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# Advanced Topics in Accounting: Equity Valuation using Accounting Numbers in cyclical and acyclical Industries

*Konrad Leithauml;user*

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Master's Thesis from the year 2010 in the subject Business economics - Accounting and Taxes, grade: 80,0, Lancaster

University (Lancaster University Management School), course: MSc of Accounting Financial Management, language: English, abstract: The aim of this master thesis is to understand if a firm's dependency on the over-all business cycle impacts the performance of accounting-based valuation models. I evaluated stock- and flow-based valuation models and their performance across cyclical and acyclical industries and found that multi-period flow-based models perform well for cyclical firms, while acyclical firms are more accurately valued via market multiples (P/E-multiple). In extension of the empirical findings, an analysis of valuation models used in analyst reports points out that practitioners do not necessarily employ the theoretically superior valuation technique to generate their target prices - while practically used and empirically superior valuation models are consistent in acyclical industries, they significantly differ in cyclical industries. Furthermore, the analysis in this master thesis highlights that analysts show the tendency to adopt different valuation models dependent on the actual cycle phase.