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THE IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF SELECTED COMPANIES LISTED IN PALESTINE FINANCIAL MARKET

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Abstract

This study aimed to figure out the impact of corporate governance on Palestinian industrial and Service Company's performance. To achieve this aim, some questioned where raised, talking about corporate governance, and its most important principles as declared by Palestine Financial Market, and some financial indicators to measure companies' performance "Current ratio, Quick ratio, Earnings per share, Debt-to-assets ratio, and the return on equity". Research sample consisted of fourteen companies of which seven industrial companies and seven service companies listed in Palestine Financial Market. The descriptive method was used in analyzing the collected data. Industrial and service companies showed a real challenges in complying with corporate governance, as VOIC was the leading company in the selected industrial companies followed by JPH, whereas PALTEL, NIC and ABTRAJ in the service sector showed a healthy presentation towards their performance and a variation toward the compliance of corporate governance. On the other hand LADAEN, JCC in the industrial companies proved to face serious obstacles in their performance, as the results clarifies the continuous loses form 2014 to 2015 with an average mean of basic and diluted earnings per share (lose) of (-0.249 to -0.002) for JCC, and a loss of (-0.138 to -0.71) that might exit these companies from the era of business, while AHC, WASEL, BRAVO and WATANIYA showed critical issues towards their performance in the service sector, as proved by the loses these companies encountered, which in return might affect their performance, while in the eservice sector, as basic and diluted earnings per share (lose) in these companies of (-0.424 to -0.020). The research found many conclusions both theoretically and practically, the most important as far as the five indicators are concerned: all companies are trying hard in seeking and maintaining their performance in most of the industrial companies. While the weak point was in the service companies to achieve healthy performance as compared with the industrial sector. The research has provide several recommendations of which was the successful and healthy image some companies showed, therefore all companies listed in Palestine Financial Market need to continue on the issues of innovation and entrepreneurship, which leads to the innovation of new services and products which limit the ability of competitors to do with tradition, and to achieve the companies' ability to satisfy the demand in a timely manner, shaping it to customer need and expectation, especially after customers became the focal point of any industry and his voice should be heard and attained as customers has a

reflection on the achievement of revenue and profits that could contribute to the improvements of companies' performance.

Keywords: Corporate governance, financial indicators, Company performance, Palestine industrial and service companies.

I. INTRODUCTION

The corporate governance in its principles and its different procedures considered as one of the secretions of ownership separation from the administration and the emergence of agency theory, as corporate governance is far from being a reaction to the financial crisis here or there (Tornyeva & Wereko 2012). Even though in spite of this, the concept of crystallized corporate governance and its deployment has been associated with the emergence of financial problems experienced by major international companies, and the subsequent claims that there should be a set of rules and norms of ethical and professional principles in order to achieve the confidence and credibility of the information contained in the financial statements (Petra, 2007) As good corporate Governance provide the board of directors the appropriate incentives to achieve the goals, and improve the effectiveness of the control measures preventing manipulation and distortion and deception, and downwards the negative impact of the phenomenon of asymmetry of information (Ballesta and Meca, 2007) which would achieve the interests of various parties, and improve resource utilization efficiency to the benefit of the organization and achieve their goals (Byard et al. (2006)) .

By improving the legal and statutory framework of the organization corporate governance can direct the movement of economic activity in both the local and international community (Brown et al., 2010) as the appropriate corporate governance affects organization strategic decisions, and guide accountants, strengthen the independence of the external auditor, improve the level of performance and improve the mechanism for making investment decisions by investors by enhancing and restoring confidence in the consolidated financial reports and express it through the inside information, which would achieve the optimal exploitation of economic resources, and assist governments in future policy-making in order to achieve social welfare and economic growth (Fan and Wong, 2002), (Firth et al., 2007). As corporate governance has great importance in improving the performance of companies operating in the community and its role in achieving economic growth.

II. STATEMENT OF THE PROBLEM

The good implementation of corporate governance enables companies to reduce the number of risks they face and can enable them to compete and sustain, thus reflecting on companies' shares value and have a positive impact on the volume of trade; where Al-Najjar (2014) pointed out that corporate governance has an implicitly influence and contributes in improving the volume and value of trade on the shares by good and transparency management decisions, which in return will have a positive impact on the quality of production and services, and contribute as well as in improving the nature of the undisclosed information in terms of quality and neutrality in order

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to ensure the availability of opportunities for decision makers to take in the investment decision (Rajgopal et al., 2002) Therefore, the problem of this study sought to the answer the following questions:

- What is corporate governance? And what are its most important principles as declared by Palestine Financial Market?
- What is the level of corporate governance in listed companies in Palestine Financial Market?
- What is the disparity in the implementation of corporate governance among selected listed companies in Palestine Financial Market?
- What is the impact of implementing corporate governance to improve the performance of the following indicators:
    - Current ratio,
    - Quick ratio,
    - Earnings per share,
    - Debt-to-assets ratio, and
    - The return on equity.

III. THE IMPORTANCE OF THIS STUDY

This study considered important as it highlighted important role of implementing corporate governance in industrial and service sectors listed in Palestine Financial Market, which leads to a reduction of the risk to these companies, especially as recent experiences in the world have shown that poor governance in the banking systems and industrial companies in general leads to serious repercussions on national economies, therefore activating the principles of corporate governance, by applying their rules in the listed companies in Palestine Financial Market will work to improve the performance of these companies, which will reflect positively on the decisions of investors, and thus activating the economic in general, also stems from the importance of contributing to the identification of the causes of non-compliance of listed companies in Palestine Financial to disclose in accordance with the requirements of the regulation of corporate governance as declared by Palestine Financial Market, therefore this attempt will contribute to the development of the principles and rules of corporate governance in Palestine. This study is also considered important for Highlighting on the corporate governance and its role in the performance of listed companies in Palestine Financial Market, since determining the level of corporate governance will give important indications about the nature and quality of the financial information that affect the nature of future investment decisions in Palestine. Thus helping regulators, and monitoring organization of these companies to be developed through the issuance of a unified guide for corporate governance in Palestine. Furthermore this study will give the indicators as the first of its kind on the Corporate Governance relationship to performance, which will provide further evidence for interested parties in the listed companies in Palestine Financial Market such as investors, companies, legislative, regulatory and organization on the importance of corporate governance and its role in the improvement and restoration of shareholders and investors in subject companies in the confidence and the results of their work. Which would improve the investment decision-making process of the fact that good corporate governance is an important input into the decision-economic and investment decision-making process.

