Value Relevance of Accounting Information: An Empirical Study of Selected Indian Firms

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Abstract- The present study analyses the combined, individual, and incremental value relevance of accounting information produced by firms listed on the S&P BSE-500 for FY-2006 to FY-2010, and changes therein over a period of time. Results provide sufficient evidence that accounting information is value relevant for BSE-listed firms. The combined value relevance of accounting information represented by earnings per share and book value per share has declined while there have been insignificant changes in the incremental value relevance of accounting information.

Index Terms- Value relevance, earnings per share, book value of equity per share.

I. INTRODUCTION

Value relevance research is motivated by the fact that listed firms use financial statements as one of the major medium of communication with their shareholders and public at large. Market usually depends on financial reports prepared by the management of such firms. For making the financial reporting to be effective, information contained in the financial reports should be relevant and reliable (Barth et al., 2001). Information is considered to be relevant when it influences the users’ decisions to form predictions or help in confirming or correcting the past evaluations, while, it is considered reliable if can be depended upon to faithfully represent the transactions or events that it aims to represent without any undue error or bias (FASB, 1976). According to Barth et al. (2001) a value relevant information should have both the features of relevance and reliability.

The value of a firm is based on what the market perceives about its performance, and accounting disclosures provide the essential information so as to form the basis of such perception. Many studies have examined the value relevance of earnings per share (EPS), book value of equity per share (BVPS), and cash flows. Such studies have reported that earnings and book values have significant information content for equity valuation of a firm (e.g., Dechow, 1994; Cheng et al., 1996; Pfeffer et al., 1998; Holthousen and Watts, 2001; Choi et al., 2006; Kwon, 2009). Earnings and book values are considered more value relevant for firm’s valuation than cash flows, as cash flows usually have severe matching and timing problems (Ohlson, 1995; Barth et al., 1998; Collins et al., 1999). Studies have also suggested that the value relevance of earnings and book values move inversely to one another, and that decline in value relevance of earnings is accompanied by increase in value relevance of book values (Berger et al., 1996; Burgstahler and Dichev, 1997; Collins et al., 1997).

Research on value relevance of accounting information has lately drawn attention of both practitioners and academicians, specifically, during the global financial crisis of 2007-2009 reported by North America and European banks. Further, the recent scandals in India, such as the fraud at Satyam, have also highlighted the value relevance of accounting information for the Indian capital market (Krishnan and Krishnan, 2013). However, in India, the researchers have mainly focused on value relevance of financial statements with main focus on cash flow reporting (Vishnani and Shah, 2008; Srinivasan and Narsimhan, 2010).

II. LITERATURE REVIEW

This part of literature review has focused on studies that have examined the value relevance of accounting information. An accounting figure is value relevant if it has a significant strong predicted association with the stock prices or stock market indicators such as price-to-earnings or price-to-book ratios (Amir et al., 1993). A large part of literature has identified earnings per share (EPS) and book value per share (BVPS) as the two most important accounting measures that have a significant positive association with market value of a firm, proxy by share prices (e.g., El-Gazzar et al., 2006; Clarkson et al., 2009; Oyerinde, 2009; Alfaraih and Alanezi, 2011; Khanagha et al., 2011). Hunt et al. (1997) reported that the incremental explanatory power of BVPS has been found to be higher than that of EPS. The explanatory power of earnings and book value for stock prices in China had increased over time through 1992 to 1996 (Bao and Chow, 1999). Using a return and price model, Chen et al. (2001) examined the relationship between accounting information represented by EPS and BVPS, and stock price in the Chinese stock market during 1991-1998. Their findings showed that accounting information was value relevant according to both pooled cross-section and time-series regression.

Safajou et al. (2005) examined the empirical relationship of EPS and BVPS with stock market value, using the Ohlson (1995) model for the period 1997-2003. The results showed that there was a significant relationship between EPS, BVPS and price. Ragab and Omran (2006) investigated the value relevance of earnings and book values in the Egyptian market from 1998-2002 and explored that, based on both returns and price models, EPS and BVPS were all relevant and explained about 40 percent of the variation in stock prices. Qystein and Frode (2007) evaluated the value relevance of financial reporting over a period of 40 years highlighting that the value relevance of Norwegian
GAAP was non-declining throughout 1965-2004. Chandra and Ro (2008) found that the combined value relevance of earnings and revenues had stayed constant and that the value relevance of earnings had declined while the impact of revenues on price had not decreased. Pourheydari et al. (2008) compared the value relevance of book value and dividends versus book value and reported earnings in the Tehran Stock Exchange from 1996-2004. The results indicated that there was a positive relationship of dividends, book value, and earnings with stock market value. Dung (2010) tested the value relevance of financial statement information on the Vietnamese stock market. Results showed that the value relevance of accounting information was statistically meaningful, though somewhat weaker than in other developed and emerging markets. Filip (2010) investigated the impact of the mandatory IFRS adoption in Romania to show an increase in the value relevance of earnings post IFRS implementation.

