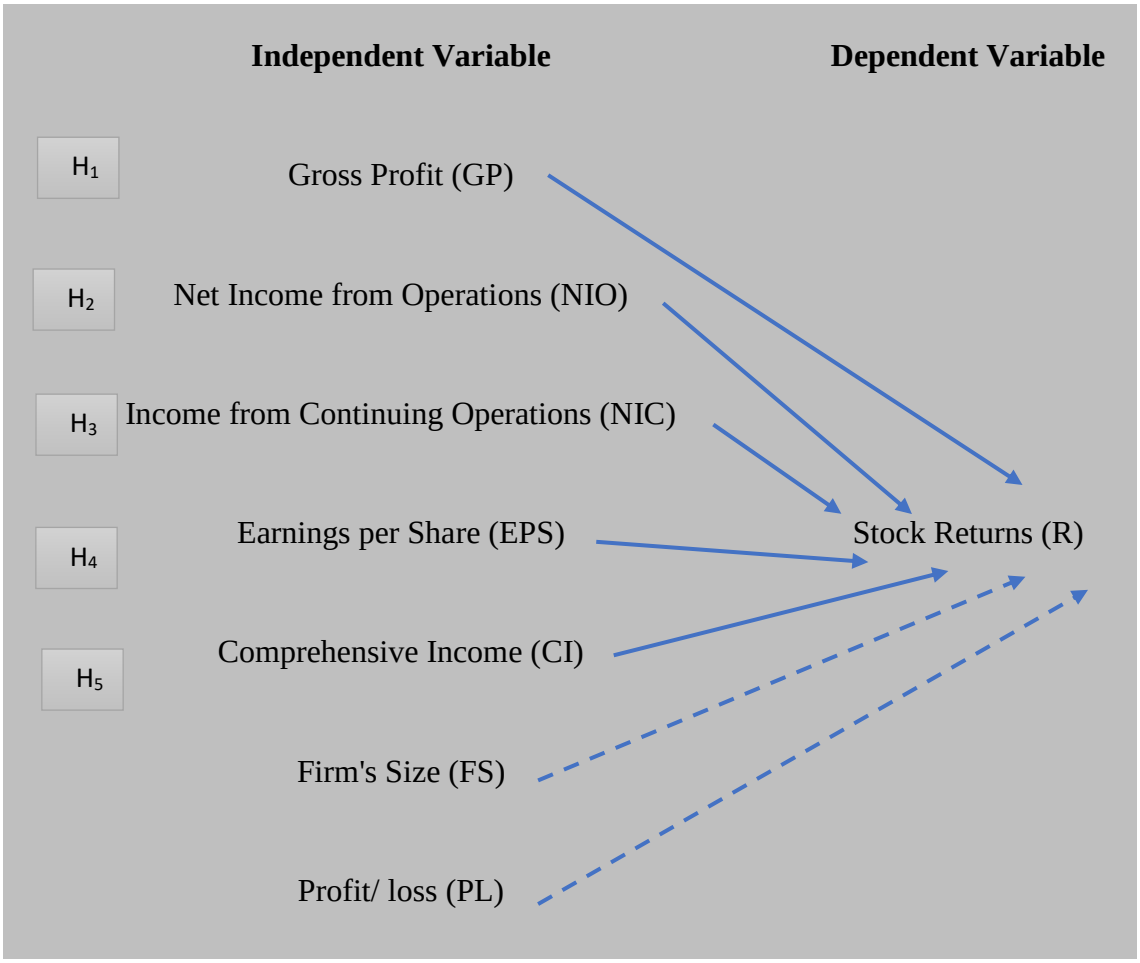
https://www.alwatanieh.ps/page.aspx?id=gPmFHCa37702743342agPmFHC (Alwatanieh Securities Co.).

3.3 Data Sources

This thesis employs secondary data captured from published financial statements on the Palestine Exchange website and the stock prices of the listed companies from 2015 to 2024. One hundred thirty firm-years were employed in econometric analysis as panel data. Also, the theoretical background was established based on the previous literature, textbooks, laws, reports, and statistical bulletins.

3.4 Study Model

Based on the theoretical discussion in Chapter 2, the following graphical presentation of the nexus between dependent and independent variables is provided.



Source: Designed by Researcher

The FS and PL are control variables that are entered into the econometric model to deflate the impact of these variables on stock returns (Salim & Yadav, 2012; Habib et al., 2016; Andi et al., 2019). It is difficult to include the five independent profitability variables in a multiple regression equation due to the problem of multicollinearity. The multicollinearity will occur because all five variables represent one variable (profitability). For this reason, I will enter each independent equation in its specific equation, considering the control variables. The next part displays the definition and measurement of variables.

3.5 Definition and Measurement of Variables

This thesis consists of one dependent variable (stock returns), five independent variables (gross profit, net income from operations, net income from continuing operations, earnings per share, and comprehensive income), and two control variables **(**the company's size and gain or loss). Presented below is the definition and measurement of each variable.