IV. THE OBJECTIVES OF THIS STUDY

In line with the above-mentioned research problem, the aim of this study is to figure out the impact of corporate governance on the performance of industrial companies listed in Palestine Financial Market, more specifically it sought to achieve the following objectives:

- Determining the level of corporate governance in industrial companies listed in Palestine Financial Market as declared by Palestine Financial Market.
- Determining the extent of the disparity in the level of implementation of corporate governance among industrial companies listed in Palestine Financial Market.
- To identify the impact of corporate governance in improving the company's financial performance indicators, namely: current ratio, quick ratio, earnings per share, debt-to-assets ratio, and the return on equity in selected companies listed in Palestine Financial Market.

V. REVIEW OF LITERATURE

Corporate governance known as a method or mechanism that is managed and monitored through the economic unit (OECD, 2003) therefore corporate governance considered as a tool for the distribution of gradient in power and responsibilities, and a means to ensure the rights of the various shareholders rights within the economic unity. Which would reduce the severity of conflict of interest, attracting investments of all kinds, whether individual or institutional (Brown & Caylor, 2006) and affect as well as the disclosure and quality levels and in the nature of policy-related to corporate governance (OECD, 2004) so that if the family property decreased, control supervisions increased resulting to an increased in the quality of financial reports and the degree of confidence in them (Mathiesen, 2002) that is because corporate governance has a significant impact in improving the work of the external auditors, thus increasing confidence to his work and promoting independence degrees to them (Abo-soud, 2005) this is not a limited impact on external audit but extends to the work of the internal auditors by increasing their commitments to the Charter of the ethics of the internal audit profession, the increased commitment on standard and the development of professional performance, and improve its practices and methods used (Shawwa, 2007) this promotes good level of corporate governance in the ability of economic unit to continue as it considered as an important tool in the face of risk management in defining powers, and activation of the system of internal control, including guaranteed protection of the rights of shareholders by maintaining economic unity resources (Aljuaidi, 2007). Accordingly, it is clear that the corporate governance affect the economic unity that applied in many ways, which is reflected in the performance of the indices (Hamdan & Jaber, 2013) and improves the decision-making process (Al-Sartawi & Hamdan, 2013). Many studies pointed out a causal relationship between corporate governance and performance. Ibrahim & Abdul Samad, (2011) pointed out in their studies that family businesses achieve a return on equity rate of better than non-family companies, but corporate governance mechanisms such as: the size of the board of directors, and the duplication of roles, and the independence of the board members have a significant effect on performance in non-family businesses. Brown & Caylor (2009), Gurbuz et al., (2010), both stressed that the presence of some of corporate governance mechanisms such as foundation investors, and good characteristics of the members of the board of directors, and audit committees have a positive impact on the financial and operational performance of the company, and the shares performance; so the market added value of the company affected by the rate of return on their investment, and the margin of net profit, and operating return on assets, and return on average of ordinary share to varying degrees according to the type of sector in which the company belongs to.

In addition to the forgoing many researchers have concluded that in the field of corporate governance there are a set of function relationship ties between corporate governance and the ratios of financial analysis of the company, as Tang & Wang, (2011), Chung et al. (2011) emphasize that the proper implementation of corporate governance contributes to increase and improve the company's liquidity. As they pointed out that the increasing of corporate governance levels by 1% contributes to increasing the company's annual sales ratio by 1.2%, which will be reflected in the increased cash flow ratio of the company from operating activities and improves liquidity and its ability to cope with any future financial requirements of an emergency. Also, they indicated that, the increase in sales means a real growth of profits, as in this case companies do not need to practice the profit management policies. Kang & Kim (2012) emphasize that companies with well-established corporate governance system was less tendencies toward profit management practices. This is a further evidence of the role of corporate governance in improving the performance of the company as a whole. Whereas companies that have hindered the implementation of the principles of corporate governance their performance level were not good, and investors' expectations were not appropriate towards such companies, unlike companies that maintained good levels of corporate governance, which earned a greater investment, and a high rate of Finance, accordingly to Cheung et al., (2011)

Development of Corporate Governance in Palestine

The globalization, and the rapid change in modern communication has led to the creation of a new atmosphere of competition on both the local and global levels for companies operating in Palestine. In recent years, the Palestinian National Authority issued a number of regulations organizing the work of the private sector such as the Monetary Authority Law, banks law, the Investment Promotion Law, the Financial Market Law, the Financial Security Law, the law of practicing the profession of auditing, and insurance law, the law of graft, the Law on anti-money laundering, and the law of 2008 on the amendment of the companies. This legislation has contained a number of provisions that fall within the governance rules of corporate governance in the global contest. In the same direction Palestine Financial Market Authority after direct coordination with Palestine Monetary Authority, and the International Finance Corporation (IFC) has considered rules for corporate governance in Palestine, due to their importance to the Palestinian economy in particular, as this subject has seen in recent year’s interest from different countries in the world, and by international institutions.

