



Jeff
Coulton/Commerce/UNSW/AU

22/09/2008 04:53 PM

To Jeff Coulton/Commerce/UNSW/AU@UNSW

cc

bcc Lisa Lifman/Commerce/UNSW/AU

Subject Accounting Research Workshop - 26 September



www.business.unsw.edu.au

You are invited to School of Accounting seminar:

Dr Irene Tutticci, UQ Business School, The University of Queensland
Management Guidance and Analysts' Long Term Growth Forecasts

Friday 26 September 3,30pm

Location: Quad 2063

Abstract

This study examines managements' decision to issue earnings growth guidance and assesses whether financial analysts' change their long-term earnings growth expectations in response to the guidance. We find that management offers long-term forecasts only when it is strategic to do so, often when short-term news is bad, inducing a significant upward bias in the forecasts. The finding that managements' earnings growth forecasts primarily convey good news is in contrast to the generally negative nature of management short-term earnings guidance and suggests that different incentives drive firms' disclosure of different financial information. We also find that analysts are influenced by management long-term forecasts; in fact, the findings suggest that they are overly influenced, in that their forecast error increases. This finding sheds new light on the over-optimism hypothesis in analysts' long-term earnings growth forecasts, suggesting the bias could be management induced. Lastly we find that not all analysts are fooled, however, and how they use the information to form price targets varies widely. These results suggest that upward long-term earnings growth forecast bias may be a strategic property for analysts' target prices to hold.

Bio:

Dr Irene Tutticci is a Senior Lecturer in the Accounting and Accountability cluster at UQ Business School, where she recieved her B.Bus (Hons) and PhD. Irene has published papers

on capital markets, corporate governance, takeovers and accounting standard setting. Her current research interests are in corporate investment valuation and accounting policy choice.