3.5.1 The Dependent Variable (Stock Returns: R)

Market-based accounting and information content studies used stock returns as the dependent variable. This variable represents the information content because the fluctuation of prices happened due to a set of information [good or bad] (Lev & Ohlson, 1982; Watts, 1992; Meek & Thomas, 2004; Abdullah, 2016; Sanjaya & Yoelencia, 2024). This study follows the previous work, and the stock returns are computed using the following equation:

$$R = \frac{\text{Closing Stock Price} - \text{Opening Stock Price} + \text{Dividends Per Share}}{\text{Opening Stock Price}}$$

$$R = \frac{P_t - P_{t-1} + Div_{it}}{P_{t-1}}$$

3.5.2 The Independent Variable

This thesis examines the relative value relevance of five competing indicators of profitability. Presented below is the definition and measurement of each independent variable.

3.5.2.1 Gross Profit per Share (GPPS)

Gross profit is one of the profitability measures, calculated as the difference between net sales/ revenues and the cost of sales /cost of revenues (Kieso et al., 2019). In this thesis, the Gross Profit per Share will be computed using the following equation:

$$GPPS = \frac{\text{Net Sales} - \text{Cost of Goods Sold}}{\text{Number of Outstanding and Issued Shares}}$$

$$GPPS = \frac{\text{Gross Profit}}{\text{Number of Outstanding and Issued Shares}}$$

3.5.2.2 Net Income from Operations per Share (NIFOPS)

Net income from operations represents the difference between net sales and the operating expenses account (Kieso et al., 2019; Gibson, 2004). The operating expenses include (Cost of sales, wages, salaries, utilities expense, depreciation, and any other operating expenses). The NIFO represents income from the main activity of a firm or the operations of a firm. The following is the equation used for computing the NIFOPS:

$$\textbf{NIFOPS} = \frac{\text{Net Sales} - \text{Cost of Goods Sold} - \text{Operating Expenses}}{\text{Number of Outstanding and Issued Shares}}$$

$$\textbf{NIFOPS} = \frac{\text{Net Income from Operations}}{\text{Number of Outstanding and Issued Shares}}$$

3.5.2.3 Net Income from Continuing Operations per Share (NIFCOPS)

Kieso et al. (2019) define net income from continuing operations as net income plus/ minus loss/ minus income from discontinued operations/ terminated operations, or extraordinary items. The following is the equation used for computing the NIFCOPS:

$$\textbf{NIFCOPS} = \frac{\text{Net Income} + \text{Loss of Discontinued Operations/ Terminated Operations, or Extraordinary Items} - \text{Gain of Discontinued Operations/ Terminated Operations, or Extraordinary Items}}{\text{Number of Outstanding and Issued Shares}}$$

$$\textbf{IFCOPS} = \frac{\text{Net Income from Continuing Operations}}{\text{Number of Outstanding and Issued Shares}}$$

3.5.2.4 Earnings per Share (EPS)

The EPS represents the amount of a company's earnings distributed to each ordinary share. It is assessed by dividing the earnings minus dividends by the weighted average number of ordinary shares outstanding and issued during the period (Kieso et al., 2019; Gibson, 2004). The following is the equation used for computing the EPS:

$$\textbf{EPS} = \frac{\text{Net Income} - \text{Dividends}}{\text{Number of Outstanding and Issued Shares}}$$

3.5.2.5 Comprehensive Income per Share (CIPS)

Total comprehensive income is considered the complete measure of income, including all income components (IAS 1: Presentation of Financial Statements). Devalle and Magarini (2012), comprehensive income is calculated as [ending stockholders' equity minus beginning stockholders' equity, based on Clean Surplus Accounting. Also, Kieso et al. (2019) define Comprehensive income as all variables in a company's equity during a given period, with the exception of changes caused by contributions or distributions from owners. It comprises both net income and other comprehensive income (OCI), which includes currency translation adjustments and unrealized gains and losses on certain assets. In this thesis, I rely on Clean Surplus Accounting.

$$\textbf{CIPS=} \frac{\text{Ending Stockholders' Equity} - \text{Beginning Stockholders' Equity}}{\text{Number of Outstanding and Issued Shares}}$$

3.5.2 The Control Variables

This thesis employs two control variables (the firm's size and loss effect). The firm's size is measured as the natural logarithm of its total assets (Kyere& Ausloos, 2021). Moreover, the profit/loss effect was measured using a dummy variable (D) as follows:

Case of profit, D = 1

Case of Loss, D = 0

Using a dummy variable requires using binary coding as zero or one. Number one is used for a profit situation, and zero for a loss situation.

The Firm's Size (FS) = Log (total assets)

The Firm's Size (FS) = Log (TA)

Entering these two control variables in regression equations for the purpose of deflating their impact on the dependent variable.

3.6 The Hypothesis and its Econometrics Model

Table 3.3 displays the econometric model for each hypothesis. This thesis examines six hypotheses.

