APPENDICES

APPENDIX A

Variable Definitions

Descriptions of all the variables used in the analyzes:

	Variable	Description
1	*MEF_Bias*	management earnings forecast bias, measured as the actual earnings per share subtracted by management earnings forecast per share, then deflated by lagged close share price;
2	*C_SCORE*	conservatism score, estimated following the approach of Khan and Watts (2009);
3	*C_SCORErank*	decile-ranked and rescaled of *C_SCORE* to range from zero to one;
4	*CONSV_Accrual*	average non-operating accruals scaled by total assets over the preceding five years, multiplied by minus one;
5	*ROA*	return on asset, measured as earnings before extraordinary items divided by lagged total assets;
6	*UE*	unexpected earnings, defined as the difference between the current earnings and the previous earnings, scaled by share prices;
7	*SIZE*	firm size, measured as the natural logarithm of the market value of equity;
8	*BM*	book to market ratio, measured as book value of equity divided by the market value of equity;
9	*EXFIN*	external financing, measured as net equity financing plus net debt financing scaled by lagged total assets;

	Variable	Description
10	*INDCON*	industry concentration, measured by the Herfindahl–Hirschman Index, which is calculated as the sum of the market shares of the firms' sales within each industry;
11	*TIME*	forecast horizon, defined as the natural logarithm of number of days from the forecast date to the fiscal ending date;
12	*RETURN*	stock return, measured as the buy-and-hold 12 month market-adjusted stock returns;
13	*INST*	institutional holdings, defined as total common shares held by institutional investors divided by the total common shares outstanding;
14	*CFOVOL*	cash flow volatility is dummy variable coded one if firms have an above-median cash flow volatility, zero otherwise, measured as the standard deviation of operating cash flows divided by lagged total assets during the past five years scaled by the magnitude of average operating cash flow (divided by lagged total assets) over the same period;
15	*SALEVOL*	sales growth volatility is dummy variable coded one if firms have an above-median sale volatility, zero otherwise, measured as standard deviation of sales growth during the past five years scaled by the magnitude of average sales growth over the same period;
16	*OPERCY*	operating cycle is dummy variable coded one if firms have an above-median operating cycle, zero otherwise, measured as average accounts receivable divided by sales, plus average inventory divided by cost of goods sold then multiplied by 356;

	Variable	Description
17	*FOUNDER*	founder CEO is defined as one for founder CEOs, and zero otherwise;
18	*GENDER*	CEO gender is indicator variable assigned one if CEO is male, and zero otherwise;
19	*TENR*	CEO tenure, measured as decile ranking number of years of service a person works as the CEO;
20	*OUTDIR*	outside director is indicator variable coded one if firms have an above-median percentage of outside directors, zero otherwise;
21	*NONDUAL*	CEO/Chairman separation is indicator variable coded one if the CEO is not the chairman of the boards, and zero otherwise;
22	*BRDSIZE*	board size is indicator variable coded one if firms have an above-median number of director on the board, zero otherwise;
23	*MEF_AbsBias*	absolute value of the differential between actual earnings per share and management earnings forecast per share, then deflated by lagged close share price;
24	*MEFCAR*	a three-day accumulate adjusted abnormal returns around the management earnings forecast disclosure date;
25	*DEBT*	debt ratio, measured as ratio of the book value of short-term and long-term debt over the book value of total assets;
26	*DIV*	dividend payment divided by book value of total assets;

	Variable	Description
27	*MTB*	the market value of equity divided by book value of equity;
28	*EPS*	earnings per share, calculated as earnings before extraordinary items deflated by number of outstanding of common shares;
29	*BV*	book value of equity, measured as the total assets less total liability, then deflated by number of outstanding of common shares;
30	*NEWS*	news forecast, identified as "bad news" which value = 1, if the signs of cumulative excess returns is negative, "good news" which value = 0, if the signs of returns is positive;
31	*STD_XRET*	asymmetric information is an indicator variable, defined as one if firms have an above 0.5 of decile ranking of standard deviation of idiosyncratic return volatility, zero otherwise;
32	*CONSUMER*	indicator variable with the value of "1" if firm is in consumer product industry, "0"otherwise;
33	*INDUSTRIAL*	indicator variable with the value of "1" if firm is in industrial services industry, "0"otherwise;
34	*PROPERTY*	indicator variable with the value of "1" if firm is in property and construction industry, "0"otherwise;
35	*RESOURCE*	indicator variable with the value of "1" if firm is in resource, energy and utilities industry, "0"otherwise;
36	*SERVICE*	indicator variable with the value of "1" if firm is in services industry, "0"otherwise;

	Variable	Description
37	*TECHNOLOGY*	indicator variable with the value of "1" if firm is in technology, "0"otherwise;

All above independent variables are measured in the year prior to the management forecast disclosures, except *TIME* and *NEWS*, which are measured in according with the year that management earnings forecast is disclosed.

APPENDIX B

List of information sources on the NEWSCENTER database

1. News and information from local newspapers and magazines

(1) Daily newspapers

1. Newspaper Summaries
2. Lok Wan Nee
3. Bangkok Post
4. Matichon
5. ASTV Poo Jadkarn Daily
6. Naewna
7. Baan Muang
8. Pimthai
9. Daily News
10. Post Today
11. Investor Station
12. Siam Rath
13. Khao Hoon
14. Thai Post
15. Khao Sod
16. Thun Hoon

(2) Bi-weekly / Weekly / Fortnightly Newspapers

1. ASTV Poo Jadkarn Weekend
2. Prachachart Turakij
3. Bangkok Today
4. Siam Turakij
5. Business Bi-weekly
6. Telecom And Innovation Journal
7. Econ News
8. Than Settakij
9. Global Business
10. Transport Journal
11. Lok Wan Nee Wan Sook
12. Travel Trade Report Weekly
13. Matichon Weekly

(3) Magazines

1. Money & Banking Magazine
2. SME Plus
3. Chairman Review
4. Stock Focus
5. Marketeer
6. Thai Commerce
7. Talad Baan
8. Formula

2. News from local and international newswires

1. ASTV Manager Online
2. Public Relations Department
3. InfoQuest
4. Spring News
5. INN News Agency
6. Stock Wave On-line
7. Matichon Online
8. Kyodo News
9. Pacific News
10. Xinhua News Agency

TABLES

Table 1

Sample Distribution

Panel A: Sample Firm Breakdown by Industry

Industry	Sector	Firm-Years	Distinct firms
Agro & Food	Agribusiness	22	6
	Food & Beverage	59	14
Consumer Products	Fashion	4	2
	Home & Office Products	18	5
	Personal Pro. & Pharmaceuticals	9	3
Industrials	Automotive	56	13
	Industry Material & Machinery	41	14
	Packaging	12	4
	Paper & Printing Materials	2	2
	Petrochemicals & Chemicals	27	8
Property & Construction	Construction Materials	82	22
	Property Development	225	46
Resources	Energy & Utilities	119	24
	Mining	8	2
Services	Commerce	48	9
	Health Care Services	23	4
	Media & Publishing	62	14
	Professional Services	3	2
	Tourism & Leisure	11	2
	Transportation & Logistics	60	12
Technology	Electronic Components	42	8
	Information & Communication	83	19
Total		1,016	235

Table 1 (*continued*)

Panel B: Sample Distribution Breakdown by Year

Fiscal Year	Number of disclosure		Management forecast bias		Percent negative sign forecast bias (actual < forecast)
	Number of Firm-Years	Percent (%)	Mean	Median	
2005	99	9.74	-0.017	-0.008	65.66
2006	109	10.73	-0.008	-0.003	56.88
2007	109	10.73	-0.009	-0.002	54.13
2008	150	14.76	-0.039	-0.007	70.00
2009	130	12.80	0.002	0.004	42.31
2010	140	13.78	-0.009	-0.002	52.86
2011	134	13.19	-0.040	-0.015	73.13
2012	145	14.27	-0.004	-0.002	54.48
Total	1,016	100.00	-0.016	-0.003	58.76

