

A Temporal Analysis of Quarterly Earnings Thresholds: Propensities and Valuation Consequences

Lawrence D. Brown; Marcus L. Caylor

+ Author & Article Information

The Accounting Review (2005) 80 (2): 423-440.

<https://doi.org/10.2308/accr.2005.80.2.423>

Share ▾

Tools ▾

Cite ▾

Applying a Burgstahler and Dichev (1997)/Degeorge et al. (1999) type methodology to quarterly data for the 1985–2002 time period, we show that, since the mid-1990s, but not before then, managers seek to avoid negative quarterly earnings surprises more than to avoid either quarterly losses or quarterly earnings decreases. Our findings suggest that the quarterly earnings threshold hierarchy proposed by Degeorge et al. (1999) does not apply to recent years, and that managers' claim that avoiding quarterly earnings decreases is the threshold they most seek to achieve (Graham et al. 2004) is inconsistent with their actions. We provide an intuitively appealing economic rationale for why the shift in threshold hierarchy occurred; since the mid-1990s, but not before then, investors unambiguously rewarded (penalized) firms for reporting quarterly earnings meeting (missing) analysts' estimates more than they did for meeting (missing) the other two thresholds. We provide several explanations for why investors unambiguously reward firms for reporting quarterly earnings that meet or beat analysts' estimates more than for meeting the other two thresholds late (but not early) in our sample period: increased media coverage given to analyst forecasts, more analyst following, more firms covered by analysts, and temporal increases in both the accuracy and precision of analyst forecasts.

This content is only available via PDF. Note: Supplemental materials and Teaching Notes are not available for Early Access articles. Links within the PDF will be activated once the article has been compiled and published in an issue.

American Accounting Association

You do not currently have access to this content.

Sign in

Don't already have an account? [Register](#)

[Skip to Main Content](#)

[Log in](#)

Pay-Per-View Access
\$25.00

AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.

 [Buy This Article](#)



[View Metrics](#)

Citing Articles Via

Web Of Science (367)

Google Scholar

CrossRef (535)

Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert

[Skip to Main Content](#)

Information for Authors

Authorship Policy

Plagiarism Policy

Data Integrity Policy

Citing Corrected Articles Policy

Minimizing Overlapping Decision Rights Policy

Prior Publication Policy



[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.