

1 IFRS and Information Quality Cases of CAC 40 Companies

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5

6 **Abstract**

7 The objective of this work is to study the quality of countable information before and after the
8 adoption of standards IFRS. Precisely, through the exposure of the positive theory of the
9 accountancy which insists on the importance of information of quality for the investors in
10 order to enable them to make the adequate decisions of investments. We tested over one
11 period being spread out of 1998 to 2008, the relation between the quality of the information
12 measured by Proxy accruals qualityand standards IFRS in the context of the companies of
13 CAC 40. The results obtained show that the adoption of standards IFRS makes improves
14 quality of countable information. In particular, standards IFRS contribute improved quality
15 information to diffuse it with the public and to increase his transparency, which makes it
16 possible to attenuate asymmetries of information and the costs of agency.

17

18 **Index terms**— Quality - Information - Standards IFRS - CAC 40.

19 **1 Introduction**

20 e have seen in recent decades to mutations that characterize the European Union countries (EU) and those found
21 by the commitment in the race for the standardization of accounting language. All Member States are taxed to
22 adopt international accounting standards IFRS from January, 1, 2005 and that the publication of the regulation
23 1606/2002, 19/07/2002.

24 The preparation of these countries specifically France and this obligation requires more effort because of
25 the wide divergence between international standards for accounting and France. Moreover, France is in a
26 system of governance-oriented networks which explains the importance of stakeholders and to accelerate the
27 internationalization and globalization, these are the phenomena experienced by the economy over the years.

28 In particular, the IFRS have become a solution for economic actors to be able to properly compare and compete
29 on the world market without regard to financial rules and accounting discrepancies.

30 Besides there many differences that highlighted the need to find a solution that harmonize accounting
31 standards, the proliferation of corporate scandals such as Enron, Worldcom, has disturbed the confidence of
32 investors. Thus, in order to reduce the differences between national accounting standards, professional accounting
33 and auditing, from several countries, namely the U.S. and France in June 1973 created a committee known as
34 private IASC name whose objectives were to establish and publish accounting standards acceptable to national
35 plans. Companies will thus force to reorganize and oblige to publish relevant information and minimize the power
36 of the executive.

37 Through voluntary disclosures of information, the manager will present to stakeholders, the future course of
38 the firm and its financial (Skinner, 1994), and also provides an explanation of the accounting methods used. The
39 disclosure of accounting information on a voluntary basis will reduce the asymmetric information and improve
40 communication between managers, shareholders and lenders (Conover, Miller, and Szakmary, 2008).

41 Subsequently, changes in the transition to IFRS, and a significant influence on the quality of financial reporting
42 and the conduct of the officer. In behaving this way, the leaders put their own interests above those of employees
43 and donors, contributing to losses incurred by various stakeholders (Culpan and Trussel, 2005). The recent
44 scandals illustrate the managerial misconduct and unethical behavior in business (Culpan and ??russel, 2005,

5 C) IFRS AND PROVIDING INFORMATIONAL

45 Chih et al., 2008), which is likely to challenge the systems of corporate governance and financial information
46 disclosure.

47 In this perspective, he wants to characterize the quality of information through IFRS. First we present, and
48 successively the contribution of international standards in the business environment and the relationship between
49 managerial behavior and quality of information. Then, the methodological approach and an explanation of
50 empirical results found will be exposed.

51 2 II.

52 Background Literature and Hypotheses a) International standards Contribution in the economic environment
53 IFRS are issued by the International Accounting Standards (IASB), formerly known as International Accounting
54 Standards Committee (IASC). Their main objective is to develop a common accounting language, high quality,
55 understandable and enforceable. Indeed, the international accounting standards require high quality, transparent
56 and comparable information in financial statements and other reports to help participants in the capital of
57 enterprises in all global markets and other users make economic decisions (Epstein and Mirza, 1999).