Table 2

Descriptive Statistics and Correlation Matrix

Panel A: Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Median	Maximum
MEF_Bias	-0.016	0.099	-0.687	-0.003	0.598
C_SCORE	0.112	0.056	0.011	0.109	0.278
C_SCORErank	0.479	0.365	0.000	0.444	1.000
CONSV_Accrual	0.031	0.022	0.001	0.022	0.111
ROA	0.117	0.099	-0.513	0.106	0.809
UE	0.013	0.268	-0.632	0.004	8.504
SIZE	22.688	1.589	19.163	22.569	27.689
BM	0.852	0.670	0.002	0.674	5.610
EXFIN	0.764	0.253	0.069	0.769	0.998
INDCON	0.150	0.086	0.038	0.136	0.395
TIME	5.190	0.489	2.833	5.241	6.768
RETURN	0.641	0.211	0.084	0.382	1.240
FOUNDER	0.358	0.015	0.000	0.000	1.000
GENDER	0.925	0.008	0.000	1.000	1.000
TENR	9.584	7.490	1.000	7.500	37.000
INST	0.451	0.291	0.000	0.444	0.998
CFOVOL	0.003	0.126	-1.933	0.004	3.011
SALEVOL	0.004	0.159	-4.554	0.012	0.576
OPERCY	75.698	56.217	7.300	58.544	295.650
OUTDIR	0.748	0.157	0.250	0.778	1.000
NONDUAL	0.750	0.014	0.000	1.000	1.000
BRDSIZE	10.951	0.082	5.000	11.000	21.000

Table 2 (*continued*)

Panel B: Pearson (below) and Spearman (above) Correlation Matrix

Variable Name	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
(A) *MEF_ Bias*		.125***	.018	.034**	.090***	-.079**	.080**	-.039
(B) *C_SCORE*	.143***		.513***	.773***	.029	.016	.098***	-.113***
(C) *C_SCORErank*	.093***	.496***		.211***	-.033	.062**	.053	.094***
(D) *CONSV_ Accrual*	.106***	.899***	.203***		.003	.032	-.044	-.017
(E) *ROA*	.095***	.054	-.029	.063**		-.270***	.260***	-.471***
(F) *UE*	.008	.009	.031	-.017	-.027		-.123***	.189***
(G) *SIZE*	.034	.106***	.045	.046	.264***	.001		-.473***
(H) *BM*	-.097***	-.129***	.065**	-.087***	-.340***	-.009	-.398***	
(I) *EXFIN*	-.021	.045	.004	.046	.182***	-.037	.162***	-.013
(J) *INDCON*	.037	-.013	.061	-.051	.019	.004	.278***	-.052
(K) *TIME*	-.067**	.005	-.018	.025	.011	.010	-.115***	.041
(L) *FOUNDER*	.065**	-.089***	-.027	-.084***	-.029	-.041	-.206***	.066**
(M) *GENDER*	-.015	.027	-.022	.034	.016	.006	.099***	.004
(N) *TENR*	.006	-.047	.049	-.079**	-.005	-.014	-.187***	.054
(O) *INST*	-.016	.057	-.010	.056	.005	.046	.428***	-.101***
(P) *RETURN*	.130***	.033	.037	.024	.031	.005	.022	-.074**

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively.

Table 2 (*continued*)

Panel C: Pearson (below) and Spearman (above) Correlation Matrix (*continued*)

Variable Name	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)
(A) *MEF_ Bias*	-.014	.019	-.131***	.042	.025	-.015	.047	-.050
(B) *C_SCORE*	.045	-.044	.008	-.083***	.016	-.036	.038	-.009
(C) *C_SCORErank*	.010	.058	-.003	-.035	-.024	.055	-.004	.080**
(D) *CONSV_ Accrual*	.048	-.062**	.066**	-.087***	.015	-.067**	.038	-.054
(E) *ROA*	.259***	.004	-.012	-.052	-.001	-.015	.022	-.084***
(F) *UE*	-.113***	.010	.028	.084***	-.025	.029	-.082***	.152***
(G) *SIZE*	.246***	.187***	-.103***	-.197***	.091***	-.197***	.430***	-.112***
(H) *BM*	-.027	-.016	.077**	.047	.010	.024	-.088***	.145***
(I) *EXFIN*		.162***	.012	-.074**	.110***	-.096***	.074**	-.045
(J) *INDCON*	.136***		-.054	.003	.027	-.143***	.049	-.010
(K) *TIME*	.003	-.069**		.057	.005	-.001	.074**	.031
(L) *FOUNDER*	-.026	-.094***	.058		-.017	.246***	-.576***	.030
(M) *GENDER*	.055	.063**	-.004	-.017		.119***	.105***	.021
(N) *TENR*	-.065**	-.152***	.009	.206***	.125***		-.367***	.048
(O) *INST*	.016	.135***	-.069**	-.575***	.102***	-.330***		-.097***
(P) *RETURN*	.017	.028	-.038	.051	-.018	-.050	.029	

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively.

Table 2 (*continued*)

Table 2 reports the statistics for 1,016 firm-years over the 2000 to 2012 period. Panel A presents descriptive statistics for the samples. Panel B presents the Pearson (below) and Spearman (above) correlations between management forecast biases, conservatism, and other regression variables.

Variable definition

- *MEF_Bias* is management earnings forecast bias, measured as actual earnings per share subtracted by management earnings forecast per share, then deflated by lagged close share price.
- *CONSV* is measures of accounting conservatism; *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009) conservatism score; *C_SCORErank* is scaled decile rank of *C_SCORE*; *CONSV_Accrual* is the average non-operating accruals scaled by total assets over the preceding five years, multiplied by -1.
- *ROA* is equal to earnings before extraordinary items divided by lagged total assets.
- *UE* is defined as the difference between the current earnings and the previous earnings, scaled by stock prices.
- *SIZE* is equal to the natural logarithm of the market value of equity.
- *BM* is book value of equity divided by the market value of equity.
- *EXFIN* is equal to net equity financing plus net debt financing scaled by lagged total assets.
- *INDCON* is equal to the sum of the market shares of the firms' sales within each industry.
- *TIME* is the natural logarithm of number of days from the forecast date to the fiscal ending date of the year being forecasted.
- *RETURN* is measured as the buy-and-hold 12 month market-adjusted stock returns.
- *FOUNDER* is defined as one for founder CEO, and zero otherwise.
- *GENDER* is indicator variable assigned one if CEO is male, and zero otherwise.
- *TENR* measured as decile ranking number of years of service a person works as the CEO.
- *INST* is a percentage of the total number of total common shares held by institutional investors divided by the total common shares outstanding.
- *CFOVOL* is indicator variable coded one if firms have an above-median cash flow volatility, zero otherwise.
- *SALEVOL* is indicator variable coded one if firms have an above-median sale volatility, zero otherwise.
- *OPERCY* is indicator variable coded one if firms have an above-median operation cycle, zero otherwise.
- *OUTDIR* is indicator variable coded one if firms have an above-median percentage of outside directors, zero otherwise.
- *NONDUAL* is indicator variable coded one if the CEO is not the chairman of the boards, and zero otherwise.
- *BRDSIZE* is indicator variable coded one if firms have an above-median number of director on the board, zero otherwise.

Table 3

Accounting Conservatism Measure

Panel A: Firm-Year Specific Measure of Conservatism

Factor	Mean	Median
EPS_i	0.130	0.094
RET_i	0.743	0.473
DR_i	0.421	0.000
$SIZE_i$	22.614	22.499
MB_i	2.261	1.468
LEV_i	1.040	0.654
C_SCORE_i	0.112	0.109
t-statistic: Test value = 0	63.684	
(*p*-value)	(0.000)	

Table 3 reports the mean and median values of factors used in calculating the Khan and Watts' (2009) C_SCORE_i. EPS_i is the earnings divided by market value of equity at the beginning of the year for the firm *i*. RET_i is cumulative buy-and-hold stock returns of firm *i* from the 10 months before the fiscal year-ended to 2 months after the fiscal year-ended. DR_i is the indicator variable that takes the value of one if RET_i is negative, and zero in otherwise. $SIZE_i$ is the natural logarithm of market value of common equity of the firm *i*. MB_i is the market-to-book ratio at the beginning of fiscal year for firm *i*. LEV_i is total liabilities divided by the market value of equity of fiscal year for firm *i*.

