INTRODUCTION

As a mirror of a firm’s financial conditions (Stowe et al., 2002; Brigham and Ehrhardt, 2005; Damodaran, 2002; 2006; TAS1, 2009), financial statements are applied diversely to business and financial requirements: performance and compensation management, financing and lending decision, and equity investment (Barth et al., 2001). The role of published statements in equity investment came to prominence, particularly, after Enron and WorldCom were mired in financial scandal. The past crises together with Enron and WorldCom cases have contributed to the lack of confidence in the released financial information; as a consequence, several measures have been introduced to enhance financial transparency and reporting standards (Islam, 2000; Linsley and Shrives, 2005).

As mutually pointed out by Brigham and Ehrhardt (2005) and Damodaran (2002), fundamental analysis based on published statements is of the essence in equity investment because it helps to hedge against investment risks. Nevertheless, the past crises have raised concerns about the reliability of accounting statements. This causes ambiguity in the role of financial statements data in equity trading, particularly, in trading of media and publishing securities, values of which are driven by soft variables.

Several scholars (Berman, 2004; Flew, 2004; Biagi, 2010) cited that as a business in the context or informational industry, media and publishing firms are run by a variety of soft elements of contents, content creators, creative artist, technology, and the like. Also, as stated by Berman (2004, p.37), “media companies survival or failure in 2010 is based not just on creative content, but on creative intelligence - about customers, markets, and the value of digital assets”. These imply influential role of soft elements in driving values of media and publishing equities. If the key drivers of industry values are the soft variables, sensibly, investors are likely to adjust their opinions on equity values based on the informational contents of those variables.

If so, what is the role of published statement information in equity investment? Stowe et al. (2002) stated that in service industry, humans are key operating factors; physical capital as represented by book equity seems to be less important and cannot be considered as a value indicator.

These discussions motivate this researcher to seek an answer to the question: Is there a relationship between fundamental financial statement factors and the market values of media and publishing equities?