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Comparative Value-Relevance of GAAP, IBES, S&P Core, Cash Earnings and Cash Flows

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Date Written: January 3, 2013

Abstract

This study examines the impact the global financial crisis had on the value relevance of GAAP and non-GAAP earnings. We adopt the Ohlson (1995) valuation and CAR models to test the value relevance and information content of alternative earnings measures. We use six different earnings measures comprising IBES earnings, Standard & Poor's (S&P) core earnings, cash earnings, cash flows from operations, earnings from operations adjusted to exclude special items under GAAP and income before extraordinary items under GAAP. We draw our sample from US publicly traded firms between 2002 and 2010. Our sample is partitioned into Financial and non-Financial firms, and S&P 500 and non-S&P 500 firms. The results show that investors place greater value relevance on GAAP earnings during the GFC period relative to the pre-GFC period.

Keywords: value relevance, GAAP, Non-GAAP Earnings, GFC[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2195959_code71028.pdf?abstractid=2195959&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2195959_code71028.pdf?abstractid=2195959&mirid=1&type=2\)](#)

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