

## Does Operating Cash Flow Really Matter in Value Relevance? A Recent Empirical Analysis on the Largest European Companies

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**Abstract :** This paper investigates the role of Operating Cash Flow (OCF) and accruals in firm valuation analyzing financial statement information from the largest European companies and evaluating their relation to firm market value. Using a dataset of 500 largest European companies in 2018, the study investigates the relative value-relevance of equity, net income and operating cash flow (OCF). Findings show that the cash flow measure has the same explanatory power and intensity as equity and earnings to explain the market value. This study contributes to the debate on the value relevance of OCF incremental to book value and earnings. It also extends the literature, showing that OCF has information content (value relevance) superior to earnings and book value in the main European markets (Bepari et al., 2013). Finally, the study provides a support that accounting method choice may confuse investors, who have reduced confidence in accounting earnings and book value; in other words, nowadays European investors rely more on cash flows instead of accruals numbers.

**Keywords :** Cash Flow Statement, Value Relevance, Accounting, Financial Statement Analysis

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