Table 3 (*continued*)

Panel B: Non-Operating Accrual Measure of Conservatism

Variable	Firm-Years	Mean	Standard Deviation	Minimum	Median	Maximum
2004	99	0.012	0.004	0.006	0.010	0.019
2005	109	0.019	0.003	0.010	0.020	0.024
2006	109	0.015	0.010	0.009	0.010	0.038
2007	150	0.019	0.006	0.001	0.016	0.033
2008	130	0.027	0.009	0.010	0.027	0.043
2009	140	0.044	0.011	0.016	0.048	0.070
2010	134	0.047	0.018	0.010	0.038	0.111
2011	145	0.069	0.023	0.013	0.082	0.092
Total	1,016	0.031	0.022	0.001	0.022	0.111

Panel B of Table 3 reports the descriptive statistics of the non-operating accrual measure of conservatism (*CONSV_Accrual*) of observations in each year during the period of 2004-2011.

Table 4

Univariate Relationship between Management Earnings Forecast Bias and Accounting Conservatism

Decile ranks of conservatism	Across *C_SCORErank*		Across *CONSV_Accrual*	
	Mean [%Positive]	**Median**	**Mean [%Positive]**	**Median**
Lowest	-0.124 [26%]	-0.034	-0.158 [19%]	-0.043
2	-0.100 [30%]	-0.015	-0.072 [25%]	-0.026
3	-0.088 [31%]	-0.018	-0.064 [35%]	-0.023
4	-0.062 [37%]	-0.002	-0.033 [40%]	-0.017
5	-0.046 [39%]	-0.001	-0.026 [41%]	-0.009
6	-0.029 [48%]	-0.001	-0.011 [46%]	-0.008
7	-0.019 [51%]	-0.002	0.005 [55%]	0.002
8	0.010 [56%]	0.004	0.017 [61%]	0.005
9	0.012 [62%]	0.009	0.028 [65%]	0.013
Highest	0.055 [64%]	0.038	0.041 [66%]	0.025
Mean difference Highest - Lowest	0.179	0.072	0.199	0.068
t-statistic (*p*-value)	0.014** (0.000)	0.006** (0.000)	0.015** (0.000)	0.004** (0.000)

** indicates significance level at less than 5 percent, based on two-tailed *t-tests* (*z*-test) on the mean (median) difference in *MEF_Bias* across the highest and the lowest *C_SCORE* and *CONSV_Accrual*.

Table 4 reports the mean and median of *MEF_Bias* across decile ranks of measures of conservatism, *C_SCORE* and *CONSV_Accrual*. The sample period is from 2000-2012. The percentages of earnings forecast disclosures with their actual earnings greater than forecasted earnings are reports in parentheses.

Table 5

Cross-Sectional Regressions of Management Earnings Forecast Biases on Accounting Conservatism (Year 2000-2012)
Dependent Variable: Management Earnings Forecast Biases (*MEF_Bias*)

Variable	*C_SCORE* Model 1			*C_SCORErank* Model 2			*CONSV_Accrual* Model 3		
	Parameter Estimate	*t*-stat.		Parameter Estimate	*t*-stat.		Parameter Estimate	*t*-stat.	
C_SCORE	0.260	5.570	***						
C_SCORErank				0.029	3.050	***			
CONSV_Accrual							0.476	4.400	***
ROA	0.088	2.670	***	0.088	2.590	**	0.085	2.540	**
UE	0.003	1.830	*	0.002	1.240		0.004	2.240	**
SIZE	-0.002	-0.790		-0.002	-0.730		-0.001	-0.570	
BM	-0.007	-0.720		-0.011	-1.060		-0.008	-0.820	
EXFIN	-0.018	-1.520	**	-0.015	-1.230		-0.014	-1.166	**
INDCON	0.221	1.740	*	0.112	0.940		0.181	1.730	*
TIME	-0.013	-1.950	*	-0.012	-1.830	*	-0.013	-1.950	*
RETURN	0.070	2.560	**	0.070	2.570	**	0.071	2.570	**
FOUNDER	0.017	2.100	**	0.015	1.950	*	0.015	1.960	*
GENDER	-0.005	-0.440		-0.002	-0.220		-0.005	-0.440	

Table 5 (*continued*)

Variable	*C_SCORE* Model 1			*C_SCORErank* Model 2			*CONSV_Accrual* Model 3		
	Parameter Estimate	***t*-stat.**		**Parameter Estimate**	***t*-stat.**		**Parameter Estimate**	***t*-stat.**	
TENR	0.005	0.340		0.001	0.070		0.007	0.450	
INST	0.074	2.180	**	0.065	1.420	**	0.068	1.900	**
Industry dummy									
CONSUMER	0.009	0.590		0.000	0.060		0.010	0.680	
INDUSTRIAL	0.001	0.070		-0.009	-0.560		0.001	0.090	
PROPERTY	-0.014	-1.370		-0.010	-1.060		-0.013	-1.290	
RESOURCE	-0.045	-1.910	*	-0.027	-1.230		-0.045	-1.870	*
SERVICE	0.002	0.160		-0.003	-0.310		0.002	0.220	
TECHNOLOGY	-0.005	-0.380		-0.011	-0.800		-0.005	-0.390	
Constant	0.051	0.720		0.074	1.050		0.053	0.740	
F-value	2.900			2.060			2.520		
Sig.F	0.000			0.004			0.000		
R^2	6.36%			5.20%			5.31%		
Adjusted R^2	4.58%			3.39%			3.50%		
Observations	1,016			1,016			1,016		

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively. The *t*-statistics are corrected for heteroscedasticity.

Table 5 (*continued*)

Table 5 reports ordinary least squares regression results of management earnings forecast biases on conservatism (*CONSV*) and all control variables. The sample consists of 1,016 firm-years of Thai listed companies for the 2000-2012 period.

The regression model is as follows:

$$MEF\_Bias_{i,t+1} = \alpha_0 + \alpha_1 CONSV_{i,t} + \alpha_2 ROA_{i,t} + \alpha_3 UE_{i,t} + \alpha_4 SIZE_{i,t} + \alpha_5 BM_{i,t} + \alpha_6 EXFIN_{i,t} + \alpha_7 INDCON_{i,t} + \alpha_8 TIME_{i,t} + \alpha_9 RETURN_{i,t} + \alpha_{10} FOUNDER_{i,t} + \alpha_{11} GENDER_{i,t} + \alpha_{12} TENR_{i,t} + \alpha_{13} INST_{i,t} + \alpha_j \Sigma_j IND_{i,t} + \varepsilon_{i,t} \quad (8)$$

Variable Definition

- *MEF_Bias* is equal to actual earnings per share subtracted by management earnings forecast per share, deflated by lagged close share price.
- *CONSV* is measures of accounting conservatism; *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009) conservatism score; *C_SCORErank* is scaled decile rank of *C_SCORE; CONSV_Accrual* is the average non-operating accruals scaled by total assets over the preceding five years, multiplied by -1.
- *ROA* is equal to earnings before extraordinary items divided by lagged total assets.
- *UE* is defined as the difference between the current earnings and the previous earnings, scaled by stock prices.
- *SIZE* is equal to the natural logarithm of the market value of equity.
- *BM* is book value of equity divided by the market value of equity.
- *EXFIN* is equal to net equity financing plus net debt financing scaled by lagged total assets.
- *INDCON* is equal to the sum of the market shares of the firms' sales within each industry.
- *TIME* is the natural logarithm of number of days from the forecast date to the fiscal ending date of the year being forecasted.
- *RETURN* is measured as the buy-and-hold 12 month market-adjusted stock returns.
- *FOUNDER* is defined as 1 for founder CEOs, 0 otherwise.
- *GENDER* is indicator variable assigned 1 if CEO is male, 0 otherwise.
- *TENR* measured as decile ranking number of years of service a person works as the CEO.
- *INST* is a percentage of the total number of total common shares held by institutional investors divided by the total common shares outstanding.

