Identifying accounting conservatism in the presence of skewness

INTERNET APPENDIX

Table A1: Regression results for Size deciles

Each year, we sort firms into *Size* deciles. Columns report the time-series averages of the regression coefficients from the Basu (1997) model ($I_{it} = \alpha_0 + \alpha_1 D_{it} + \beta_0 R_{it} + \beta_1 R_{it} \times D_{it} + \varepsilon_{it}$, see Eq.1 in the main paper) within each decile In Panel A, B and C, the dependent variable is unexpected earnings (*I*), unexpected accruals (*ACC*), and unexpected cash flows (*CFO*), respectively. *t*-statistics based on heteroskedasticity and autocorrelation consistent (HAC) standard errors in parenthesis. The sample includes 109,452 firm-year observations from 1988 to 2020. *t*-statistics are reported in parentheses. *, **, and *** denote statistical significance levels of 10%, 5%, and 1%, respectively (two-tailed). Note that the column D×R is also reported in Table 7A of the main paper.

Panel A: Asymmetric timeliness of earnings

	Intercept	D	R	D×R	Adj. R^2
Decile 1 (Small)	0.004	-0.017**	0.037***	0.164***	0.058***
	(0.82)	(-2.36)	(3.66)	(9.75)	(10.16)
Decile 2	0.022***	0.002	0.012*	0.160***	0.046***
	(3.97)	(0.32)	(1.93)	(12.38)	(8.87)
Decile 3	0.020***	0.010*	0.021***	0.114***	0.037***
	(6.33)	(1.95)	(4.40)	(8.17)	(6.84)
Decile 4	0.029***	0.005	0.008	0.108***	0.032***
	(8.00)	(0.71)	(1.42)	(5.59)	(8.72)
Decile 5	0.026***	0.011**	0.011**	0.087***	0.027***
	(14.03)	(2.97)	(2.23)	(7.84)	(6.48)
Decile 6	0.022***	0.000	0.012**	0.043***	0.017***
	(8.06)	(0.01)	(2.44)	(4.71)	(4.18)
Decile 7	0.015***	0.006*	0.012	0.047***	0.017
	(5.31)	(1.88)	(2.48)	(2.84)	(3.86)
Decile 8	0.009***	0.009***	0.003	0.061***	0.015***
	(4.86)	(3.26)	(0.78)	(5.57)	(3.62)
Decile 9	0.004	0.004	0.007	0.026**	0.013**
	(1.40)	(1.18)	(1.59)	(2.47)	(2.43)
Decile 10 (Large)	-0.004	0.003	0.002	0.028**	0.013***
	(-1.17)	(1.60)	(0.37)	(2.22)	(4.35)
Small-Large	0.008	-0.02**	0.036***	0.136***	0.045***
	(0.992)	(-2.536)	(3.028)	(6.94)	(7.475)

Panel B: Asymmetric timeliness of accruals

	Intercept	D	R	D×R	Adj. R^2
Decile 1 (Small)	-0.029**	-0.015	0.016	0.094**	0.008***
	(-2.56)	(-0.90)	(1.19)	(2.32)	(3.81)
Decile 2	-0.014*	0.015	0.01	0.118***	0.011***
	(-1.84)	(1.57)	(1.35)	(4.86)	(3.06)
Decile 3	-0.006	-0.007	0.016**	0.021	0.011***
	(-1.37)	(-0.39)	(2.48)	(0.40)	(3.81)
Decile 4	0.011**	0.003	0.008	0.083***	0.009**
	(1.96)	(0.44)	(1.60)	(3.19)	(2.48)
Decile 5	0.019***	0.002	0.01*	0.062***	0.008**
	(5.17)	(0.35)	(1.89)	(3.16)	(2.11)
Decile 6	0.024***	-0.004	0.01	0.045***	0.007**
	(7.54)	(-0.70)	(1.28)	(3.74)	(2.77)
Decile 7	0.019***	0.006	0.016***	0.044***	0.009***
	(6.43)	(1.12)	(3.11)	(3.31)	(3.20)
Decile 8	0.022***	0.011*	0.013	0.053**	0.014***
	(4.60)	(1.83)	(1.24)	(2.69)	(3.78)
Decile 9	0.028***	-0.004	0.017***	0.011	0.014***
	(5.37)	(-0.96)	(2.83)	(0.76)	(3.05)
Decile 10 (Large)	0.02***	0.004	0.027***	0.000	0.020***
	(2.70)	(1.35)	(5.68)	(-0.01)	(5.20)
Small-Large	-0.049***	-0.019	-0.011	0.094**	-0.013***
	(-3.136)	(-1.077)	(-0.89)	(1.971)	(-2.642)

