

**Influences of the accruals generation processes on the accrual anomaly**

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## Certificate

I certify that this thesis has not already been submitted for any degree and is not being submitted as part of candidature for any other degree.

I also certify that the thesis has been written by me and that any help I have received in preparing this, and all sources used, have been acknowledged in this thesis.

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Brett Joseph Govendir

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## Abstract

This thesis re-examines the accrual anomaly identified by Sloan (1996) to determine if this result is a consequence of particular aspects of research design. In particular, whether there are differences in the implications of accruals for the persistence of earnings across different accrual types, and whether the implications of accruals for the persistence of earnings differ across firms. Evidence is provided that accruals components are not homogeneous, and have differing implications for the persistence of earnings. Significantly, where cash flows *lag* earnings recognition (*e.g.*, sales made on credit) they have greater implications for the persistence of earnings. Evidence is also provided of differences in implications of accruals for the persistence of earnings across firms. Differences between the actual implications for persistence, and those inferred from prices, are greatest where the earnings return relation is weakest. Critically, while new insights are provided into the accrual anomaly, a complete explanation has yet to be determined.

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## Table of Contents

Chapter 1:	Introduction		
	1.1	Research Question .....	1
	1.2	Motivation .....	1
	1.3	Results and Contribution .....	2
	1.4	Structure of thesis .....	5
Chapter 2:	The influence of the accruals generating process on the accruals and the accrual anomaly .....		6
		Abstract.....	6
	2.1	Introduction .....	7
	2.2	Accrual anomaly related research .....	10
	2.3	Research design .....	17
	2.3.1	<i>Decomposition of earnings relative to expected cash flows.....</i>	18
	2.3.2	<i>Measurement of accruals.....</i>	21
	2.3.3	<i>Persistence of earnings and earnings components....</i>	23
	2.3.4	<i>Market evaluation of earnings persistence.....</i>	24
	2.3.4.1	<i>Mishkin tests.....</i>	25
	2.3.4.2	<i>Hedge portfolio return tests .....</i>	27
	2.4	Data and descriptive statistics .....	27
	2.5	Results .....	30
	2.5.1	<i>Earnings persistence tests.....</i>	30
	2.5.2	<i>Mishkin test – for rational pricing by the market .....</i>	33
	2.5.3	<i>Hedge portfolio return test .....</i>	35
	2.6	Sensitivity tests .....	37
	2.6.1	<i>Extreme observations.....</i>	37
	2.6.2	<i>Profit firms and loss firms .....</i>	37
	2.6.3	<i>Size of firms.....</i>	38
	2.6.4	<i>Low reliability of 'Tech Bubble' firms.....</i>	38
	2.6.5	<i>Time period addition to Sloan (1996) .....</i>	39
	2.7	Conclusions .....	40

**Table of Contents...(continued)**

Chapter 3:	Influences of firm characteristics on accruals generation and the accrual anomaly.....	246
	Abstract.....	246
	3.1 Introduction .....	247
	3.2 Research into the accrual anomaly.....	250
	3.3 Research design .....	252
	3.3.1 <i>Measurement of accruals</i> .....	253
	3.3.2 <i>Persistence of earnings and earnings components</i> ....	254
	3.3.3 <i>Market evaluation of earnings persistence</i> .....	255
	3.3.3.1 <i>Mishkin test</i> .....	255
	3.3.3.2 <i>Hedge portfolio return test</i> .....	257
	3.3.4 <i>Clustering methodology</i> .....	257
	3.3.5 <i>Financial characteristics of firms</i> .....	261
	3.3.5.1 <i>Risk</i> .....	262
	3.3.5.2 <i>Growth</i> .....	262
	3.3.5.3 <i>Future earnings</i> .....	263
	3.3.5.4 <i>Earnings quality</i> .....	263
	3.3.6 <i>Data transformations</i> .....	263
	3.4 Data and descriptive statistics .....	264
	3.4.1 <i>Sample selection</i> .....	264
	3.4.2 <i>Descriptive statistics</i> .....	265
	3.5 Results .....	268
	3.5.1 <i>Earnings persistence</i> .....	268
	3.5.2 <i>Mishkin tests — for rational pricing by the market</i> ...	269
	3.5.3 <i>Hedge portfolio return tests</i> .....	271
	3.6.4 Sensitivity tests.....	272
	3.6.4.1 <i>Data trimming</i> .....	272
	3.6.4.2 <i>Alternative earnings components calculation — using Statement of Cash Flows</i> .....	273
	3.7 Conclusions .....	274
Chapter 4:	Conclusions .....	344
	4.1 Conclusions .....	344
Bibliography.....		350