Table 3.3 The Hypothesis and Its Econometric Model

#	Hypothesis	Econometric Model
1	There is value relevance of gross profit for the listed industrial corporations on the PEX.	Rit=a0 + a1 GPPSit + a2 FS + a3 PL
2	There is value relevance of net income from operations for the listed industrial corporations on the PEX.	Rit=a0 + a1 NIFOPSit + a2 FS + a3 PL
3	There is value relevance of net income from continuing operations for the listed industrial corporations on the PEX.	Rit=a0 + a1 NIFCOPSit + a2 FS + a3 PL
4	There is value relevance of the earnings for the listed industrial corporations on the PEX.	Rit=a0 + a1 EPSit + a2 FS + a3 PL
5	There is value relevance of the comprehensive income for the listed industrial corporations on the PEX.	Rit=a0 + a1 CIPSit + a2 FS + a3 PL

3.7 Econometrics Tools

This thesis employs the following statistical methods by using SPSS 27 and EViews 13.

1- Descriptive statistics.

2- Correlation matrix.

3- Ordinary Least Squares (OLS)/ Regression analysis.

4- Diagnostic tests of OLS assumptions.

5- Random Effect and Fixed Effect Models.

6- Hausman Test for Selecting RE or FE

Chapter Four: Results

The fourth chapter focuses on the results of statistical analysis of panel data using various statistical tests. These tests include descriptive statistics, correlation matrix, Ordinary Least Squares (OLS)/ regression analysis, diagnostic tests for OLS assumptions, random effect or fixed effect models, and the Hausman test for selecting between random effect and fixed effect.

4.1 Descriptive Statistics

This section presents the descriptive statistics of the study variables (dependent, independent, and control variables). Panel data from 2015 to 2024 were used.

Table 4.1 Descriptive Statistics

	CIPS	EPS	FS	GPPS	NIFCOPS	NIFOPS	PL	R
Mean	0.27415	0.2707	7.6465	0.5397	0.2018	0.2837	0.9000	0.0758
Median	0.1182	0.1181	7.6047	0.3579	0.0880	0.2175	1	0.0231
Maximum	4.6541	3.1242	9.0091	2.4418	2.3300	1.0082	1	1.7272
Minimum	-0.2502	-0.250	6.832	-0.070	-0.186	-0.137	0	-0.475
SD	0.521	0.467	0.527	0.561	0.348	0.277	0.301	0.273
Observations	130	130	130	130	130	130	130	130

Where:
CIPS: Comprehensive Income per Share
EPS: Earnings per Share
FS: Firm's Size
GPPS: Gross Profit per Share
NIFCOPS: Net Income from Continuing Operations per Share
NIFOPS: Net Income from Operations per Share
PL: Profit or Loss
R: Stock Returns

Table 4.1 presents the descriptive statistics of the study variables. It is noted that the average stock returns of companies are 0.0758, which is positive. In other words, on average, the sample of 13 companies achieves a positive stock return close to 0.08. The average of the Earnings per Share (EPS) is 0.2702, indicating positive earnings per share on average. The average of the Gross Profit Per Share (GPPS) is 0.5397 for the companies in the study sample. Additionally, the average of the Comprehensive Income Per Share (CIPS) variable is 0.27415, positive compared to the average of the companies under study. The average of the Net Income from operations per Share (NIFOPS) variable is 0.2837, a positive value. Furthermore, the average for the variable Net Income from Continuing Operations Per Share reached 0.2018.

4.2 Correlation Matrix

Table 4.2 Pearson Correlation Matrix

	GPPS	NIFOPS	EPS	NIFCOPS	CIPS	FS	PL
R	0.093 0.290	0.169 0.055	0.179* 0.042	0.176* 0.040	0.261** 0.003	-0.042 0.636	0.156 0.077
GPPS	1	0.837** 0.00	0.225* 0.013	0.220* 0.012	0.214* 0.014	0.557** 0.00	0.212* 0.016
NIFOPS		1	0.262** 0.004	0.272** 0.002	0.286** 0.001	0.385** 0.00	0.290** 0.001
EPS			1	0.987** 0.00	0.915** 0.00	0.234** 0.007	0.240** 0.006
NIFCOPS				1	0.915** 0.00	0.234** 0.007	0.245** 0.006
CIPS					1	0.198* 0.024	0.211* 0.016
FS						1	0.028 0.754
Significant at 0.01 ** Significant at 0.05 *							

Table 4.2 displays the Pearson correlation coefficient matrix among the study variables in the panel data. It is worth noting that there is a positive and statistically significant relationship between stock returns (R) and earnings per share (EPS), with a correlation coefficient of 0.179 at the significance level of 0.042. Additionally, there is a positive and significant correlation between net income from continuing operations per share (NIFCOPS) and stock returns (R), with a correlation coefficient of 0.176 at a significance level of 0.04. Furthermore, Table 4.2 illustrates a positive and significant correlation between comprehensive income per share (CIPS) and stock returns (R), with a correlation coefficient of 0.261 and statistical significance at 0.003. Conversely, the results indicate no correlation between gross profit per share (GPPS) and stock returns (R). Similarly, there is no association between net income from operations (NIFOPS) and stock returns (R). It is important to explain that no multicollinearity between the independent variables that are entered in all equations as appeared in Table 4.2.