58 The implementation of IFRS reduces information asymmetry between informed investors and uninformed
59 people. For example, IAS 1 "Presentation of Financial Statements" requires sensitive information, such as
60 management judgments and assumptions while forming the entity's accounting policies and sources of estimation
61 uncertainty that have a significant impact on the financial statements of the entity. This information must be
62 disclosed and reported as appropriate in the annual reporting.

63 Thus, such information could be a key decision. The reduction of information asymmetry limits communication
64 between managers and other stakeholders of the company, as shareholders, creditors, supervisors, analysts... b)
65 IFRS and corporate culture i.

66 3 American context

67 International accounting standards are an Anglo-Saxon this explains some differences in many areas of practice
68 called Continental. Therefore it is necessary to clarify the main principles underlying the IAS / IFRS. This
69 preliminary step is essential to identify correctly the transition to IAS / IFRS.

70 In companies with dispersed ownership and where the wealth manager is limited to its share of human capital
71 (and sometimes of limited participation, and not diverse), there is a decrease of handling information obtained
72 and used the interest of all shareholders.

73 Following the performance of IFRS, studies have shown that 32% of U.S. companies found that IFRS are more
74 intelligible than U.S. GAAP in terms of decision making. This has encouraged developed countries to establish
75 plans that allow them to apply these standards. Notably, this case is presented in the European Union countries
76 in 2001. Encouragement to apply these standards eventually becomes mandatory in 2005.

77 ii.

78 4 European context

79 In Europe, the CEO is risk averse because it holds a majority stake. This highlights the problem of information
80 asymmetry. Because IFRS became mandatory in the European context, this regulation of the firm that the net
81 result is more important for both current and potential shareholders. In this same axis, Beaver et al. (1980) have
82 stated that of all the information the result gets the most attention for all stakeholders. Hence the adoption of
83 standards will change the traditions of European societies.

84 5 c) IFRS and providing informational

85 The adoption of IFRS in Europe is a change in the business world that has better readability and comparability
86 of accounts of listed companies between them, while facilitating access to international capital markets. This
87 requires an adequate margin of reliability of accounting data published. Thus, (Dumontier and Marghraoui,
88 2007) have attributed to improved information content of accounting data to the stricter rules and publishing
89 more detailed information.

90 IAS / IFRS have intended to apply to all businesses large and engaged in financial statements, and give
91 some advantages for investors since they promote the emergence of today's financial markets and increase space
92 investment. Through the different rules imposed by IFRS and their considerable contributions in the business
93 world, the international standard setters (IASB) recently published an exposure draft on IFRS for SMEs (IFRS
94 for Small and Medium-sized Entities). The relevance of accounting information as the international benchmark
95 seems to justify the extensive use of financial statements as recommended media in the translation of economic
96 and financial reality.

97 Traditional accounting principles were based on historical cost accounting and their principle of prudence,
98 which influences the quality of accounting information and decreases its intrinsic value. A real change in the
99 accounting philosophy turned to the only use of the concept of fair value that is different from traditional reference
100 this leads to a change affecting the management structure.

101 The development of accounting standards has resulted in a significant change in the value and quality of
102 information and the nature of business management. The goal is to improve information provided to investors to

103 help them understand the situation of enterprises and assist them in making right decision in their investments.
104 i.

105 **6 Portion of historical cost to fair value**

106 The historical cost principle has the merit of simplicity: "the date of entry into the corporate heritage assets
107 acquired for consideration is recorded at their acquisition cost."

108 Casta and Colasse, (2001) showed that the original value is based on the reality of a transaction and allows
109 a single value. However, the historical cost principle has limits and impairs the ability to compare companies
110 in similar economic level but with some strategic choices or different accounting, such as internal growth, the
111 revaluation of property, or that of external growth.

