



An empirical testing of Basu's 'conservatism principle' of stock prices

By Felix Brandes

GRIN Verlag Okt 2009, 2009. sonst. Bücher. Book Condition: Neu. 210x148x1 mm. This item is printed on demand - Print on Demand Neuware - Scholarly Essay from the year 2004 in the subject Business economics - Accounting and Taxes, grade: First, University of Manchester (Manchester Business School), course: Share Prices and Accounting Information, language: English, abstract: This report will test Basu's (1997) hypothesis that the slope coefficient and - value from a regression of annual earnings on annual returns is higher for negative returns than for positive returns. A cross-section of UK firm data with 931 observations from the year 1996 will be used as a sample to test this hypothesis. The report will start with a short discussion of the underlying economic rationale that is thought to cause this behaviour. It will then define the sample, regression models and variables that are used to test the hypothesis and present the empirical results. The report will conclude with an interpretation of the results and relate these to Basu's findings. 12 pp. Englisch.



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