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Accounting Conservatism in Sweden

The effect of the IFRS adoption on conservatism in Swedish accounting

by

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Abstract
Conservative accounting practices have influenced accounting traditions worldwide for centuries and have held a central position in Sweden through its incorporation in the accounting regulation. In 2005 Sweden, following a directive passed in the European Union, adopted IFRS, the accounting standard of the International Accounting Standards Board (IASB). The IASB has expressed a clear desire to reduce conservatism in accounting, as the differential verification principle of conservatism is regarded as a threat to neutrality.

Since the adoption, no quantitative evidence exists of the impact IFRS has had on conservatism in Sweden. This study utilizes the model developed by Basu (1997) to measure conservatism by regression analysis. The results demonstrate, in line with the hypothesis, that conservatism has decreased in the Swedish market. The findings suggest that conservative accounting practices remain, although to a lesser extent than before 2005. Evidence furthermore suggests that the value relevance of accounting data may have decreased during this period. Awareness of the decreasing role of conservatism in Sweden is relevant for understanding and interpreting financial statements.

Keywords: accounting conservatism; financial accounting; IFRS adoption; Sweden

1. Introduction

Conservative accounting practices have influenced accounting traditions worldwide for centuries (Watts, 2003a) and empirical research suggests that the level of practiced conservatism has increased during the latter part of the 20th century (*ibid*), a development primarily considered linked to large scaled stock market failures (Scott, 2010). However, in the more recent years, the International Accounting Standards Board (IASB) has issued publications stating that conservatism is no longer regarded as a desirable quality of accounting (IASB, 2005). The IASB argues that the inherently biased nature of conservatism directly opposes neutrality, which is deemed a more important characteristic of financial reporting. Their intent is to move towards an accounting framework that emphasizes timeliness and fair value rather than the past focus on historical cost and conservatism (Hellman, 2008).

When analyzing the IASB's accounting standards IFRS the direction of IASB is, however, less clear. The standards appear to still contain a certain amount of conservatism. Whereas scholars, such as Hellman (2008), have studied conservatism under IFRS by looking at the phrasing of the standards, little purely quantitative evidence of recent developments have been gathered. In 1997, Basu published a study of American companies, which through regression analysis provided four methods of quantitative measurements of conservatism. The Basu method has later been used worldwide by researchers to study changes in conservatism in different settings.

Quantitative data pertaining to accounting conservatism in Sweden is particularly lacking. No method similar to that of Basu (1997) has been applied to a Swedish company selection, neither before the 2005 IFRS adoption, nor after. As the financial reporting standard was changed in 2005, this provides a unique opportunity to study the effect that standard changes has on accounting practices. Understanding the characteristics and the underlying principles of accounting is highly important in reading and interpreting financial reports, both for the purpose of managerial and investment decisions. In order for a financial report to have the highest possible utility for the user, it is therefore important to understand the current role of accounting conservatism in financial reporting. This study aims to establish what effect the 2005 IFRS adoption has had on accounting conservatism in Sweden by utilizing the quantitative method developed by Basu (1997).

2. Key Concepts and Prior Research

2.1 Accounting Conservatism Defined

Accounting conservatism, translated into practice, mean that different degrees of verification are required when recognizing profit and losses. Profit recognition is more strictly regulated in order to avoid overstating the firm's current financial position. Losses, on the other hand, are anticipated and have a lower verification requirement and are therefore recognized quicker. The central idea is that this cautious principle of asymmetric recognition protects stakeholders by consistently undervaluing the operations. Therefore, under conservative accounting practices, at any point in time a firm's assets, earnings and equity can be expected to be lower than their current values, as indicated by the studies of Feltham and Ohlson (1995). A commonly used definition for conservative accounting is that of Bliss (1924), "anticipate no profit, but anticipate all losses".

In terms of accounting conservatism research, Watts (2003a, 2003b) have gained wide recognition and popularity. He emphasizes differential verification as the fundamental principle of conservatism. This interpretation was also used by Basu (1997) in the study that introduced the quantitative method for studying conservatism over time that this paper uses. Researchers such as Penman and Zhang (2002) and Hellman (2008), however, advocate a definition that emphasizes the relativity of conservatism. They argue that a conservative accounting treatment will result in the lowest book value out of all available treatments. This interpretation is, however, more useful in comparative situations for classification of accounting practices. The definition of Watts (2003a, 2003b) and Basu (1997), conversely, points to the aspect that causes an individual treatment to be deemed conservative, i.e. the asymmetric treatment of gains and losses. This is the definition that we embrace for the purpose of this study.

Basu (1997) furthermore emphasizes how the asymmetric recognition used in conservative accounting results in systematic differences in the timeliness and persistence of earnings. Basu states that good news, or profits, are less timely reported as they require a higher degree of verification. Due to the lower requirement of verification bad news, or losses, are generally more timely recognized. Similarly, profits tend to be more persistent in its nature, as only a part of the value is capitalized in current earnings and the remaining value will affect later earnings. These tendencies where furthermore supported by Givoly et al. (2007) who found that the differential timeliness of reporting practices under conservative accounting policies were even more pronounced than what had previously been recognized in the scholarly community.

The method developed by Basu (1997) to measure conservatism has been used extensively worldwide. Examples of previous applications are Lobo and Zhou's (2006) study of conservatism after the Sarbanes-Oxley Act, Chandra (2011) who specifically targeted income conservatism in the technology sector, Vichitsarawong's et al. (2010) study of changes in conservatism caused by the Asian financial crisis, and Lara's et al. (2007) study on Spanish board of directors' characteristics.

2.2 The Changing Significance of Accounting Conservatism

The findings of Basu (1997) indicate a growing usage of conservative accounting practices in the US during the latter half of the 20th century. Lobo and Zhou (2006) replicated Basu's (1997) study on the years 2000-2004[1] and found a similar trend. Watts (2003a, 2003b) and Scott (2010) attribute this increase of conservative accounting practices to large scaled stock market failures. Practicing conservative accounting was a way to restore faith in the system and trust in the preparers of financial reports. Watts (2003b) furthermore highlights the role of conservatism in limiting negative managerial behavior; he notes that the asymmetric recognition requirements under conservatism reduce managerial opportunities for fraud and manipulation.

[1] Lobo and Zhou (2006) measured conservatism in the US before and after the Sarbanes-Oxley Act implementation in 2002

The more recent years, however, indicate a changing trend where the significance of accounting conservatism appears to be decreasing. What is globally occurring is a shift towards placing a higher emphasis on the relevance of financial reporting through a focus on timeliness and fair value (Hellman, 2008). The IASB stated in 2005 that "conservatism is a threat to reporting neutrality since conservatism bias is a direct opposition of neutrality" (IASB, 2005). This statement implies that conservatism is no longer a desirable quality of accounting. This is something that the IASB formally also have incorporated in multiple revisions of their conceptual framework by clearly expressing that conservatism should not be considered a positive attribute for financial reporting (IASB 2005, 2008, 2010). The IASB arguably believes that fair value estimates are more easily and cost efficiently accessible today, and therefore supposedly more reliable than in the past. Therefore, the need for conservative reporting practices have decreased as accounting data can be perceived as reliable without introducing a consistent undervaluation of assets.

However, the purpose of conservative accounting practices as an important trust mechanism remains. Conservative accounting practices are generally perceived as increasing the reliability of financial reporting. However, as an alternative, Hellman (2008) highlights that a decrease in conservatism can be compensated and justified by increased disclosure. It could be argued that this is the route that IASB has opted to take; IFRS promotes increased disclosure through both mandatory and optional standards. Reliability is therefore achieved by supplemented information, rather than by cautious reporting. According to the IASB's framework, this would increase reporting neutrality by reducing the conservative bias, leading to higher financial reporting quality and usefulness of accounting data.

2.3 Conservatism in Sweden

The Swedish generally accepted accounting practice (GAAP) that was used up until the 2005 IFRS adoption had a strong tradition of conservatism, and the principle of conservatism was integrated into the Swedish accounting law (Bokföringslagen) (Artsberg, 1993). Hellman (2008) argues that the tradition of conservative reporting practices in Swedish accounting may, at least in part, be explained by the link between accounting and taxation. Hellman (2008) states that countries where financial reporting is used for tax reporting purposes generally show a higher degree of conservative accounting practices. Artsberg (1993) suggests that the tradition of conservatism in Sweden could be due to the early German influence on Swedish accounting practices. This historical trend appear to indicate that conservatism may be expected to prevail in Sweden regardless of changing accounting standards, especially considering that even under IFRS conservative reporting in Sweden is still linked to benefits pertaining to taxes.

However, Hellman published an additional article in 2011 which focused on the results of the 2005 soft adoption of IFRS in Sweden. In this article he reports on contradicting evidence, namely that Swedish firms did indeed use the managerial discretion provided by IFRS for valuation to a larger extent than the conservative past suggested. Soderstrom and Sun (2007), however, caution against studies relying on data from companies that opted for early IFRS adoption as these studies are often affected by methodological problems due to selection bias. What Soderstrom and Sun (2007) are suggesting is that most companies have underlying reasons that make it

beneficial for them to adapt early. This makes it difficult to support generalized conclusions with the findings from these studies.

Regardless of Soderstrom and Sun's (2007) criticism of early adoption studies, the findings of Hellman (2011) indicate new trends in Sweden. Artsberg (1993) suggests that even in the late 1990's, the focus on conservatism has declined in FAR's recommendations and she states that a paradigm shift in Swedish accounting is not too far away. Artsberg (1993) attributes the shift to a growing consideration of international procedures, which favored the less conservative matching principle as a measurement approach. Hellman (2011) describes the situation of Swedish conservatism as two opposing forces at work where one group attempts to maintain the conservative tradition while another wishes to embrace the capital market-oriented approach to financial reporting that IFRS represents.