Table 6

Cross-Sectional Regressions of Absolute Value of Management Earnings Forecast Bias on Conservatism (Year 2000-2012): Pessimistic and Optimistic Forecast Subgroups
Dependent Variable: Absolute Value of Management Earnings Forecast Biases (*MEF_AbsBias*)

Variables	Full sample (1)		Pessimistic forecast subgroup (2)		Optimistic forecast subgroup (3)	
	Parameter Estimate	*t*-stat.	Parameter Estimate	*t*-stat.	Parameter Estimate	*t*-stat.
C_SCORE	-0.119	-2.920 ***	0.089	1.800 *	-0.313	-4.510 ***
ROA	-0.073	-2.920 ***	0.010	0.320	-0.108	-3.320 ***
UE	-0.006	-4.290 ***	-0.003	-1.560	-0.189	-0.760
SIZE	-0.007	-3.410 ***	-0.010	-3.050 ***	-0.006	-2.110 **
BM	0.031	4.510 ***	0.029	3.340 ***	0.033	3.360 ***
EXFIN	-0.019	-1.900 *	-0.033	-1.650 *	-0.009	-0.850
INDCON	0.054	0.530	0.386	1.660 *	-0.074	-0.700
TIME	0.017	3.150 ***	0.018	2.080 **	0.017	2.380 **
RETURN	-0.067	-4.130 ***	-0.067	-1.250	-0.066	-5.120 ***
FOUNDER	-0.007	-1.130	0.005	0.530	-0.013	-1.510
GENDER	0.002	0.230	-0.015	-0.840	0.008	0.740
TENR	0.006	0.510	0.029	1.470	-0.010	-0.600
INST	0.005	0.430	0.010	0.580	0.004	0.290
Constant	0.132	2.380 **	0.117	1.700 *	0.139	1.810 *

Table 6 (*continued*)

Variables	Full sample (1)		Pessimistic forecast subgroup (2)		Optimistic forecast subgroup (3)	
	Parameter Estimate	***t*-stat.**	**Parameter Estimate**	***t*-stat.**	**Parameter Estimate**	***t*-stat.**
Industry dummy						
CONSUMER	-0.009	-0.780	-0.001	-0.080	0.000	0.010
INDUSTRIAL	0.010	0.780	0.031	1.200	0.004	0.280
PROPERTY	0.005	0.730	-0.010	-0.850	0.009	0.890
RESOURCE	0.005	0.280	-0.061	-1.730 *	0.028	1.220
SERVICE	0.013	1.420	0.025	1.400	0.006	0.510
TECHNOLOGY	0.014	1.320	0.010	0.590	0.023	1.590
F-value	10.260		4.920		8.900	
Sig.F	0.000		0.000		0.000	
R^2	19.35%		20.09%		24.00%	
Adjusted R^2	17.81%		16.29%		21.50%	
Observations	1,016		420		596	

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively. The *t*-statistics are corrected for heteroscedasticity.

Table 6 (*continued*)

Table 6 reports ordinary least squares regression results of absolute value of management earnings forecast biases on conservatism (*C_SCORE*) and all control variables. The sample consists of 1,016 firm-years of Thai listed companies for the 2000-2012 period.

The regression model is as follows:

$$MEF\_AbsBias_{i,t+1} = \alpha_0 + \alpha_1 C\_SCORE_{i,t} + \alpha_2 ROA_{i,t} + \alpha_3 UE_{i,t} + \alpha_4 SIZE_{i,t} + \alpha_5 BM_{i,t} + \alpha_6 EXFIN_{i,t} + \alpha_7 INDCON_{i,t} + \alpha_8 TIME_{i,t} + \alpha_9 RETURN_{i,t} + \alpha_{10} FOUNDER_{i,t} + \alpha_{11} GENDER_{i,t} + \alpha_{12} TENR_{i,t} + \alpha_{13} INST_{i,t} + \alpha_j \Sigma_j IND_{i,t} + \varepsilon_{i,t} \quad (8.1)$$

Variable Definition

- *MEF_AbsBias* is equal to absolute value of the differential between actual earnings per share and management earnings forecast per share, deflated by lagged close share price.
- *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009).
- *ROA* is equal to earnings before extraordinary items divided by lagged total assets.
- *UE* is defined as the difference between the current earnings and the previous earnings, scaled by stock prices.
- *SIZE* is equal to the natural logarithm of the market value of equity.
- *BM* is book value of equity divided by the market value of equity.
- *EXFIN* is equal to net equity financing plus net debt financing scaled by lagged total assets.
- *INDCON* is equal to the sum of the market shares of the firms' sales within each industry.
- *TIME* is the natural logarithm of number of calendar days from the forecast date to the fiscal ending date of the year being forecasted.
- *RETURN* is measured as the buy-and-hold 12 month market-adjusted stock returns.
- *FOUNDER* is defined as 1 for founder CEOs, 0 otherwise.
- *GENDER* is indicator variable assigned 1 if CEO is male, 0 otherwise.
- *TENR* measured as decile ranking number of years of service a person works as the CEO.
- *INST* is a percentage of the total number of total common shares held by institutional investors divided by the total common shares outstanding.

Table 7

The Impact of Operational Uncertainty on Relationship between Conservatism and Management Earnings Forecast Bias
Dependent Variable: Management Earnings Forecast Biases (*MEF_Bias*)

Variables	Model 1			Model 2			Model 3		
	Parameter Estimate	*t*-stat.		Parameter Estimate	*t*-stat.		Parameter Estimate	*t*-stat.	
C_SCORE	0.173	3.010	***	0.175	2.940	***	0.176	3.400	***
CFOVOL	-0.028	-1.900	*						
C_SCORE x CFOVOL	-0.194	-2.050	**						
SALEVOL				-0.025	-1.780	*			
C_SCORE x SALEVOL				-0.170	-1.870	*			
OPERCY							-0.026	-1.760	*
C_SCORE x OPERCY							-0.176	-1.900	**
ROA	0.087	2.670	***	0.089	2.670	***	0.089	2.620	***
UE	0.003	1.960	**	0.003	2.080	**	0.006	1.620	*
SIZE	-0.002	-0.770		-0.002	-0.840		-0.004	-0.710	
BM	-0.007	-0.710		-0.006	-0.670		-0.007	-0.730	
EXFIN	-0.019	-1.620		-0.019	-1.600		-0.017	-1.440	
INDCON	0.220	1.750	**	0.226	1.790	*	0.219	1.720	*
TIME	-0.012	-1.930	**	-0.013	-1.960	**	-0.013	-1.990	**
RETURN	0.076	3.020	***	0.072	2.620	***	0.068	2.490	**

Table 7 (*continued*)

Variables	Model 1		Model 2		Model 3	
	Parameter Estimate	***t*-stat.**	**Parameter Estimate**	***t*-stat.**	**Parameter Estimate**	***t*-stat.**
FOUNDER	0.016	2.060 **	0.017	2.150 **	0.016	2.090 **
GENDER	-0.005	-0.420	-0.005	-0.430	-0.006	-0.530
TENR	0.005	0.330	0.004	0.290	0.004	0.280
INST	0.145	1.700 **	0.093	1.690 **	0.112	1.830 **
Industry dummy						
CONSUMER	0.011	0.730	0.007	0.490	0.008	0.560
INDUSTRIAL	0.002	0.180	-0.000	-0.000	0.001	0.060
PROPERTY	-0.012	-1.240	-0.015	-1.550	-0.014	-1.410
RESOURCE	-0.044	-1.880 *	-0.048	-2.010 **	-0.046	-1.910 *
SERVICE	0.002	0.240	0.001	0.010	0.000	0.040
TECHNOLOGY	-0.003	-0.230	-0.006	-0.450	-0.007	-0.490
Constant	0.061	0.870	0.069	0.950	0.062	0.880
F-value	2.800		2.700		2.670	
Sig.F	0.000		0.000		0.000	
R^2	6.72%		6.70%		6.71%	
Adjusted R^2	4.80%		4.73%		4.74%	
Observations	1,016		1,016		1,016	

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively. The *t*-statistics are corrected for heteroscedasticity.