Panel C: Asymmetric timeliness of cash flows

	Intercept	D	R	D×R	Adj. R^2
Decile 1 (Small)	0.033***	-0.002	0.021	0.07	0.008**
	(3.38)	(-0.11)	(1.71)	(1.52)	(2.43)
Decile 2	0.035***	-0.013	0.002	0.042**	0.008***
	(6.17)	(-1.39)	(0.32)	(1.98)	(3.02)
Decile 3	0.027***	0.017	0.005	0.093*	0.005**
	(8.41)	(0.92)	(0.91)	(1.74)	(2.10)
Decile 4	0.018***	0.001	0.000	0.024	0.002
	(4.21)	(0.15)	(-0.01)	(1.29)	(0.80)
Decile 5	0.007**	0.009	0.001	0.025**	0.001
	(2.55)	(1.63)	(0.29)	(1.97)	(0.42)
Decile 6	-0.002	0.004	0.002	-0.003	-0.002**
	(-0.86)	(0.87)	(0.47)	(-0.27)	(-2.40)
Decile 7	-0.004	0.000	-0.004	0.003	0.002
	(-1.53)	(-0.08)	(-0.59)	(0.27)	(1.41)
Decile 8	-0.014**	-0.002	-0.01	0.008	0.005*
	(-2.51)	(-0.32)	(-0.95)	(0.50)	(1.69)
Decile 9	-0.024***	0.007**	-0.01*	0.014	0.007***
	(-6.77)	(2.33)	(-1.77)	(0.85)	(3.46)
Decile 10 (Large)	-0.024***	-0.001	-0.026***	0.028	0.013***
	(-5.42)	(-0.54)	(-4.12)	(0.82)	(3.87)
Small-Large	0.057***	0.000	0.047***	0.042	-0.005
	(5.548)	(-0.024)	(3.848)	(0.732)	(-1.07)

Table A2: Regression results for MTB deciles

Each year, we sort firms into *MTB* deciles. Columns report the time-series averages of the regression coefficients from the Basu (1997) model ($I_{it} = \alpha_0 + \alpha_1 D_{it} + \beta_0 R_{it} + \beta_1 R_{it} \times D_{it} + \varepsilon_{it}$, see Eq.1 in the main paper) within each decile In Panel A, B and C, the dependent variable is unexpected earnings (*I*), unexpected accruals (*ACC*), and unexpected cash flows (*CFO*), respectively. *t*-statistics based on heteroskedasticity and autocorrelation consistent (HAC) standard errors in parenthesis. The sample includes 109,452 firm-year observations from 1988 to 2020. *t*-statistics are reported in parentheses. *, **, and *** denote statistical significance levels of 10%, 5%, and 1%, respectively (two-tailed). Note that the column D×R is also reported in Table 7B of the main paper.

Panel A: Asymmetric timeliness of earnings

	Intercept	D	R	D×R	Adj. R²
Decile 1 (Value)	0.006	0.007	0.029***	0.181***	0.043***
	(0.94)	(0.67)	(3.29)	(10.32)	(6.98)
Decile 2	0.024***	0.013***	0.024*	0.141***	0.039***
	(5.08)	(2.76)	(1.89)	(7.23)	(6.40)
Decile 3	0.022***	0.011***	0.028***	0.124***	0.046***
	(6.70)	(3.05)	(4.61)	(7.69)	(5.76)
Decile 4	0.017***	0.006*	0.013**	0.096***	0.031***
	(6.31)	(1.88)	(2.04)	(5.99)	(8.81)
Decile 5	0.012***	0.015***	0.023***	0.113***	0.044***
	(5.10)	(5.17)	(4.28)	(4.24)	(6.47)
Decile 6	0.010***	0.005	0.013***	0.066***	0.023***
	(4.57)	(1.30)	(2.86)	(4.89)	(5.58)
Decile 7	0.009***	0.009***	0.014***	0.068***	0.029***
	(3.00)	(2.57)	(2.95)	(7.33)	(5.79)
Decile 8	0.009***	0.002	0.01***	0.045***	0.019***
	(3.87)	(0.72)	(4.14)	(3.97)	(4.88)
Decile 9	0.008***	0.003	0.014***	0.036***	0.017***
	(2.83)	(1.01)	(2.95)	(3.14)	(6.24)
Decile 10 (Growth)	0.009***	0.002	0.02***	0.026*	0.018***
	(4.50)	(0.49)	(5.57)	(1.88)	(6.33)
Value-Growth	-0.003	0.005	0.009	0.155***	0.026***
	(-0.324)	(0.489)	(0.92)	(7.19)	(4.394)

