

Table of Contents

Preface	V
Acknowledgements	VII
Table of Contents	IX
List of Tables and Figures	XI
List of Abbreviations	XIII
List of Symbols	XV
1 Introduction	1
2 Linear Information Models: The Effect of Unconditional Conservatism	7
2.1 Introduction	7
2.2 Linear Information Models	10
2.2.1 <i>The Case of No Conservatism</i>	10
2.2.1 <i>The Case of Accounting Conservatism</i>	11
2.3 Empirical Approach	13
2.3.1 <i>Estimation Procedure</i>	13
2.3.2 <i>Conservatism Analyses</i>	15
2.4 Results	19
2.4.1 <i>Model Estimations and Out-of-Sample Forecasts</i>	19
2.4.2 <i>Partition Analyses</i>	19
2.4.3 <i>Delta Regressions</i>	20
2.4.4 <i>Conservatism Specific Model Estimation</i>	21
2.5 Sensitivity Analyses	23
2.5.1 <i>Alternative Model Specification</i>	23
2.5.2 <i>Alternative Estimation Approach</i>	24
2.5.3 <i>Adjusting for Analyst Forecast Bias</i>	26
2.5.4 <i>Further Sensitivity Tests</i>	27
2.6 Conclusions	28
3 Linear Information Models: The Effect of Conditional Conservatism	31
3.1 Introduction	31
3.2 Accounting Conservatism	33
3.3 The Models.....	33
3.3.1 <i>Linear Information Models</i>	33
3.3.2 <i>The Basu (1997) Models</i>	35

3.4	Incorporating Conditional Conservatism into Linear Information Models	36
3.4.1	<i>Adjusting the Persistence of the Residual Income Process</i>	37
3.4.2	<i>Adjusting the Analyst Forecast</i>	38
3.5	Specifications and Hypotheses.....	39
3.5.1	<i>Specification of the Analyst Forecast Adjustment</i>	39
3.5.2	<i>Hypotheses Development</i>	40
3.6	Sample, Variables and Estimation	42
3.6.1	<i>Sample</i>	42
3.6.2	<i>Variables</i>	42
3.6.3	<i>Estimation Procedure</i>	42
3.7	Estimation Results.....	44
3.7.1	<i>Hypothesis 1</i>	44
3.7.2	<i>Hypothesis 2</i>	44
3.7.3	<i>Hypothesis 3</i>	45
3.8	Conclusions	47
4	The Link between Conditional Conservatism and Cost Stickiness	49
4.1	Introduction	49
4.2	Concepts	52
4.2.1	<i>Asymmetric Timeliness and Conditional Conservatism</i>	52
4.2.2	<i>Cost Stickiness</i>	54
4.3	Hypotheses Development.....	56
4.4	Model Specification and Variable Measurement	58
4.4.1	<i>The Basu (1997) Regression</i>	59
4.4.2	<i>Partition Approach</i>	59
4.4.3	<i>Dummy Specification</i>	60
4.4.4	<i>Accruals and Operating Cash Flow Regressions</i>	61
4.5	Estimation Procedure, Data and Descriptive Statistics	62
4.6	Results	63
4.7	Conclusions	64
5	Conclusions	67
	References	69
	Appendix	75