Table 7 (*continued*)

The regression model is as follows:

$$MEF\_Bias_{i,t+1} = \gamma_0 + \gamma_1 C\_SCORE_{i,t} + \gamma_2 Uncertainty_{i,t} + \gamma_3 C\_SCORE_{i,t} \times Uncertainty_{i,t} + \gamma_4 ROA_{i,t} + \gamma_5 UE_{i,t} + \gamma_6 SIZE_{i,t} + \gamma_7 BM_{i,t} + \gamma_8 EXFIN_{i,t} + \gamma_9 INDCON_{i,t} + \gamma_{10} TIME_{i,t} + \gamma_{11} FOUNDER_{i,t} + \gamma_{12} GENDER_{i,t} + \gamma_{13} TENR_{i,t} + \gamma_{14} INST_{i,t} + \gamma_j \Sigma_j IND_{i,t} + \varepsilon_{i,t} \quad (9)$$

Variable Definition

- *MEF_Bias* is equal to actual earnings per share subtracted by management earnings forecast per share, deflated by lagged close share price.
- *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009).
- *ROA* is equal to earnings before extraordinary items divided by lagged total assets.
- *UE* is defined as the difference between the current earnings and the previous earnings, scaled by stock prices.
- *SIZE* is equal to the natural logarithm of the market value of equity.
- *BM* is book value of equity divided by the market value of equity.
- *EXFIN* is equal to net equity financing plus net debt financing scaled by lagged total assets.
- *INDCON* is equal to the sum of the market shares of the firms' sales within each industry.
- *TIME* is the natural logarithm of number of calendar days from the forecast date to the fiscal ending date of the year being forecasted.
- *RETURN* is measured as the buy-and-hold 12 month market-adjusted stock returns.
- *FOUNDER* is defined as 1 for founder CEOs, 0 otherwise.
- *GENDER* is indicator variable assigned 1 if CEO is male, 0 otherwise.
- *TENR* measured as decile ranking number of years of service a person works as the CEO.
- *INST* is a percentage of the total number of total common shares held by institutional investors divided by the total common shares outstanding.

Operation Uncertainty Measure (*Uncertainty*)

- *CFOVOL* is dummy variable coded 1e if firms have an above-median cash flow volatility, 0 otherwise.
- *SALEVOL* is dummy variable coded 1 if firms have an above-median sale volatility, 0 otherwise.
- *OPERCY* is dummy variable coded 1 if firms have an above-median operation cycle, 0 otherwise.

Table 8

The Impact of Corporate Governance on Relationship between Conservatism and Management Earnings Forecast Bias
Dependent Variable: Management Earnings Forecast Biases (*MEF_Bias*)

Variables	Model 1			Model 2			Model 3		
	Parameter Estimate	*t*-stat.		Parameter Estimate	*t*-stat.		Parameter Estimate	*t*-stat.	
C_SCORE	0.012	0.240		0.286	2.810	***	0.419	4.480	***
OUTDIR	-0.067	-3.730	***						
C_SCORE x OUTDIR	0.411	3.680	***						
NONDUAL				0.015	0.810				
C_SCORE x NONDUAL				-0.034	-0.290				
BRDSIZE							0.034	2.100	**
C_SCORE x BRDSIZE							-0.261	-2.550	**
ROA	0.086	2.640	***	0.092	2.750	***	0.094	2.890	***
UE	0.002	1.250	*	0.003	1.700	*	0.003	1.750	*
SIZE	-0.002	-0.710		-0.002	-0.920		-0.002	-0.920	
BM	-0.005	-0.530		-0.006	-0.660		-0.007	-0.720	
EXFIN	-0.017	-1.430		-0.018	-1.530		-0.019	-1.610	
INDCON	0.210	1.650	*	0.214	1.700	*	0.223	1.760	*
TIME	-0.012	-1.790	*	-0.013	-1.900	*	-0.012	-1.860	*
RETURN	0.070	2.740	***	0.071	2.580	**	0.068	2.570	**

Table 8 (*continued*)

Variables	**Model 1**		**Model 2**		**Model 3**	
	Parameter Estimate	***t*-stat.**	**Parameter Estimate**	***t*-stat.**	**Parameter Estimate**	***t*-stat.**
FOUNDER	0.015	1.890 *	0.016	2.020 **	0.017	2.170 **
GENDER	-0.006	-0.530	-0.003	-0.340	-0.004	-0.400
TENR	0.007	0.450	0.011	0.730	0.006	0.390
INST	0.150	1.750 **	0.102	1.460 **	0.114	1.620 **
Industry dummy						
CONSUMER	0.004	0.300	0.009	0.600	0.010	0.650
INDUSTRIAL	-0.000	-0.030	0.000	0.040	0.001	0.100
PROPERTY	-0.015	-1.470	-0.013	-1.340	-0.013	-1.290
RESOURCE	-0.042	-1.780	-0.045	-1.900 *	-0.045	-1.920 *
SERVICE	0.002	0.190	0.001	0.110	0.002	0.220
TECHNOLOGY	-0.005	-0.380	-0.007	-0.530	-0.003	-0.220
Constant	0.082	1.200	0.045	0.630	0.038	0.510
F-value	2.990		2.740		2.720	
Sig.F	0.000		0.000		0.000	
R^2	7.16%		6.60%		6.94%	
Adjusted R^2	5.20%		4.63%		4.97%	
Observations	1,016		1,016		1,016	

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively. The *t*-statistics are corrected for heteroscedasticity.

Table 8 (*continued*)

The regression model is as follows:

$$MEF\_Bias_{i,t+1} = \delta_0 + \delta_1 C\_SCORE_{i,t} + \delta_2 Governance_{i,t} + \delta_3 CONSV_{i,t} \times Governance_{i,t} + \delta_4 ROA_{i,t} + \delta_5 UE_{i,t} + \delta_6 SIZE_{i,t} + \delta_7 BM_{i,t} + \delta_8 EXFIN_{i,t} + \delta_9 INDCON_{i,t} + \delta_{10} TIME_{i,t} + \delta_{11} RETURN_{i,t} + \delta_{12} FOUNDER_{i,t} + \delta_{13} GENDER_{i,t} + \delta_{14} TENR_{i,t} + \delta_{15} INST_{i,t} + \delta_j \Sigma_j IND_{i,t} + \varepsilon_{i,t} \quad (10)$$

Variable Definition

- *MEF_Bias* is equal to actual earnings per share subtracted by management earnings forecast per share, deflated by lagged close share price.
- *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009).
- *ROA* is equal to earnings before extraordinary items divided by lagged total assets.
- *UE* is defined as the difference between the current earnings and the previous earnings, scaled by stock prices.
- *SIZE* is equal to the natural logarithm of the market value of equity.
- *BM* is book value of equity divided by the market value of equity.
- *EXFIN* is equal to net equity financing plus net debt financing scaled by lagged total assets.
- *INDCON* is equal to the sum of the market shares of the firms' sales within each industry.
- *TIME* is the natural logarithm of number of calendar days from the forecast date to the fiscal ending date of the year being forecasted.
- *RETURN* is measured as the buy-and-hold 12 month market-adjusted stock returns.
- *FOUNDER* is defined as 1 for founder CEOs, 0 otherwise.
- *GENDER* is indicator variable assigned 1 if CEO is male, 0 otherwise.
- *TENR* measured as decile ranking number of years of service a person works as the CEO.
- *INST* is a percentage of the total number of total common shares held by institutional investors divided by the total common shares outstanding.

Corporate Governance Measure (*Governance*)

- *OUTDIR* is indicator variable coded 1 if firms have an above-median percentage of outside directors, 0 otherwise.
- *NONDUAL* is indicator variable coded 1 if the CEO is not the chairman of the boards, 0 otherwise.
- *BRDSIZE* is indicator variable coded 1 if firms have an above-median number of director on the board, 0 otherwise.

