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## Abstract

The economic performance beyond what is available from earnings and cash flows. This concept is different from the traditional view in which financial leverage is a measure of risk. We show that changes in financial leverage are value-relevant beyond accounting earnings. As part of this analysis, we also provide evidence on the value-relevance of growth in assets. For both changes in financial leverage and growth in assets, we document that the information in these variables is incremental to the information in earnings, operating cash flows, and accruals. Although our focus is on contemporaneous returns, we also find that the market does not impound available information in changes in financial leverage in a timely fashion.

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