## List of Tables

### Chapter 2

Table 2.1	Sample identification..... The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms.	42
Table 2.2	Descriptive statistics..... Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1962 to 2006.	43
Table 2.3	Descriptive statistics, portfolio..... Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006.	44
Table 2.4	Correlation matrix..... This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	45
Table 2.5	Earnings persistence..... Results of OLS regression of future earnings, on current earnings and earnings components, of a sample of US firms from 1962 to 2006.	46
Table 2.6	Mishkin test..... Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006.	48
Table 2.7	Hedge portfolio construction..... Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006.	50

### List of Tables...(continued)

#### Chapter 3

Table 3.1	Sample identification..... The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms.	276
Table 3.2	Descriptive statistics (ratios) ..... Descriptive statistics for financial analysis (ratios) of firm characteristics for a sample of US firms, from 1962 to 2006.	277
Table 3.3	Descriptive statistics of earnings and earnings components (accruals and cash flows) ..... Values for earnings, components of earnings and earnings components (accruals and cash flows) for a sample of US firms from 1962 to 2006.	284
Table 3.4	Earnings to returns..... Results of OLS regression of the market return on earnings for a firm for a sample of US firms from 1962 to 2006.	285
Table 3.5	Earnings persistence for earnings..... Results of OLS regression of future earnings on current earnings for a sample of US firms from 1962 to 2006.	286
Table 3.6	Earnings persistence for earnings components (accruals and cash flows)..... Results of OLS regression of future earnings on current earnings components to test the implications for earnings persistence of accruals and cash flows, for a sample of US firms from 1962 to 2006.	287
Table 3.7	Mishkin test for earnings..... Results, from non-linear generalised least squares estimation of the stock price reaction to information in current earnings about future earnings using Sloan style abnormal returns for a sample of US firms from 1962 to 2006.	288
Table 3.8	Mishkin test for earnings components..... Results from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings components (accruals and cash flows) about future earnings, using Sloan style abnormal returns for a sample of US firms from 1962 to 2006.	289
Table 3.9	Hedge portfolio construction..... Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006.	290



## List of Appendices

### Chapter 2

<b>Appendix: 2.A</b>	<b>— Sample winsorised at 1<sup>st</sup> and 99<sup>th</sup> percentiles</b> .....	59
Table 2.A.1	Sample identification .....	59
	The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, winsorising firms beyond the 1 <sup>st</sup> and 99 <sup>th</sup> percentile.	
Table 2.A.2	Descriptive statistics .....	60
	Descriptive statistics of earnings and components of earnings of a sample of US firms from 1962 to 2006, winsorising observations beyond the 1 <sup>st</sup> and 99 <sup>th</sup> percentiles.	
Table 2.A.3	Descriptive statistics, portfolio .....	61
	Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, winsorising observations beyond the 1 <sup>st</sup> and 99 <sup>th</sup> percentiles.	
Table 2.A.4	Correlation matrix .....	62
	This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, winsorising observations beyond the 1 <sup>st</sup> and 99 <sup>th</sup> percentiles. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.A.5	Earnings persistence .....	63
	Results of OLS regression of future earnings on current earnings and earnings components of a sample of US firms from 1962 to 2006, winsorising observations beyond the 1 <sup>st</sup> and 99 <sup>th</sup> percentiles.	
Table 2.A.6	Mishkin test .....	65
	Results, from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings and components of current earnings accruals and cash flows about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, winsorising observations beyond the 1 <sup>st</sup> and 99 <sup>th</sup> percentiles.	
Table 2.A.7	Hedge portfolio construction .....	68
	Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, winsorising observations beyond the 1 <sup>st</sup> and 99 <sup>th</sup> percentiles.	