Table 9

Number of Management Earnings Forecast Disclosures and Cumulative Abnormal Returns by Year

Year	Number of disclosure		Cumulative Abnormal Returns (%)		% Positive sign forecast
	Number	Percent	Mean	Median	
2005	80	8.67	2.493	1.335	58.75
2006	93	10.08	1.198	-0.210	48.39
2007	104	11.27	1.659	1.175	59.62
2008	127	13.76	0.226	0.340	51.18
2009	114	12.35	3.398	2.860	62.28
2010	131	14.19	3.031	2.320	58.78
2011	131	14.19	1.480	1.800	59.54
2012	143	15.49	0.350	-0.370	48.25
Total	923	100	1.670	1.190	55.69

Table 10

Number of Management Earnings Forecast Disclosures and Cumulative Abnormal Returns by Industry

Industry	Number of disclosure		Cumulative Abnormal Returns (%)		% Positive sign forecast
	Number	Percent	Mean	Median	
Agro & Food	74	8.02	2.663	1.700	58.11
Consumer Products	29	3.14	5.483	5.380	68.97
Industrials	127	13.76	2.545	1.850	59.06
Property & Construction	277	30.01	2.004	2.210	58.12
Resources	112	12.13	0.614	0.245	54.46
Services	190	20.59	-0.079	-0.875	45.26
Technology	114	12.35	2.214	1.425	59.65
Total	923	100	1.670	1.190	55.69

Table 11

Average Excess Return and Accumulative Excess Return around Management Earnings Forecast Disclosures

Day	Average Excess Return (%)	Accumulative Excess Return (%)
-7	0.114	0.114
-6	0.186	0.300
-5	0.135	0.435
-4	0.378	0.813
-3	0.261	1.074
-2	0.517	1.591
-1	0.800	2.391
0	0.604	2.995
1	0.095	3.090
2	0.147	3.237
3	0.168	3.405
4	0.223	3.628
5	0.285	3.913
6	0.406	4.319
7	0.080	4.399
MEFCAR (-1, 0, 1)	1.670	
t-statistic	5.589	
Observations	923	

Table 11 reports the average excess returns and accumulative excess returns from seven days prior until seven days after the disclosure dates of the 923 management earnings forecasts in the samples over the period from 2000 to 2012.

Table 12

Cumulative Abnormal Returns around Management Earnings Forecast Disclosure Dates in Selected Windows

Panel A: Using Market Adjusted Return (N = 923)

Selected Windows	Cumulative abnormal returns	Max.	Min.	S.D.	*t*-statistic	*p*-value
(-1, +1)	0.017	0.290	-0.228	0.091	5.589	0.000
(-2, +2)	0.028	0.511	-0.338	0.149	5.812	0.000
(-3, +3)	0.041	0.791	-0.400	0.210	5.980	0.000

Panel B: Using Market and Risk Adjusted Return (N = 923)

Selected Windows	Cumulative abnormal returns	Max.	Min.	S.D.	*t*-statistic	*p*-value
(-1, +1)	0.057	1.409	-0.321	0.130	13.360	0.000
(-2, +2)	0.102	1.763	-0.485	0.221	13.937	0.000
(-3, +3)	0.154	4.058	-0.587	0.341	13.704	0.000

Table 13

Descriptive Statistics and Correlation Matrix

Panel A: Descriptive Statistics

Variable	Mean	Standard Deviation	Median	Minimum	Maximum
MEFCAR	0.017	0.091	0.012	-0.228	0.290
C_SCORE	0.109	0.056	0.108	0.011	0.275
CONSV_Accrual	0.033	0.139	0.029	-1.628	1.010
CONSV_CSCORErank	0.481	0.364	0.444	0.000	1.000
SIZE	21.202	1.456	21.084	18.630	24.060
LEV	0.478	0.184	0.491	0.018	0.997
MTB	2.365	13.399	1.454	0.178	23.100
EPS	2.566	6.418	0.740	-12.580	91.000
BV	14.170	25.456	4.970	0.050	173.700
NEWS	0.457	0.498	0.000	0.000	1.000
STD_XRET	2.270	1.455	1.922	0.733	26.030

Table 13 (*continued*)

Panel B: Pearson (below) and Spearman (above) Correlation Matrix

Variable		A	B	C	D	E	F	G	H	I	J	K
MEFCAR	A		.572***	-.006	.038	-.105***	-.297***	-.056	.347***	.168***	-.803***	-.313***
C_SCORE	B	.662***		.056	.185***	-.083**	-.174***	-.039	.189***	.118***	-.478***	.151***
CONSV_Accrual	C	-.025	.075**		.010	-.044	-.196***	.036	.056	.065**	-.016	.149**
CONSV_AvgRank	D	.045	.107***	.006		.089***	.038	-.076**	.019	.033	-.014	.009
SIZE	E	-.108***	-.071**	-.038	.085**		.274***	.087***	.315***	.422***	.057	-.180***
LEV	F	-.276***	-.207***	-.153***	.030	.299***		.101***	-.186***	-.162***	.256***	.099**
MTB	G	-.043	-.003	.001	-.023	.056	.101***		.291***	-.025	.027	-.165***
EPS	H	.078**	.058	-.044	.016	.384***	-.062	-.007		.768***	-.350***	.049
BV	I	.032	.041	-.012	.025	.433***	-.101***	-.019	.871***		-.192***	.076**
NEWS	J	-.749***	-.501***	-.011	-.005	.053	.248***	.047	-.071**	-.042		-.219***
STD_XRET	K	-.407***	.177***	.139**	.004	-.138***	.122***	-.004	.047	.056	.280***	

***/ ** indicates significance levels at less than 1 percent and 5 percent, respectively, two-tailed *t-tests*.

Table 13 (*continued*)

Variable Definition

- *MEFCAR* is a three-day accumulate adjusted abnormal returns around the management earnings forecast disclosure dates.
- *CONSV* is measures of accounting conservatism; *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009); *CONSV_Accrual* measured as average non-operating accruals scaled by total assets over the preceding five years, multiplied by -1; and *CONSV_AvgRank* is an average rank the *C_SCORE* and *CONSV_Accrual*, defined as decile ranking (rescaled to range from 0 to 1).
- *SIZE* measured as the natural logarithm of the market value of equity.
- *LEV* measured as book value of total debt divided by book value of total assets.
- *MTB* measured as market value of equity divided by book value of equity.
- *EPS* measured as earnings before extraordinary items divided by number of outstanding of common shares.
- *BV* measured as total assets less total liability, then divided by number of outstanding of common shares.
- *NEWS* is indicator variable, identified as "bad news" which value = 1, if the signs of cumulative abnormal returns is negative, "good news" which value = 0, if the signs of returns is positive.
- *STD_XRET* is indicator variable, defined as 1 if firms have an above 0.5 of decile ranking (rescaled to range from 0 to 1) of idiosyncratic return volatility, 0 otherwise.

All above independent variables are measured in the year prior to the management forecast disclosure, except *NEWS* which is measured in according with the year that management earnings forecast was disclosed.

Table 14

Cross-sectional Regression of Cumulative Abnormal Return on Accounting Conservatism (Year 2000-2012)

Variable	*C_SCORE* Model 1			*CONSV_Accrual* Model 2			*CONSV_AvgRank* Model 3		
	Parameter Estimate	***t*-stat.**		**Parameter Estimate**	***t*-stat.**		**Parameter Estimate**	***t*-stat.**	
CONSV	0.178	18.85	***	0.029	1.900	*	0.012	2.320	**
SIZE	-0.002	-1.180		-0.002	-1.390	**	-0.003	-1.600	
LEV	-0.260	-2.490	**	-0.044	-3.620	***	-0.041	-3.390	***
MTB x 1000	-0.068	-2.470	**	0.005	0.170		0.011	0.350	
EPS	0.002	2.980	***	0.002	3.260	***	0.002	3.320	***
BV x 1000	-0.308	-2.310	**	-0.293	-2.100	**	-0.304	-2.100	**
NEWS	-0.098	-21.92	***	-0.131	-32.670	***	-0.131	-32.810	***
Industry dummy									
CONSUMER	-0.013	-1.300		0.008	0.720		0.008	0.680	
INDUSTRIAL	-0.017	-2.020	**	-0.002	-0.280		-0.004	-0.380	
PROPERTY	-0.017	-2.180	**	-0.003	-0.410		-0.004	-0.430	
RESOURCE	-0.026	-3.150	***	-0.018	-1.960	*	-0.018	-2.000	**
SERVICE	-0.022	-2.900	***	-0.008	-0.980		-0.010	-1.150	
TECHNOLOGY	-0.016	-1.830	*	0.001	0.030		-0.001	-0.100	

Table 14 (*continued*)

Variable	*C_SCORE* Model 1		*CONSV_Accrual* Model 2		*CONSV_AvgRank* Model 3	
	Parameter Estimate	***t*-stat.**	**Parameter Estimate**	***t*-stat.**	**Parameter Estimate**	***t*-stat.**
Constant	0.106	4.480 ***	0.142	5.270 ***	0.139	5.210 ***
F-value	274.39		109.08		109.37	
Sig.F	0.000		0.000		0.000	
R^2	68.24%		58.03%		58.09%	
Adjusted R^2	67.78%		57.43%		57.49%	
Observations	923		923		923	

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively. The *t*-statistics are corrected for heteroscedasticity.

