

THE VALUE RELEVANCE OF EARNINGS IN A TRANSITION ECONOMY: EVIDENCE FROM ROMANIAN STOCK MARKET

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ABSTRACT: The paper examines the value relevance of accounting information in Romanian capital market between 2005 and 2010. Value relevance can be interpreted as the usefulness of accounting data for decision making process of investors and usually its existence is given by a positive correlation between market and book values. The paper main focus is the variation of value relevance over the 6 years period and the influence Romania's adhesion to EU and consequently IFRS implementation had on it. Additionally issues like transition process, accounting reforms and conservatism of financial reporting are taken into consideration as potential explanatory factors for the variation of this fundamental quality of accounting.

Key words: value relevance, transition economy, accounting earnings, equity valuation

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