112 IFRS therefore propose to abandon the principle of cost and value of assets and liabilities at fair value. This
113 concept can be understood by the market value for a tradable asset in one market or the value of cash flows
114 (cash flow) for a future non-marketable asset in a market. Unlike the previous principle, the concept of fair value
115 made by the international benchmark was the subject of several studies. Some authors show that the concept
116 of fair value will reflect the economic reality, comparability and transparency of company reports in relation to
117 historical cost accounting will reduce handling ??Barth et al. 2008; ??olthausen and Watts, 1983).

118 Similarly, Ouvrard (2006) stated that the use of a measure of sales amount based on the concept of fair value
119 leads to an increase in earnings volatility. This variation is considered an incentive for accounting manipulation.
120 In the same vein, the notion of fair value will affect the stability of firm performance measured in accounting and
121 a heavy reliance on performance management to reduce the volatility of this variability ??Barth et al., 1994).

122 However, the surplus of IFRS, in the economic and financial is considered as causes of the financial crisis in
123 2008 (Ghosh and Olsen, 2009).

124 ii.

125 **7 Primacy of economic reality on the legal appearance**

126 IFRS retain the primacy of economic reality on the legal appearance. A transaction or a contract is accounted for
127 and disclosed in financial statements in accordance with its economic reality that allows users to receive quality
128 information.

129 The economic substance approach rejects the assessment based on the Convention or on the appearance
130 and gives himself intended to better reflect the economic reality of the business, these two new concepts are
131 transforming the very purpose of the income statement and the balance sheet. Indeed, the income statement
132 contains topics that we show the profitability of the company and stock based on market values, including
133 intangible assets of the company becomes the central element of the disclosure of business and reflect the economic
134 weight of the firm.

135 Given the importance of accounting, international accounting standards emphasize the relevance of the
136 information published. This is explained by many previous studies that showed that accounting records evaluated
137 under IFRS are relevant and realistic which gives them superior to local standards.

138 Achieving the reliability of the information cannot be if managers and specifically the manager will adopt the
139 constraints imposed by the environment (Daska et al., 2008) and modified to satisfy all stakeholders.

140 The flexibility of IFRS will allow the officer to employ several strategies to deal with these changes to increase
141 manipulate the results and affect information. Similarly, accounting accruals are several problems at the time of
142 acceleration of income which can help make a disclosure of private information to investors (Healy and Palepu,
143 2001). Christie and Zimmerman (1994) have studied the problem of information asymmetry between the leader,
144 who is regarded as opportunistic, and stakeholders who lack more information. The officer may make a discretion
145 that is not observable because it has complied with all rules and standards. But the flexibility of IFRS will increase
146 the power of auditors to detect such accounting manipulation.

147 However, the behavior of managers is associated with contractual arrangements, such as compensation, pension
148 and loan agreements and asset prices, asymmetric information, agency and political costs (Francis et al., 2005;
149 Lambert, 2001).

150 **8 d) Managerial behavior and information quality**

151 The preparation of financial statements often requires an exercise trial (Jensen and Meckling, 1976). This
152 requirement means that accounting standards contain a space for managers and auditors. In combination with
153 the flexibility in financial reporting which gives businesses some flexibility in the implementation of accounting
154 regulations? However, it can however be situations opportunistic ??Healy, 1985, Dechow and Sloan, 1991; Dye,
155 1998). Such situations should be dealt with by monitoring the actions of managers and the use of financial
156 analysts' forecasts of future performance of companies.

157 However, the monitoring process can be expensive and in some cases not feasible (Lamont, 1997). The use
158 of borrowing will lead to lower agency costs because companies must meet certain interest payments and debt
159 agreements, then they will be monitored by banks, financial institutions, rating agencies.

160 Managers have used accounting discretion in order to improve the company including financial results and
161 earnings (Christie and Zimmerman, 1994; It follows, therefore, that the timing of gains and loss of recognition

162 is important ??Balsam et al., 1995). In some cases, managers structure their choice of accounting method to
163 transfer earnings from "good" accounting period to "bad years".

