



## Recovering Financial Statements of Oil Refining Companies under Free Market Conditions and its impact on the Assessment of their Financial Performance

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### ABSTRACT

The emergence of economic crises has forced countries to reform the development strategy with a view to improving economic management. The intervention of governments in the free functioning of the market to reduce social problems by paying subsidies in general and fixing prices have a lot of problems Which makes the information provided by the companies unrealistic and unviable. The most important advantage of the capital market is the transparency of information that despite the existence of huge subsidies in the refining industry (which have a huge contribution to Iran's economy) the clarity of information and the real performance of this industry have been distorted. In this research, the oil refining industry has been evaluated and while revising the financial statements in terms of price liberalization and the elimination of government subsidies, the financial performance of the companies has been evaluated. To test the research hypotheses, data were collected from 7 refineries in Tehran Stock Exchange for the period of 2006-2016. The analysis of hypotheses was done using multivariate model and combined data. The results of the research show that financial performance has a significant difference before and after price liberalization.

### Keywords:

performance evaluation, free market, subsidies for the refinery industry.



## 1. Introduction

The targeting of subsidies designed with two main axes of price liberalization and targeted subsidy distribution and eventually became law. The first part, which is the liberalization of prices, focuses more heavily on government subsidies in the energy carrier sector. Over the past years (before targeting subsidies), Iran was the second largest country to pay energy subsidies (Alizadeh, 2010). Paying subsidies, in particular subsidies for energy carriers, has contributed to the sharp increase in budget deficits and the resulting inflationary costs due to significant contributions from government spending. On the other hand, the elimination of these subsidies at one time, coupled with the cost-shock of supply, will result in a rapid growth of the general price level (Abu Nouri, Jafari Samimi and Mehnatfar, 2010). Hence, the government had to implement a policy of targeted subsidies and a gradual increase in the price of energy carriers, but with an increase in the general level of prices resulting from its implementation the government will inevitably compensate for some of the rising prices for low-income households, in part because of the rise in prices for energy carriers, which will address the second part. The second axis is the targeted distribution of subsidies. With the gradual release and realization of prices, the discussion identifies the target community and those who, directly or indirectly, lose all or part of their income as a result of the implementation of these economic policies, or in any other way are subject to violence (Alizadeh, 2010).

As indicated in the previous section, the energy sector is the center of gravity of the targeted subsidy law, and oil refineries, as one of the main actors in the energy sector, play an important role in the success or failure of targeted subsidies.

In Iran, we have a relatively long history of oil industry and increasing consumption of petroleum products, as well as significant economic, political and refining activities to meet these needs have caused awareness of the quality of oil refining operations, improvement and optimization of them to be considered. In the direction of clarifying and realizing the economy of the industry, there remain ambiguous and unresolved issues that many countries have solved in the early years of the formation of the crude oil refining industry. The ambiguous and unrealistic procedures of the feed prices received by refineries

and their delivery products have made it difficult to understand the economy of Iran's refineries. The supply of shares of refiners in the capital market and the allocation of a major part of this market to the industry has been made in terms of operational efficiency, transparency, and so on. Despite all these efforts, the industry still has ambiguities, and over the years has experienced the iconic industry of long-term stoppages. Indeed, it is referred to as the profit or loss of oil refineries in the capital market of a country, it is merely a self-made reality based on guidelines and regulations, and the financial statements of these companies represent realities the industry is not present and the turbulence and unusual fluctuations of the profits of these companies are largely unrealistic. In terms of policy, the refining industry, due to existence of three main supporting factors, had reduced the incentives for refineries to increase productivity: "The 5% discount on delivery costs, the higher purchase price of manufactured products, and the sometimes-changes of exchange rate, are the three main factors."

The observation of the performance of this industry shows that their profits and losses are highly variable and varied, and many shareholders have suffered losses in recent years, and reliable information that can be accurately analyzed for the performance of these companies is not available, or at least not provided. Therefore, it seems that the revision of the financial statements and the information contained therein under a free market can provide reliable and relevant information. This re-creation can be as a mirror in front of the actual performance of the companies and provide a more realistic picture of them.