2.4 Conservatism under Swedish GAAP and IFRS

In order to gain a better understanding of the differential level of conservatism in the old Swedish GAAP and IFRS, two points of treatments will be compared, namely valuation of property, plant and equipment on one hand and recognition of contingent assets and liabilities on the other.

Under the Swedish GAAP guidelines prior to the 2005 IFRS adoption, valuation of property, plant and equipment (Redovisningsrådet, 1999) allowed for only one form of valuation, namely recognizing assets at cost. While there were some rules regarding adjustment of the value of an asset after initial recognition, these rules only allowed for a decrease in the reported value of the asset. This ability to decrease the value of an asset to better reflect its real value, while not allowing for the value to be increased for the same reasons, does in our view constitute a clear conservative bias, to use the IASB's terminology.

However, the Swedish guidelines highlights that their recognition of assets at historical cost is the same as that of IFRS. They state that the valuation rules of IFRS can be applied interchangeably with the Swedish guidelines, however, they also explicitly state that any other treatment allowed by IFRS, such as valuation to fair-value, is not permitted under Swedish GAAP. This highlight by Redovisningsrådet does not mean that the Swedish GAAP was equal to IFRS in terms of conservatism, but rather that options with the same (conservative) valuation method could be found in the IASB's accounting standard.

The corresponding guidelines in IFRS can be found in IAS 16, which in addition to the historical cost model that is utilized by both Swedish GAAP and IFRS allows the usage of the revaluation model (IASB 2010b). Under IFRS, this allows for both upwards and downwards revaluation after the initial recognition of the asset (IASB 2010b). In this sense the revaluation model could be considered a more neutral option for valuation of assets than the unidirectional revaluation allowed under the Swedish GAAP. However, some conservatism remains in that while downward valuations are primarily reported as earnings, upward valuations are principally reported through other comprehensive income (IASB 2010b).

It is however important to note that by allowing a choice of different valuation models, IAS 16 (IASB 2010b) subsequently also provides the option of different levels of conservatism. Therefore, even though IFRS provides the option of using a less conservative model, it does not mean that all accounting will be less conservative under IFRS but rather that it provides the companies with a choice of the level of conservatism they wish to apply in their financial reporting. In practice, this means that the level of conservatism measured under IFRS is highly susceptible to national or firm specific accounting practices and traditions. It is therefore possible that a country with historically conservative practices, such as Sweden, can maintain a certain level of conservatism through the IFRS options.

Another interesting aspect for studying conservatism is the rules in RR 16 for recognition and valuation of contingent assets and liabilities, which are by definition uncertain. While a neutral accounting practice would suggest that contingent assets and liabilities should be treated similarly, the recommended treatment in RR 12 is different for assets and liabilities. While contingent assets are only recognized once they are almost certain to occur, and thereby meet the requirements of being a regular asset, contingent liabilities can be recognized as provisions which are recorded in the balance sheet once they are likely to occur and can be reliably measured (RR 16).

The differential treatment of RR 16 for uncertain assets and liabilities is a typical example of Basu's (1997) definition of conservatism and shows a conservative bias due to the lower verification threshold needed for recognizing liabilities in the balance sheet than what assets require. The interesting crux arises when looking at the corresponding IFRS standard, namely IAS 37 (IASB 2008b). Although IASB clearly has indicated their view on conservatism by stating that it threatens neutrality, IAS 37 is highly similar to the stereotypically conservative Swedish RR16 and allows some contingent liabilities to be reported as provisions whilst contingent assets largely go unreported in the balance sheet. Thereby indicating differential treatment of assets and liabilities.

These two cases are relevant as they illustrate two important aspects; namely that while IASB is attempting to minimize the conservative bias, conservatism still has a place within the standard, however primarily as an option. The second aspect is a theoretical extension of the first, that is, if the Swedish firms so desire, they would be able to maintain a similar level of conservatism after the IFRS adoption regardless of the IASB's stance on conservative bias. While Sweden does have, as stated earlier, a conservative accounting tradition, scholars such as Hellman (2008) and Artsberg (1993) indicate at least a partial desire for a shifting trend.

2.5 Hypothesis

Considering theoretical evidence, the pre-2005 Swedish GAAP is expected to include a conservative bias due to the connection between financial reporting and tax levels in Sweden. In line with this expectation, the analysis of the recommendations in the Swedish GAAP indicates a clear conservative bias. This suggest that the IFRS adoption in 2005 would decrease conservative accounting in Sweden as the IASB have made clear statements indicating that conservatism is not a desirable accounting trait as it is a threat to neutrality.

However, when comparing IFRS to the pre-2005 GAAP, the studied standards did not give the same evidence of decreasing conservatism as what the IASB's publications have suggested. The IFRS standards show indications of a remaining conservative bias, albeit offering options that should be considered more neutral than the Swedish GAAP. This study is performed to understand if, and to what extent, the IFRS implementation has affected conservatism in Sweden and the contradicting literary evidence highlights the need for a quantitative evaluation.

Considering that the early IFRS adoption studies of Hellman (2008, 2011) indicate that Swedish companies have embraced the managerial discretion that the new standard permits, our hypothesis is to see at the very least a small decrease in conservatism during the post-adoption years but a full departure from conservatism is not predicted to have occurred.

3. Method

The method used in this paper utilizes three out of the four tests for conservatism developed by Basu (1997). Only three tests are used since they are deemed to give sufficient indications of a pattern. Furthermore, the fourth test, which is a regression using abnormal earnings, has been suggested to be the weakest test for establishing conservatism out of the four (Watts, 2003b) and therefore that test has been excluded from this study.

Each of Basu's tests includes a series of regressions that aim to measure conservatism using different sets of variables. In the subsections 3.2 to 3.4 each regression will be introduced in detail. The tests are performed on both the time period before and after the IFRS adoption in order to determine any differences in the level of conservatism between the two time periods. The tests will also be run on each individual year between 2000 and 2010 in order to track any potential time pattern. Running individual regressions on each year is furthermore valuable in discerning year-specific anomalies that may affect the results.

3.1 Data

The study uses observations from 430 companies listed on the Swedish stock exchanges. The data, which covers a time span of 15 years (1997-2012), was extracted from Reuters' Datastream. The 430 companies used in the study are the results of manual processing of all active primary equities listed in Stockholm to only include companies for which the full set of required data was available. The exclusion of dead and inactive equities may pose potential issues with survivorship bias but should not affect the qualitative conclusions of the study. Approximately 10% of the companies generated by the initial query were excluded due to limited or nonexistent data, resulting in the aforementioned 430 companies.

All price deflated earnings per share and return observations falling outside of three standard deviations from the mean has be regarded as statistical outliers and has therefore been excluded from the regression analysis. This resulted in 48 out of 6450 observations being removed from the study. The tests were trial run with outliers included, the results generated were not substantially different from the finalized regression results in which outliers were excluded and similar trends were indicated.

3.2 Test I

The first test is designed to measure conservatism by looking at annual earnings and annual returns.

$$X_{it}/P_{it-1} = \alpha_o + \alpha_1 DR_{it} + \beta_0 R_{it} + \beta_1 R_{it} * DR_{it}$$

X_{it} = Earnings per share for company i during year t.
P_{it} = Share price for company i in the beginning of year t.
DR_{it} = Dummy variable = 1 when $R_{it} < 0$, otherwise 0.
R_{it} = Stock return for company i during year t_2

As discussed in section 2.1 our definition of conservatism assume differential timeliness of recognition between profit and loss, or bad and good news. The regression of Test I considers the slope coefficients *β0* and *β1* in order to determine whether the correlation with earnings is different for positive and negative returns. Basu (1997) proposes that under conservative accounting practices the relationship between returns and earnings will be greater for bad news than for good news, indicated by the coefficient *β1* being greater than *β0.* This is because earnings will more quickly reflect bad news, or losses, as compared to good news, or profit. This is due to the differential verification required under conservative practices.

3.3 Test II

Similarly to Test I, the second test also uses asymmetric timeliness of recognition to measure conservatism. However, instead of net income, cash flow measurements and earnings before extraordinary items are used as the dependent variable. The cash flow measurements used are from operations (CFO) and operations and investments (CFOI).

$$Y = \alpha_o + \alpha_1 DR_{it} + \beta_0 R_{it} + \beta_1 R_{it} * DR_{it}$$

Y = $CFOI_{it}$, CFO_{it}, XE_{it} respectively for company i during year t, deflated by price per share
Where CFOI = Cash flow from operations and investments per share
CFO = Cash flow from operations per share
XE = Earnings before extraordinary items per share
DR_{it} = Dummy variable = 1 when $R_{it} < 0$, otherwise 0.
R_{it} = Stock return for company i during year t.

Since net income consists of cash flows and accruals combined, looking at these variables separately enables a measurement of where conservatism specifically occurs. As there is less discretion available when measuring cash flows than accruals, it is to be expected that earnings, if accounting is conservative, is more timely in detecting bad news (Basu, 1997). Thus it is to be expected that the coefficient *β1* is greater when studying earnings than when studying cash flow measurements.

[2] Stock return is the return of firm i from 9 months before end of fiscal year t to three months after fiscal year t.

3.4 Test III

The third test is based on the observation that conservatism causes asymmetric persistence of earnings during periods of profit and loss.

$$\Delta X_{it}/P_{it-1} = \alpha_o + \alpha_1 D + \beta_0 \Delta X_{it-1}/P_{it-2} + \beta_1 D^* \Delta X_{it-1}/P_{it-2}$$

ΔX_{it} = The change in EPS for firm i for fiscal year t over t-1.
P_{it} = Share price for company i in the beginning of year t.
D = Dummy variable = 1 when $X_{it-1}/P_{it-2} < 0$, otherwise 0.