Table 14 (*continued*)

Table 14 presents results from the regressions of accumulate adjusted abnormal returns around the management earnings forecast disclosure (*MEFCAR*) on measures of accounting conservatism (*C_CSORE*, *CONSV_Accrual*, and *CONSV_AvgRank*), and a set of firm characteristic and news forecasts.

The regression being estimated is

$$MEFCAR_{i,t+1} = \beta_0 + \beta_1 CONSV_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 MTB_{i,t} + \beta_5 EPS_{i,t} + \beta_6 BV_{i,t} + \beta_7 NEWS_{i,t} + \beta_j \Sigma_j IND_{i,t} + \varepsilon_{i,t} \quad (11)$$

Variable Definition

- *MEFCAR* is a three-day accumulate adjusted abnormal returns around the management earnings forecast disclosure dates.
- *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009).
- *CONSV_Accrual* measured as average non-operating accruals scaled by total assets over the preceding five years, multiplied by -1.
- *CONSV_AvgRank* is an average rank the *C_SCORE* and *CONSV_Accrual*, decile ranking (rescaled to range from 0 to 1).
- *SIZE* measured as the natural logarithm of the market value of equity.
- *LEV* measured as book value of total debt divided by book value of total assets.
- *MTB* measured as market value of equity divided by book value of equity.
- *EPS* measured as earnings before extraordinary items divided by number of outstanding of common shares.
- *BV* measured as total assets less total liability, then divided by number of outstanding of common shares.
- *NEWS* is indicator variable, identified as "bad news" which value = 1, if the sign of cumulative abnormal return is negative, "good news" which value = 0, if the sign of returns is positive.

Table 15

The Effect of Conservatism on Relationship between Information Asymmetry and Market Reaction to Management Earnings Forecast

Variable	*C_SCORE*						*CONSV_Accrual*					
	Model 1			**Model 2**			**Model 3**			**Model 4**		
	Parameter Estimate	***t*-stat.**		**Parameter Estimate**	***t*-stat.**		**Parameter Estimate**	***t*-stat.**		**Parameter Estimate**	***t*-stat.**	
CONSV	0.007	1.830	*	-0.001	-0.030		-0.007	-1.800	*	-0.001	-0.020	
STD_XRET	-0.009	-6.750	***	-0.007	-4.500	***	-0.008	-6.650	***	-0.011	-7.640	***
CONSV x STD_XRET				0.004	1.860	*				0.005	1.890	*
SIZE	-0.002	-0.950		-0.002	-0.950		-0.001	-0.680		-0.001	-0.720	
LEV	-0.039	-3.370	***	-0.039	-3.420	***	-0.042	-3.600	***	-0.042	-3.570	***
MTB x 1000	-0.016	-0.460		-0.009	-0.300		-0.033	-0.960		-0.031	-1.030	
EPS	0.002	3.160	***	0.002	3.090	***	0.002	3.100	***	0.002	3.140	***
BV x 1000	-0.291	-2.040	**	-0.269	-1.910	*	-0.308	-2.150	**	-0.300	-2.130	**
NEWS	-0.121	-27.740	***	-0.121	-28.320	***	-0.120	-27.750	***	-0.120	-28.170	***
Industry dummy												
CONSUMER	-0.006	-0.560		-0.006	-0.500		-0.007	-0.590		-0.007	-0.670	
INDUSTRIAL	-0.011	-1.170		-0.011	-1.210		-0.009	-0.980		-0.008	-0.930	
PROPERTY	-0.008	-1.050		-0.008	-0.970		-0.009	-1.100		-0.008	-1.070	

Table 15 (*continued*)

Variable	*C_SCORE*						*CONSV_Accrual*					
	Model 1			**Model 2**			**Model 3**			**Model 4**		
	Parameter Estimate	***t*-stat.**		**Parameter Estimate**	***t*-stat.**		**Parameter Estimate**	***t*-stat.**		**Parameter Estimate**	***t*-stat.**	
RESOURCE	-0.019	-2.180	**	-0.018	-2.110	**	-0.019	-2.140	**	-0.019	-2.170	**
SERVICE	-0.014	-1.680	*	-0.013	-1.630		-0.012	-1.480		-0.012	-1.470	
TECHNOLOGY	-0.009	-0.990		-0.009	-0.980		-0.009	-0.920		-0.009	-0.900	
Constant	0.107	4.230	***	0.109	4.320	***	0.108	4.260		0.104	4.120	***
F-value	123.66			116.56			124.52			120.42		
Sig.F	0.000			0.000			0.000			0.000		
R^2	61.76%			61.97%			61.74%			61.98%		
Adjusted R^2	61.17%			61.34%			61.12%			61.35%		
Observations	923			923			923			923		

*/ **/ *** indicates statistical significance at the 10, 5, and 1 percent level, respectively. The *t*-statistics are corrected for heteroscedasticity.

Table 15 (*continued*)

Regression model:

$$MEFCAR_{i,t+1} = \beta_0 + \beta_1 CONSV_{i,t} + \beta_2 STD\_XRET_{i,t} + \beta_3 CONSV_{i,t} x\ STD\_XRET_{i,t} + \beta_4 SIZE_{i,t} + \beta_5 LEV_{i,t} + \beta_6 MTB_{i,t} + \beta_7 EPS_{i,t} + \beta_8 BV_{i,t} + \beta_9 NEWS_{i,t} + \beta_j \Sigma_j IND_{i,t} + \varepsilon_{i,t} \quad (12)$$

Variable definition

- *MEFCAR* is a three-day accumulate adjusted abnormal returns around the management earnings forecast disclosure dates.
- *C_SCORE* is conservatism score, estimated following the approach of Khan and Watts (2009).
- *CONSV_Accrual* measured as average non-operating accruals scaled by total assets over the preceding five years, multiplied by -1.
- *SIZE* measured as the natural logarithm of the market value of equity.
- *LEV* measured as book value of total debt divided by book value of total assets.
- *MTB* measured as market value of equity divided by book value of equity.
- *EPS* measured as earnings before extraordinary items divided by number of outstanding of common shares.
- *BV* measured as total assets less total liability, then divided by number of outstanding of common shares.
- *NEWS* is indicator variable, identified as "bad news" which value = 1, if the sign of cumulative abnormal return is negative, "good news" which value = 0, if the sign of return is positive.
- *STD_XRET* is indicator variable, defined as 1 if firms have an above 0.5 of decile ranking (rescaled to range from 0 to 1) of idiosyncratic return volatility, 0 otherwise.