## 2. Literature Review

### Theoretical background of research

#### • Price liberalization and financial performance evaluation

The subsidy in the Oxford vocabulary is meant: "The amount of resources that will be used to help the industry or the public sector to keep prices low for their services and supplies". Subsidy refers to any type of payment that is used to support low-income groups and improve the distribution of income from the state treasury. According to another definition, the subsidy is a cash and non-cash grant from the government (in

the form of an overlap between cost of service and expense), which directly and indirectly increases the purchasing power of consumers or increase the power of producer sales, fairer distribution of income, economic stability, and compensation for the effects of government policies for the maintenance or promotion of social welfare (Sharifi Renani, Honarvar and Mohammadi, 2012). Subsidies in the economic sense refer to free aid and government financial contributions at certain periods (in the culture, the culture of economic sciences), in the other definition subsidies is; the transfer of economic resources by the state to buyers or sellers of goods and services. As it reduces prices for buyers, or increases sales prices and costs of producing goods and services for producers. In this case, net subsidy effects are simultaneously supported by the producer and the consumer (Maleki Totunchi, 2006).

Subsidies for energy carriers are a category that has long been considered by various circles, trustees, authorities, and academic and research circles. Subsidies for energy carriers and targeting of energy subsidies are pursued in two areas: First, energy efficiency in our country is low, and secondly, the resources needed to invest in the energy sector do not respond to investment. Another point to consider is the separation of subsidies from different sectors of an economy, for example, there is no agreed definition of energy subsidies. The most complicated definition of energy subsidy adopted by the International Energy Agency (IEA) in 2002 and the Organization for Economic Co-operation and Development (OECD) in 2005 is any government action that is mainly related to the energy sector in such a way as to reduce the cost of energy production or increase the price of energy producers or reduce the price paid by energy consumers (Farzin, 2008). The report issued by the Research Center of the Islamic Consultative Assembly states: "The most influential of the liberalization of energy prices in the industrial sector relates to a variety of energy industries that include a large part of the energy industry. In this section, due to the high energy consumption, a number of industries are experiencing significant problems, including the fact that the liberalization of prices has led to an increase in the cost of raw materials, salaries and wages (Dehghani and Maghsudi, 2011).

The activities of refineries in Iran have been carried out in a state-controlled manner, and these

companies have continued to operate not only under conditions of free economic economy, but also in a rentier and subsidized environment, the condition that have not accelerated them and ultimately caused their technical and financial backwardness and their financial statements and financial performance to be unrealistic. In recent years, with the supply of capital stock companies in the capital market, steps have been taken to increase efficiency, to create transparency of information, to adhere to free market rules, and so on. But the gradual elimination of subsidies to this sector and its remaining major part still keep the industry from breathing in the atmosphere of a free economy.

#### • Performance evaluation

Using performance evaluation systems are the ways to deal with conflicts of interest between shareholders and managers. Performance appraisal is an important part of any management control system. Creating a strategic plan and controlling decisions requires information about how different units in a company operate (Hosseini, Fathi, Elahi: 2006). Duini et al. (2004) define the company's performance as follows:

"The company's performance is the external measure of company effectiveness that includes three general areas: (1) financial performance (profit, return on assets, and return on investment and ...), (2) market performance (sales, market share, etc.). And 3) equity returns (total equity returns, economic value added, etc.), as well as some texts (Bakidor et al., 1997; Bam et al., 2004), the criteria for measuring financial performance has been categorized according to the type of information used to calculate these criteria.

The decisive issue in performance evaluation is not the existence or absence of a benchmark of evaluation or how performance analysis is, but rather, information and data on which performance is measured. It is normal that any data that is unclear, unrealistic or inaccurate will cause any kind of evaluation and analysis. The main issue is the quality of information and data that is being evaluated and analyzed. At times and places where accurate and real data are not available, the use of data retrieval and information based on market information can be solvable. The topics discussed in the field of economics as *shadow prices*.