164 However, companies defer recognition of revenue over future accounting periods to reduce the tax charge for
165 the current period. Similarly, companies are generally more willing to communicate the right information, and
166 then they tend to delay the announcement of bad information (Aboody and Kaznik, 2000).

167 Managers who are entitled to stock options or incentive schemes tend to use discretionary accounting methods
168 to increase the value of their compensation and future periods (and Vanstraelen Tendeloo, 2005).

169 Indeed, the influences of the gains of the company and the achievement of desirable goals will lead to a
170 timetable for the disclosure of good news and bad information.

171 Managers have also arranged to manage the accounting data reported to influence the behavior or the response
172 of others, such as market authorities, regulatory bodies, shareholders, lenders, also to avoid being subjected to
173 control (Schatt et al., 2009). This would aim to give positive signals to market participants and to smooth the
174 relationship between business and stakeholders (Easton and Harris, 1991).

175 The above considerations tend to be more intense for large companies that are financially visible and easily
176 observable in the market ??Jiraporn et al. 2008a). On the other hand, ??iraporn et al. (2008b) have shown
177 that improving the financial situation of a company could also be achieved through diversification of businesses.
178 Their results show in particular a negative relationship between a combination of industrial diversification and
179 management of corporate earnings.

180 Accounting measures are closely associated with stock returns because they express the corporate financial
181 performance, this is explained by the reaction of the market and price sensitive views to publish information
182 (Kothari, 2005).

183 **9 e) IFRS and information sources**

184 The information quality is a fertile ground after the adoption of IFRS, which are often referred to as a revolution
185 or a paradigm shift in not only accounting and finance but also in operational decisions.

186 Many companies adopt IFRS on a voluntary basis since their standards have advantages compared with local
187 standards. These companies justify this choice by the fact that these standards reflect unparalleled reliability
188 with those already mentioned at the relevance of accounting information and then deliver information more
189 economical and allow for greater comparability.

190 A fact that, the decision-making and role playing by the individual and for the quality of accounting information
191 and financial companies have found themselves attracted to apply these standards ??Mazars, 2007). i.

192 **10 Assets Valuation**

193 The concept of fair value is not new but is the basis of international standards as named by (Mistral, 2003),
194 the cornerstone of the work of IFRS. However, it has limited scope. Casta and Colasse (2001) showed that the
195 relatively wide scope in terms of issues and multiple problems that have raised the application of that concept.

196 The IASB rejected the idea that all assets and liabilities are measured at fair value under the fair value method.
197 It limited the scope of the fair value assets and liabilities for which there was a prior market, some financial assets
198 and liabilities and some assets.

199 For liquidity, it is at the heart of recent work because it represents a need for investors. Where the assumption
200 that markets would not work in theory, they would, for instance by lack of liquidity, substitutes for the
201 market value, including a utility value (value in use) obtained Using actuarial models that have been proposed
202 ??Christopher et al., 2010).

203 ii.

204 **11 Earning management and financial communication**

205 After the adoption of IFRS in Europe, handling accounts represents a vast field of investigation because the
206 asymmetry of information has become very important for all stakeholders and specifically the shareholders.
207 Accounting information is used in decisions to grant bank loans to finance the operating cycle or business
208 investment.

209 These decisions are generally made after an analysis of accounting data of the company ??Charreux, 2000).
210 Thus, leaders may be tempted to present a favorable financial situation is to show an ability to repay the loan,
211 and a low risk to financial cost. Such manipulation will also allow a transfer of wealth from banks to corporate
212 shareholders.

213 The lower cost of debt financing is very attractive to shareholders for at least two reasons: The first is the
214 existence of leverage, so a return on invested capital greater, provided that the economic return exceeds the cost
215 of debt. The second reason lies in the preservation of private benefits for controlling shareholders in case of debt
216 financing.

217 Researchers who are interested in handling the relationship between accounting and debt have primarily
218 examined whether the companies financed by bond manipulate the accounts to meet certain contractual clauses,
219 called bond covenants we quote Labelle (1990).