4.3 Testing the Normality

Table 4.3: Jarque-Bera Test of Normality

	CIPS	EPS	FS	GPPS	NIFCOPS	NIFOPS	PL	R
Jarque-Bera	2.366	1.063	2.266	4.933	1.324	5.125	1.254	1.5721
Sig.	0.306	0.586	0.286	0.085	0.516	0.065	0.562	0.4561

Table 4.3 presents the results of the Jarque-Bera test of normality, which is based on the null and alternative hypotheses. The null hypothesis is as follows:

H_o: Data follow a normal distribution.

H_a: Data do not follow a normal distribution.

The decision rule states that when the significance value (Sig.) is greater than 0.05, the null hypothesis should be accepted. According to Table 4.3, the Sig. Value for all variables is greater than 0.05. This suggests that the data follows a normal distribution.

4.4 Testing the Hypotheses

In this study, there is no need to use multiple regression because the main objective is to test the relative information content and rank performance measures according to their usefulness (Firth, 1981; Biddle et al., 1995). Simple linear regression should be used to determine the R^2, adjusted R^2, and other statistical measures that allow for ranking the usefulness of accounting performance variables based on their informative content. For example, suppose this thesis investigates the relative value relevance of two independent competing variables: X and Z. Two equations should be formulated:

$Rit = a0 + a1\ X_{it}$ …… (1)

$Rit = a0 + a1\ Zit$ ……..……..… (2)

The regression analysis outcomes will generate many measures that indicate which variable has relative value relevance to another, such as R-squared, Adjusted R-squared, and Akaike Information Criterion (AIC). A model with the highest R-squared or Adjusted R-squared is the best or has relative value relevance above another model, and the AIC is an indicator that is used for valuing the quality of an econometric equation for a set of data. A model with the lowest AIC score is a better-quality model. Table 4.4 presents each hypothesis and its econometric model.

Presented below are the outcomes of each hypothesis. This thesis utilizes panel data from 2015 to 2024. The robustness test for panel data involves testing regression assumptions and selecting either a fixed-effect regression model or a random-effect regression model. The Hausman test in econometrics is utilized to determine whether a

random effects (RE) model or a fixed effects (FE) model is more suitable for panel data analysis. The null and alternative hypotheses of the Hausman test are:

H_0: The random effects model is appropriate.

H_a: The fixed effects model is more appropriate.

The decision rule states that when the significance value (Sig.) is greater than 0.05, the null hypothesis should be accepted. This thesis employs the Hausman test for each hypothesis.

4.4.1: The Finding of the First Hypothesis

The first hypothesis states that there is value relevance of gross profit for the industrial and service corporations listed on the PEX. This study employs the following regression model:

$R_{it}=a_0 + a_1\ GPPS_{it} + a_2\ FS + a_3\ PL$

Where:

R_{it}: Stock returns of firm I for period t.

$GPPS_{it}$: Gross profit per share of firm I for period t.

FS_{it}: Firm size of firm I for period t.

PL_{it}: Profit or loss of the firm I for period t.

a_0: Constant.

a_1: Gross profit per share response coefficient of firm I for the period t.

The Hausman test will be used to choose between a fixed-effect regression model and a random-effect regression model. Table 4.5 displays the results of the Hausman test for the first hypothesis.

Table 4.5: Hausman Test – hypothesis one

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	5.492668	1	0.0191

Based on Table 4.5, the value of Sig. is less than 0.05, indicating that the fixed effects model is more appropriate. Table 4.6 presents the outcomes of the fixed-effect regression model.

Table 4.6: The outcomes of the fixed-effect regression model-hypothesis one.

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
GPPS	0.345512	0.147043	2.349742	0.0205
FS	-0.131351	0.268099	-0.489936	0.6251
PL	0.097602	0.088414	1.103922	0.2720
C	0.805950	2.043288	0.394438	0.6940
Effects Specification				
R-squared	0.091166	Mean dependent var		0.075889
Adjusted R-squared	-0.028418	S.D. dependent var		0.272154
S.E. of regression	0.275994	Akaike info criterion		0.377940
Sum squared resid	8.683664	Schwarz criterion		0.730867
Log likelihood	-8.566098	Hannan-Quinn criter.		0.521346
F-statistic	3.1254	Durbin-Watson stat		2.264178
Prob(F-statistic)	0.01021			

Table 4.6 displays the results of the regression analysis. The analysis demonstrates a positive impact of Gross Profit per Share on stock returns, with a GPPS response coefficient of 0.345512 that is statistically significant at 0.05. This result highlights the usefulness of the gross profit figure. The Durbin-Watson test indicates the presence of autocorrelation in the residuals, which helps determine if the errors in a regression model are correlated with each other. The statistic ranges from 0 to 4, with a value of 2 indicating no autocorrelation, values closer to 0 indicating positive autocorrelation, and values closer to 4 indicating negative autocorrelation. Table 4.6 reveals that the value of the Durbin-Watson statistic is 2.264178, indicating no autocorrelation in the residuals. These results solidify the outcomes.

