

A Study on the Determinants of Earnings Response Coefficient in an Emerging Market

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Abstract : The determinants of Earnings Response Coefficient (ERC), including firm size, earnings growth, and earnings persistence are studied in this research. These determinants are supposed to be moderator variables that affect ERC and Return Response Coefficient. The research sample contains 82 Iranian listed companies in Tehran Stock Exchange (TSE) from 2001 to 2012. Gathered data have been processed by EViews Software. Results show a significant positive relation between firm size and ERC, and also between earnings growth and ERC; however, there is no significant relation between earnings persistence and ERC. Also, the results show that ERC will be increased by firm size and earnings growth, but there is no relation between earnings persistence and ERC.

Keywords : earnings response coefficient (ERC), return response coefficient (RRC), firm size, earnings growth, earnings persistence

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