In the realm of economics, when prices are not the intersection of the supply and demand curve

intersections, or, in other words, the price of free-market goods and services are not formulated, estimating or the implied price of goods and services is used, which are referred to as shadow prices. Shadow prices are used in the cost benefit analysis and in the application of mathematical programming to the economy of the program. These prices represent the opportunity cost of producing or consuming goods and services and are generally not traded in the economy. In the market economy, some products, such as health, education, and environmental quality, do not enter the market. A set of shadow prices indicating the final proportion of the consumer's successor, or the final ratio of conversion between such goods and services, may be calculated. This price reflects the final cost of production or the final value of their use as sources or in the data.

In this research, using the shadow price model, with the removal of subsidies from the refining industry, we have tried to reconstruct the data needed to evaluate the performance of the companies.

#### • Empirical background of research

Dobou (2003) assessed the impact of energy subsidies on energy consumption and supply in Zimbabwe and concluded that the energy consumption of households using wood fuel with kerosene was 20.8 percent higher of households using electricity (at a subsidized price).

Lopez et al. (2006) examined the effect of public expenditure, including unsustainable subsidies (export subsidies, subsidies for forestry, subsidies on agricultural production) on the GDP of the agricultural sector. The researchers concluded that factors such as the supervision of executive agencies had a significant effect on the GDP of the agricultural sector, due to their impact on financial policy.

Alizadeh, M. (2010), in his study investigated the impact of privatization on financial, economic, and social performance, for evaluation of performance, indicators of return on equity, rate of return on investment, rate return on equity, earnings per share, operating profit ratio to fixed assets, and fixed asset turnover ratios were used. Ultimately, these comparisons were either not meaningful, or the performance of these companies was even worse after privatization.

Lin and Jiang (2011), in a paper on energy subsidy estimates and the impact of energy subsidy reform in

China, have investigated the effects of energy subsidy reform on macroeconomic variables in China. The results indicated that the complete elimination of subsidies, without re-distribution of income, would reduce economic welfare, GDP and employment.

Dehghani and Maghsoudi (2011), rising prices of energy carriers led to an increase in the price of mineral products, in particular steel products, zinc, aluminum and cement, prior to targeting subsidies and price liberalization, as well as reduces profit margins or eliminates profits.

Hosseini Nasab and Hazeri Nayyeri (2012) evaluated the impact of energy subsidy reform on GDP and inflation, based on the scenarios of the law approved by the Parliament in 2010, quantitatively and using the standard computable general equilibrium model. The results show that the rise in the price of energy carriers without redevelopment of income will result in a significant decrease in total production, employment rate and inflation.

Jiang, Zh. & Tan, J. (2013) studied the impact of removing energy subsidies on public prices in China. The findings of the study indicate that the removal of energy subsidies will have a significant impact on the energy industry in China, while the general level of prices will also increase. The elimination of subsidies for oil products also has the greatest impact on the economy.

Alami (2014) examined the performance of stock companies before and after the implementation of the first phase of targeted subsidies. The results indicated that only cash value added after the targeted subsidies diminished significantly. The other indicators of financial performance evaluation before and after targeting of subsidies did not show any significant difference.

Khan Mohammadi and Gharehdaghi (2014) examined the comparison of the performance of the companies that were assigned before and after the assignment based on the EFQM model and some financial indicators. The results of the research indicate that in all of the items, 43% increase in performance improved compared to pre-assignment.

Seydig et al. (2014) explored the effects of removing oil subsidies and their impact on economic and social factors. The results showed that the reduction of subsidies generally increased the GDP in Nigeria and could have a detrimental effect on household income, especially for poor families.

khodaveisi, Montakhab and Maam azizi (2016), examined the impact of the liberalization of energy carriers on the sugar industry in the country. The results indicated that by implementing subsidies targeting policy and consequently increasing the general level of prices, it would lead to an increase in the level of costs in the manufacturing sector and a negative effect on the average return on sugar industry index.