**List of Appendices...*(continued)***

<b>Appendix: 2.B — Sample winsorised at 5<sup>th</sup> and 95<sup>th</sup> percentiles</b> .....	76
Table 2.B.1 Sample identification .....	76
The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, winsorising firms beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentile.	
Table 2.B.2 Descriptive statistics .....	77
Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1962 to 2006, winsorising observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.B.3 Descriptive statistics, portfolio .....	78
Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, winsorising observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.B.4 Correlation matrix.....	79
This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, winsorising observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.B.5 Earnings persistence .....	80
Results of OLS regression of future earnings on current earnings and earnings components of a sample of US firms from 1962 to 2006, winsorising observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.B.6 Mishkin test.....	82
Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, winsorising observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.B.7 Hedge portfolio construction .....	85
Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, winsorising observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	

**List of Appendices...(continued)**

<b>Appendix: 2.C — Sample excluded at 1<sup>st</sup> and 99<sup>th</sup> percentiles</b> .....	93
Table 2.C.1 Sample identification .....	93
<p style="margin-left: 40px;">The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, excluding firms beyond the 1<sup>st</sup> and 99<sup>th</sup> percentile.</p>	
Table 2.C.2 Descriptive statistics .....	94
<p style="margin-left: 40px;">Descriptive statistics of earnings and components of earnings of a sample of US firms from 1962 to 2006, excluding observations beyond the 1<sup>st</sup> and 99<sup>th</sup> percentiles.</p>	
Table 2.C.3 Descriptive statistics, portfolio .....	95
<p style="margin-left: 40px;">Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, excluding observations beyond the 1<sup>st</sup> and 99<sup>th</sup> percentiles.</p>	
Table 2.C.4 Correlation matrix.....	96
<p style="margin-left: 40px;">This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, excluding observations beyond the 1<sup>st</sup> and 99<sup>th</sup> percentiles. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.</p>	
Table 2.C.5 Earnings persistence .....	97
<p style="margin-left: 40px;">Results of OLS regression of future earnings on current earnings and earnings components of a sample of US firms from 1962 to 2006, excluding observations beyond the 1<sup>st</sup> and 99<sup>th</sup> percentiles.</p>	
Table 2.C.6 Mishkin test.....	99
<p style="margin-left: 40px;">Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, excluding observations beyond the 1<sup>st</sup> and 99<sup>th</sup> percentiles.</p>	
Table 2.C.7 Hedge portfolio construction .....	102
<p style="margin-left: 40px;">Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, excluding observations beyond the 1<sup>st</sup> and 99<sup>th</sup> percentiles.</p>	

**List of Appendices...*(continued)***

<b>Appendix 2.D — Sample excluded at 5<sup>th</sup> and 95<sup>th</sup> percentiles</b> .....	110
Table 2.D.1 Sample identification .....	110
The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, excluding firms beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentile.	
Table 2.D.2 Descriptive statistics .....	111
Descriptive statistics of earnings and components of earnings of a sample of US firms from 1962 to 2006, excluding observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.D.3 Descriptive statistics, portfolio .....	112
Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, excluding observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.D.4 Correlation matrix .....	113
This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, excluding observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.D.5 Earnings persistence .....	114
Results of OLS regression of future earnings on current earnings and earnings components of a sample of US firms from 1962 to 2006, excluding observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.D.6 Mishkin test.....	116
Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, excluding observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	
Table 2.D.7 Hedge portfolio construction .....	119
Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, excluding observations beyond the 5 <sup>th</sup> and 95 <sup>th</sup> percentiles.	