220 iii. Accounting choices and disclosure Understanding of accounting options after the transition to international
221 standards poses several problems. Thus, the international standard for preparers of accounts allowed the
222 possibility of applying two different treatments for the same economic transaction. The description and
223 explanation of the position of French groups within this discretion is particularly interesting to understand
224 the application of IAS / IFRS. Indeed, these choices have a strategic dimension since their effects with no doubt
225 mark the structure of financial statements for many years. Thus, revalue the assets or estate affect actuarial
226 equity choices are structuring the balance sheet for the future.

227 Accounting choices are even more strategic they are considered definitive because of the multiple choices that
228 influence the quality of information disclosed. We also note that international standards are increasing the
229 geographic area of investment for investors, which highlights the role of information when faced with multiple
230 accounting choices. ??007) found that companies with a commitment to transparency of the experience of the
231 financial statements have greater market liquidity and low cost of capital.

232 However, ??arth et al. (2008) explored whether international accounting standards (IAS) applied by non-US
233 companies are comparable to the U.S. PCG applied by U.S. firms in terms of relevance value.

234 Indeed, the document shows that PCG U.S. generally has a higher level of relevance than the value of non-US
235 firms applying IAS. Researchers have also addressed the quality of earnings before and after the transition to
236 IFRS. They showed that performance management is less after the adoption of IFRS.

237 Recent studies have analyzed the association between the voluntary adoption of IFRS and the role of accounting
238 earnings in assessing internal performance. They found that IFRS is a better tool for evaluating the performance
239 of domestic firms. Regarding the transition to IFRS, several studies have examined the importance of disclosure
240 of the reconciliation of local GAAP standards and IFRS.

241 Hung and Subramanyam (2007) studied the impact of transition to IFRS for companies that voluntarily adopt
242 IFRS in Germany and show that the book value of equity seems to be a relevant value and generates considerable
243 gains. Horton and Serafeim, (2009) show that the market reacts to IFRS reconciliations in the United Kingdom
244 made this information must be disclosed by the documents required by the transitional IFRS. v. IFRS is a
245 means of growth Christensen et al. ??2008) found that market reactions are similar to the harmony of the data,
246 and resume the adoption of IFRS for companies in the UK affects business growth. Skinner and Sloan (2001)
247 showed that growing business and an unreliable result influence the reaction of stock markets in the period from
248 the publication of results. The application of IFRS to listed companies can present a unique set of financial
249 documents accepted by all financial centers.

250 These standards have made a real change in accounting introducing two new concepts: the fair value and
251 economic substance. The integration of the fair value and primacy of the economic substance were strongly
252 desired by the financial markets who found that the records produced by listed companies were too remote from
253 economic reality. The leader with the resources of the companies can change prices of assets that make the
254 function very difficult to control by investors.

255 vi.

256 **12 Information is an instrument of knowledge and communica- 257 tion**

258 Access to information is a problem with the size of the firm and the amount of information disclosed. Thus, the
259 information is used as a means to influence the environment positively or negatively.

260 But she did not have the same weight to invest in SMEs than in large firms this explains in large enterprises,
261 it is publicly available and could be achieved with lower costs than in small enterprises (Dargenidou et al., 2009).

262 The information poses a problem for small investors because large investors are sophisticated and able to
263 detect the result of management on their priorities and their knowledge of the reliability of the information.

264 To adopt IFRS, the phenomenon of management result remained a concern for researchers. Lo (2008) found
265 it necessary to define the scope, understand the specifics and give attention to major changes.

266 The quality of accounting results in a more general economic environment, but the quality of financial
267 statements is therefore very attractive to various users such as deciding on the objectives of debt the development
268 of ethics in business is also a factor likely to improve the transparency of accounting information.

269 The scope of the potential impact of IFRS is not limited to the financial statements, but also includes data on
270 business management in relation to key indicators of performance, information management and remuneration
271 based on performance.