Walter, R. (2017), did a comparison between different economic and financial ratios. Results show that economic ratios were significant, while the financial ratios were not significant. The performance of research companies' shows increase in financial ratios, but not the economic ratios after privatization.

The study of theoretical literature and the research background led the research group to formulate the research hypotheses in order to obtain transparent information for assessing the performance of active companies in the refinery industry.

**First Hypothesis:** There is a significant difference between asset returns before and after price liberalization.

**Second hypothesis:** there is a significant difference between investment returns before and after price liberalization.

**Third Hypothesis:** There is a significant difference between earnings per share before and after price liberalization.

**Fourth hypothesis:** There is a significant difference between the net margin before and after price liberalization.

**Fifth hypothesis:** There is a significant difference between the cost of sales before and after the price liberalization.

**Sixth hypothesis:** There is a significant difference between the return on equity before and after the price liberalization.

### 3. Methodology

The research population of this study includes refiners of the member of the stock exchange, selected as sample. The sample includes seven refineries: all active refineries by 2016. Taking into account the research time period, a total of 77 observations (year-to-company) were used to test the hypotheses of this research.

### Research models

To evaluate the research hypotheses, the multivariate regression model has been used as follows.

Model 1)

$$"\Delta ROA = \alpha_0 + b_1.\Delta SAL + b_2.\Delta CGS + b_3. \Delta TS + \epsilon it"$$

Model 2)

$$"\Delta ROCE = \alpha_0 + b_1.\Delta SAL + b_2.\Delta CGS + \epsilon it"$$

Model 3)

$$"\Delta EPS = \alpha_0 + b_1.\Delta SAL + b_2.\Delta CGS + b_3. \Delta TS + \epsilon it"$$

Model 4)

$$"\Delta PM = \alpha_0 + b_1.\Delta SAL + b_2.\Delta CGS + b_3. \Delta TS + \epsilon it"$$

Model 5)

$$"\Delta CS = \alpha_0 + b_1.\Delta SAL + b_2.\Delta CGS + \epsilon it"$$

Model 6)

$$"\Delta ROE = \alpha_0 + b_1.\Delta SAL + b_2.\Delta CGS + b_3. \Delta TS + \epsilon it"$$

### Research variables

**Return on Assets (ROA):** Return on assets represents the ability of management in the efficient use of assets and focuses more on the return on the operations segment. One of the important advantages of the rate of return on assets is that it forces executives to control their operational assets, and they always control operations assets by controlling costs, net profit rates and sales volumes.

Return on assets is obtained through the relationship 1 (Pinovo, 2011).

**Relationship 1)**

$$Return\ on\ assets = (Net\ profit) / (Total\ assets)$$

**Return on capital employed (ROCE):** Return on capital employed is a type of return on investment, similar to the return on assets, with the difference that in the denominator the average value of the assets used it is meant to be. The purpose of the capital employed is the funds provided by the equity holders of the company for a long time. Return on capital employed is calculated according to relationship 2 (Harcher, 2011).

**Relationship 2)**

$$"Return\ on\ capital\ employed" = Profit\ before\ deduction\ of\ interest\ and\ taxes / capital\ employed$$

**Earnings per share (EPS):** Earnings per share is another indicator that shows the profitability of a company. It is a financial statistic, which is generally

regarded by investors and financial analysts and is often used to assess profitability and risk associated with profits, as well as judgments about stock prices, and shows the benefit of participating in a given period for one Normal share has gained (Brun et al. 2012). In order to calculate this ratio, relationship 3 is used.