Some studies have examined the value relevance of earnings and book values for voluntary early adopters of the International Accounting Standards (IASs). Bartov et al. (2005) examined the effect of adoption of IASs for their sample of 37 German companies using a linear pricing model. They employed a pre-post design and found an increase in the value relevance of earnings on switching from the German GAAP to IASs. Hung and Subramanyam (2007) explored the value relevance of re-statement differences for 80 voluntary (early) IASs adopters in Germany. They found that the combined value relevance of EPS and BVPS decreased after switch to the IASs. Barth et al. (2008), used a pre-post design for a sample of 319 firms that voluntarily adopted IASs between 1994-2003, found that the \( R^2 \) for the price level model increased from 28 percent to 40 percent in the adoption year relative to the pre-adoption year for the IASs adopters.

III. OBJECTIVES OF THE STUDY
- To determine the value relevance of accounting information represented by earnings and book values, and
- To examine the changes in the value relevance of accounting information over a period of time.

IV. RESEARCH METHODOLOGY

The S&P BSE-500 Index constitutes the population for the present analysis. The study has been carried out for the financial years April 01, 2006 to March 31, 2011. Companies in the banking, insurance, finance industry, and central public sector enterprises (CPSEs) were eliminated due to their unique industry regulations. Finally, companies with missing data over the study period and financial year ending other than the fiscal year (April 01 - March 31) of a particular year were excluded from the analysis. These sample selection criteria resulted in a final sample of 241 firms with 1,205 firm-year observations over the five year study period for assessing the value relevance of accounting information.

The data required for the study relates to the stock price and financial reporting information, which has been obtained from the corporate database (PROWESS) maintained by the Center for Monitoring the Indian Economy (CMIE), annual reports of the companies, and the website of the BSE (http://www.bseindia.com) and Moneycontrol (http://www.moneycontrol.com). In order to examine the value relevance of accounting information, the measurement approach of value relevance has been used. According to this approach, value relevance of financial statements is measured by their ability to capture or summarize the information that has affected stock price summaries which makes them relevant in equity valuation. The Ohlson (1995) Price Valuation Model has been used in the present study to determine the value relevance of accounting information. This model expresses market price per share (\( MP \)) as a function of both earnings per share (\( EPS \)) and book value per share (\( BVPS \)). The following Value Relevance Models have been used to assess the value relevance of accounting information:

- **Model 1:** \( MP_j = \alpha_0 + \alpha_1 EPS_j + \alpha_2 BVPS_j + e_j \)
- **Model 2:** \( MP_j = \beta_0 + \beta_1 EPS_j + e_j \)
- **Model 3:** \( MP_j = \gamma_0 + \gamma_1 BVPS_j + e_j \)

where \( MP_j = \) Market price per share of firm \( j \) in year \( t \) three months after the balance sheet date \( EPS_j = \) Earnings per share based on PAT for firm \( j \) in year \( t \) \( BVPS_j = \) Book value of equity per share for firm \( j \) in year \( t \) \( e_j = \) Error term for firm \( j \) in year \( t \)

V. RESEARCH HYPOTHESES

Based on literature review, following research hypotheses have been formulated regarding value relevance of accounting information:

**H1a:** There is a positive relationship between market value of a firm represented by share prices and accounting information represented by EPS and BVPS.

