

The Association of Accounting Earnings and Operating Cash Flow with Systematic Risk in Tehran Stock Exchange(1999-2005)

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In recent years, the link between future cash flows and firm value is well accepted by financial economists and there has been renewed interest in cash flows. On the other hand, Current financial reporting practices have traditionally emphasized on accrual earnings. Thus, the purpose of this study is To assess the relation-ship between accrual earnings risk (beta) and cash flow risk (beta) with market risk (beta). Also, Another purpose of this paper is to assess whether cash flows possess incremental information beyond accrual earnings in the explanation of systematic risk by using a set of pairwise regressions. The Results of study indicate that the both information of accounting, earnings and operating cash flow, have statistically significant association with systematic risk in the period of 1999-2005, and so, this information can use for anticipating systematic risk. Additionally, the result reveals that the accounting earnings information has incremental information content relative to cash flow information. therefore, in the time of decision making, the accounting earnings information can be preference related to cash flow information.

Keywords: 1.Earnings beta 2.Cash flow beta 3.Market beta 4.Incremental information



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