Accordingly, the formation of the National Committee for Corporate Governance in Palestine has been born, which includes representatives from several destination: "financial monetary, the economists, regulators and academic people". The National Committee for Corporate Governance decided to form a technical team to work on drafting a code for corporate governance in accordance with the principles and action plan developed by committee. The objective of the team has been in the preparation of corporate governance rules in Palestine, in accordance with the conditions and legislation prevailing in Palestine, taking into account the established principles in the area of corporate governance at the regional and international levels. http://www.hawkama.ps/Pages/Comp_Gov_Page.aspx

Definition of corporate governance in Palestine

The term corporate governance is a new terminology in the Arabic language, the researchers and scientist has different views and disagreed on a label at the outset, till the Arabic Language Academy in Cairo decided to call the system as corporate governance. Because corporate governance in the narrow sense is defines as a system under which companies are directed and controlled, and therefore there are a set of relationships between the executive body for the management of a company and its board of directors and shareholders. However the concept of corporate governance in its broad sense, as adopted by the committee in charge in the code issued by the (Palestine Financial Market), it is the rules and procedures under which the company's management grouped and controlled, by regulating the relations between the board of directors, and executive management, and shareholders, and other stakeholders, as well as social and environmental responsibility of the company. Thus, corporate governance is concerned, mainly, in the manner in which the company's management operates and controlled, and in examining the board of director's capacity to develop policies and feature the aims for the company in a consistent way with the interests of shareholders and other stakeholders.

The aim of implementing corporate governance rules in Palestine

Governance rules are particularly aimed at improving the quality of board of director's practices, and improve corporate performance and raise competitiveness, to raise the company's value, and strengthen other stakeholder's confidence in the company. Governance also helps in improving the investment climate, and activation of the financial market performance, raising the competitiveness of the economy by raising the confidence of clients in the company, and enhancing the country's ability to confront the dangers.

This code includes a set of corporate governance rules based on the laws and regulations in Palestine, and therefore companies are committed to apply culpable. At a time when most of these rules are based on an explicit legislative texts, some of them to a certain spirit of the text, while other based, on the general rules in the Palestinian legislation. Taking into account the fact that the Companies Act imposed in Palestine is relatively old, whereas attention to corporate governance is relatively new on the other hand, as this code was lunched in the late year 2009, this in return found some legislative texts that do not fit well with the principles of sound corporate governance. In these few cases that necessitated a completely sound corporate governance, the text on the principle involved is not consistent with the text of the current corporate law in Palestine because it's old and can't comply with the new rules. Therefore it was pointed out explicitly, with the recommendation to amend the text as required. Entries included a set of recommendations and guidelines, which are applied voluntarily by companies within the argument of the "Commitment and the interpretation of non-compliance" Accordingly, these recommendations and guidelines aimed at achieving a balance between the interests of different parties, leaving to each company enough flexibility to maintain their shape, size, and activity, and the method of management, which will enable them to determine the location of implementing the recommendations and guidance contained in this code, as long as they provide and disclose the reasons for non-compliance with any of the rules voluntary. Therefore this code consists of three rules as follows:

- Type I: rules based on explicit legislative texts, where implementation by the companies will be subject to legal liability, and is under penalty of social responsibility. As these rules were drafted in the code using terminology in the imperative mood such as: must, and may not be, and are entitled, and committed to, and is prohibited.
- Type II: the rules are consistent with international practices in the field of corporate governance, and has no conflict with any of the explicit legislative text or at least be one of the possibilities allowed by any legislative text, in this case the application will be voluntary by the companies according to the quotation "Commitment and non-compliance", as companies should explain why they are committed, while in the case on non-compliance, they should explain too, however in this case the implementation is a voluntary Commitment. These rules have been drafted in the code stating permissible advice, using terminology such as: Favored, or recommended and may allowed.
- Type III: It is the rules that are consistent with international practices in the field of corporate governance, but it is inconsistent with the explicit legislative texts in Palestine, in this case a recommendation frankly need to be edited in order to make local legislation to fit these practices and rules outside Palestine.

Taking into consideration that, the Capital Market Authority recently launched e-governance site, after it was developed and well-constructed to form a channel of communication and a major source of information related to corporate governance in Palestine www.hawkama.ps, as CMA is seeking, through the launch of this site to communicate with various stakeholders through the definition of corporate governance, objectives and scope of implementation in Palestine in terms of the formation of the National Governance Committee and technical team to ensure the preparation for the code of the corporate governance from the point view of the technical aspects, as well as related laws and regulations, and private news reporter affairs, to discuss corporate governance in Palestine, in addition to that all web researcher can browse and download the code of corporate governance rules in Palestine, in addition to the code of corporate governance of banks. http://www.hawkama.ps/Pages/Comp_Gov_Page.aspx

Principles of Corporate Governance in Palestine: Company management
First: Board of Directors

- Public Shareholding Company's board of directors must consist of at least five members and not exceeding eleven members, preferably reflect the composition of the board of shareholders, and expresses for capital distribution ratio. Therefore, it is permissible for a number of small shareholders holding 10% of the company's shares to have a representative elected in the Board of Directors, provided they present a number of nominated candidates for this position. Taking into consideration that the board of directors should end their terms after four years.

- The Board of Directors put in writing a system to avoid conflicts of interest that includes a minimum emphasis on the following:
    - The protection of minority shareholders, in favor of the use of cumulative voting at the polling to choose candidates for the Council
    - It is favored to be among the Council member's two independent members.
    - During the formation of the council, it's highly favored to be among the members of the Board new members, so to pump more expertise.
    - It is preferably the internal document system should includes the rules and procedure of the company to isolate a member from the Board of Directors due to dereliction in carrying out his duties as required.
    - It is recommended that the Chairman of the Board should not hold any other exceptive position in the company.
    - It is recommended to be in the Board of Directors members with leadership charisma.
    - It is recommended that company's internal document system should include the work of the Board of the management system, accurate specification to the Board and its committees and its members, and be discernment clearly about the powers of the general director General and other senior officials in the company.

Second: Executive Management

The general manager must be qualified and experienced and has enough integrity, as determined by the Board of Directors, and preferably be a full-time business, and has no relative relation with the chairman of the board of directors, or any members with the third degree relationship. And should the Board of Directors determines his responsibilities and his salary. In addition to that GM has the right to participate in all board of directors meetings.

Third: Auditing Committee

It is preferably that the decision was used to form the audit committee should determine terms of work, place and quorum meetings, and the way can be discharge of responsibilities, as this should be circulated within the company. The work of the Audit Committee is to ensure the transparency of the company's accounts and the ability of these accounts to provide shareholders and other stakeholders with reliable information on the size of financial and economic risks they are exposed. And therefore the audit committee reports should be submitted to the governing council on all matters that fall within its powers, so as to enable it to fulfill its mission in the oversight of the executive management, and to provide clear and reliable information, which will be directed to shareholders and investors.