Loss, or bad news, results in lower persistence than profit under conservative accounting practices. This means that a negative earnings change in one period is more likely to be temporary and therefore reverse in the next period than a positive earnings change, which will likely persist in the following period. This will show itself in the regression as *β1*, which shows the effect of bad news, being different from, or lower than 0.

4. Results

4.1 Test I

The initial regressions for Test I were run on the years 1998 to 2004 and 2005 to 2011. The R^2, or the explanatory levels, of the regressions were between 6.5-8.7%, a range that is in line with earlier research on earnings usefulness (Lev, 1989). The results from both time periods indicated that *β1* was statistically significant, while *β0* was not. These findings are not entirely unexpected considering the relatively small sample size. However, when the regressions were run on each individual year, the betas displayed unpredicted tendencies with erratic sign changes. This is an indication of possible multicollinearity, which proved to be the case after additional analysis.

Multicollinearity occurs when the independent variables have high correlation, while it can be avoided by increasing the sample size. This solution would be technically impossible for this study since it already considers all available data for the region. To illustrate, Basu (1997) used approximately 43 000 firm-year observations while we only had approximately 6400 observations. As a solution, Basu's (1997) second method was used successfully, here the regression is split into to two separate regressions – one which uses R_{it} as the independent variable and one with $DR_{it}*R_{it}$.

Equation 1: $$X_{it}/P_{it-1} = \alpha_o + \beta_0 R_{it}$$

Equation 2: $$X_{it}/P_{it-1} = \alpha_o + \beta_1 R_{it}*DR_{it}$$

The overall findings using the second method were similar to the tendencies in the findings using the original equation, although the new findings were statistically significant. All results are available in Appendix 1. The results of Test I indicate that the Swedish accounting practices have been conservative both during the old Swedish GAAP and consecutively under IFRS, as indicated by the higher *β1* than *β0*, indicating asymmetric timeliness of recognition of good and bad news. The results indicate a small decrease in differences when comparing the pre- and post-adoption period, i.e. a sign of potentially decreasing conservatism, these findings are however

too uncertain to base any definitive conclusions on due to splitting the regression into two separate ones.

Table 1:Results Test I

	Returns (R_{it})		Negative Returns ($DR_{it}*R_{it}$)	
	β0	R^2	*β1*	R^2
1998-2011	0,214*	4,60%	0,264*	6,90%
Before 2005	0,222*	4,90%	0,295*	8,70%
After 2005	0,21*	4,40%	0,249*	6,20%

**Statistical significance at the 1% level*

Figure 1 below illustrates the slope coefficients over time. The trend of higher the slope coefficients for negative returns is consistent with the exception for year 2003 where the explanatory power of the negative sample is lower than for the entire sample, as well as for the years 2004 and 2010 where the slope coefficients are very similar. This appears to indicate a temporary decrease in conservatism for those specific years, however a full qualitative study would be needed to identify the causes for the shifting trends in those specific years.

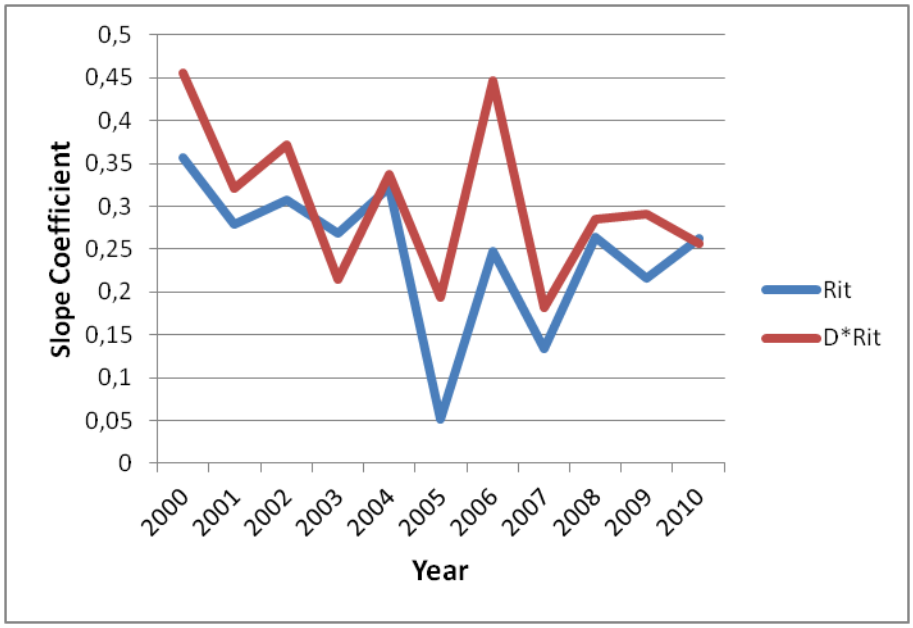

Figure 1: Slope coefficients of the complete sample (R_{it}) compared to the slope coefficients of the negative sample ($DR_{it}*R_{it}$) for the period 2000-2010.

Notable in these results is an overall decrease in slope coefficients over the time period. There is an indication that the relationship between returns and earnings has decreased during the time period. The usefulness of this finding is however limited due to low statistical significance in some years.

4.2 Test II

The foundation of Test II is very similar to that of Test I, thus the initial results suffered from the same problems with multicollinearity as Test II. Therefore this

regression was also split into two separate equations utilizing the same method as the adapted Test I regressions.

Equation 1: $Y = \alpha_o + \beta_0 R_{it}$

Equation 2: $Y = \alpha_o + \beta_1 R_{it} * DR_{it}$

The full results of Test II can be viewed in Appendix 2. The findings of Test II for the entire period indicate with statistical significance that the explanatory power of returns becomes increasingly higher for cash flow from operating and investing activities (CFOI), cash flow from operations (CFO) and earnings before extraordinary items (XE). Meaning that CFOI has the lowest R^2 and XE the highest. These findings are in line with findings from earlier accruals research Dechow (1994) and Basu (1997). This tendency can be seen both by looking at the beta coefficients as well as at the R^2 generated by the equations, which are producing increasingly higher values. These findings indicate that accruals cause bad news to be more timely reported than good news, which is a signal of asymmetric recognition and accounting conservatism.

When looking at the two time periods separately, the difference is higher before 2005 than after (see figure 2). This indicates decreasing asymmetric recognition and conservative accounting practices. After 2005, the beta coefficient of earnings before extraordinary items (XE) is much closer to that of the cash flow measurements, as is expected when conservatism decreases. At first glance may seem interesting to note that the coefficients for CFO and CFOI have changed place relative to each another when studying different time periods. However, the actual changes are very small and we consider them to be within the margin of error and therefore consider this switch irrelevant. The significantly lower coefficient of earnings before extraordinary items is however notable, going from 0.156 before 2005 to 0.086 in the period after.

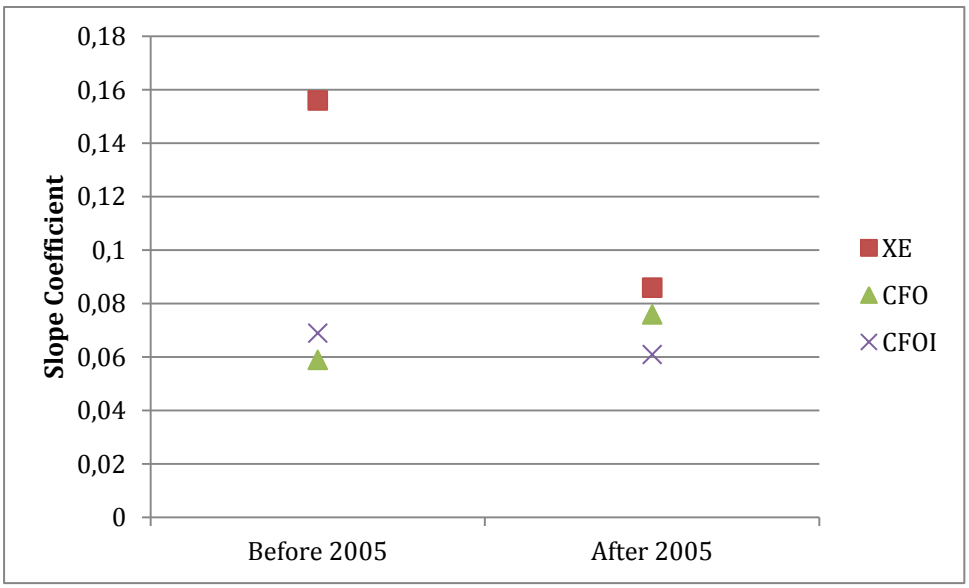

Figure 2: β1 Coefficient Comparison of Test II

Including the findings from Test I into the coefficient comparison table of Test II as seen above, demonstrates that the beta coefficient of earnings is higher during both time periods (see figure 3 below). This may suggest that there exists a degree of

conservatism in both periods even if the level has been reduced in the period after the adoption of IFRS. The relatively large difference between the beta coefficients for earnings and earnings before extraordinary items also suggests that a high degree of conservatism is due to the effect of extraordinary items component of earnings.