**H1b:** The incremental and combined value relevance of accounting information changes over a period of time.

VI. ANALYSIS AND RESULTS

6.1 Descriptive Statistics

Descriptive statistics were generated for the sample used to test value relevance hypotheses. Table 1 provides descriptive statistics based on the panel cross-sectional times series using the full sample of 1,205 firm-year observations for the dependent and independent variables. The table shows the mean, median, standard deviation, minimum, and maximum for the variables of interest.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Median</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>( MP )</td>
<td>41.051</td>
<td>21.067</td>
<td>57.402</td>
<td>0.706</td>
<td>583.058</td>
</tr>
<tr>
<td>( EPS )</td>
<td>2.567</td>
<td>1.468</td>
<td>4.030</td>
<td>-5.416</td>
<td>76.806</td>
</tr>
<tr>
<td>( BVPS )</td>
<td>13.305</td>
<td>9.025</td>
<td>13.028</td>
<td>0.106</td>
<td>93.121</td>
</tr>
</tbody>
</table>

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Note:  

$MP$ is the market price per share of firm $j$ in year $t$ three months after the balance sheet date. $EPS$ is the earnings per share based on PAT for firm $j$ in year $t$. $BVPS$ is the book value of equity per share for company firm $j$ in year $t$.

Table 1 shows that $MP$ varied significantly, ranging from ₹ 0.706 crore to ₹ 583.058 crore with a mean (median) of ₹ 41.051 crore (₹ 21.067 crore). The table indicates that the mean (median) $EPS$ during the study period is ₹ 2.567 (₹ 1.468 crore), ranging from a loss of ₹ 5.416 crore to ₹ 76.806 crore. The mean (median) $BVPS$ is ₹ 13.305 crore (₹ 9.025 crore), ranging from ₹ 0.106 crore to ₹ 93.121 crore. Mean $BVPS$ is about five times higher than that of $EPS$. The mean values of $MP$, $EPS$, $BVPS$, tended to be higher than their respective median, indicating that the distribution was positively skewed.

6.2 Correlation Analysis

The correlation is examined to measure the association between the variables. Table 2 shows the Spearman correlation coefficients (above the diagonal) and the Pearson correlation coefficients (below the diagonal) for the panel data.

### Table 2: Correlation Matrix (n = 1,205)

<table>
<thead>
<tr>
<th>Variable</th>
<th>$MP$</th>
<th>$EPS$</th>
<th>$BVPS$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$MP$</td>
<td>1.000</td>
<td>0.800***</td>
<td>0.612**</td>
</tr>
<tr>
<td>$EPS$</td>
<td>0.652**</td>
<td>1.000</td>
<td>0.765**</td>
</tr>
<tr>
<td>$BVPS$</td>
<td>0.602**</td>
<td>0.689**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note:  

** Correlation is significant at the 0.01 level (two-tailed).  
* Correlation is significant at the 0.05 level (two-tailed).  
$MP$ is the market price per share of firm $j$ in year $t$ three months after the balance sheet date. $EPS$ is the earnings per share based on PAT for firm $j$ in year $t$. $BVPS$ is the book value of equity per share for firm $j$ in year $t$.

The correlation matrix shows, in line with expectations, a strong positive correlation between $EPS$ and $MP$ (0.800). The association between $BVPS$ and $MP$ is also strong and positive (0.612) but less in magnitude than that of $EPS$ with $MP$. Similar results are obtained for the Pearson correlation. $EPS$ and $BVPS$ are also significantly positively correlated with each other.

6.3 Multivariate Analysis

6.3.1 Value Relevance of Accounting Information

The objectives of the study are to determine the value relevance of accounting information represented by $EPS$ and $BVPS$, and changes therein over a period of time. Panel and yearly cross-sectional regressions of value relevance models are determined for this purpose. Yearly cross-sectional regressions help in examining the changes in the combined and incremental value relevance of $EPS$ and $BVPS$. Adjusted $R^2$ is used as the primary indicator of the value relevance of accounting information. Further, the significant regression coefficients of the independent variables are used as an indicator of value relevance of individual independent variables.

Consistent with past research, Adjusted $R^2_T$ obtained from Model 1 yields the result of combined value relevance of accounting information while the Models 2 and 3 have been inserted so as to determine the individual value relevance of $EPS$ and $BVPS$, as measured by their respective Adjusted $R^2$ (Collins et al., 1997). The Adjusted $R^2_T$ (combined value relevance of accounting information) has been decomposed into two parts, viz., incremental explanatory power provided by $EPS$ represented by Adjusted $R^2_{EPS}$ and incremental explanatory power provided by $BVPS$ represented by Adjusted $R^2_{BVPS}$. Table 3 presents the results of Generalised Least Square Random Effect Model for the panel and yearly cross-section regressions of $MP$ on $EPS$ and $BVPS$ jointly, individually, and incremental value relevance of $EPS$ and $BVPS$.