4.4.2: The Finding of the Second Hypothesis

The second hypothesis states that there is value relevance of net income from operations for the industrial and service corporations listed on the PEX. This study employs the following regression model:

$R_{it}=a_0 + a_1\ NIFOPS_{it} + a_2\ FS + a_3\ PL$

Where:

R_{it}: Stock returns of firm I for period t.

$NIFOPS_{it}$: net income from operations per share of firm I for period t.

FS_{it}: Firm size of firm I for period t.

PL_{it}: Profit or loss of the firm I for period t.

a_0: Constant.

a_1: net income from operations per share response coefficient of firm I for the period t.

The Hausman test will be used to choose between a fixed-effect regression model and a random-effect regression model. Table 4.7 displays the results of the Hausman test for the second hypothesis.

Table 4.7: Hausman Test – hypothesis two

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	5.538137	1	0.0186

Based on Table 4.7, the value of Sig. is less than 0.05, indicating that the fixed effects model is more appropriate. Table 4.8 presents the outcomes of the fixed-effect regression model.

Table 4.8: The outcomes of the fixed-effect regression model-hypothesis two.

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
NIFOPS	0.578285	0.209119	2.765338	0.0066
FS	-0.208443	0.271060	-0.768990	0.4435
PL	0.074910	0.088972	0.841954	0.4016
C	1.438221	2.069660	0.694907	0.4885
Effects Specification				
R-squared	0.107048	Mean dependent var		0.075889
Adjusted R-squared	-0.010446	S.D. dependent var		0.272154
S.E. of regression	0.273571	Akaike info criterion		0.360310
Sum squared resid	8.531915	Schwarz criterion		0.713238
Log likelihood	-7.420168	Hannan-Quinn criter.		0.503716
F-statistic	2.652	Durbin-Watson stat		2.256517
Prob(F-statistic)	0.03214			

Table 4.8 displays the results of the regression analysis. The analysis demonstrates a positive impact of net income from operations on stock returns, with an NIFOPS response coefficient of 0.578285 that is statistically significant at 0.05. This result highlights the usefulness of the net income from operations figure. Table 4.8 reveals that

the value of the Durbin-Watson statistic is 2.256517, indicating no autocorrelation in the residuals. These results solidify the outcomes.

4.4.3: The Finding of the Third Hypothesis

The third hypothesis states that there is value relevance of net income from continuing operations for the industrial and service corporations listed on the PEX. This study employs the following regression model:

$R_{it}=a_0 + a_1\ NICOPS_{it} + a_2\ FS + a_3\ PL$

Where:

R_{it}: Stock returns of firm I for period t.

$NICOPS_{it}$: net income from continuing operations per share of firm I for period t.

FS_{it}: Firm size of firm I for period t.

PL_{it}: Profit or loss of the firm I for period t.

a_0: Constant.

a_1: net income from continuing operations per share response coefficient of firm I for the period t.

The Hausman test will be used to choose between a fixed-effect regression model and a random-effect regression model. Table 4.9 displays the results of the Hausman test for the third hypothesis.

Table 4.9: Hausman Test – hypothesis three

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	17.534785	1	0.00

Based on Table 4.9, the value of Sig. is less than 0.05, indicating that the fixed effects model is more appropriate. Table 4.10 presents the outcomes of the fixed-effect regression model.

Table 4.10: The outcomes of the fixed-effect regression model-hypothesis three.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NIFCOPS	0.777277	0.171908	4.521464	0.0000
FS	-0.233484	0.250568	-0.931819	0.3534
PL	0.055142	0.083714	0.658700	0.5114
C	1.654672	1.920854	0.861425	0.3908
Effects Specification				
R-squared	0.192040	Mean dependent var		0.075889
Adjusted R-squared	0.085730	S.D. dependent var		0.272154
S.E. of regression	0.260227	Akaike info criterion		0.260289
Sum squared resid	7.719835	Schwarz criterion		0.613217
Log likelihood	-0.918813	Hannan-Quinn criter.		0.403696
F-statistic	2.156	Durbin-Watson stat		2.283216
Prob(F-statistic)	0.03214			

Table 4.10 displays the results of the regression analysis. The analysis demonstrates a positive impact of net income from continuing operations on stock returns, with an NICOPS response coefficient of 0.777277 that is statistically significant at 0.05. This result highlights the usefulness of the net income from continuing operations figure. Table 4.10 reveals that the value of the Durbin-Watson statistic is 2.283216, indicating no autocorrelation in the residuals. These results solidify the outcomes.