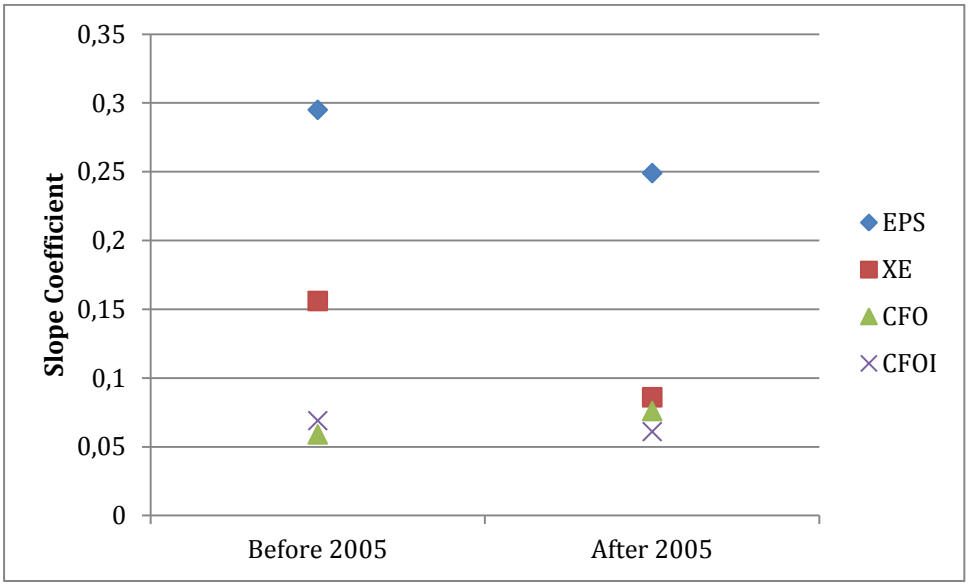

Figure 3: β1 Coefficient Comparison of Test I and II Combined

When comparing the beta coefficients for positive returns only we can furthermore see that the coefficient for earnings is significantly higher than the coefficient for earnings before extraordinary items (0,214 compared to 0,94). This suggests that although extraordinary items are regarded more conservatively than other earnings components they are also highly relevant when studying the relationship between earnings and returns.

4.3 Test III

As opposed to Test I and II, which utilizes the asymmetric recognition criteria of conservatism, Test III uses the earnings persistence tendency of conservative accounting practices. The full results from Test III are available in Appendix 3. The Swedish findings before the IFRS adoption resulted in a β0 of 0.104 and β1 of -0.342. These findings suggest that losses are more likely to reverse than profits. This trend is similar to the conservative findings of Basu (1997).

Table 2: Results for Test III

	β0	β1	R^2
1998-2011	-0,661*	-0,012*	0,44
Before 2005	0,104*	-0,342*	0,095
After 2005	-0,754*	0,063*	0,484

**Significant at the 1% level*

The findings after 2005 are, however, not consistent with the previous period. β0 was found to be negative while β1 was positive (see table 2 above), these findings might suggest that profits are more likely to reverse. When tracing the pattern on a yearly basis, it becomes evident that the results from the more recent years show erratic

behavior as well as decreasing statistical significance. This anomaly could be attributed to the recent financial instability that has affected all sectors (as compared to earlier instabilities during the late 1990s which were primarily sector specific). This theory is supported by a year-to-year analysis which indicate that the most inconsistent years are 2009 and 2010 which would be the fiscal years that started showing the impacts of the global financial downturn.

5. Analysis

5.1 The State of Conservatism

The findings of Test I and Test II both support our hypothesis that the 2005 IFRS adoption has resulted in decreased conservatism in Sweden, although not eliminating it entirely. Test III supports the hypothesis only so far as by indicating the presence of conservatism before the accounting standards changed, but no further conclusions can be drawn from the regression analysis due to the low statistical significance of the more recent years and the inconsistent results. We attribute this trend primarily to the impact that was caused by the recent years' financial instability on the test results. Because of the decreasing statistical significance, Test III is rendered invalid as it fails to neither prove nor rejects the hypothesis.

The reason as to why Test III proved to be particularly sensitive to the financial turmoil is due to the specific observation of conservatism that it analyses, namely the differential earnings persistence. As stated earlier, under conservatism it is observed that profits have a higher persistence than losses. Times of financial instability notably affect the likelihood of reversal of losses and the persistence of profits. The results we found for the post-IFRS adoption period indicated that profits were more likely to reverse and that losses would persist. These findings are what could be expected during difficult financial periods. A large part of the reason for the controversial results can be found during 2009 and 2010 where the tendency of earnings to reverse fluctuates wildly (-0,991 for 2009 compared to +0,096 for 2010) which would suggest that the 2008 financial crisis may have had an influence on these results. Test I and II, on the other hand, were less affected by the financial environment as they are based on the differential recognition requirement of conservatism.

Looking more closely at the valid results of Test I and Test II, indications of more than simply a decrease in the difference of verification level required for profit and loss recognition appear. In addition, the results also suggest that the decrease in conservatism may have come at the cost of accounting relevance. This is indicated by that the decrease in the relevance of negative returns has not been compensated by an increase in the relevance of positive results, which results in an overall decrease of relevance. If this would indeed be the case, then it would appear that conservatism would still be a more efficient alternative than the current neutrality focus of the IASB for increasing the relevance of financial statements.

We would however caution against taking this interpretation too far as it is entirely possible, and in our opinion quite likely, that this is a temporary effect of the uncertainty that occurred due to the change of accounting standards. If the change of accounting standards has brought uncertainty, it is possible that the reduced relevance

of accounting information that Test I and II indicated would increase with time. It may, in other words, be a question of the market not yet having adjusted to the new standards. The suggested decrease in value relevance indicates an interesting pattern that could be valuable to look closer at, as well as trends over time, in further studies.

5.2 Issues with the Measurement of Conservatism

While the method developed by Basu (1997) was successfully adapted to investigate the existence of accounting conservatism in the Swedish stock market, difficulties with the measurement of the asymmetric timeliness of conservatism did occur when the original regression model was applied to the Swedish sample. The study faced significant issues with multicollinerarity, which proved to be an obstacle that made it difficult to utilize the full method of Basu (1997) on the Swedish market.

The problems with multicollinearity highlight the issue of attempting to use this method on a smaller market. While it is reasonable to expect that Basu (1997) had similar tendencies of multicollinearity, the US market provides a large enough sample for the impact to be relatively low. Sweden, on the other hand, does not have a market that is large enough to support a year-to-year analysis of conservatism. The negative effects of the multicollinearity forced us to divide Test I and Test II into two separate regressions which measured each variable individually in order to obtain significant results.

While the method of Basu (1997) has provided a way to accurately measure conservatism, the method is in our opinion unsuitable for application on smaller markets. A need therefore exists for a method to measure conservatism that remains effective with smaller sample sizes. A measurement approach adapted to function well with smaller sample sizes would not only be helpful for studies targeting countries with smaller markets than what the United States has, it would also open up the opportunity for studies focusing on different parts of a market, for instance detailing the possible differences between industries or sectors.

The invalidity of Test III caused by the financial turmoil, however, highlights a problem with the nature of that specific test; it requires a certain degree of financial stability to be an accurate measure of conservatism. This is particularly true for shorter periods of time, such as when doing year-to-year analysis. While Test III is, at least in theory, an accurate measure of conservatism, the results have a high risk of being affected by financial instability, therefore care must be taken when interpreting these results even if they at first glance may seem reasonable. Our study appear to point at an extreme example of this phenomena, but it could be suggested that any results rendered from this method would be affected by the general financial environment of the time period studied. In part, this is desirable, considering that the financial environment in all likelihood has an effect on accounting practices but it is important to be able to differentiate the effect caused by changing practices and the effect caused by a general downturn of the market.

6. Discussion

The findings of this study, that conservatism has indeed decreased in Sweden in the period after the 2005 IFRS adoption, has implications not only for the professional

accountants and auditors but also for investors and other users of financial statements. Considering that the IASB is striving towards limiting the practice of conservative accounting due to what they regard as negative bias and threat towards neutrality, decreasing options for conservative practices may be facing all countries that use IFRS. The changing reporting trends noted in this study may therefore affect an even wider group of people than just the ones engaged in the Swedish market.

6.1 Implications of Decreasing Conservatism for Accountants

The changing role of conservatism that is being promoted by the IASB carries implications for practitioners. This effect is being overshadowed by the IFRS implementation in Sweden, as this is the most obvious change and to which new work routines and processes are being attributed. However, the decreasing practice of conservatism carries additional subtle effects. In particular, lower conservatism has changed the entire valuation process; as relevance is revered, the verification threshold for recognition of profits is lowered in order to portray a more true and fair image of the company's current position. This places higher emphasis on additional voluntary or mandatory disclosures in order to maintain reliability, placing new demands on the workforce.

As conservatism decrease, professionals must identify in which areas the users of financial statements require additional disclosures in order to satisfy the trust and information requirements that suffer from the reduction of reliability after the decrease in conservatism. Additionally, the increased discretion provided by the less conservative accounting standard may place more stress on professionals as they may now face increased pressure from their employers to utilize the options provided by IFRS to practice earnings management.

It is however not only accountants that are affected by the decrease in conservative accounting practices, auditors are in extension also affected by the implications. It could be considered even more important that auditors understand the ongoing shift in Sweden, being aware of such trends is significant for being able to perform successful audits and for understanding clients. It is also important to be aware of the opportunity that the less conservative accounting practices opens up for potential harmful earnings management practices or intraoffice accounting pressure.

The cautionary tone in the argument above should by no means be interpreted as if less conservative practices have no positive effect on the profession. The driving force behind the IASB's statement that conservatism is an undesirable accounting characteristic is to increase the quality and usefulness of financial reports by removing biased practices. If increased quality and usefulness can be achieved, the value relevance of accounting data should increase.

6.2 Implications of Decreasing Conservatism for Investors

From an investor's point of view, conservatism makes company valuation both easier and more difficult. On the one hand, conservatism introduces a bias in the accounting data that need to be compensated. On the other hand, however, the bias from conservatism is one-sided and accounting data only need to be adjusted upwards, providing, at least in theory, a stable minimum base for the valuation of a company. Under a system with conservative accounting practices, the main task of the investor

is therefore centered around evaluating how much higher the value of the company is than the value that is communicated through the financial reports.

