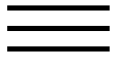


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# The effects of the Asian crisis, corporate governance and accounting system on the valuation of book value and earnings

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### Abstract

This paper examines the value relevance of earnings and book value in four Asian countries, Indonesia, South Korea, Malaysia and Thailand, in the period surrounding the Asian financial crisis. Specifically, we examine the impact of the economic environment on the value relevance of book value and earnings. We also examine the effects of corporate-governance mechanisms and the type of accounting system together with the economic environment on the value relevance of accounting numbers. Our results indicate that the value relevance of earnings in Indonesia and Thailand was significantly reduced during the Asian financial crisis while the value relevance of book value increased. In Malaysia, the value relevance of both earnings and book value decreased during the crisis. In Korea, neither book value nor earnings was significantly impacted by the crisis. Our results indicate that the level of corporate-governance mechanisms has an impact

on the extent of changes in the value relevance of book values, but not earnings. Specifically, the value relevance of book value declines when corporate governance is weak. Finally, our results indicate that accounting systems (i.e., IAS or tax-based) also affect the extent of changes in the value relevance of book value resulting from the crisis.



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## Keywords

Valuation; Corporate governance; Financial crisis

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