Study suggests disaggregate earnings better predict stock prices than aggregate earnings

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As a stockholder when you receive the company's annual report, do you typically look beyond the earnings per share" Most people don't, but they may want to start examining these financial statements in more detail according to a recent study published in the *Review of Accounting and Finance*.

"The risk in looking only at aggregate earnings for the banking industry is that we ignore all other information that provides the total earnings per share, such as loan loss provision, loan write-offs and gains or losses on cash flow hedges," says Dr. Pervaiz Alam, Kent State University professor of accounting.

In his study, Alam and a colleague found that disaggregated bank earnings are better predictors of next period earnings and stock prices than aggregated earnings, which suggests that disaggregated information may be more useful for investment, credit and financing decisions.

Source: Kent State University

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