**Relationship 3)**

*EPS= Net profit available to ordinary shareholders/Number of shares issued*

**Net profit margin (PM):** The net profit margin actually controls non-operational costs in the company's profitability process, and the higher the ratio, the higher the profitability of the company and its ability to reduce the total costs of the company, in other words, is its high efficiency. Accordingly, the computational formula of the above equation is in accordance with relationship 4 (Pinovo, 2011).

**Relationship 4)**

*Net profit margin (PM)=net profit/ total sale*

**Cost of the goods Sold (CS):** This ratio is expressed as a percentage. The longer the sales price gap and the higher net sales, the greater the profits from the sale of the product, and this proportion is smaller. In companies and businesses, this effort is being made to the smallest possible extent. The computational formula of the above equation is in accordance with relationship 5 (Harcher, 2011).

**Relationship 5)**

*CS= the cost of the goods sold / total sales*

**Return on Equity (ROE):** The financial ratio overlooks the company's ability to generate net profit for shareholders. In fact, this ratio states that how much the firm earns a net profit for a one of shareholder investment. Accordingly, the computational formula of the above equation is in accordance with relationship 6 (Pinovo, 2011).

**Relationship 6)**

*Return on Equity (ROE) = net profit/ equity of shareholders*

**Sales Changes (SAL):** In view of the elimination of sales subsidies, in order to recreate the financial statements in the conditions of the release of prices, it was necessary to calculate and present the new sales by recalculating sales in the elimination of subsidies. Therefore, the hypothesis was tested by applying the percent change from the sale provided in the profit and loss account with the sale that was obtained after the

reconciliation of the financial statements. To achieve such a goal, the relationship 7 was used (Harcher, 2011).

**relationship 7)**

*"Δ SAL"= ("SALt" -" SALt-1")/"SALt-1"*

*Where in:*

*Δ SAL= sales changes*

*SALt= sales after the elimination of subsidies*

*SALt-1= sales before the elimination of subsidies*

**Cost Changes (CGS):** In the aftermath of the revision of the profit and loss information, with the elimination of the subsidies on the cost price of the sold goods, the information was revised to profit and loss. Therefore, the new cost was calculated by recalculating the sold product in the elimination of subsidies. What was required to test the relevant hypothesis was the amount of changes in the cost of sales of goods after the elimination of subsidies of this sector than before the removal of subsidies, which was used to calculate it from relationship 8 (Harcher, 2011).

**Relationship 8)**

*"Δ CGS=" "CGSt -CGSt-1" /"CGSt-1"*

*Where in:*

*Δ CGS=cost changes of the goods soled*

*CGSt= the cost of goods sold after the removal of subsidies (assumed)*

*CGSt-1= the cost of goods sold before eliminating subsidies*

**Tax savings (TS):** Because the profit or loss after the reinstatement of the profit or loss account has undergone a lot of changes, the calculated tax should be restated. But given that after rebuilding the profit or loss statements all of the refineries in most of the years were loss-making, therefore some kind of tax savings for them from losses was created, which these changes were considered in the calculation of financial performance so that the calculations performed were as close as possible to reality. Accordingly, the computational formula of the above equation is in accordance with relationship 9 (Harcher, 2011).

**Relationship 9)**

*"TS =" "TAXt-TAXt-1" /"TAXt-1"*

Where in:

TS = Tax savings

TAXt= Tax after the elimination of subsidies (assumed)

TAXt-1= Tax before the elimination of subsidies

From above variables, "Return on Assets", "Return on Capital Employed", "Earnings per Share", "Profit Margin", "and Cost to Sale Ratio" and "Return on Equity" are dependent variables. "Changes in Sales", "Changes in Costs" and "Tax Savings" are control variables (Pinovo, 2011).