### Table 3: Panel and Yearly Cross-sectional Regressions of $MP$ on $EPS$ and $BVPS$

<table>
<thead>
<tr>
<th>Year</th>
<th>N</th>
<th>$a_j$ (A)</th>
<th>$a_2$ (B)</th>
<th>$F$ Statistics (p-value)</th>
<th>$\beta_1$ (A)</th>
<th>Adj. $R^2_T$ (A)</th>
<th>$\gamma_1$ (A)</th>
<th>Adj. $R^2_{EPS}$ (A)</th>
<th>Adj. $R^2_{BVPS}$ (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td>241</td>
<td>13.615***</td>
<td>1.126 (1.92)</td>
<td>0.611</td>
<td>56.06 (0.000)</td>
<td>16.384***</td>
<td>0.603</td>
<td>4.606***</td>
<td>0.458</td>
</tr>
<tr>
<td>2007-2008</td>
<td>241</td>
<td>5.240***</td>
<td>1.392***</td>
<td>0.593</td>
<td>60.13 (0.000)</td>
<td>8.466***</td>
<td>0.556</td>
<td>2.932***</td>
<td>0.526</td>
</tr>
<tr>
<td>2008-2009</td>
<td>241</td>
<td>12.409***</td>
<td>0.634**</td>
<td>0.614</td>
<td>61.27 (0.000)</td>
<td>14.022***</td>
<td>0.604</td>
<td>2.652***</td>
<td>0.336</td>
</tr>
<tr>
<td>2009-2010</td>
<td>241</td>
<td>10.206***</td>
<td>0.540</td>
<td>0.532</td>
<td>37.91</td>
<td>12.256***</td>
<td>0.526</td>
<td>2.368**</td>
<td>0.416</td>
</tr>
</tbody>
</table>

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Wald $\chi^2$ test results are significant for the regression coefficient as well as for the intercept. The coefficients are based on robust standard errors. The table below compares the results of cross-sectional and time series regressions of MP on EPS and BVPS. The results are consistent with those of previous studies in emerging markets.

### Table: Cross-Sectional and Time Series Regressions of MP on EPS and BVPS

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS (1.28)</th>
<th>BVPS (2.31)</th>
<th>Intercept (0.000)</th>
<th>Adjusted $R^2$</th>
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<tr>
<td>2010-2011</td>
<td>(4.48)</td>
<td>(1.28)</td>
<td>(0.000)</td>
<td>(8.56)</td>
</tr>
<tr>
<td>Panel</td>
<td>241</td>
<td>2.287**</td>
<td>0.383</td>
<td>29.31</td>
</tr>
<tr>
<td></td>
<td>(1.43)</td>
<td>(4.65)</td>
<td>(0.000)</td>
<td>(2.09)</td>
</tr>
<tr>
<td></td>
<td>.052</td>
<td>4.621**</td>
<td>.0248</td>
<td>.0242</td>
</tr>
<tr>
<td></td>
<td>(7.91)</td>
<td>(9.21)</td>
<td>(7.10)</td>
<td>(10.30)</td>
</tr>
<tr>
<td></td>
<td>.341</td>
<td>.042</td>
<td>.362</td>
<td>.108</td>
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<tr>
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<td>.0136</td>
<td>.0108</td>
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**Note:** * *, **, *** Significant at 10%, 5%, and 1% (two-tailed) respectively. All regressions are performed with robust standard errors. The table below compares the results of cross-sectional and time series regressions of MP on EPS and BVPS. The results are consistent with those of previous studies in emerging markets.

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As evident, coefficients on EPS and BVPS are positive and significant at better than the 5 percent level in every year and 1 percent level in most of the years. In general, the estimated coefficient for EPS declines from one year to the next, the estimated coefficient for BVPS increases, and vice-versa. As can be observed, EPS response coefficient declines from 13.615 to 5.240 in 2007-2008 and BVPS estimated coefficient increases from 1.126 to 1.392. Similarly, decline in EPS estimated coefficient from 10.206 to 2.287 in 2010-2011 is set-off by increase in BVPS estimated coefficient from 0.540 to 1.520. The Adjusted $R^2$ of the yearly cross-sectional regressions of MP on EPS and BVPS ranged from 0.383 in 2010-2011 to 0.614 in 2008-2009. The Adjusted $R^2$ of the yearly cross-sectional regressions of MP on EPS ranged from 0.248 in 2010-2011 to 0.604 in 2008-2009 while yearly cross-sectional regressions of MP on BVPS ranged from 0.336 in 2008-2009 to 0.526 in 2007-2008.