4.4.4: The Finding of the Fourth Hypothesis

The Fourth hypothesis states that there is value relevance of earnings for the industrial and service corporations listed on the PEX. This study employs the following regression model:

$R_{it}=a_0 + a_1\ EPS_{it} + a_2\ FS + a_3\ PL$

Where:

R_{it}: Stock returns of firm I for period t.

EPS_{it}: earnings per share of firm I for period t.

FS_{it}: Firm size of firm I for period t.

PL_{it}: Profit or loss of the firm I for period t.

a_0: Constant.

a_1: earnings per share response coefficient of firm I for the period t.

The Hausman test will be used to choose between a fixed-effect regression model and a random-effect regression model. Table 4.11 displays the results of the Hausman test for the fourth hypothesis.

Table 4.11: Hausman Test – hypothesis four

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	17.534785	1	0.00

Based on Table 4.11, the value of Sig. is less than 0.05, indicating that the fixed effects model is more appropriate. Table 4.12 presents the outcomes of the fixed-effect regression model.

Table 4.12: The outcomes of the fixed-effect regression model-hypothesis four.

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
EPS	0.53254	0.132545	5.12564	0.0000
FS	-0.325452	0.265212	-0.836585	0.4521
PL	0.0.05423	0.0.0985	0.565845	0.6235
C	2.325212	1.86525	0.752365	0.45231
Effects Specification				
R-squared	0.0.1852	Mean dependent var		0.032154
Adjusted R-squared	0.01254	S.D. dependent var		0.325452
S.E. of regression	0.23562	Akaike info criterion		0.2813
Sum squared resid	8.125652	Schwarz criterion		0.671232
Log likelihood	-0.0.8698	Hannan-Quinn criter.		0.0.48521
F-statistic	2.523121	Durbin-Watson stat		2.152652
Prob(F-statistic)	0.030122			

Table 4.12 displays the results of the regression analysis. The analysis demonstrates a positive impact of earnings on stock returns, with an EPS response coefficient of 0.53254 that is statistically significant at 0.05. This result highlights the usefulness of the earnings figure. Table 4.12 reveals that the value of the Durbin-Watson statistic is 2.152652, indicating no autocorrelation in the residuals. These results solidify the outcomes.

4.4.5: The Finding of the Fifth Hypothesis

The Fifth hypothesis states that there is value relevance of comprehensive income for the industrial and service corporations listed on the PEX. This study employs the following regression model:

$R_{it}=a_0 + a_1\ CIPS_{it} + a_2\ FS + a_3\ PL$

Where:

R_{it}: Stock returns of firm I for period t.

$CIPS_{it}$: comprehensive income per share of firm I for period t.

FS_{it}: Firm size of firm I for period t.

PL_{it}: Profit or loss of the firm I for period t.

a_0: Constant.

a_1: comprehensive income per share response coefficient of firm I for the period t.

The Hausman test will be used to choose between a fixed-effect regression model and a random-effect regression model. Table 4.13 displays the results of the Hausman test for the Fifth hypothesis.

Table 4.13: Hausman Test – hypothesis five

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.7196551	1	0.0011

Based on Table 4.13, the value of Sig. is less than 0.05, indicating that the fixed effects model is more appropriate. Table 4.14 presents the outcomes of the fixed-effect regression model.

Table 4.14: The outcomes of the fixed-effect regression model-hypothesis five.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CIPS	0.308040	0.071198	4.326521	0.0000
FS	-0.083344	0.246342	-0.338327	0.7357
PL	0.095989	0.082722	1.160377	0.2483
C	0.542342	1.891848	0.286673	0.7749
Effects Specification				
R-squared	0.181540	Mean dependent var		0.075889
Adjusted R-squared	0.073847	S.D. dependent var		0.272154
S.E. of regression	0.261912	Akaike info criterion		0.273202
Sum squared resid	7.820164	Schwarz criterion		0.626129
Log likelihood	-1.758128	Hannan-Quinn criter.		0.416608
F-statistic	1.98521	Durbin-Watson stat		2.255698
Prob(F-statistic)	0.02351			

Table 4.14 displays the results of the regression analysis. The analysis demonstrates a positive impact of comprehensive income on stock returns, with a CIPS response coefficient of 0.308040 that is statistically significant at 0.05. This result highlights the usefulness of the comprehensive income figure. Table 4.14 reveals that the value of the Durbin-Watson statistic is 2.255698, indicating no autocorrelation in the residuals. These results solidify the outcomes.

4.5: Model Selection Criterion

In order to test the relative usefulness of competing accounting figures, the study used a number of statistical indicators to rank them according to their relative usefulness (Firth, 1981; Biddle et al., 1995). Table 4.15 shows an illustration of the measures used to rank the information content of the accounting variables under consideration.