When the bias created by conservatism is reduced, or even removed, it means that the financial data now provide a more accurate representation of the company's current financial position. This, in turn, means that a lower adjustment factor would be needed to make the accounting data reflect the actual value of the company. However, this adjustment factor can now vary in two directions as the financial reporting data now reflects an estimation of the actual value of the company which may be either higher or lower than the reported value, as opposed to the one-sided adjustment that need to be applied under conservative practices. A new difficulty therefore arises for investors as they now need to determine whether the accounting data over- or undervalues the company.

The trend of a decreasing role of conservative accounting practices requires a changed mindset in investment decisions. For a professional investor this should by no means be regarded as a very difficult shift, however, it is relevant for this type of investor to be aware that the financial reporting practices are changing, and to which extent they are. If professional investors do not take changes in conservatism into account for valuations based on accounting data, it could potentially lead to a market wide overstatement of asset values.

The effect of trend changes also affects casual investors, for them this should be regarded as an interesting change. Casual investors, i.e. those who are not employed as investors or do not rely on investment returns to make a living, do not spend as much time or energy on investment valuation as the professional investor do. Therefore, for them reduced conservatism in accounting could represent better approximations of company values. This means that reduced conservatism potentially could improve the efficiency of investments for casual investors. Such an efficiency increase would, however, come at the cost of increased risk of the investment, as the consistent undervaluation due to conservatism could possibly work to reduce the risk of investments when the decision is based purely on accounting data. Thus, changes in conservatism could potentially reduce market efficiency of professional investors if not taken into proper consideration, while interestingly enough having the opposite effect for casual investors who would have a higher efficiency of investments, however at the cost of higher risk, if they do not adapt to the trend of decreasing conservatism.

6.3 Implications of Decreasing Value Relevance

The decreasing value relevance identified in this study (see Figure 1) could be interpreted as a decrease in trust for the new accounting standard. The decrease in value relevance for bad news implies that the market has acknowledged the reduced conservatism in the new financial reporting standards, yet the unchanged overall relevance implies that the new standards may not be viewed by the market as being more value relevant than the old Swedish GAAP. This leaves us in a situation where bad news, or losses, under the new standard are being viewed as less relevant while there is no improvement in the relevance of good news, signifying a decrease in conservatism but also a decrease in the relevance of accounting information.

In a sense, this could be viewed as that the new IFRS accounting standard has achieved reduced conservatism at the expense of accounting relevance, which is a tradeoff that is in our opinion somewhat undesirable. Further investigation into this phenomenon could help provide an answer to whether this is an issue with the IFRS accounting standards or whether this is only a temporary reaction by the market when exposed to a new set of rules. If it signifies a flaw within the accounting standard, this phenomenon would likely persist over time whilst if it is a market reaction to the new standards then we would likely see the relevance of accounting information increase as the market adapts to the information content present in accounting information produced according to the new accounting standards.

However, the overall findings of decreasing conservatism in Sweden could be regarded as a positive sign of the strength of the new accounting standard and its influence on accounting practices, as this is the aim of the IASB. It is however difficult to say what is the cause and what is the effect in this case. It may be that the trend is attributable to an unavoidable paradigm shift due to social and political movements rather than to the effort of the IASB. Further research into the underlying causes of the decreasing role of conservatism would be needed before drawing any definitive conclusions. An important key point is, however, that regardless of the cause of the decreasing conservatism, the IASB appears to have failed to strengthen the value relevance of the accounting data produced under IFRS.

6.4 Future Research

The results from the regression analysis indicated support for our hypothesis and suggested that accounting conservatism has decreased in Sweden since the 2005 IFRS adoption. These findings open multiple ideas and directions for further research, valuable both at the academic and practical level.

Firstly, a continuous annual tracking of conservative accounting practices could be both beneficial and interesting. Being able to follow the trend over a longer period of time can indicate how the market adapts and which role conservatism plays in Sweden. This knowledge could be valuable for investors in order to increase investment efficiency as well as for scholars in order to gain insight into the impact IFRS has on Swedish accounting practices. Taking a more long-term interest in the trend may help discover patterns of which other societal and financial factors that affect accounting conservatism in Sweden.

Ideally, a long-term interest in the trend of conservatism in Sweden would be superseded by a modification of Basu's (1997) model. As discussed in section 5.2 (Issues With the Measurement of Conservatism) the model presented by Basu in 1997 is not ideal for small sample sizes, such as the market of Sweden, because of issues such as multicollinearity causes problems with the statistical significance of findings. While the adopted version of the model that is used in this paper works, being able to run both variables in the same regression would result in better comparisons and tracking of changes. Basu's model is widely recognized in the scholarly community and has provided a framework for a large amount of studies since its publication in 1997, and an adopted model that could cater to smaller markets or segments would be of great value for future research.

A modified Basu (1997) model would, as discussed earlier, not only be able to better reflect the trends of small markets but could also be used to study changes in sectors or industries. It would be highly interesting to be able to quantitatively track how different sectors or industries utilize accounting standards and see if notable differences exist between the practices. Similar studies that could incorporate other aspects of accounting, i.e. not only conservatism, would be able to indicate if differential accounting behavior exists in different industries. Such a study would be extremely interesting, particularly if the accounting practices were tracked over a period of time. This could lead to increased understanding of how the environment impacts accounting choices.

Studies relating to accounting choice behavior have been published in the past, but these are primarily qualitative in nature. The option of a quantitative method would mean that a larger sample could be studied more efficiently and it would also increase the ability of replication as well as adaption of studies to other markets

It would furthermore be interesting to follow up the results of this study with more qualitative investigations. A number of different studies relating to the topic of decreasing conservatism are possible. For one, it would be interesting to include investors and their decision making; are they knowingly, or perhaps even subconsciously, aware of the changing trends? Another interesting group to study would be the practitioners, accountants as well as auditors. They are most likely highly aware of the new regulation, but to what extent do their perception of the differences correspond to quantitative findings.

7. Conclusion

This study aimed to establish what effect the 2005 IFRS adoption has had on accounting conservatism in Sweden. The findings of the study indicate that since the IFRS adoption, conservatism has decreased among listed Swedish companies. These findings are in line with our hypothesis. As expected, we have furthermore found evidence that although conservatism has decreased, it has not completely disappeared from accounting practices. Considering that the analysis of certain IFRS standards (section 2.4) indicated that regardless of the IASB's desire to reduce the conservative bias of IFRS, the standards still contain the option of conservative accounting practices, a complete disappearance of conservatism would have been surprising.

The regression analysis model selected for measuring conservatism, developed by Basu (1997), proved to not be ideal for the study. The model was developed for the American stock market, and therefore used a larger sample size than what the Swedish market could provide. This caused difficulties with multicollinearity in the main equation used by Basu (1997) and affected the statistical significance of the findings. The model was modified in a similar manner to some of Basu's follow up equations which enabled us to find statistically significant results. This modification, however, reduced the comparative power of the regression analysis.

A model to measure conservatism that remains effective for small sample sizes would therefore have been beneficial. Although qualitative methods exist, as seen in research

by scholars such as Hellman (2008), they are not suitable for quantitative research aiming to deduce the trends of the general market.

This study does not explain the causes behind the decreasing conservatism in Sweden. Hellman (2008) states that it has been a matter of two conflicting forces at work in Sweden, one which strives to maintain the conservative accounting practices of the past and another which is ready to embrace the capital market-oriented approach that IFRS represents. We see that conservatism has indeed decreased after the adoption, but if it is as an effect of the IASB's stance on conservatism or to a general movement in society is difficult to say. Regardless, it is the options of IFRS that enables this to be expressed to a greater extent than the more limiting previous Swedish GAAP.

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Appendix 1: Regression results from Test I

1.1 Regression Results Using the Original Method

1.1.1 Test I: All Years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,267[a]	,071	,070	,21358514416116

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11,691	3	3,897	85,425	,000[b]
	Residual	152,457	3342	,046		
	Total	164,148	3345			

a. Dependent Variable: EPS/P-1

b. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,065	,007		9,096	,000
	CDUmmy	-,014	,012	-,031	-1,185	,236
	Calculated Returns	,017	,011	,040	1,528	,127
	Cdummyret	,221	,027	,213	8,176	,000

a. Dependent Variable: EPS/P-1

1.1.2 Test I: Before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,299[a]	,089	,087	,19465902523390

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4,095	3	1,365	36,024	,000[c]
	Residual	41,795	1103	,038		
	Total	45,890	1106			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,059	,011		5,523	,000
	Calculated Returns	,025	,017	,063	1,472	,141
	CDUmmy	,023	,018	,055	1,260	,208
	Cdummyret	,295	,044	,291	6,697	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year < 2005

1.1.3 Test I: 2005 and later

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,257[a]	,066	,065	,22223109225198

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7,780	3	2,593	52,514	,000[c]
	Residual	110,379	2235	,049		
	Total	118,160	2238			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,068	,009		7,307	,000
	(b0) Calculated Returns	,013	,015	,028	,852	,394
	(a) CDUmmy	-,032	,015	-,070	-2,158	,031
	(b1) Cdummyret	,188	,034	,179	5,516	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year >= 2005

1.1.4 Test I: 2000 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2000 (Selected)			
1	,468[a]	,219	,202	,22589835974775

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,963	3	,654	12,824	,000[c]
	Residual	6,991	137	,051		
	Total	8,954	140			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2000

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,222	,041		5,358	,000
	CDUmmy	-,040	,057	-,075	-,699	,486
	Calculated Returns	-,192	,129	-,272	-1,490	,139
	Cdummyret	,633	,159	,650	3,980	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2000

1.1.5 Test I: 2001 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2001 (Selected)			
1	,413[a]	,171	,156	,09989305424221

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,340	3	,113	11,342	,000[c]
	Residual	1,646	165	,010		
	Total	1,986	168			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2001