The Adjusted $R^2$ for the panel cross-sectional time series regression indicates that EPS and BVPS jointly explain about 0.470 of the cross-sectional variation in share prices. Overall, the results are significant for the regression coefficient as well as for the regression model ($Wald \chi^2 = 123.09; p < 0.01$). The coefficient estimates of EPS ($\beta = 5.855; p < 0.05$) and BVPS ($\beta = 1.124; p < 0.01$) are significantly positive and consistent with past research (Collins et al., 1997; Ou and Sepe, 2002), thus, confirming the value relevance of EPS and BVPS for firms in the sample. The significantly positive coefficient estimates for the panel and yearly cross-sectional regressions support the conjecture that both EPS and BVPS are significantly positively related to share prices. It indicates that a one unit increase in EPS is expected to generate 5.855 times unit increase in MP, while a unit increase in BVPS is expected to generate a MP increase of 1.124 units per share.

Results of panel data of Value Relevance Model 2 shows that EPS individually explains about 0.426 of the variation in MP ($Wald \chi^2 = 10.65; p < 0.01$). The coefficient on EPS ($\beta = 7.768; p < 0.01$) is positive and significant at 1 percent level. Results of panel data of Value Relevance Model 3 reveal that BVPS individually explains about 0.362 of the variation in MP. The coefficient on BVPS ($\beta = 2.426; p < 0.01$) is also positive and significant at 1 percent level ($Wald \chi^2 = 100.60; p < 0.01$). It is also evident that the incremental value relevance of EPS (Adjusted $R^2$ for EPS) is about 2.454 times more in magnitude than the incremental value relevance of BVPS (Adjusted $R^2$ for BVPS), i.e., 0.108 vs. 0.044. This is visible in results of yearly cross-sectional regressions also. The incremental explanatory power of EPS increases and decreases over time but it always remains greater than the incremental explanatory power of BVPS except for the year 2010-2011. In all the years under analysis, magnitude of coefficient on EPS is more than the coefficient on BVPS. Further, the value for Adjusted $R^2$s obtained from Value Relevance Model 2 is more than that of Model 3 except for the year 2010-2011. Overall, these results confirm the findings of Oyerinde (2009) that EPS is the single accounting number that is reported most often in media and receives the most attention of investors.

Thus, the findings based on the price model strongly support H1a that there is a positive relationship between market value of a firm represented by share prices and accounting information represented by EPS and BVPS. The results for the Value Relevance Model 1 are also consistent with the findings obtained from the developed markets (Collins et al., 1997; Francis and Schipper, 1999; Hellstrom, 2006). For e.g., in the present study, EPS and BVPS jointly explained 0.470 of the cross-sectional variation in MP, which is in the Collins et al. (1997), a benchmark in the value relevance literature, was 0.540. The yearly cross-sectional regressions of MP on EPS and BVPS in the present study ranged from 0.383 to 0.614, which is also consistent with the findings of Collins et al. (1997), which obtained 0.502 percent to 0.754. These results suggest that BSE-listed companies have earnings and book values that generally display properties similar to those in developed markets.

In addition, when comparing the results of present study with those of previous studies in emerging markets, the EPS and BVPS of BSE-listed companies appear more value relevant. For e.g., Ragab and Omran (2006) revealed that earnings and book values explained about 0.400 of the variations in stock prices during 1998-2002 in the Egyptian equity market, being 0.07 lower than results of present study. Similarly, Bae and Jeong (2007) investigated the value relevance of earnings and book values of the Korean firms during 1987-1998. Their results showed that earnings and book values explained 0.340 of the variations in security prices, which was 0.130 lower than for BSE-listed companies. Results of this study are also comparable with prior value relevance studies in India, which provide support for the value relevance of dividend, and return on net worth.

