

The Impact of the Research Development Expenditure of High-Tech Industry to the Value of a Firm

黃雅媚、邱英祿、洪朝陽

E-mail: 9707225@mail.dyu.edu.tw

ABSTRACT

This study examines the effect of hi-tech companies' R&D expense when pricing companies' value. By quoting indirect literature and logical inference, we find out that it is worth a while to make clear the relationship between them. The analysis is based on hi-tech industry in Taiwan within 2000 to 2007. This study uses stock price and rate of return on assets (ROA) as agent parameters of a company's value to measure the impact of the R&D investments on pricing a company's value in the market's and finance's points of view. Furthermore, this study adopts business cycle as moderating variable to explore whether business fluctuation had impact on R&D investments of a company. The empirical results show that no matter with market or with finance respects, the higher the R&D investments the higher a company's value will be. Besides, the study evidences show that at the disturbance of business fluctuation a company will alter its R&D investments. That is, a company will spend more R&D investments at prosperity while cut back on when in recession.

Keywords : R & D ; business cycle ; corporate value

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