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,074	,015		4,966	,000
	CDUmmy	-,086	,024	-,395	-3,623	,000
	Calculated Returns	-,034	,035	-,121	-,965	,336
	Cdummyret	,076	,063	,142	1,199	,232

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2001

1.1.6 Test I: 2002 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2002 (Selected)			
1	,384[a]	,147	,133	,18625055404280

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,119	3	,373	10,749	,000[c]
	Residual	6,487	187	,035		
	Total	7,606	190			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2002

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,021	,035		,616	,538
	CDUmmy	,053	,044	,110	1,217	,225
	Calculated Returns	-,017	,105	-,027	-,160	,873
	Cdummyret	,376	,124	,455	3,028	,003

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2002

1.1.7 Test I: 2003 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2003 (Selected)			
1	,302[a]	,091	,077	,19968975302281

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,779	3	,260	6,509	,000[c]
	Residual	7,776	195	,040		
	Total	8,554	198			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2003

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,017	,022		-,772	,441
	CDUmmy	-,060	,069	-,087	-,872	,385
	Calculated Returns	,080	,030	,203	2,687	,008
	Cdummyret	,194	,245	,077	,793	,429

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2003

1.1.8 Test I: 2004 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2004 (Selected)			
1	,370[a]	,137	,125	,24911218772995

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2,060	3	,687	11,067	,000[c]
	Residual	12,970	209	,062		
	Total	15,030	212			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2004

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,049	,028		1,735	,084
	CDUmmy	,009	,066	,014	,135	,893
	Calculated Returns	,112	,048	,194	2,316	,022
	Cdummyret	,454	,203	,233	2,234	,027

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2004

1.1.9 Test I: 2005 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2005 (Selected)			
1	,232[a]	,054	,041	,23360952011683

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,676	3	,225	4,129	,007[c]
	Residual	11,897	218	,055		
	Total	12,573	221			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2005

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,120	,024		4,951	,000
	CDUmmy	-,159	,083	-,203	-1,919	,056
	Calculated Returns	-,022	,031	-,051	-,703	,483
	Cdummyret	,195	,367	,055	,532	,595

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2005

1.1.10 Test I: 2006 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2006 (Selected)			
1	,460[a]	,212	,202	,16375473947031

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,724	3	,575	21,428	,000[c]
	Residual	6,409	239	,027		
	Total	8,133	242			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2006

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,104	,018		5,714	,000
	CDUmmy	-,069	,036	-,168	-1,941	,053
	Calculated Returns	-,015	,029	-,038	-,516	,606
	Cdummyret	,643	,150	,350	4,298	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2006

1.1.11 Test I: 2007 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2007 (Selected)			
1	,245[a]	,060	,050	,11893301331376

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,245	3	,082	5,784	,001[c]
	Residual	3,847	272	,014		
	Total	4,093	275			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2007

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,059	,031		1,930	,055
	CDUmmy	,042	,034	,103	1,227	,221
	Calculated Returns	-,188	,146	-,337	-1,286	,199
	Cdummyret	,357	,152	,556	2,350	,019

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2007

1.1.12 Test I: 2008 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2008 (Selected)			
1	,289[a]	,084	,075	,15663311714877

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,714	3	,238	9,698	,000[c]
	Residual	7,826	319	,025		
	Total	8,540	322			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2008

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,084	,047		1,787	,075
	CDUmmy	-,026	,051	-,036	-,521	,603
	Calculated Returns	-,128	,149	-,198	-,858	,391
	Cdummyret	,332	,155	,461	2,149	,032

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2008

1.1.13 Test I: 2009 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2009 (Selected)			
1	,295[a]	,087	,080	,15176162753514

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,813	3	,271	11,762	,000[c]
	Residual	8,499	369	,023		
	Total	9,311	372			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2009

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,012	,014		,810	,418
	CDUmmy	-,015	,028	-,041	-,523	,601
	Calculated Returns	,012	,019	,044	,636	,525
	Cdummyret	,229	,074	,234	3,106	,002

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2009

1.1.14 Test I: 2010 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2010 (Selected)			
1	,286[a]	,082	,075	,36618027813632

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4,685	3	1,562	11,646	,000[c]
	Residual	52,428	391	,134		
	Total	57,113	394			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2010

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,078	,032		2,410	,016
	CDUmmy	-,066	,058	-,086	-1,146	,252
	Calculated Returns	,106	,061	,130	1,757	,080
	Cdummyret	,192	,143	,103	1,343	,180

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2010

1.2 Regression Results Using only R_{it} (Overall Returns)

1.2.1 Test 1: All Years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,214[a]	,046	,046	,21641980581454

a. Predictors: (Constant), Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7,524	1	7,524	160,632	,000[b]
	Residual	156,625	3344	,047		
	Total	164,148	3345			

a. Dependent Variable: EPS/P-1

b. Predictors: (Constant), Calculated Returns

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,020	,004		5,229	,000
	Calculated Returns	,092	,007	,214	12,674	,000

a. Dependent Variable: EPS/P-1

1.2.2 Test 1: Before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,222[a]	,049	,048	,19870465473596

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2,261	1	2,261	57,260	,000[c]
	Residual	43,629	1105	,039		
	Total	45,890	1106			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,025	,006		4,049	,000
	Calculated Returns	,088	,012	,222	7,567	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year < 2005

1.2.3 Test 1: 2005 and later

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,210[a]	,044	,044	,22470774201052

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,206	1	5,206	103,093	,000[c]
	Residual	112,954	2237	,050		
	Total	118,160	2238			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,017	,005		3,654	,000
	Calculated Returns	,094	,009	,210	10,153	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year >= 2005

1.2.4 Test 1: 2000 only

Model Summary

Model	R year = 2000 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,357[a]	,127	,121	,23709141411952

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,141	1	1,141	20,294	,000[c]
	Residual	7,814	139	,056		
	Total	8,954	140			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2000

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,124	,022		5,714	,000
	Calculated Returns	,252	,056	,357	4,505	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2000

1.2.5 Test 1: 2001 only

Model Summary

Model	R year = 2001 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,279[a]	,078	,073	,10470999894548

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,155	1	,155	14,137	,000[c]
	Residual	1,831	167	,011		
	Total	1,986	168			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2001

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,020	,008		2,474	,014
	Calculated Returns	,078	,021	,279	3,760	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2001

1.2.6 Test 1: 2002 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2002 (Selected)			
1	,308[a]	,095	,090	,19087612566280

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,720	1	,720	19,749	,000[c]
	Residual	6,886	189	,036		
	Total	7,606	190			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2002

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,013	,017		,758	,449
	Calculated Returns	,193	,044	,308	4,444	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2002

1.2.7 Test 1: 2003 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2003 (Selected)			
1	,269[a]	,072	,067	,20072220291484

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,617	1	,617	15,325	,000[c]
	Residual	7,937	197	,040		
	Total	8,554	198			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2003

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,039	,019		-2,038	,043
	Calculated Returns	,105	,027	,269	3,915	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2003

1.2.8 Test 1: 2004 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2004 (Selected)			
1	,323[a]	,105	,100	,25254384913279

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,573	1	1,573	24,662	,000[c]
	Residual	13,457	211	,064		
	Total	15,030	212			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2004

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,005	,020		,246	,806
	Calculated Returns	,187	,038	,323	4,966	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2004

1.2.9 Test 1: 2005 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2005 (Selected)			
1	,051[a]	,003	-,002	,23874535760732

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,033	1	,033	,583	,446[c]
	Residual	12,540	220	,057		
	Total	12,573	221			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,078	,021		3,657	,000
	Calculated Returns	,022	,029	,051	,763	,446

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2005

1.2.10 Test 1: 2006 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2006 (Selected)			
1	,247[a]	,061	,057	,17803173212784

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,494	1	,494	15,592	,000[c]
	Residual	7,639	241	,032		
	Total	8,133	242			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2006

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,025	,014		1,838	,067
	Calculated Returns	,097	,025	,247	3,949	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2006

1.2.11 Test 1: 2007 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2007 (Selected)			
1	,134[a]	,018	,014	,12111820389682

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,073	1	,073	5,005	,026[c]
	Residual	4,019	274	,015		
	Total	4,093	275			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2007

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,067	,012		5,750	,000
	Calculated Returns	,075	,033	,134	2,237	,026

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2007

1.2.12 Test 1: 2008 only

Model Summary

Model	R year = 2008 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,264[a]	,070	,067	,15732320426206

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,595	1	,595	24,047	,000[c]
	Residual	7,945	321	,025		
	Total	8,540	322			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2008

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,043	,016		2,779	,006
	Calculated Returns	,170	,035	,264	4,904	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2008

1.2.13 Test 1: 2009 only

Model Summary

Model	R year = 2009 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,216[a]	,046	,044	,15470094970546

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,432	1	,432	18,069	,000[c]
	Residual	8,879	371	,024		
	Total	9,311	372			

a. Dependent Variable: EPS/P-1s

b. Selecting only cases for which year = 2009

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,025	,009		-2,684	,008
	Calculated Returns	,061	,014	,216	4,251	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2009

1.2.14 Test 1: 2010 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2010 (Selected)			
1	,262[a]	,069	,066	,36787378521557

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3,928	1	3,928	29,025	,000[c]
	Residual	53,185	393	,135		
	Total	57,113	394			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2010

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,017	,019		,920	,358
	Calculated Returns	,215	,040	,262	5,387	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2010

1.3 Regression Results Using only R_{it}*DR_{it}(Negative Returns)

1.3.1 Test 1: All Years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,264[a]	,069	,069	,21372587612779

a. Predictors: (Constant), Cdummyret

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11,399	1	11,399	249,538	,000[b]
	Residual	152,750	3344	,046		
	Total	164,148	3345			

a. Dependent Variable: EPS/P-1

b. Predictors: (Constant), Cdummyret

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,067	,004		14,888	,000
	Cdummyret	,274	,017	,264	15,797	,000

a. Dependent Variable: EPS/P-1

1.3.2 Test 1: Before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,295[a]	,087	,086	,19472129118475

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model	Sum of Squares	df	Mean Square	F	Sig.

