



Applied Economics Letters >

Volume 17, 2010 - Issue 7

590 | 4
Views | CrossRef citations to date | Altmetric

Original Articles

Profit warnings: will openness be rewarded?

Matthew Church & Han Donker

Pages 633-637 | Published online: 30 Mar 2009

Cite this article <https://doi.org/10.1080/17446540802298043>



Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

Abstract

We investigate the information content of profit warnings released by firms on the abnormal returns for a sample of 149 firms listed on the Euronext Amsterdam in 2000–2002. We propose that firms can diminish the negative influence of profit warnings on shareholder's returns by releasing detailed information, thereby reducing the information asymmetry between shareholders and management. We find empirical evidence that a greater degree of disclosure has a significantly positive impact on the abnormal returns of firms with multiple successive profit warnings. We argue that negative abnormal returns will occur with firms which provide external reasons in their press releases indicating that the causes of the current situation are a market-wide phenomenon and beyond their scope. We report a negative – but not significant – impact of information regarding external reasons on the abnormal returns to shareholders of firms with profit warnings. Our research findings offer valuable insights into the practical implications of the information content of profit warnings.

Related research

People also read

Recommended articles

Cited by
4

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources
by email

 Sign me up