Table 4.15: Model Selection Criterion

Statistical Indicator	Model Selection	Citation
Akaike info criterion	A lower AIC value generally indicates a better model	Akaike (2025). Anderson, Burnham, & White (1998). Vrieze (2012). Ludden, Beal, & Sheiner (1994). Koehler & Murphree (1988). Stone (1979).
Schwarz criterion / Bayesian Information Criterion (BIC),	The model with the lowest BIC value is generally preferred.	Ludden, Beal, & Sheiner (1994). Koehler & Murphree (1988). Stone (1979).

One objective of this thesis is to examine the relative value relevance of the accounting figures used. Table 4.16 displays the relative value relevance of these variables.

Table 4.16: The relative value relevance of accounting variables

Accounting Indicator	AIC	BIC
GPPS: Gross Profit per Share	0.3779	0.7308
NIFOPS: Net Income from Operations per Share	0.3603	0.7132
NIFCOPS: Net Income from Continuing Operations per Share	0.2603	0.6133
EPS: Earnings per Share	0.2813	0.6710
CIPS: Comprehensive Income per Share	0.2732	0.6261

Based on the rules presented in Table 4.15, Table 4.17 shows the relative value relevance of the competing accounting variables of performance.

Table 4.17: The relative usefulness from highest to lowest

Accounting Indicator	AIC	BIC
NIFCOPS: Net Income from Continuing Operations per Share	0.2603	0.6133
CIPS: Comprehensive Income per Share	0.2732	0.6261
EPS: Earnings per Share	0.2813	0.6710
NIFOPS: Net Income from Operations per Share	0.3603	0.7132
GPPS: Gross Profit per Share	0.3779	0.7308

Table 4.17 highlights that net income from continuing operations per share is the most significant figure in explaining the stock returns of the listed industrial and service corporations on the PEX. Conversely, gross profit per share holds the least relevance. These findings assist users in selecting accounting performance numbers based on their usefulness.

Chapter Five: Discussion of Results and Recommendations

The purpose of this thesis is to provide evidence from the reality of Palestinian industrial and service public shareholding companies listed on the Palestine Exchange regarding the relative information content of competing accounting performance indicators derived from the income statement. The performance indicators under consideration are as follows: Gross Profit, Net Income from Operations, Income from Continuing Operations, Earnings, and Comprehensive Income.

In order to address the hypotheses of the study, a descriptive-analytical approach was utilized by collecting panel data from secondary sources, such as financial reports and data from the Palestine Exchange. The study covered the period from 2015 to 2024, with a total of 130 firm-years observed. To assess the relative information content of the competing accounting performance indicators, stock returns (R) were used as the dependent variable to determine the strength of these indicators. To provide robust evidence, various econometric tests were conducted using SPSS and Eviews. These tests included descriptive statistics, correlation matrix, Ordinary Least Squares (OLS)/ regression analysis, diagnostic tests of OLS assumptions, Random Effect [RE] and Fixed Effect [FE] Models, Hausman Test for Selecting RE or FE, Akaike Information Criterion, and Schwarz Criterion/Bayesian Information Criterion (BIC) for model selection. The study also tested the applicability of regression analysis assumptions, such as normal distribution, multicollinearity, and error independence in regression models, and found that these assumptions were met.

This study is the first of its kind in Palestine, as it includes all the accounting performance indicators presented in the income statement. Therefore, this study will contribute to providing strong evidence on the relative importance of these variables.

This study makes both theoretical and practical contributions. The theoretical contribution lies in providing evidence from Palestine's reality on the relative importance of accounting performance indicators. This enriches the global accounting literature, particularly in the context of the Middle East. The practical significance of this study is in highlighting the indicators that have the most impact on stock prices in the industrial and service sectors. This information can assist decision-makers in relying on the strongest indicators when making strategic choices.

This study encountered several limitations, including the exclusion of the financial and investment sectors. The thesis focused on the Palestine Exchange, which was found to be inefficient at both the semi-strong and weak levels. The study was conducted between 2015 and 2024.

This study has yielded several important results, including:

Firstly, there is information content in the gross profit, indicating that this accounting figure has the ability to interpret the share prices of Palestinian industrial and service companies listed on the Palestine Exchange. This result is consistent with several previous studies, including those by Gibson (2004), Lento & Sayed (2015), Mahdi & Khaddafi (2020), Shi et al. (2021), and Mao (2023). The issue of whether the gross profit figure has information content is a controversial topic. Some previous studies, such as those by Vance (2021), Mahdi & Khaddafi (2020), and Ciptawan & Frandjaja (2022), have suggested that there is no benefit to using the gross profit index. The result of this thesis suggests that investors in the Palestinian market exercise an acceptable level of financial prudence.

Secondly, there is information content of Net Income from Operations (NIFO) for industrial and service corporations listed on the Palestine Exchange. This finding is consistent with numerous previous studies, including Brown & Sivakumar (2003), Chen & Wang (2004), Choiriyah et al. (2020), and Eng & Vichitsarawong (2022). However, some past research, such as that of Agnes Cheng (1993) and Baharlo et al. (2014), suggests a lack of usefulness in NIFO.