**List of Appendices...(continued)**

<b>Appendix 2.E — Sample of profit firms only</b> .....	127
Table 2.E.1 Sample identification .....	127
The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, including profit firms only.	
Table 2.E.2 Descriptive statistics .....	128
Descriptive statistics of earnings and components of earnings of a sample of US firms from 1962 to 2006, including profit firms only.	
Table 2.E.3 Descriptive statistics, portfolio .....	129
Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, for a sample of US firms from 1962 to 2006, including profit firms only.	
Table 2.E.4 Correlation matrix.....	130
This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, including profit firms only. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.E.5 Earnings persistence .....	131
Results of OLS regression of future earnings, on current earnings and earnings components (accruals and cash flows), of a sample of US firms from 1962 to 2006, including profit firms only.	
Table 2.E.6 Mishkin test.....	133
Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, including profit firms only.	
Table 2.E.7 Hedge portfolio construction .....	136
Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, including profit firms only.	

**List of Appendices...*(continued)***

<b>Appendix: 2.F — Sample of loss firms only</b> .....	144
Table 2.F.1 Sample identification .....	144
<p style="margin-left: 40px;">The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, including loss firms only.</p>	
Table 2.F.2 Descriptive statistics .....	145
<p style="margin-left: 40px;">Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1962 to 2006, including loss firms only.</p>	
Table 2.F.3 Descriptive statistics, portfolio .....	146
<p style="margin-left: 40px;">Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, including loss firms only.</p>	
Table 2.F.4 Correlation matrix.....	147
<p style="margin-left: 40px;">This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, including loss firms only. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.</p>	
Table 2.F.5 Earnings persistence .....	148
<p style="margin-left: 40px;">Results of OLS regression of future earnings, on current earnings and earnings components (accruals and cash flows), of a sample of US firms from 1962 to 2006, including loss firms only.</p>	
Table 2.F.6 Mishkin test.....	150
<p style="margin-left: 40px;">Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, including loss firms only.</p>	
Table 2.F.7 Hedge portfolio construction .....	153
<p style="margin-left: 40px;">Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, including loss firms only.</p>	

**List of Appendices...*(continued)***

<b>Appendix: 2.G — Sample from 1962 to 1991</b> .....	161
Table 2.G.1 Sample identification .....	161
The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 1991, excluding banking, finance, insurance, information technology and telecom firms.	
Table 2.G.2 Descriptive statistics .....	162
Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1962 to 1991.	
Table 2.G.3 Descriptive statistics, portfolio .....	163
Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, for a sample of US firms from 1962 to 1991.	
Table 2.G.4 Correlation matrix.....	164
This table provides details of correlations between the financial statements variables used in this investigation, from 1962 to 1991. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.G.5 Earnings persistence .....	165
Results of OLS regression of future earnings, on current earnings and earnings components (accruals and cash flows), of a sample of US firms from 1962 to 1991.	
Table 2.G.6 Mishkin test.....	167
Results, from non-linear generalised leased squares estimation, of the stock price reaction to information, in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 1991.	
Table 2.G.7 Hedge portfolio construction .....	170
Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 1991.	

**List of Appendices...*(continued)***

<b>Appendix: 2.H — Sample from 1992 to 2006</b> .....	178
Table 2.H.1 Sample identification .....	178
The sample selection process is based on match firms from Compustat and CRSP databases, from 1992 to 2006, excluding banking, finance, insurance, information technology and telecom firms.	
Table 2.H.2 Descriptive statistics .....	179
Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1992 to 2006.	
Table 2.H.3 Descriptive statistics, portfolio .....	180
Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, for a sample of US firms from 1992 to 2006.	
Table 2.H.4 Correlation matrix.....	181
This table provides details of correlations between the financial statements variables used in this investigation, for a sample of US firms from 1992 to 2006. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.H.5 Earnings persistence .....	182
Results of OLS regression of future earnings, on current earnings and earnings components (accruals and cash flows), of a sample of US firms from 1992 to 2006.	
Table 2.H.6 Mishkin test.....	184
Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1992 to 2006.	
Table 2.H.7 Hedge portfolio construction .....	187
Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1992 to 2006.	