272 Therefore, we formulate our hypothesis as follows: IFRS ensure the credibility of financial information.

273 **13 III.**

274 **14 Research Method a) Data collection**

275 The sample consists of 36 listed French companies (CAC40 companies). Four companies are excluded, because
276 they have a specific accounting (financial firms). For the sake of uniformity, we will ensure that companies in our
277 sample are industrial but operating in various sectors of activity (industry, pharmaceutical, food ?). b) Variables
278 i. Dependent variable AQ : Accruals Quality Numerous studies show that earnings management accountant is

279 proxy for the quality of accounting information. It will be measured by the concept of total accruals. To do this
280 we will first define and then we calculate accruals from each firms i and Year year t. by definition, accruals reflect
281 all adjustment that allow accountants to move from accruals to cash accounting.

282 To determine discretionary accruals we will adopt the model of Kothari et al. (2005) who suggest that firms
283 manage their results by taking into consideration the current and past performances of the firm. This model is
284 as follows:

285 ii.

286 15 Independent variables

287 Table ?? : Independent Variables.

288 iii.

289 16 Model specification

290 The following regression model summarizes the variables in this study :IV.

291 17 Results

292 18 Descriptive statistics

293 Tableau 2 : Statistiques descriptive.

294 This table shows that all variables except the average positive accruals quality variable (dependent variable)
295 has a negative mean and a standard deviation lower. This proves that this variable is low volatility. The other
296 variables have low standard deviations. We note that dependent variable total accruals are negatively correlated
297 with two variables: variation in earnings and firm size. In contrast, IFRS variables, growth and debt are positively
298 correlated with total accruals. But it should be noted that this table gives us an idea about the signs of correlation
299 coefficients between the dependent and independent variables.

300 19 Analysis of the results of econometric estimation

301 To test this question we are faced with three methods of estimation: The method of least squares (OLS) is
302 generally used for individual data (cross section) or temporal data. But for our study, this method is insufficient
303 because it is ignorant of double dimension. And the method of estimation with random effects or fixed effects.
304 To allow the choice between these different estimation methods, three tests were performed :

305 Stationary test Augmented Dickey-Fuller (ADF) Before estimating our model, we need to test stationary of
306 the variables, since in this test; the probability is zero in first difference. For our sample we have performed the
307 first difference.

308 20 Hausman test

309 This test is designed to make the choice between the estimated fixed effect (fixed effect model) and the estimated
310 random effects (random effect model). The first model takes into account the heterogeneity of the sample and
311 we introduce a dummy variable for each firm captures the transition from one to another. While in these conditions,
312 we consider the risk of heterogeneity in behavior and this leads us to decompose the error term into components.
313 The Hausman test follows a χ^2 that takes the value of 9.84 with a probability of 0.0798. This test is therefore
314 significant at 10%. We will apply the fixed effects specification for our sample Lagrange multiplier test:

315 We conducted the lagrange multiplication test to demonstrate the presence of random heterogeneity in our
316 sample .this test is not significant (chi -square is 0. 16) indicating that the presence of a non -random effect.
317 Ultimately we choose the estimate with fixed effects. Table ?? : Regression results of quality information and
318 IFRS. ***significativité à 1% ** significativité à 5% * significativité à 10% From this table we can notice that
319 there is a significant negative relationship between the variable IFRS and total accruals at the 5% this indicates
320 that the use of international standards improves the quality of accounting information released. This result
321 proved not confirm those found by ??Hung and Subramanyan, (2007) and ??apointe and al. (2006).

322 Firm size has a positive and significant relationship with total accruals at the 1%. This shows that large size
323 firms applying IFRS and publishes quality information, which is not coherent with the results found in the study
324 of Iatridis (2008a) and corroborates the findings of ??Hung and Subramanyan (2007).

