

Search



Home > Review of Accounting Studies > Article

Financial Statement Analysis of Leverage and How It Informs About Profitability and Price-to-Book Ratios

Published: December 2003

Volume 8, pages 531–560, (2003) Cite this article



Review of Accounting Studies

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

- > Store and/or access information on a device
- Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

statement analysis that distinguishes the two types of liabilities informs on future profitability and aids in the evaluation of appropriate price-to-book ratios.

a

This is a preview of subscription content, <u>log in via an institution</u> to check access.

Access this article

Log in via an institution \rightarrow

Subscribe and save

Springer+

from €37.37 /Month

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Analyzing the influence of financial leverage on social

<u>An integrated Financial and </u> **Accounting Approach to** performance of selected non- Outstanding Debt Assessment financial companies in Bahrain for Lease Agreement

The Impact of Financial Leverage on Shareholders Return and Profitability—An

Chapter © 2025

Article 11 December 2024

Chapter © 2017

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

Accounting

Corporate Finance

Financial Econometrics

Financial Reporting

Statistical Finance

Financial Accounting

References

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 partners, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Ferris, J. (1981). "A Transactions Theory of Trade Credit Use." *Quarterly Journal of Economics* 94, 243-270.

Google Scholar

Harris, M. and A. Raviv. (1991). "The Theory of Capital Structure." *Journal of Finance* 46, 297-355.

Google Scholar

Kemsley, D. and D. Nissim. (2002). "Valuation of the Debt-tax Shield." *Journal of Finance* 57, 2045-2074.

Google Scholar

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Nissim, D. and S. Penman. (2001). "Ratio Analysis and Equity Valuation: From Research to Practice." *Review of Accounting Studies* 6, 109-154.

Google Scholar

Penman, S. (2004). *Financial Statement Analysis and Security Valuation* 2nd ed. New York: Irwin/ McGraw-Hill.

Google Scholar

Petersen, M. and R. Rajan. (1997). "Trade Credit: Theories and Evidence." *The Review of Financial Studies* 10, 661-691.

Google Scholar

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Sloan, R. G. (1996). "Do Stock Prices Fully Reflect Information in Accruals and Cash Flows about Future Earnings?" *The Accounting Review* 71, 289-315.

Google Scholar

Smith, J. (1987). "Trade Credit and Information Asymmetry." *Journal of Finance* 42, 863-872.

Google Scholar

Titman, S. and R. Wessels. (1988). "The Determinants of Capital Structure Choice." *Journal of Finance* 43, 1-19.

Google Scholar

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Cite this article

Nissim, D., Penman, S.H. Financial Statement Analysis of Leverage and How It Informs About Profitability and Price-to-Book Ratios. *Review of Accounting Studies* **8**, 531–560 (2003).

https://doi.org/10.1023/A:1027324317663

Issue Date

December 2003

DOI

https://doi.org/10.1023/A:1027324317663

financing leverage operating liability leverage rate of return on equity price-to-book ratio

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies