

# Valuation and Clean Surplus Accounting for Operating and Financial Activities\*

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## Abstract

**Abstract.** This paper models the relation between a firm's market value and accounting data concerning operating and financial activities. Book value equals market value for financial activities, but they can differ for operating activities. Market value is assumed to equal the net present value of expected future dividends, and is shown, under *clean surplus accounting*, to also equal book value plus the net present value of expected future *abnormal earnings* (which equals accounting earnings minus an interest charge on opening book value).

A linear model specifies the dynamics of an information set that includes book value and abnormal earnings for operating activities. Model parameters represent *persistence* of abnormal earnings, *growth*, and *accounting conservatism*. The model is sufficiently simple to permit derivation of closed form expressions relating market value to accounting data and other information.

Three kinds of analyses develop from the model. The first set deals with value as it relates to anticipated realizations of accounting data. The second set examines in precise terms how value depends on contemporaneous realizations of accounting data. The third set examines asymptotic relations comparing market value to earnings and book values, and how earnings relate to beginning of period book values.

The paper demonstrates that in all three sets of analyses the conclusions hinge on the extent to

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est aussi égale à la valeur comptable additionnée de la valeur actualisée nette des *bénéfices extraordinaires* futurs prévus (qui sont égaux aux bénéfices comptables diminués de frais d'intérêt implicites sur la valeur comptable nette).

Un modèle linéaire précise la dynamique d'un ensemble de données, incluant la valeur comptable et les bénéfices extraordinaires, relatives aux activités d'exploitation. Les paramètres du modèle traduisent la persistance des bénéfices extraordinaires, la *croissance* et le *principe de prudence*. Le modèle est suffisamment simple pour permettre de dériver des expressions fermées qui mettent en relation la valeur marchande et les données comptables et autres.

Du modèle se dégagent trois formes d'analyses. La première porte sur la valeur, dans sa relation avec la matérialisation anticipée des données comptables. La deuxième porte sur l'examen précis du lien entre la valeur et la matérialisation actuelle des données comptables. Enfin, la troisième porte sur l'examen des relations asymptotiques à travers lesquelles se comparent la valeur marchande, d'une part, et les bénéfices et la valeur comptable, d'autre part, ainsi que sur la façon dont les bénéfices se rattachent aux valeurs comptables du début de l'exercice.

Les auteurs établissent que dans les trois formes d'analyses, les conclusions s'orientent vers la mesure dans laquelle, dans le domaine comptable, l'accent est mis sur la prudence par opposition à l'impartialité. En outre, l'absence ou la présence de croissance dans les activités d'exploitation n'est pertinente que si et seulement si le principe de prudence est appliqué à la comptabilité.

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