Thirdly, Curtis et al. (2014) demonstrated that Net Income from Continuing Operations holds more value relevance than earnings, while Lima et al. (2022) established that Net Income from Continuing Operations provides information beyond just the bottom line. The results of this thesis further supported the significant role of Net Income from Continuing Operations in explaining stock prices.

Fourthly, this thesis provides evidence of the usefulness of earnings from the reality of the Palestine Exchange. This result is consistent with many previous works, such as Ball & Brown (1968), Baharlo et al. (2014), Gharaibeh et al. (2022), and Saputra (2022). In contrast, Purba et al. (2022) argue that earnings per share do not significantly impact stock returns. Fatmawatie (2023) demonstrates that earnings have no significant

effect on stock prices. Additionally, Fadhilah & Akbar (2024) indicated that earnings per share do not significantly impact stock returns.

Fifthly, this thesis reveals the usefulness of Comprehensive Income. This finding aligns with previous research by Kanagaretnam et al. (2009), Acar and Karacaer (2017), El Madbouly and Muhammad (2019), and Fadlallah (2022). These studies have all concluded that total comprehensive income is valuable in predicting stock returns. This discovery encourages users to consider total comprehensive income as a significant indicator.

Finally, this thesis concludes that the variable with the highest value of relevance is Net Income from Continuing Operations, followed by Comprehensive Income, Earnings, Net Income from Operations, and lastly Gross Profit. This finding offers evidence regarding the relative usefulness of these five competing performance figures. Additionally, this result helps users to delve deeper and utilize more beneficial figures to reach a rational conclusion.

Based on these results, this thesis proposes the following recommendations:

1. Other researchers should apply this study to the financial and investment sectors within the Palestinian environment in order to bridge this gap.
2. Researchers should also consider applying this study to other markets in the Middle East or markets where evidence is lacking.
3. Palestinian investors should take the results of this study seriously when utilizing accounting performance indicators for investment or decision-making purposes.
4. This study recommend that the Palestine Exchange provide calculated figures per share for the performance indicators outlined in this study, and make them mandatory disclosure requirements. This is crucial for interpreting stock prices within the Palestinian context.

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ملخص

قدمت هذه الدراسة دليل من بورصة فلسطين فيما يتعلق بالمحتوى المعلوماتي النسبي لخمسة مؤشرات أداء متنافسة وهي (مجمل الربح، وصافي الربح من العمليات، والدخل من العمليات المستمرة، والأرباح، والدخل الشامل). تضمنت العينة الشركات الصناعية والخدمية، وتم جمع البيانات الثانوية من 2015 إلى 2024، مما أدى إلى ما مجموعه 130 مشاهده. وتم استخدام النهج الوصفي التحليلي من خلال جمع بيانات اللوحة من التقارير المالية وبورصة فلسطين، حيث تم استخدام عوائد الأسهم (R) كمتغير تابع لتقييم قوة هذه المؤشرات. وتم تنفيذ مجموعة من اختبارات الاقتصاد القياسي باستخدام SPSS وEviews، بما في ذلك الإحصاء الوصفي، ومصفوفة الارتباط، وتحليل الانحدار، والاختبارات التشخيصية لافتراضات الانحدار، ونماذج التأثير العشوائي (RE) والتأثير الثابت (FE)، واختبار هاوسمان لاختيار RE أو FE، ومعيار معلومات Akaike، ومعيار شوارتز / معيار معلومات بايز (BIC) لاختيار النموذج. وقد توفرت افتراضات تحليل الانحدار في البيانات مثل التوزيع الطبيعي وعدم وجود تعدد خطي واستقلال الخطأ. وأظهرت الدراسة أن هناك منفعة لجميع مؤشرات الأداء الخمسة التي تم اختبارها، حيث أظهر صافي الدخل من العمليات المستمرة أعلى منفعة، يليه الدخل الشامل، والأرباح، وصافي الدخل من العمليات، وإجمالي الربح. توفر هذه النتائج رؤى قيمة للمستخدم مما يساعده على اتخاذ القرار الرشيد. وتشمل التوصيات تطبيق هذه الدراسة على القطاعين المالي والاستثماري الفلسطيني، وكذلك الأسواق الأخرى في الشرق الأوسط، حيث لا توجد أدلة. ينصح المستثمرون الفلسطينيون بمراعاة هذه النتائج عند استخدام مؤشرات الأداء المحاسبي لأغراض اتخاذ القرار. بالإضافة إلى ذلك، وأيضا اوصي بورصة فلسطين الطلب من الشركات الفلسطينية المدرجة الإفصاح عن أرقام السهم المحسوبة لمؤشرات الأداء الموضحة في هذه الدراسة للمساعدة في تفسير أسعار الأسهم في السياق الفلسطيني.

الكلمات المفتاحية: بورصة فلسطين، مجمل الربح، صافي الدخل من العمليات، صافي الربح من العمليات المستمرة، الأرباح، الدخل الشامل، المنفعة النسبية.