	Regression	3,993	1	3,993	105,298	,000[c]
1	Residual	41,898	1105	,038		
	Total	45,890	1106			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,072	,007		10,410	,000
	Cdummyret	,299	,029	,295	10,261	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year < 2005

1.3.3 Test 1: 2005 and later

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,249[a]	,062	,062	,22255964797377

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	7,355	1	7,355	148,483	,000[c]
1	Residual	110,805	2237	,050		
	Total	118,160	2238			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,064	,006		11,054	,000
	Cdummyret	,262	,022	,249	12,185	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year >= 2005

1.3.4 Test 1: 2000 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2000 (Selected)			
1	,455[a]	,207	,201	,22607736676357

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,850	1	1,850	36,193	,000[c]
	Residual	7,104	139	,051		
	Total	8,954	140			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2000

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,183	,025		7,322	,000
	Cdummyret	,443	,074	,455	6,016	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2000

1.3.5 Test 1: 2001 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2001 (Selected)			
1	,321[a]	,103	,097	,10329079297419

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,204	1	,204	19,148	,000[c]
	Residual	1,782	167	,011		
	Total	1,986	168			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2001

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,044	,010		4,575	,000
	Cdummyret	,171	,039	,321	4,376	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2001

1.3.6 Test 1: 2002 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2002 (Selected)			
1	,371[a]	,138	,133	,18628641601413

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,047	1	1,047	30,162	,000[c]
	Residual	6,559	189	,035		
	Total	7,606	190			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2002

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,049	,020		2,505	,013
	Cdummyret	,306	,056	,371	5,492	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2002

1.3.7 Test 1: 2003 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2003 (Selected)			
1	,215[a]	,046	,041	,20350241482345

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,396	1	,396	9,563	,002[c]
	Residual	8,158	197	,041		
	Total	8,554	198			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2003

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,021	,015		1,420	,157
	Cdummyret	,540	,175	,215	3,092	,002

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2003

1.3.8 Test 1: 2004 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2004 (Selected)			
1	,337[a]	,113	,109	,25129908678416

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,705	1	1,705	27,002	,000[c]
	Residual	13,325	211	,063		
	Total	15,030	212			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2004

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,092	,019		4,889	,000
	Cdummyret	,658	,127	,337	5,196	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2004

1.3.9 Test 1: 2005 only

Model Summary

Model	R year = 2005 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,193[a]	,037	,033	,23454856082887

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,470	1	,470	8,547	,004[c]
	Residual	12,103	220	,055		
	Total	12,573	221			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,101	,016		6,217	,000
	Cdummyret	,684	,234	,193	2,924	,004

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2005

1.3.10 Test 1: 2006 only

Model Summary

Model	R year = 2006 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,446[a]	,199	,196	,16437332067049

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,621	1	1,621	60,006	,000[c]
	Residual	6,511	241	,027		
	Total	8,133	242			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2006

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,089	,011		7,767	,000
	Cdummyret	,821	,106	,446	7,746	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2006

1.3.11 Test 1: 2007 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2007 (Selected)			
1	,182[a]	,033	,030	,12017522649671

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,136	1	,136	9,401	,002[c]
	Residual	3,957	274	,014		
	Total	4,093	275			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2007

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,080	,013		6,118	,000
	Cdummyret	,117	,038	,182	3,066	,002

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2007

1.3.12 Test 1: 2008 only

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year = 2008 (Selected)			
1	,285[a]	,081	,079	,15632550231624

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,696	1	,696	28,465	,000[c]
	Residual	7,844	321	,024		
	Total	8,540	322			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2008

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,058	,017		3,424	,001
	Cdummyret	,206	,039	,285	5,335	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2008

1.3.13 Test 1: 2009 only

Model Summary

Model	R year = 2009 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,291[a]	,085	,082	,15158018886251

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,787	1	,787	34,255	,000[c]
	Residual	8,524	371	,023		
	Total	9,311	372			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2009

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,016	,009		1,873	,062
	Cdummyret	,285	,049	,291	5,853	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2009

1.3.14 Test 1: 2010 only

Model Summary

Model	R year = 2010 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,257[a]	,066	,064	,36841507762235

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3,771	1	3,771	27,786	,000[c]
	Residual	53,342	393	,136		
	Total	57,113	394			

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2010

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,094	,022		4,347	,000
	Cdummyret	,479	,091	,257	5,271	,000

a. Dependent Variable: EPS/P-1

b. Selecting only cases for which year = 2010

Appendix 2: Regression results from Test II

2.1 Regression Results Using the Original Method

2.1.1 Test II: Income before extraordinary items all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,109[a]	,012	,011	1,406

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71,456	3	23,819	12,046	,000[b]
	Residual	5995,023	3032	1,977		
	Total	6066,479	3035			

a. Dependent Variable: Inc b extra/aktier

b. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,248	,049		5,063	,000
	CDUmmy	-,121	,080	-,043	-1,504	,133
	Calculated Returns	,078	,080	,028	,978	,328
	Cdummyret	,326	,188	,049	1,733	,083

a. Dependent Variable: Inc b extra/aktier

2.1.2 Test II: Cash flow from operations all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,093[a]	,009	,008	2,030

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	107,780	3	35,927	8,722	,000[b]
	Residual	12488,610	3032	4,119		
	Total	12596,390	3035			

a. Dependent Variable: CF op/aktier

b. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,223	,071		3,151	,002
	CDUmmy	-,037	,116	-,009	-,321	,748
	Calculated Returns	,327	,115	,081	2,838	,005
	Cdummyret	,055	,271	,006	,201	,840

a. Dependent Variable: CF op/aktier

2.1.3 Test II: Cash flow from Operations and Investment all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,085[a]	,007	,006	3,832

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	323,604	3	107,868	7,347	,000[b]
	Residual	44517,145	3032	14,682		
	Total	44840,749	3035			

a. Dependent Variable: CF OP+inv/aktier

b. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,497	,134		3,722	,000
	CDUmmy	,034	,219	,004	,156	,876
	Calculated Returns	,606	,217	,080	2,790	,005
	Cdummyret	,194	,512	,011	,380	,704

a. Dependent Variable: CF OP+inv/aktier

2.1.4 Test II: Income before extraordinary items before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,182[a]	,033	,030	1,019

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29,919	3	9,973	9,605	,000[c]
	Residual	875,311	843	1,038		
	Total	905,230	846			

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,194	,063		3,089	,002
	CDUmmy	,052	,109	,025	,479	,632
	Calculated Returns	,242	,108	,115	2,239	,025
	Cdummyret	,508	,264	,102	1,927	,054

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year < 2005

2.1.5 Test II: Income before extraordinary items after 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,095[a]	,009	,008	1,530

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46,990	3	15,663	6,693	,000[c]
	Residual	5113,250	2185	2,340		
	Total	5160,240	2188			

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,272	,065		4,202	,000
	CDUmmy	-,188	,104	-,061	-1,819	,069
	Calculated Returns	,013	,103	,004	,128	,898
	Cdummyret	,265	,239	,037	1,111	,267

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year >= 2005

2.1.6 Test II: Cash flow from Operations before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,128[a]	,016	,013	2,626

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96,843	3	32,281	4,681	,003[c]
	Residual	5813,653	843	6,896		
	Total	5910,497	846			

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,080	,162		,495	,621
	CDUmmy	,145	,281	,027	,517	,606
	Calculated Returns	,880	,279	,164	3,161	,002
	Cdummyret	-,411	,680	-,032	-,604	,546

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year < 2005

2.1.7 Test II: Cash flow from Operations after 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,085[a]	,007	,006	1,742

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48,226	3	16,075	5,295	,001[c]
	Residual	6633,205	2185	3,036		
	Total	6681,431	2188			

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,283	,074		3,842	,000
	CDUmmy	-,112	,118	-,032	-,948	,343
	Calculated Returns	,111	,117	,033	,952	,341
	Cdummyret	,237	,272	,029	,871	,384

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year >= 2005

2.1.8 Test II: Cash flow from Operations and Investment before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,138[a]	,019	,016	4,423

a. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	320,660	3	106,887	5,465	,001[c]
	Residual	16488,506	843	19,559		
	Total	16809,166	846			

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret, Calculated Returns, CDUmmy

Coefficients[a,b]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	,412	,273		1,511	,131
	CDUmmy	,056	,474	,006	,117	,907
	Calculated Returns	1,483	,469	,164	3,162	,002
	Cdummyret	-,746	1,145	-,035	-,652	,515

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year < 2005

2.1.9 Test II: Cash flow Operations and Investment efter 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,065[a]	,004	,003	3,573

a. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	117,238	3	39,079	3,062	,027[c]
	Residual	27888,015	2185	12,763		
	Total	28005,253	2188			

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret, CDUmmy, Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,523	,151		3,462	,001
	CDUmmy	,031	,242	,004	,129	,897
	Calculated Returns	,279	,240	,040	1,162	,246
	Cdummyret	,549	,558	,033	,983	,326