International Journal of Business Quantitative Economics and Applied Management Research
Volume-3, Issue-9, February-2017 ISSN No: 2349-5677

Fourth: Disclosure and transparency

The company must comply with the disclosure requirements contained in the laws, regulations and instructions relied on, both with regard to daily disclosure of all significant matters or disclosure of periodic financial statements, and what should be contained in the annual report of the governing council, so as to make sure that decision-makers in the company make the right decisions, to assist external stakeholders, such as stockholders, investors, creditors, to take the right decision about where to put their money, as well as to reduce the incidence of fraud, corruption and rumors. And finally its highly recommended the company should have a website page on the Internet published by all the information and reports, providing documents that are considered public in accordance with governance code's laws and regulations and instructions relied on, in particular the company's various documents, such as company's internal system, establishment contract, annual reports, and the rights of shareholders to attend the general assembly meetings and vote, as well as the contribution of each of them in the capital and control in the company's ratios. http://www.hawkama.ps/Pages/Comp_Gov_Page.aspx

Research Methodology

In an effort to reach the targets set, the research reviews its finding based on the founded theoretical and analytical based on two approaches; descriptive and analytical method of the basic dimensions of the relationship between principle of corporate governance and the performance of selected companies with selected financial indicators, as the study data was collected through a review of financial statements and other disclosures relating to the surveyed companies of the Palestine Financial Market.

Population and Sample of the Study

For the purposes of confirming what was discussed previously, fourteen Palestinian industrial and service companies listed in Palestine Financial Market were randomly selected from the total of 48 service and industrial companies to form the sample of this study, as seven companies for each sector, therefore the sample of this study accounts for 14 companies of the total companies listed on the market from the industrial and service sectors to measure the variables of the study. The following table shows the sample distribution in this study, covering data collected by reviewing the financial reports of these companies from the period 2014 to 2015.

Table 1: Industrial Companies surveyed in this study

Company's Name	Abbreviation Name	Currency used
The National Carton Industry	NCI	US$
Jerusalem Pharmaceuticals	JPH	JD
Palestine Plastic Industries (LADAEN)	PPI	JD
Vegetable Oil Industries	VOIC	JD
National Aluminum Of Palestine	NAPCO	JD
Golden Wheat mills	GMC	JD
Jerusalem Cigarette Company	JCC	JD
Jerusalem Cigarette Company	JCC	JD

Table 2: Service Companies surveyed in this study

Company's Name	Abbreviation Name	Currency used
Wataniya Mobile Company	WATANIYA	US$
Arab Hotel Company	AHC	JD
Arab Palestinian Shopping Centers	BRAVO	US$
National Insurance	NIC	US$
Palestine Telecommunication Company	PALTEL	JD
Al-Wataniah Towers	ABRAJ	US$
Wassel Group	WASSEL	JD

To figure out the impact of companies that applies corporate governance and its impact on companies' performance on the basis of the relationship between the indicators that reflect company's performance. Some descriptive statistical tools have been utilized, mean, and standard deviation for the financial indicators namely:

- Current ratio,
- Quick ratio,
- Earnings per share,
- Debt-to-assets ratio, and
- The return on equity.

As well as to determine the impact of these variable with the measurement of the independent variables of the study of the principles of corporate governance; these are:

- Board of Directors whose members must not be less than 5 and not more than 11 members.
- The Board term in office should not exceed 4 years and it should come to an end when a new Board is elected.
- The Board Director and/or Board member may not participate in managing similar or competitive companies.
- Amongst the board members there should be two independent members.
- General Director must be free to work full-time and has no blood relation with the Board Director below the third degree.
- The external auditors should be licensed by the authorities and independent from the company.
- The external auditor or any of its employees should not be engage to perform the audit for the same firm for 5 consecutive years.

The researchers calculated the above financial indicators from the annual reports of the selected companies listed in Palestine Financial Market (statement of financial position, and the income statement) as follows: http://www.pex.ps/PSEWebSite/English/Default.aspx, noting that some companies as presented in tables_1 and 2 uses the US Dollar, while others uses the Jordanian Dinar, and since the calculation is taken by ratio it does not matter the type of currency used.

International Journal of Business Quantitative Economics and Applied Management Research
Volume-3, Issue-9, February-2017 ISSN No: 2349-5677

VI. MEASURING THE VARIABLES OF THE STUDY

First: the financial variables:

- Current ratio, or the working capital ratio: This ratio measures the amount of current liabilities that a company has for every one dollar of current assets. It is calculated by dividing current assets by current liabilities.
- Quick ratio. The quick ratio measures the number of dollars in cash and accounts receivables that there are for every one dollar in liabilities. It is calculated by adding cash and accounts receivable together and dividing that total by the amount of current liabilities.
- Earnings per share. Earnings per share, which is generally called EPS, measures how much net income is earned per share of a company's common stock. This ratio is calculated by dividing net income by the weighted average shares of common stock outstanding.
- Debt-to-assets is a fourth ratio that's important to a company. It tells how many assets a company has that are financed by debt, and it's calculated by dividing total liabilities by total assets. The lower the debt-to-assets ratio is, the better off the company is.
- Return on equity is a measure of the return on each dollar invested by stockholders. The way to calculate this is to divide net income by the average stockholder's equity. It is very important to note that the information you need to calculate these ratios comes from both the balance sheet and income statement of a company. http://www.investopedia.com/

Second: Principles of corporate governance variables:

The following shows the measurement of the independent variables of the study of the principles of corporate governance in accordance with code issued by Palestine Financial Market; these variable were interpreted as follows:

- Board of Directors whose members must not be less than 5 and not more than 11 members. Therefore if the board of director size within the range indicated in code it will be given the answer "Yes" that mean it comply else "No".
- The Board term in office should not exceed 4 years and it should come to an end when a new Board is elected. As if the members where not elected several terms it will be given "Yes" means it comply, else "No".
- The Board Director and/or Board member may not participate in managing similar or competitive companies. If the Board of Directors are not engaged in another business, it will be given "Yes", else "No".
- Amongst the board members there should be two independent members. If among the board at least two independent members it will be given "Yes" else "No".
- General Director must be free to work full-time and has no blood relation with the Board Director below the third degree. If the General director has no relative relation below the third degree, it will be given "Yes" else "No"
- The external auditors should be licensed by the authorities and independent from the company. If the external auditors are licensed by the authority and independent from the company it will be given "Yes", else "No".