## 4. Results

### Descriptive Statistics

The average is the main and most important central index, which represents the balance and the center of gravity distribution. In Table 1, the average return on assets after elimination of subsidies is -1.13, which indicates that the average return on assets has the most negative growth, and the average change in the cost is -0 / 51, which indicates that the average change in the cost has the lowest negative growth rate. Also, considering the results of descriptive statistics and the fact that the median and mean values of most research variables are closely related, it can be said that all variables have a good distribution. The Kurtosis above three and the Skewness near zero shows the distribution of data is normal. As can be seen in Table 1, most of the variables Skewness is near zero either with negative amount or positive amount: ROA (0.60), PM (0.79), ROE (0.59), C/S (0.87). And the Kurtosis for most of the variables are above three: ROA (3.59), PM (3.13), ROCE (19.27), ROE (3.17), EPS (4.25).

### Inferential statistics

Prior to estimating the research models, the assumptions of regression models were evaluated by determining the method of estimating the combined data. Limer and Hausman F tests supported the fixed effect method for estimating the combined data of the research, the results of which are presented in the lower part of Table 2.

Regarding to the significance level of less than 5% of the F statistics in all models, fitted regression models are generally significant and this suggests that the explanatory variables of all models have a significant effect on dependent variables. Also, due to the relatively moderate coefficient of determination of all regression models, explanatory variables explain the appropriate percentages of changes in the financial performance of the companies. Also, the Watson camera statistics of all fitted models show that fitted models lack solidarity in themselves.

As Table 3 shows, SAL changes and CGS and tax savings (TS), as independent variables with a significance level of less than 5%, as shown in Table 3, show that the change in sales of refineries (SAL) have a significant relationship with return on investment (ROA), return on investment (ROCE), earnings per share (EPS), margin (PM), cost to sell (CS) and return on equity (ROE), in the confidence level is **95%**. Also, the variable of sales and tax savings is positive and direct. However, due to the negative value of Beta coefficient of cost variation (CGS) in most models, this indicates that this variable has a negative relation and its direction is inverse. Consequently, due to the existence of a significant relationship in fitted models, the H1 assumption is confirmed in all hypotheses and the assumption H0 is rejected.

Table 1. Descriptive statistics of research variables

variables	Number of observations	mean	median	variation range	Standard deviation	Skewness	Kurtosis
Return on assets	77	-1/13	-1/25	4/23	0/74	0/60	3.59
Profit margin	77	-1/07	-1/21	2/59	0/63	0/79	3.13
Return on capital employed	77	-0/94	-1/02	9/72	1/13	-2/48	19.27
Return on equity	77	-1/06	-1/09	1/97	0/46	0/59	3/17
Earnings per share	77	-0/83	-1/04	3/88	0/84	1/27	4/25
Cost to Sale ratio	77	-0/63	-1/02	3/48	0/87	0/87	2/88
Sales changes	77	-0/55	-0/35	2/35	0/63	-0/83	2/53
Changes in cost	77	-0/51	-0/36	3/9	0/78	-0/04	2/62
Tax savings	77	-0/88	-1	2/99	0/54	0/81	4/19

Table 2. F Test results of Lemmer and Hausman

variables	Return on assets	Return on capital employed	Earnings per share	Profit margin	Cost to Sale ratio	Return on equity
test	Prob.	Prob.	Prob.	Prob.	Prob.	Prob.
Cross-section F	0.0154	0.0056	0.0431	0.0131	0.0006	0.0003
Cross-section Random	0.0006	0.0091	0.0074	0.0053	0.0434	0.0105
Interpretation of the Hausman F test	Estimates using static effects method					