325 The coefficient on growth is positive and significant at 1%. This suggests that companies are growing their
326 turnovers are also posted the highest total accruals. Indeed the growth of turnover usually results in an increase
327 in working capital and therefore an increase in total accruals ??Hung and Subramanyan, 2007).

328 The coefficient on growth is positive and significant at 1%. This suggests that companies are growing their
329 turnovers are also posted the highest total accruals. Indeed the growth of turnover usually results in an increase
330 in working capital and therefore an increase in total accruals ??Hung and Subramanyan, 2007).

331 In addition, the variation in earnings has a positive in earnings has a positive and significant with total accruals
332 at the 10% which shows that firms using IFRS results achieved by increasing the reliability of the information
333 disseminated. This result corroborates those reached in studies of ??echow and al.(1994) and ??iong,(2006).

334 Summarily concluded from the results, our hypothesis is confirmed: IFRS ensure the credibility of financial
335 information.

336 V.

337 **21 Conclusion**

338 The purpose of this paper is to study the impact of the adoption of international standards (IFRS) on the quality
339 of accounting and financial firms CAC 40.

340 We presented the first positive accounting theory that stresses the importance of quality information for
341 investors to enable them to take appropriate decisions for investment. Then, we presented a synthesis of empirical
342 studies testing the relationship between information quality measured by Proxy "accruals quality" and IFRS.

343 The ??1994) and ??iong (2006). They show that the adoption of IFRS increases the quality of published
344 information and ensure its reliability. This allows us to conclude that the adoption of IFRS has a positive impact
345 on the transparency of information which increases the growth and variation in earnings.

346 In fact, the CAC 40 companies are characterized by the preparation of consolidated financial statements,
347 indicating that accounting has an important role in the functioning of financial markets. Changes after the
348 adoption of IFRS will broaden the scope of the leaders and eventually their decisionmaking powers.

349 **22 Global**

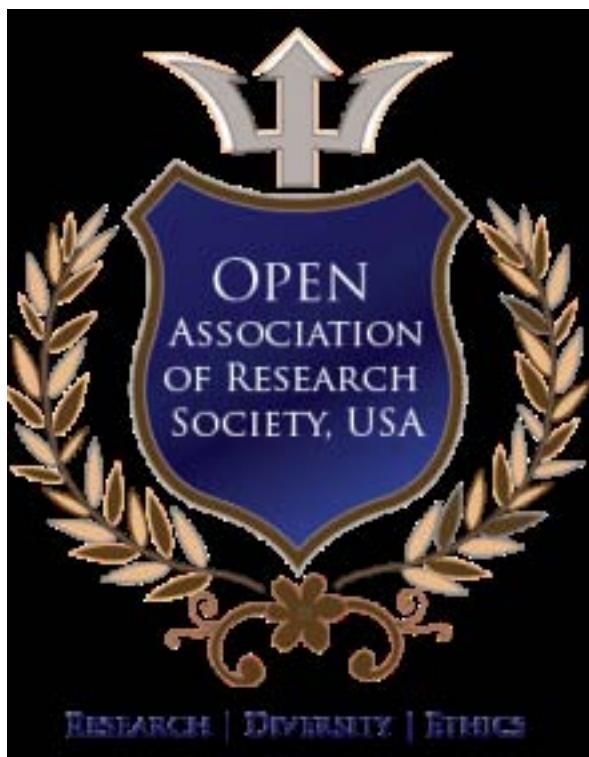


Figure 1: Global

3

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ear Y
2 78

Figure 2: Table 3 :

350 1

Figure 3: Table 4 :

	Coefficient	Std. Error	t-Statistic	Prob
AQ	0.055668***	0.006461	8.61	0.000
CROI	-0.036007**	0.016830	-2.13	0.0333
IFRS	0.461891***	0.052808	8.74	0.0000
Size	-0.017897	0.34323	-0.52	0.6025
Debt	0.04005*	0.020438	1.96	0.072
?BN	0.006739	0.005856	1.15	0.2509
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Figure 4:

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