International Journal of Business Quantitative Economics and Applied Management Research
Volume-3, Issue-9, February-2017 ISSN No: 2349-5677

- The external auditor or any of its employees should not be engage to perform the audit for the same firm for 5 consecutive years. If the external auditors are changed every five years it will be given "Yes", else "No"

VII. THE FIELD STUDY

Table 3: Industrial Companies
Company's Financial Performance Year 2014

	Indicators				
Company	Current Ratio	Quick Ratio	Earnings Per Share	Debt-to-Assets Ratio	Return on Equity
VOIC	5.044	3.359	1.221	0.067	0.241
JPH	2.482	1.513	0.083	0.348	0.041
GMC	4.613	3.140	0.011	0.115	0.010
NCI	5.612	4.445	0.063	0.118	0.056
LADAEN	1.205	0.472	-0.071	0.352	-0.283
NAPCO	1.111	0.899	0.041	0.549	0.027
JCC	0.804	0.416	-0.249	0.553	-0.147

Table 4: Industrial Companies
Company's Financial Performance Year 2015

	Indicators				
Company	Current Ratio	Quick Ratio	Earnings Per Share	Debt-to-Assets Ratio	Return on Equity
VOIC	4.637	2.824	1.341	0.066	0.230
JPH	3.151	1.933	0.130	0.293	0.061
GMC	1.960	0.945	-0.080	0.271	-0.082
NCI	4.160	3.413	0.097	0.164	0.084
LADAEN	0.620	0.219	-0.138	0.486	-1.221
NAPCO	1.013	0.878	0.011	0.567	0.007
JCC	1.062	0.672	0.002	0.428	0.001

Tables 3 and 4 represents industrial companies for tow financial years 2014 to 2015, as it could be seen from these tables, that investors and analysts can easily examine the liquidity of their company and its ability to pay short-term liabilities (debt and payables) with its short-term assets such as cash, inventory and receivables. Therefore investors of NCI, VOIC and GMC have the largest ratio of current assets which means that for every one US Dollars in liabilities, the company has $5.612, $5.044 and 4.613 respectively of assets, as the financial year 2014 presented. Whereas JCC seem to be in critical issue as each us dollars in its liabilities has only 0.804 in assets. However these indicators where consistent with Quick ratio with the same companies, but with different ranking (NCI, VOIC and GMC) respectively indicating that these companies have short-term liquidity, as this ratio measures the company's ability to use its quick assets such as

International Journal of Business Quantitative Economics and Applied Management Research
Volume-3, Issue-9, February-2017 ISSN No: 2349-5677

cash and cash equivalents, marketable securities and accounts receivable in order to pay its current liabilities. Therefore as seen in the table (NCI) for financial year 2014 has the largest ratio of 4.445 of liquid assets available to cover current liabilities. Whereas JCC and LADAEN register the lowest among other listed companies in this study. While for Earnings per share, as this indicator is a fairly simple ratio because it gives a flat dollar amount of what is being earned on every share of stock. In this case, VOIC registered the highest earning, where each dollar earns 0.221 for every one share of stock, as an investor is earning 1.221. Taking into consideration Debt-to-assets ratio, it could be seen that NAPCO has more than 0.54 of its assets financed by credit LADAEN, JCC registered 0.486 and 0.428 respectively financing their assets by credit, while VOICE registered the lowest credit in financing their assets (0.067) which mean a healthy situation for VOIC Company. Finally the Return on Equity as an indicator called a profitability indicator to the company which shows how good a company is as it tell common shareholders how effectively their money is being managed and utilized, and in this case VOICE registered the highest ratio (0.241), whereas LADAEN and JCC registered the lowest ratio of (-0.283 and –0.147) respectively indicating management inefficiency in utilizing its equity base with the minus return to investors. In general, as financial analysts consider return on equity ratios in the range of 15-20% as representing attractive levels of investment quality. http://www.investopedia.com/
Simultaneously, on the other hand the results came differently as table 4 showed the financial year 2015, as it showed VOIC with 4.637 current asset, followed by NCI and JPH with a ratios of 4.161 and 3.151 respectively, while GMC has a decrease from 4.613 FY_2014 to 1.960 FY_2015. While NCI still leading with its quick ratio among other companies of the two financial years as it registered a quick ratio of 3.413. On the other side it could be seen that NAPCO, LADAEN and JCC has the biggest ratio in covering their assets from credit. And these companies has a poor earnings per share and a poor return on equity, as financial year 2015 presented.

From the obtained foregoing ratios, researchers concluded that the higher the current ratio a company have, the more qualified the company to have enough cash, thus meeting and or can pay their present obligations revealing a larger ratio of asset value as its relative to the company's value of its liabilities. Taking into consideration that a ratio under 1.0 indicates that a company's liabilities are greater than its assets and suggests that the company in question would be unable to pay off its obligations if they came due at that point. While a current ratio below 1 shows that the company is not in good financial health, however this does not mean that the company could be in miserable situation. As there are different methods and ways for a company to access financing, and this is particularly true if a company has realistic expectations of future earnings against which it might borrow. On the other hand, a high ratio (over 3) as it was seen in several companies (NIC, VOIC, GMC, and JPH) does not necessarily indicate that these companies are in a state of financial well-being either. Depending on how the company's assets are located, it could be explained that a company with high current ratio might not be using its current assets efficiently and effectively, not securing financing well and/or not managing its working capital well. To better assess whether or not these issues present a liquidity ratio more specific than the current ratio is needed. Whereas the quick ratio measures the dollar amount of liquid assets available for each dollar of current liabilities. Thus, a quick

