Ability of earnings quality in prediction of future earnings in the companies accepted in Tehran Stock Exchange

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Abstract
Considering the importance of future earnings forecast, Investors are always looking for a relevant criterion to do this and have found the past earnings as a suitable criterion in this regard. Though forecasting future earning based on present earnings are considered to be justifiable, but due to the shortcomings of earning measurements, there is a possibility of difference between actual and reported earnings. In such situations, the predictability of earning decreases and optimum use of this element in forecasting models becomes difficult. To solve this, earnings quality concept was put forward. Thus, the aim of this research is studying the relationship between earnings forecast error and earnings quality in Tehran stock exchange listed companies during 2001-2011. To test the research hypothesis, we have used Panel data analysis and multi variable regression analysis. The results of this research show that higher earnings quality leads to reduce earning forecast error.

Keywords: Earning forecast, Earnings quality, Earning forecast error, Earning forecast accuracy.

References