FIGURES

Figure 1

Time Frame for Collecting Management Earnings Forecast Data

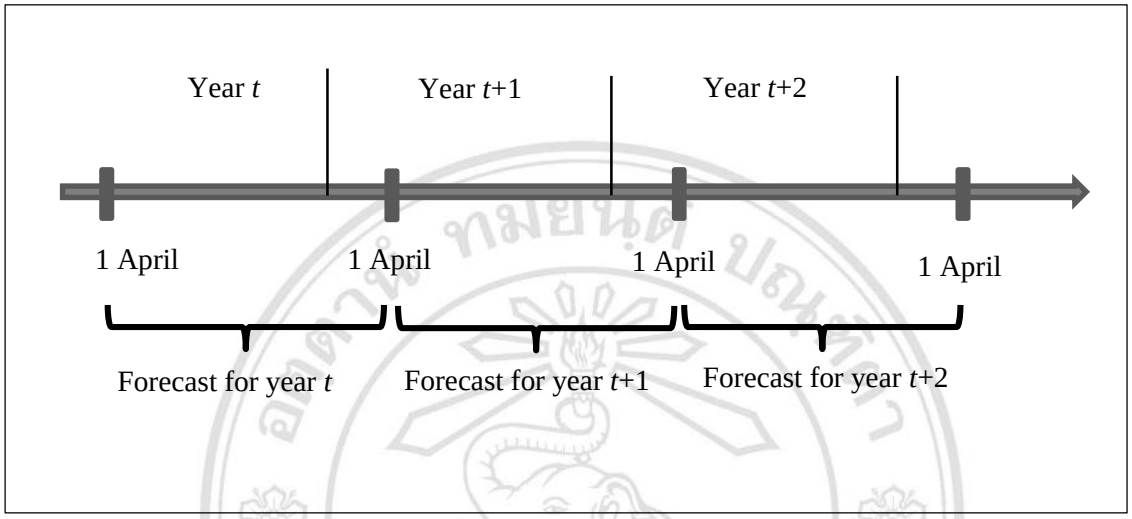


Figure 2

Average Daily Excess Returns around the Management Earnings Forecast Disclosure Dates

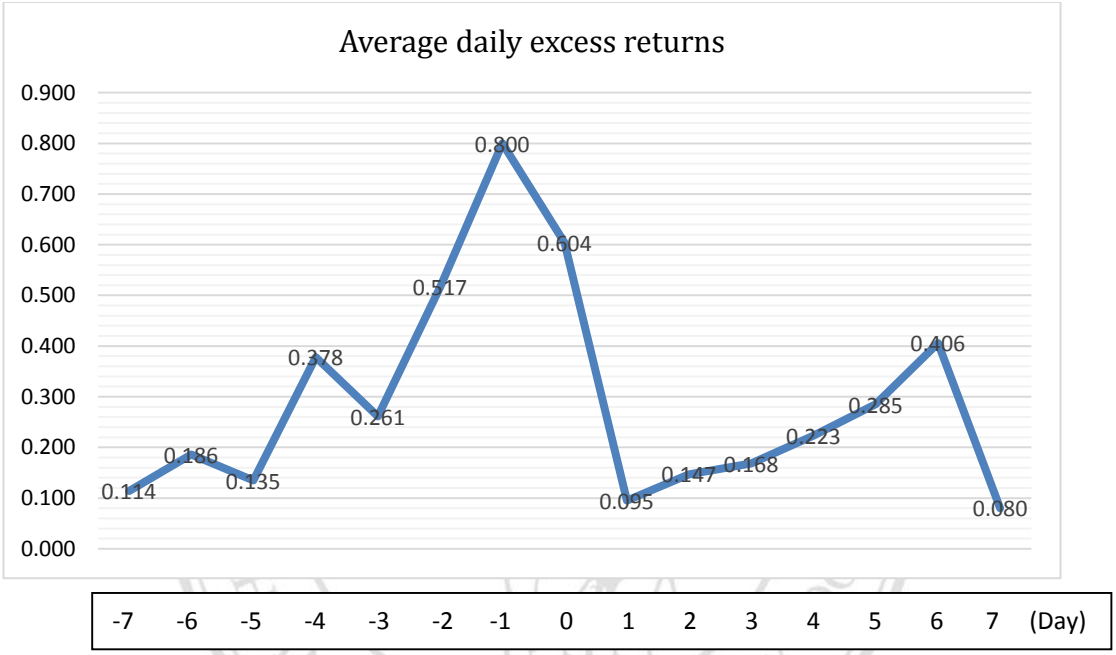
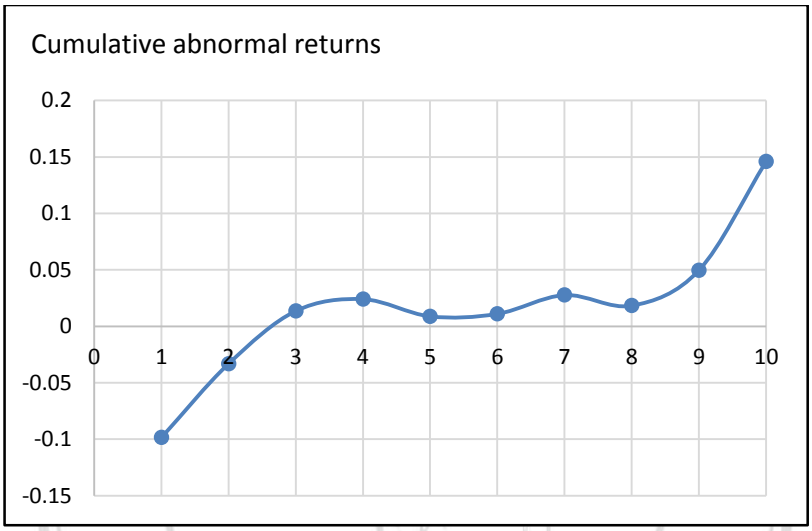
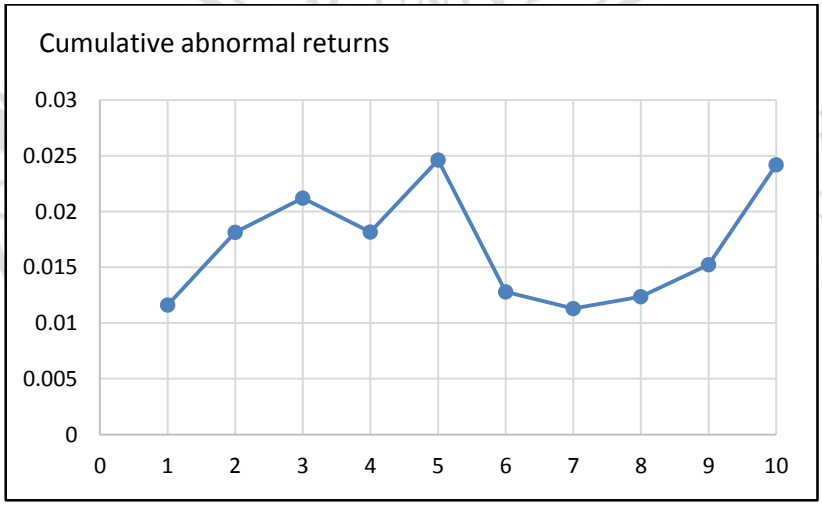


Figure 3

Cumulative Abnormal Returns around Management Earnings Forecast Disclosure Dates across Decile Rank of Conservatism

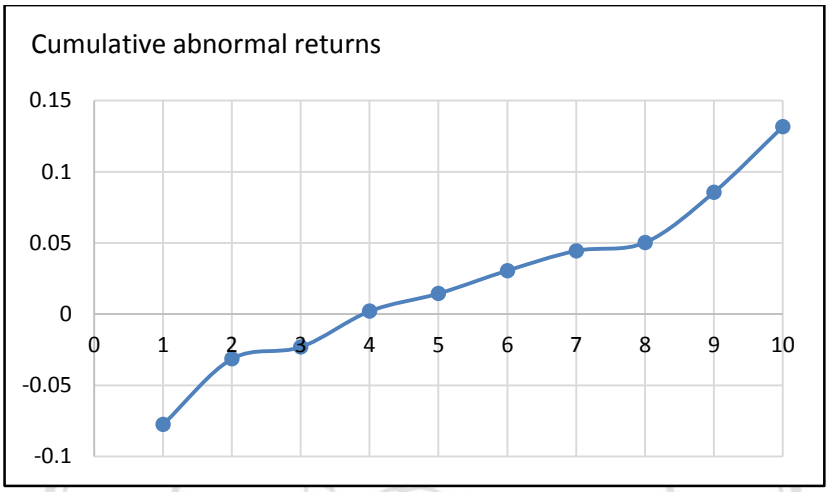


(a) *C_SCORE*



(b) *CONSV_Accrual*

Figure 3 (*continued*)



(c) *CONSV_AvgRank*

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