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year >= 2005

2.2 Regression Results Using only Rit (Overall Returns)

2.2.1 Test II: Income before extraordinary items all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,094[a]	,009	,009	1,408

a. Predictors: (Constant), Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53,865	1	53,865	27,180	,000[b]
	Residual	6012,615	3034	1,982		
	Total	6066,479	3035			

a. Dependent Variable: Inc b extra/aktier

b. Predictors: (Constant), Calculated Returns

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,128	,026		4,975	,000
	Calculated Returns	,262	,050	,094	5,213	,000

a. Dependent Variable: Inc b extra/aktier

2.2.2 Test II: Cash flow from operations all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,092[a]	,008	,008	2,029

a. Predictors: (Constant), Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	106,807	1	106,807	25,946	,000[b]
	Residual	12489,583	3034	4,117		
	Total	12596,390	3035			

a. Dependent Variable: CF op/aktier

b. Predictors: (Constant), Calculated Returns

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,194	,037		5,214	,000
	Calculated Returns	,369	,073	,092	5,094	,000

a. Dependent Variable: CF op/aktier

2.2.3 Test II: Cash flow from Operations and Investment all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,085[a]	,007	,007	3,831

a. Predictors: (Constant), Calculated Returns

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	321,488	1	321,488	21,909	,000[b]
	Residual	44519,261	3034	14,673		
	Total	44840,749	3035			

a. Dependent Variable: CF OP+inv/aktier

b. Predictors: (Constant), Calculated Returns

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	,482	,070		6,875	,000
	Calculated Returns	,641	,137	,085	4,681	,000

a. Dependent Variable: CF OP+inv/aktier

2.2.4 Test II: Income before extraordinary items before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,169[a]	,029	,027	1,020

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25,893	1	25,893	24,882	,000[c]
	Residual	879,337	845	1,041		
	Total	905,230	846			

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,141	,036		3,938	,000
	Calculated Returns	,355	,071	,169	4,988	,000

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year < 2005

2.2.5 Test II: Income before extraordinary items after 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,076[a]	,006	,005	1,532

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29,950	1	29,950	12,767	,000[c]
	Residual	5130,290	2187	2,346		
	Total	5160,240	2188			

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,122	,033		3,700	,000
	Calculated Returns	,228	,064	,076	3,573	,000

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year >= 2005

2.2.6 Test II: Cash flow from Operations before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,123[a]	,015	,014	2,625

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	89,124	1	89,124	12,937	,000[c]
	Residual	5821,373	845	6,889		
	Total	5910,497	846			

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,216	,092		2,350	,019
	Calculated Returns	,659	,183	,123	3,597	,000

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year < 2005

2.2.7 Test II: Cash flow from Operations after 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,077[a]	,006	,006	1,743

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39,916	1	39,916	13,144	,000[c]
	Residual	6641,515	2187	3,037		
	Total	6681,431	2188			

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,180	,037		4,807	,000
	Calculated Returns	,263	,073	,077	3,625	,000

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year >= 2005

2.2.8 Test II: Cash flow from Operations and Investment before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,135[a]	,018	,017	4,419

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	308,434	1	308,434	15,795	,000[c]
	Residual	16500,732	845	19,527		
	Total	16809,166	846			

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,556	,155		3,590	,000
	Calculated Returns	1,225	,308	,135	3,974	,000

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year < 2005

2.2.9 Test II: Cash flow Operations and Investment after 2005

Model Summary

Model	R year >= 2005 (Selected)	R Square	Adjusted R Square	Std. Error of the Estimate
1	,061[a]	,004	,003	3,572

a. Predictors: (Constant), Calculated Returns

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	103,885	1	103,885	8,143	,004[c]
	Residual	27901,368	2187	12,758		
	Total	28005,253	2188			

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Calculated Returns

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,444	,077		5,781	,000
	Calculated Returns	,425	,149	,061	2,854	,004

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year >= 2005

2.3 Regression Results Using only R_{it}*DR_{it}(Negative Returns)

2.3.1 Test II: Income before extraordinary items all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,100[a]	,010	,010	1,400

a. Predictors: (Constant), Cdummyret

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61,376	1	61,376	31,304	,000[b]
	Residual	6130,899	3127	1,961		
	Total	6192,275	3128			

a. Dependent Variable: Inc b extra/aktier

b. Predictors: (Constant), Cdummyret

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,244	,030		8,059	,000
	Cdummyret	,659	,118	,100	5,595	,000

a. Dependent Variable: Inc b extra/aktier

2.3.2 Test II: Cash flow from operations all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,070[a]	,005	,005	2,148

a. Predictors: (Constant), Cdummyret

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70,551	1	70,551	15,294	,000[b]
	Residual	14424,615	3127	4,613		
	Total	14495,166	3128			

a. Dependent Variable: CF op/aktier

b. Predictors: (Constant), Cdummyret

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	,334	,046		7,205	,000
	Cdummyret	,706	,181	,070	3,911	,000

a. Dependent Variable: CF op/aktier

2.3.3 Test II: Cash flow from Operations and Investment all years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,064[a]	,004	,004	3,870

a. Predictors: (Constant), Cdummyret

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	194,863	1	194,863	13,008	,000[b]
	Residual	46844,396	3127	14,981		
	Total	47039,259	3128			

a. Dependent Variable: CF OP+inv/aktier

b. Predictors: (Constant), Cdummyret

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,702	,084		8,394	,000
	Cdummyret	1,174	,325	,064	3,607	,000

a. Dependent Variable: CF OP+inv/aktier

2.3.4 Test II: Income before extraordinary items before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,156[a]	,024	,023	,989

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22,188	1	22,188	22,678	,000[c]
	Residual	886,404	906	,978		
	Total	908,591	907			

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,257	,038		6,753	,000
	Cdummyret	,773	,162	,156	4,762	,000

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year < 2005

2.3.5 Test II: Income before extraordinary items after 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,086[a]	,007	,007	1,537

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39,496	1	39,496	16,713	,000[c]
	Residual	5243,835	2219	2,363		
	Total	5283,331	2220			

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,238	,040		5,920	,000
	Cdummyret	,618	,151	,086	4,088	,000

a. Dependent Variable: Inc b extra/aktier

b. Selecting only cases for which year >= 2005

2.3.6 Test II: Cash flow from Operations before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,059[a]	,003	,002	2,553

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20,472	1	20,472	3,142	,077[c]
	Residual	5903,198	906	6,516		
	Total	5923,670	907			

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,352	,098		3,586	,000
	Cdummyret	,743	,419	,059	1,773	,077

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year < 2005

2.3.7 Test II: Cash flow from Operations after 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,076[a]	,006	,005	1,960

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49,105	1	49,105	12,787	,000[c]
	Residual	8521,110	2219	3,840		
	Total	8570,214	2220			

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,326	,051		6,373	,000
	Cdummyret	,689	,193	,076	3,576	,000

a. Dependent Variable: CF op/aktier

b. Selecting only cases for which year >= 2005

2.3.8 Test II: Cash flow from Operations and Investment before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			

1	,069[a]	,005	,004	4,301

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	80,413	1	80,413	4,346	,037[c]
	Residual	16763,312	906	18,503		
	Total	16843,724	907			

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,808	,165		4,887	,000
	Cdummyret	1,472	,706	,069	2,085	,037

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year < 2005

2.3.9 Test II: Cash flow Operations and Investment after 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,061[a]	,004	,003	3,681

a. Predictors: (Constant), Cdummyret

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112,760	1	112,760	8,321	,004[c]
	Residual	30069,565	2219	13,551		
	Total	30182,325	2220			

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), Cdummyret

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,653	,096		6,789	,000
	Cdummyret	1,044	,362	,061	2,885	,004

a. Dependent Variable: CF OP+inv/aktier

b. Selecting only cases for which year >= 2005

Appendix 3: Regression results from Test III

3.1 Test III: All Years

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,664[a]	,440	,440	,670707708704042

a. Predictors: (Constant), EPSxDummy, Deltadummy, Delta EPS 2 deflated

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1041,793	3	347,264	771,958	,000[b]
	Residual	1323,905	2943	,450		
	Total	2365,698	2946			

a. Dependent Variable: Delta EPS deflated

b. Predictors: (Constant), EPSxDummy, Deltadummy, Delta EPS 2 deflated

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,121	,016		7,342	,000
	Delta EPS 2 deflated	-,642	,023	-,661	-27,390	,000
	Deltadummy	-,090	,026	-,049	-3,501	,000
	EPSxDummy	-,014	,029	-,012	-,496	,620

a. Dependent Variable: Delta EPS deflated

3.2 Test III: Before 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year < 2005 (Selected)			
1	,309[a]	,095	,092	,353033469281979

a. Predictors: (Constant), EPSxDummy, Delta EPS 2 deflated, Deltadummy

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11,780	3	3,927	31,505	,000[c]
	Residual	111,671	896	,125		
	Total	123,450	899			

a. Dependent Variable: Delta EPS deflated

b. Selecting only cases for which year < 2005

c. Predictors: (Constant), EPSxDummy, Delta EPS 2 deflated, Deltadummy

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,022	,016		1,341	,180
	Delta EPS 2 deflated	,113	,038	,104	2,953	,003
	Deltadummy	-,016	,027	-,021	-,572	,567
	EPSxDummy	-1,239	,135	-,342	-9,196	,000

a. Dependent Variable: Delta EPS deflated

b. Selecting only cases for which year < 2005

3.1 Test III: After 2005

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	year >= 2005 (Selected)			
1	,696[a]	,484	,484	,752518774738632

a. Predictors: (Constant), EPSxDummy, Deltadummy, Delta EPS 2 deflated

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1085,487	3	361,829	638,952	,000[c]
	Residual	1155,787	2041	,566		
	Total	2241,273	2044			

a. Dependent Variable: Delta EPS deflated

b. Selecting only cases for which year >= 2005

c. Predictors: (Constant), EPSxDummy, Deltadummy, Delta EPS 2 deflated

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,133	,022		6,081	,000
	Delta EPS 2 deflated	-,728	,028	-,754	-26,224	,000
	Deltadummy	-,112	,035	-,052	-3,214	,001
	EPSxDummy	,074	,034	,063	2,212	,027

a. Dependent Variable: Delta EPS deflated

b. Selecting only cases for which year >= 2005