In summary, the findings for the price regressions provide convincing evidence that the EPS and BVPS for the sample of BSE-listed firms reported played an important role in equity valuation for the period 2006-2010. The results confirm with those found in mature capital markets. Interestingly, the results...
show that EPS and BVPS are more value relevant in India than other emerging markets. The results presented here are also more significant than those found by earlier Indian-based studies on value relevance.

6.3.2 Changes in the Combined and Incremental Value Relevance of Accounting Information

Studies based on the investigation of changes in the value relevance of earnings and book values have found that the incremental value relevance of EPS has declined over a period of time, but it has been offset by an increased incremental value relevance of BVPS. Thus, overall the combined value relevance of these two accounting measures has not declined (Collins et al., 1997; Francis and Schipper, 1999; Lev and Zarowin, 1999, Jang et al., 2002). In this section, it is determined whether there are any significant differences across time in the combined or in the relative incremental value relevance of EPS and BVPS. The Adjusted $R^2_t$ obtained from Value Relevance Model 1 and incremental value relevance of EPS (Adjusted $R_{EPS}^2$) and BVPS (Adjusted $R_{BVPS}^2$) were regressed on a time-trend variable ($TIME$). The significant regression coefficient of explanatory variable ($TIME$) has been used as an indicator of change in the combined and incremental value relevance of EPS and BVPS. The value relevance is expected to have declined (increased) over a period of time if the regression coefficient on $TIME$ turn out to be significantly negative (positive). Table 4 presents the results of regressing combined, and incremental EPS and BVPS on $TIME$-trend variable.

Table 4: Regression of the Adjusted $R^2_r$, Adjusted $R^2_{EPS}$ and Adjusted $R^2_{BVPS}$ on a Time-trend Variable

<table>
<thead>
<tr>
<th>$\delta_0$</th>
<th>$\delta_T$</th>
<th>Adj. $R^2$</th>
<th>$\theta_0$</th>
<th>$\theta_T$</th>
<th>Adj. $R^2_{EPS}$</th>
<th>$\lambda_0$</th>
<th>$\lambda_T$</th>
<th>Adj. $R^2_{BVPS}$</th>
<th>$\lambda_0$</th>
<th>$\lambda_T$</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.702***</td>
<td>-0.052</td>
<td>0.707</td>
<td>0.183</td>
<td>-0.017</td>
<td>0.087</td>
<td>-0.028</td>
<td>0.022</td>
<td>0.411</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(12.97)</td>
<td>(-2.70)</td>
<td>(2.55)</td>
<td>(-0.97)</td>
<td></td>
<td></td>
<td>(-0.81)</td>
<td>(1.43)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *, **, *** Significant at 10%, 5%, and 1% (two-tailed) respectively. All regressions are performed with robust standard errors. $t$-statistics based on robust standard errors are reported in parentheses.

The results from regressing the Adjusted $R^2$ values of combined and incremental EPS and BVPS on a time-trend variable demonstrate that there is a significant decline in the combined $R^2$ value over the sample period ($\delta_{T} = -0.052$, $p < 0.10$). However, the coefficients on the $TIME$ variable for incremental EPS and incremental BVPS suggest that there is an insignificant decline in the incremental value relevance of EPS ($\theta_T = -0.017$) and an insignificant increase in the incremental value relevance of BVPS ($\lambda_T = 0.022$) over the sample period. These results are not in conformity with prior research which has demonstrated a significant decline in the incremental value relevance of earnings, but has been offset by the increased incremental value relevance of book values (Collins et al., 1997; Francis and Schipper, 1999; Lev and Zarowin, 1999, Jang et al., 2002). Thus, these results do not hold $H1b$, i.e., the incremental and combined value relevance of accounting information changes over a period of time.

VII. CONCLUSION

Consistent with expectations, the findings based on the price regressions provide evidence of the value relevance of EPS and BVPS for a sample of 1,205 firm-year observations for FY 2006 to FY 2010 BSE-listed firms. The results for the combined price regression are also consistent with the findings obtained from the developed markets. In addition, when comparing the results of present study with those of previous studies in emerging markets, as well India, the EPS and BVPS of BSE-listed firms appear to be more value relevant. There has been a significant decline in the combined value relevance of accounting information over the sample period. MP is the primary dependent variable while EPS and BVPS are the two key independent accounting measures used in the study. The study could be extended by including more independent variables like cash flows, dividends, etc., for examining variation in share prices or by conducting pooled analysis.

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