Table 3. Results of statistical tests of research hypotheses

Dependant variable	Independent variable	coefficient	Standard deviation	T statics	prob	
Return on assets	SAL	38/6834	8/2260	4/7025	0/0000	
	CGS	-3/3556	0/1030	-32/5539	0/0000	
	TS	1/9826	0/1307	15/1589	0/0000	
	C	19/0679	0/6543	29/1393	0/0000	
	0/0000 :prob		594/6536		:f statics	
2/3219		: DW statics		0/9900 :Adj-R <sup>2</sup>		
Return on capital employed	SAL	52/8295	13/5573	3/8967	0/0003	
	CGS	-4/2765	0/4127	-10/3611	0/0000	
	C	15/4342	2/5050	6/1411	0/0000	
	0/0000 :prob		28/8081		:f statics	
	2/3233		:DW		0/8348 :Adj-R <sup>2</sup>	
Earnings per share	SAL	146/1614	15/8552	9/2185	0/0000	
	CGS	-8/5843	0/6389	-13/4636	0/0000	
	TS	2/4733	0/3088	8/0095	0/0000	
	C	23/6557	3/3755	7/0080	0/0000	
	0/0000:prob		60/6224		:f statics	
2/4409		:DW statics		0/9155 :Adj-R <sup>2</sup>		
Profit margin	SAL	95/9999	33/3599	2/8622	0/0064	
	CGS	-6/3588	0/7880	-8/0692	0/0000	
	TS	2/7371	0/7389	3/7043	0/0006	
	C	15/6893	4/5437	3/4529	0/0012	
	0/0000 :prob		16/1532		:f statics	
2/2922		:DW statics		0/7336 :Adj-R <sup>2</sup>		
Cost to Sale ratio	SAL	-1/2277	0/0060	-203/7059	0/0015	
	CGS	1/0314	0/0006	1612	0/0000	
	C	-0.0043	0/0003	-13/5432	0/0012	
	0/0000 :prob		17/2197		:f statics	
	2/2970		:DW statics		0/7467 :Adj-R <sup>2</sup>	
Return on equity	SAL	0/6495	0/0057	112/9721	0/0000	
	CGS	-0/0006	0/0002	-2/9651	0/0048	
	TS	0/0975	0/0125	7/7940	0/0000	
	C	-0/0076	0/0001	-57/6287	0/0000	
	0/0000 :prob		6/5997		:f statics	
2/2970		:DW statics		0/6346 :Adj-R <sup>2</sup>		

## 5. Discussion and Conclusions

The purpose of this study was to reconstruct the financial statements of refiners in terms of price liberalization and then to calculate financial performance and compare these ratios with the ratios before release. For this purpose, first, from the website of the Ministry of Oil and the parliamentary decrees the amount of grants and subsidies received by the refineries calculated, and then proceeded to reinstate the profit and loss account in the event of the removal of subsidies. Finally, we used financial performance indicators to measure the return on assets, capital employed, earnings per share, margin, profit and loss ratio, and return on equity. The results of the hypotheses show that there is a significant difference between price liberalization and financial performance. This significant difference indicates that what in the capital market of the country is referred to as the profit or loss of crude oil refineries is merely a self-made reality based on guidelines and regulations. The findings of this research in this regard were compared with the results of Khodveisi et al. (2016), Azizi (2005), Dehghani and Maghsoudi (2011), Najat, Mirzadeh, Javaheri and Shahbazi (2010) regarding the loss-making of companies and the decline in financial performance after the release of prices that is consistent with Jiang and Tan (2013), and it is in contrast with Alami et al. (2014), Khan Mohammadi and Gharehdaghi (2014).

The test results of the research hypotheses show that the profits and losses of the refineries in Iran are highly variable and varied, and many Iranian shareholders have suffered losses in recent years, and the companies did not have any reliable information that can be used to analyze the correctness of this performance. Also, the uncertainty surrounding the pricing of feeds, raw materials and products has delayed the reporting of these companies and, in many cases, stopped the trademark of the companies. Therefore, it is suggested to the government to release prices by preparing infrastructure. However, in the short term, the decline in profits in these industries is evident. But on the other hand, this law is one of the seven projects of the economic development plan of the country and its implementation is necessary, as well as the most important advantages of law enforcement of subsidy targeting, greater transparency and realization of relative prices in the market, and as a result of correction of price signals in resource

allocation in the economy of the country so that these companies can operate in a competitive market; because in free markets, the prices of outputs and inputs are based on the market mechanism and financial statements reflect the reality in the industry. Obviously, investors can confidently invest in the shares of these companies.

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