**List of Appendices...(continued)**

<b>Appendix: 2.I</b>	<b>— Sample of top-half of firms by total assets</b> .....	195
Table 2.I.1	Sample identification .....	195
	The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, including top-half of firms by total assets.	
Table 2.I.2	Descriptive statistics .....	196
	Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1962 to 2006, including top-half of firms by total assets.	
Table 2.I.3	Descriptive statistics, portfolio .....	197
	Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, including top-half of firms by total assets.	
Table 2.I.4	Correlation matrix.....	198
	This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, including top-half of firms by total assets. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.I.5	Earnings persistence .....	199
	Results of OLS regression of future earnings, on current earnings and earnings components (accruals and cash flows), of a sample of US firms from 1962 to 2006, including top-half of firms by total assets.	
Table 2.I.6	Mishkin test.....	201
	Results, from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, including top-half of firms by total assets.	
Table 2.I.7	Hedge portfolio construction .....	204
	Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, including top-half of firms by total assets.	

**List of Appendices...(continued)**

<b>Appendix 2.J — Sample of bottom-half of firms by total assets</b> .....	212
Table 2.J.1 Sample identification .....	212
<p style="margin-left: 40px;">The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, including bottom-half of firms by total assets.</p>	
Table 2.J.2 Descriptive statistics .....	213
<p style="margin-left: 40px;">Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1962 to 2006, including bottom-half of firms by total assets.</p>	
Table 2.J.3 Descriptive statistics, portfolio .....	214
<p style="margin-left: 40px;">Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, including bottom-half of firms by total assets.</p>	
Table 2.J.4 Correlation matrix.....	215
<p style="margin-left: 40px;">This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, including bottom-half of firms by total assets. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.</p>	
Table 2.J.5 Earnings persistence .....	216
<p style="margin-left: 40px;">Results of OLS regression of future earnings, on current earnings and earnings components (accruals and cash flows), of a sample of US firms from 1962 to 2006, including bottom-half of firms by total assets.</p>	
Table 2.J.6 Mishkin test.....	218
<p style="margin-left: 40px;">Results, from non-linear generalised leased squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, including bottom-half of firms by total assets.</p>	
Table 2.J.7 Hedge portfolio construction .....	221
<p style="margin-left: 40px;">Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, including bottom-half of firms by total assets.</p>	

**List of Appendices...(continued)**

<b>Appendix 2.K — Sample including information technology and telecom firms....</b>	<b>229</b>
Table 2.K.1 Sample identification .....	229
The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, including information technology and telecom firms.	
Table 2.K.2 Descriptive statistics .....	230
Descriptive statistics of earnings and components of earnings of a sample of US firms, from 1962 to 2006, including information technology and telecom firms.	
Table 2.K.3 Descriptive statistics, portfolio .....	231
Mean values of scaled variables, by assigning firms to deciles for lowest to highest accrual portfolio, of a sample of US firms from 1962 to 2006, including information technology and telecom firms.	
Table 2.K.4 Correlation matrix.....	232
This table provides details of correlations between the financial statements variables used in this investigation, of a sample of US firms from 1962 to 2006, including information technology and telecom firms. Pearson correlations are reported below the diagonal. Spearman correlations are reported above the diagonal.	
Table 2.K.5 Earnings persistence .....	233
Results of OLS regression of future earnings, on current earnings and earnings components (accruals and cash flows), of a sample of US firms from 1962 to 2006, including information technology and telecom firms.	
Table 2.K.6 Mishkin test.....	235
Results, from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings and components of current earnings (accruals and cash flows) about future earnings, using Sloan style abnormal returns of a sample of US firms from 1962 to 2006, including information technology and telecom firms.	
Table 2.K.7 Hedge portfolio construction .....	238
Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, including information technology and telecom firms.	