International Journal of Business Quantitative Economics and Applied Management Research
Volume-3, Issue-9, February-2017 ISSN No: 2349-5677

ratio of 4.445 as NCI financial year 2014 presented which means that a company has $4.445 of liquid assets available to cover each one us dollar of current liabilities. Therefore the higher the quick ratio, the better the company's liquidity position. http://www.investopedia.com/. Therefore its obvious that quick ratio is more conservative than the current ratio because it excludes inventories from current assets, and the ratio derives its name presumably from the fact that assets such as cash and marketable securities are quick sources of cash, while inventories generally take time to be converted into cash, and if they have to be sold quickly, the company may have to accept a lower price than its registered book value of these inventories. As a result, they are justifiably excluded from assets that are ready sources of immediate cash. Explaining the debt to asset ratio it's obvious to note that the higher the ratio the more leveraged the company will be, noting that the company is at most risk due to the debt, although having enough leveraged will serve the company to grow if they really use debt effectively, as debt ratio vary from company to company, even with the same line and industry. However if a debt ratio is greater than 100% thus the company has more assets and Vic versa. More specifically researchers came out with the following conclusion according to all industrial companies:

- VOIC, Due to the increase in cash and accounts receivable, VOIC showed a high trading ratio of more than 60 percent of its total current assets, meaning that VOIC is freezing its funds without exploitation, and it seems that the company cannot find the field of investing these funds without incurring risks. These ratios has been suited with a low debt ratio and high asset in return on equity, and it seems that the company follows a conservative policy in asset and liability management.
- JPH has a natural liquidity ratio as it's located in the range of normal ideal percentage recognized globally. Despite the fact that, the earnings per share and return on equity for this company was registered low due to the increase in the balance of accounts receivable of the company, and therefore there is a lot of frozen or uncollected funds that led to the decline in net profit of the company.
- GMC showed a healthy ratio with an increase of the liquidity ratio, however a decrease in earnings per share and return on equity was registered due to the increase in cash and accounts receivable.
- The liquidity ratios in NCI are largely high because of the rise in the balance of accounts receivable, which accounted for about 63% of the total current assets, this could be interpreted as the company is at big risk due to the fear of bad debts, prevailing that the company has a weakness in asset and liability management.
- LADAEN has a serious problems terms of asset management as the liquidity ratios significantly reduced with high debt-to-asset ratios, which constitute about half as well as the achievement of the company's losses and thus negative returns.
- NAPCO presented a Low rates, although somewhat it showed stability over the two years, however it experience a decline during the financial years 2015 when compared to the financial years 2014, with the increase in the debt-to-asset ratios of about 43%, which shows the weakness in asset management.
- JCC showed a low rates in general, although it was improved a little during the financial year 2015 when compared the FY in 2014 as the company emerged from the loss to profits due to the payment of part of its liabilities of 21% or (4.5 million) through an

increase in equity of 30% or (about 5 million), this is evidence of a slight improvement in the asset management, however still the asset and liability management is weak in this company, and remained less than desired.

Table 5: Service Companies
Company's Financial Performance Year 2014

	2014 Indicators				
Company	Current Ratio	Quick Ratio	Earnings Per Share	Debt-to-Assets Ratio	Return on Equity
AHC	0.603	0.286	0.032	0.416	0.034
WATANIYA	0.806	0.545	-0.064	0.721	-0.221
WASSEL	0.827	0.548	-0.424	1.000	-0.683
BRAVO	0.699	0.232	-0.067	0.368	-0.052
PALTEL	1.129	0.734	0.646	0.304	0.163
NIC	1.249	0.062	0.210	0.621	0.091
ABRAJ	1.849	0.251	0.010	0.046	0.008

Table 6: Service Companies
Company's Financial Performance Year 2015

	2015 Indicators				
Company	Current Ratio	Quick Ratio	Earnings Per Share	Debt-to-Assets Ratio	Return on Equity
AHC	0.400	0.196	0.046	0.429	0.053
WATANIYA	1.177	0.735	-0.020	0.718	-0.074
WASSEL	0.886	0.565	-0.049	1.000	-0.057
BRAVO	0.759	0.215	-0.078	0.491	-0.058
PALTEL	1.511	0.912	0.631	0.273	0.153
NIC	1.196	0.053	0.123	0.639	0.054
ABRAJ	1.444	0.264	0.020	0.075	0.018

Considering tables 4 and 5 with respect to companies of service sector for two financial years 2014 – 2015, it could be noted with that current assets of ABRAJ investors will be able to judge the liquidity of their company as the company can easily pay the short term liabilities, as the financial reports showed a ratio of 1.849 and 1.444 for two years meaning ABRAJ has 1.849 and 1.444 dollars in assets for each dollar it own in liabilities. This result was consistent with the ratio obtained from PALTEL and NIC respectively. However AHC, BRAVO, WATANIYA, and WASSEL came with the lowest ratio respectively as financial year 2014 presented, whereas WATANIYA in the financial repot 2015 its current asset exceeded the one us dollar showing an improvement from the previous year. Taking a close look to the previous tables it could be seen that measuring the dollar amount of liquid assets available for each dollar of current liabilities is inefficient with some companies that registered a ratio of less that 1.0 for all service companies, although PALTEL registered a ratio of 0.912 in the financial year 2015 which is a leading company in Palestine market as other ratios presented still PALTEL has a 0.912 of liquid assets available to cover each us dollar of current liabilities. Taking another look at the tables, it could be noted that earnings per share for the companies (WATANIYA, WASSEL, and BRAVO) have a major loses of (-0.423 to -0.020) and this was consistent with the Return on Equity ratios for these companies. Finally it could be noted that WASELL in the two financial years is at risk as the debt to asset ration registered a flat one meaning that WASSEL have more assets than liabilities as al the assets are covered by debt. More specifically researchers came out with the following conclusion regarding each service company:

- AHC experiencing low liquidity ratio and declined in 2015, although AHC company was able to increase the earnings per share and return on equity by increasing its reliance on private debt, especially the traded debt, which rose by about 28%, and therefore the company resorted to debt financing policy to increase profits, as this is a dangerous policy somewhat.
- Although WATANIYA presented an improvement in its liquidity ratios in FY 2015, however the company is still suffering from losses and thus negative returns resulting from the sharp rise in the ratio of debt to assets, which amounted to 72%, which means twice as much as the company's asset and liability have.
- WASEL experiencing low and less than the average standard ratios attributed, however it rose slightly in 2015 due to the increased current assets ratio of 50%, while current liabilities increased by 40%, but the asset and liability management in the company is still weak and that the company depends heavily on debt to finance their operations, where the debt to asset ratio of 100% although the company in FY 2015, has increased its reliance on equity by 99% with debt increased by 61%.
- BRAVO is witnessing a low liquidity ratios, although the trading ratio improved in FY 2015, but the quick ratio have decreased as a result of the increased in current liabilities by more than the cash increased by (56%) and accounts receivable was reduced by 11% (an increase of 7%), which means that there is an increase in inventory and an increase in the company's reliance on debt to financing their operations, which increased the company's losses in 2015 and thus increasing the negative returns, and this shows the weakness of the asset and liability management in the company.
- PALTEL presented a clear standard ratios especially in the FY 2015, where ratios have improved and the company has to repay part of its debt, which led to a decline in debt-to-asset ratios while maintaining an appropriate positive returns, these figures indicates a good asset and liability management in this company.
- It was obvious as NIC liquidity ratio was at the close level of the average standard ratios, however the quick ratio is low, as it has a decreased in liquidity ratio during FY 2015 due to an increase in the current liabilities ratio of 4%, and a slight decline in the current assets, while cash increased by 23% and accounts receivable was decreased by 34%, thus the decline was 13%, resulting into a decrease in the quick ratio, with a significant decrease in revenues due to the company’s increased reliance on debt to finance their operations, and this proved the weakness in asset and liability management of the company.
- ABRAG showed a good current ratio as it came with the range of the average standard ratios, but the quick ratio is low, however ABRAJ has been stable during the financial years 2014 and 2015, but remained low and less than the standard ratios, while revenues

were so low for this company, although it was slightly improved in the FY 2015, due to the result of increasing the company's reliance on debt to finance their operations, and as a result of that the debt ratio to equity was increased in FY 2015, as an increased in the company's liabilities of 70%, and this company has a serious problem in managing the asset and liability.

Table 7: achievement of companies' principles of governance – Industrial sector

Variable	VOIC	JPH	GMC	NCI	LADAEN	NAPCO	JCC
Board of Directors Size	7	11	9	7	7	9	11
Chairman multi position	Yes	yes	yes	yes	yes	yes	yes
Board members multi position	Yes	yes	yes	yes	yes	yes	yes
The Board term length	Yes	yes	yes	yes	yes	yes	yes
Two independent members	No	No	No	No	No	No	No
Independent external auditors	Yes	yes	yes	yes	yes	yes	yes
The external auditor 5 years period	No	No	No	No	No	No	No

Table 8: achievement of companies' principles of governance – Service sector

Variable	NIC	AHC	BRAVO	PALTEL	ABRAJ	WASEL	WATRANYA
Board of Directors Size	11	13	7	5	7	9	6
Board members multi position	Yes	yes	yes	yes	yes	yes	yes
The Board term length	Yes	yes	yes	yes	yes	yes	yes
The Board term length	Yes	yes	yes	yes	yes	yes	yes
Two independent members	No	No	No	No	No	No	No
Independent external auditors	Yes	yes	yes	yes	yes	yes	yes
The external auditor 5 years period	No	No	No	No	No	No	No

Taking a close look at the data in tables 7 & 8, it could be noted that all industrial and service companies complied with the corporate governance code issued by the Palestine financial market with respect to the board of director's number 5 to 11, except (AHC) with 13 members including the chairman. While all companies covered in this study showed that Board of director's members and the chairman has multi position with other companies ranging from member to general director and chairman. And at the same time they have no independent board members and the board member can serve in their duties several terms, as the code illustrated member should not serve more than four years, except for some members who are capable and experienced could be nominated and elected for another term. However it was noted from the financial reports that all companies rely on external auditor, but for more than five years as the code illustrated. From these results researchers concluded that most of the members of one company serve in another company as board of director member or chairman, or general director and this contradict with principle of corporate governance. Another issue researchers noticed with the external auditors as their names appears in the financial reports of 12 companies out f 14 companies covered in this study, meaning to say the same external auditors for one company is the same auditor for the other company, and this issue need an investigation.

VIII. CONCLUSION AND RECOMMENDATIONS

Conclusion

- Business organizations today faces significant challenges that lives in the organization environment, the most of these is the way organization works with its available content on the extent to enhance and improve the company's performance, as corporate governance came into birth and got interest with its rules by many companies nationwide and international wide, most of these companies due to the regional and international organizations specially after the global financial crises, claiming that there should be a set of rules and norms of ethical and professional principles in order to achieve the confidence and credibility of the information contained in the financial statements (Petra, 2007)
- Five financial indicators were used to figure out the impact of corporate governance on the company's performance covered in this study, as it showed VOIC the leading company with a good financial health in Palestine with the five ratios respectively, although it was noticed that VOIC are not utilizing its assets and liabilities wisely, as this ratio presents companies short term liquidity measuring companies' ability to meet and pay its short term obligation with the availability of its most liquid assets. As VOIC current ratio (5.044) which is five times the ideal percentage recognized globally. http://www.investopedia.com/terms/c/currentratio.asp , however NCI present even a higher ratio than VOIC (5.612) but with a minimal earnings per share and other ratios.
- GMC, and JPH showed a healthy ratios for the current and quick ratios but with unacceptable ratios for other indicators such as earnings per share, debt to asset and return on equity ratios. Whereas LADAEN, NAPCO and JCC showed a critical issues in all financial indicators.
- Among the service companies PALTEL, NIC, and ABRAG showed an acceptable ratios, while WATANIYA, AHC, WASEL, and BRAVO showed a critical ratios in their financial performance.
- Among the fourteen companies taken in this study all of them comply with the rules of the principle of corporate governance issued by Palestine Financial Market in regard to the board of directors members 5 to 11 except AHC with a 13 board of directors

International Journal of Business Quantitative Economics and Applied Management Research
Volume-3, Issue-9, February-2017 ISSN No: 2349-5677

members, while for the rest of indicators as code refers the study showed variation in other variables such as two independent members in the board of directors, and the independence of director general from board of directors, and the external auditors independency and finishes his term after five years of auditing in a certain company.

