

Non financial information

- Amir & Lev, “Value relevance on nonfinancial information: the wireless communications industry”, *Journal of Accounting & Economics*, 1996, 3-30
- an early assessment of the role of non financial information in the determination of share prices
- Table 3 gives the results of regressing quarterly returns on quarterly earnings (scaled by price) and changes in earnings (scaled by price).

| | EPS_t/P_{t-1} | $\Delta EPS_t/P_{t-1}$ | R^2 |
|----------------------------|-----------------|------------------------|-------|
| Cellular phone coefficient | -0.54 | 0.082 | .29 |
| T stat | -0.90 | 0.20 | |
| Telephone coefficient | 1.54 | -0.154 | .27 |
| T stat | 3.01 | -0.44 | |

- coefficient for cellular not significant
- larger R^2 for cellular, due to firm and time dummies

- **non financial factors are important**
- **POPS the population in the area**
- **PEN the market penetration in the area (current subscribers/ population)**
- **Equation for cellular phone share price**

| | BVPS | EPS | POPS | PEN | R ² |
|--------|-------|------|------|------|----------------|
| Coeff | -0.05 | 1.61 | | | 0.83 |
| t stat | -0.90 | 1.20 | | | |
| Coeff | -0.64 | 4.81 | 15.4 | 5.92 | 0.93 |
| t stat | -5.73 | 3.79 | 5.0 | 2.72 | |

- **accounting information important after non financial**
- **why the negative coefficient on book value?**
- **indicates the decline in the relevance of accounting information?**