**List of Appendices...(continued)**

**Chapter 3**

<b>Appendix 3.A — Sample including unreliable returns (data trimming)</b> .....	296
Table 3.A.1 Sample identification .....	296
The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, including unreliable returns.	
Table 3.A.2 Descriptive statistics (ratios).....	297
Descriptive statistics for financial analysis (ratios) of firm characteristics for a sample of US firms, from 1962 to 2006, including unreliable returns.	
Table 3.A.3 Descriptive statistics of earnings and earnings components (accruals and cash flows) .....	304
Values for earnings, components of earnings and earnings components (accruals and cash flows) for a sample of US firms from 1962 to 2006, including unreliable returns.	
Table 3.A.4 Earnings to returns .....	305
Results, of OLS regression of the market return, on earnings for a sample of US firms from 1962 to 2006, including unreliable returns.	
Table 3.A.5 Earnings persistence for earnings .....	306
Results of OLS regression of future earnings on current earnings for a sample of US firms from 1962 to 2006, including unreliable returns.	
Table 3.A.6 Earnings persistence for earnings components (accruals and cash flows) .....	307
Results of OLS regression of future earnings on current earnings components, to test the implications for earnings persistence of accruals and cash flows for a sample of US firms, from 1962 to 2006, including unreliable returns.	
Table 3.A.7 Mishkin test for earnings .....	308
Results, from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings about future earnings, using Sloan style abnormal returns for a sample of US firms from 1962 to 2006, including unreliable returns.	
Table 3.A.8 Mishkin Test for earnings components (accruals and cash flows) .....	309
Results, from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings components (accruals and cash flows) about future earnings, using Sloan style abnormal returns for a sample of US firms from 1962 to 2006, including unreliable returns.	

**List of Appendices...(continued)**

Table 3.A.9	Hedge portfolio construction ..... Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, including unreliable returns.	310
<b>Appendix 3.B — Sample using Statement of Cash Flows to calculate accruals.....</b>		316
Table 3.B.1	Sample identification ..... The sample selection process is based on match firms from Compustat and CRSP databases, from 1962 to 2006, excluding banking, finance, insurance, information technology and telecom firms, using Statement of Cash Flows.	316
Table 3.B.2	Descriptive statistics (ratios)..... Descriptive statistics for financial analysis (ratios) of firm characteristics for a sample of US firms, from 1962 to 2006, using Statement of Cash Flows.	317
Table 3.B.3	Descriptive statistics of earnings and earnings components (accruals and cash flows) ..... Values for earnings, components of earnings and earnings components (accruals and cash flows) for a sample of US firms, from 1962 to 2006, using Statement of Cash Flows.	325
Table 3.B.4	Earnings to returns ..... Results of OLS Regression of the Market Return on Earnings for a sample of US firms from 1962 to 2006, using Statement of Cash Flows.	326
Table 3.B.5	Earnings persistence for earnings ..... Results of OLS regression of future earnings on current earnings for a sample of US firms from 1962 to 2006, using Statement of Cash Flows.	327
Table 3.B.6	Earnings persistence for earnings components (accruals and cash flows) ..... Results of OLS regression of future earnings, on current earnings components to test the implications for earnings persistence of accruals and cash flows, for a sample of US firms from 1962 to 2006, using Statement of Cash Flows.	328

**List of Appendices...(continued)**

Table 3.B.7	Mishkin test for earnings .....	329
	Results, from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings about future earnings, using Sloan style abnormal returns for a sample of US firms from 1962 to 2006, using Statement of Cash Flows.	
Table 3.B.8	Mishkin test for earnings components (accruals and cash flows) .....	330
	Results, from non-linear generalised least squares estimation, of the stock price reaction to information in current earnings components (accruals and cash flows) about future earnings, using Sloan style abnormal returns for a sample of US firms from 1962 to 2006 using Statement of Cash Flows.	
Table 3.B.9	Hedge portfolio construction .....	331
	Results of hedge portfolio investment strategy of buying and selling stocks of portfolios formed on the basis of accruals, where the time series means is of equal weighted, size adjusted buy/hold abnormal returns for a sample of US firms from 1962 to 2006, using Statement of Cash Flows.	
<b>Appendix 3.C — Sample time analysis</b> .....		337
Table 3.C.1	Sample time analysis .....	337
	Sample identification cross-indexing firm years in sample against number of clusters each firm appears in the sample over time.	
<b>Appendix 3.D — Sample analysis by industry and cluster</b> .....		339
Table 3.D.1	Sample analysis by industry and cluster.....	339
	Analysis of firms in the sample as they appear across industry and cluster.	