Recommendations

- It's highly recommended for all companies to take seriously the enforcement and monitoring of practicing ethically to enhance the existing rules and regulation of the principle of corporate governance code issued by Palestine Financial Market, as well as the transparency in financial annual reports that would support the good governance practice.
- It's strongly recommended the involvement of minority shareholder in the preparation of financial annual reports as it will give it an added value to improve the corporate governance.
- The accountability and indecency of auditors is an important tool to curry out the corporate governance agenda towards a better financial annual reports.
- In addition to that companies such as VOIC, NCI, NIC, GMC should analyze the increase in current ratios and find ways to utilize and invest the cash they have.
- In order to optimize the financial analysis, it is recommended to perform ROE analysis in parallel with a study of risks regarding the return of assets, an indicator showing the company's relative profitability to its size. Also, a viable alternative is the use of other performance indicators such as the added economic value.
- As several financial indicators was recommended by several related researches to be adopted in order to enhance companies' performance, research confirms the need for attention to financial instruments and indicators as one of the important means empower companies' performance to determine companies' position and then maintain it paying attention to the surveyed financial indicators related to net profit , cost to sales, earning per share, market added value, and net profit to property and equipment, being useful indicators to express the companies' performance position of the covered companies in this study with regard to the sector it belongs to, despite the circumstances and difficulties experienced by the Palestinian people.
- Companies need to continue on the issues of innovation and entrepreneurship, which leads to the innovation of new services and products which limit the ability of competitors to do with tradition, and to achieve the companies' ability to satisfy the demand in a timely manner, shaping it to customer need and expectation, especially after customers became the focal point of any industry and his voice should be heard and attained because of what customers has a reflection on the achievement of revenue and profits that could contribute to companies performance.
- Palestine Financial Market should harmonize their efforts toward implementing and controlling the code of corporate governance practices and at the same time the need to educate the public concerning corporate governance to develop good practices and regulations of corporate governance.

- All industrial and service companies should be managing their assets and liabilities wisely as it was noted that more than 90% of the companies have a serious problems in managing their asset and liability.

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RAW DATA

The Raw Data needed for calculating the following variables: Industrial companies

Variable	Current assets	Current liabilities	Total assets	Total Liabilities	Cash	Accounts receivable	net income	weighted average shares of common stock outstanding	average stockholder's equity
VOIC2015	5432613	1171455	24913944	1636087	1903394	1404572	5364433	4000000	23277857
VOIC2014	5228214	1036430	21692241	1446134	2102007	1378907	4885075	4000000	20246107
JPH2015	29116648	9241764	51192232	14983341	1677122	16186418	2224286	17060000	36208891
JPH2014	31174355	12558656	53002542	18425325	2889923	16110608	1409833	17060000	34577217
GMC2015	10073275	5139050	20041014	5424344	169099	4685784	(1194134)	15000000	14616670
GMC2014	7928145	1718637	17886656	2062568	2062406	3334140	163681	15000000	15824088
NCI2015	3991121	959419	6848706	1124218	765028	2509793	482720	5000000	5724488
NCI2014	3427649	610825	6383013	752945	481550	2233461	314664	5000000	5630068
LADAEN2015	414949	668790	1538627	747263	25010	121342	(965910)	7000000	791364
LADAEN2014	1017650	844500	2699993	951719	15861	383145	(494870)	7000000	1748274
NAPCO2015	11792483	11645097	23191044	13150771	3744329	6481977	72895	6900000	10040273
NAPCO2014	11590740	10431431	22852645	12540267	3461106	5920272	282783	6900000	10312378
JCC2015	16348698	15388107	38614179	16532244	268274	10065130	18671	10000000	22081935
JCC2014	16517941	20550677	38036030	21051532	435054	8105946	(2491021)	10000000	16984498

Data needed for calculating the following variables: Service companies

Variable	Current assets	Current liabilities	Total assets	Total Liabilities	Cash	Accounts receivable	net income	weighted average shares of common stock outstanding	average stockholder's equity
AHC2015	1511170	3777608	30143608	12940271	261944	479665	907853	19677185	17203337
AHC2014	1783459	2957913	30987245	12876055	259074	586476	621079	19677185	18111190
WATANIYA2015	43675301	37105661	247200841	177497784	19153712	8100789	(5137335)	258000000	69703057
WATANIYA2014	57902305	71852494	268180272	193339880	30063082	9065378	(16525607)	258000000	74840392
WASSEL2015	16022951	18081656	28972184	28972184	2889127	7320519	(582468)	11843149	10190528
WASSEL2014	10657636	12885808	18009788	18009788	2074065	4981229	(3500177)	8249985	5123980
BRAVO2015	3509090	4622708	18437732	9047605	385873	608257	(542834)	7000000	9390127
BRAVO2014	2788362	3990958	14154067	5213356	244048	680908	(468141)	7000000	8940711
PALTEL2015	235477000	155884000	746333000	203783000	63491000	78614000	83060000	131625,000	543050000
PALTEL2014	187526000	166133000	750705000	228366000	31097000	90775000	85068000	131625,000	522339000
NIC2015	52225032	43652696	74887224	47824889	1225937	1069978	1470420	11973931	27062335
NIC2014	52522524	42035438	73244670	45502411	997473	1626408	2525369	12000000	27742259
ABRAJ2015	864804	598752	13713922	1024463	42939	115397	223435	11000000	12689459
ABRAJ2014	933440	504876	13050322	596735	23940	102877	104742	11000000	12453587