Panel B: Asymmetric timeliness of accruals

	Intercept	D	R	D×R	Adj. R^2
Decile 1 (Value)	-0.048***	0.000	0.006	0.163***	0.008***
	(-3.93)	(-0.02)	(0.46)	(3.77)	(2.72)
Decile 2	0.002	-0.011	-0.011	0.055	0.011***
	(0.44)	(-0.53)	(-1.13)	(0.73)	(3.47)
Decile 3	0.011***	0.006	0.009	0.096***	0.011***
	(2.60)	(1.06)	(1.17)	(4.21)	(3.20)
Decile 4	0.013***	0.016***	0.013	0.094***	0.014***
	(2.98)	(2.89)	(1.30)	(3.09)	(3.84)
Decile 5	0.019***	0.006	0.023***	0.070***	0.017***
	(5.39)	(0.89)	(3.16)	(3.02)	(4.17)
Decile 6	0.021***	0.009	0.012*	0.054***	0.011***
	(6.25)	(1.21)	(1.81)	(3.13)	(3.27)
Decile 7	0.021***	0.005*	0.011*	0.042***	0.010***
	(5.51)	(1.65)	(1.64)	(3.25)	(3.38)
Decile 8	0.025***	0.005	0.008**	0.041***	0.009***
	(8.51)	(1.20)	(2.06)	(2.78)	(3.76)
Decile 9	0.021***	0.000	0.012***	0.022*	0.009***
	(5.73)	(-0.07)	(3.49)	(1.95)	(3.83)
Decile 10 (Growth)	0.016***	-0.001	0.013***	0.013	0.007***
	(4.71)	(-0.29)	(4.39)	(1.36)	(3.25)
Value-Growth	-0.064***	0.001	-0.007	0.151***	0.001
	(-4.32)	(0.077)	(-0.499)	(3.428)	0.232

Panel C: Asymmetric timeliness of cash flows

	Intercept	D	R	D×R	Adj. R^2
Decile 1 (Value)	0.054***	0.007	0.022*	0.017	0.002
	(6.21)	(0.79)	(1.70)	(0.44)	(0.72)
Decile 2	0.022***	0.024	0.035***	0.085	0.005*
	(5.66)	(1.16)	(3.15)	(1.15)	(1.78)
Decile 3	0.011**	0.005	0.019**	0.028*	0.006**
	(2.80)	(0.97)	(2.04)	(1.73)	(2.25)
Decile 4	0.004	-0.01*	0.000	0.003	0.002*
	(0.88)	(-1.91)	(-0.03)	(0.10)	(1.83)
Decile 5	-0.007**	0.009	0.000	0.043***	0.002
	(-2.24)	(1.40)	(0.03)	(3.04)	(1.21)
Decile 6	-0.011***	-0.004	0.001	0.012	0.002*
	(-3.38)	(-0.66)	(0.18)	(0.78)	(1.78)
Decile 7	-0.012***	0.004	0.003	0.026**	0.006**
	(-3.66)	(1.02)	(0.44)	(2.18)	(2.31)
Decile 8	-0.016***	-0.003	0.002	0.004	0.003
	(-4.22)	(-0.70)	(0.44)	(0.29)	(1.53)
Decile 9	-0.013***	0.003	0.002	0.014	0.002
	(-5.33)	(0.82)	(0.51)	(1.39)	(1.20)
Decile 10 (Growth)	-0.008***	0.003	0.006	0.013	0.003**
	(-2.65)	(0.73)	(1.52)	(1.53)	(2.18)
Value-Growth	0.062***	0.004	0.016	0.004	-0.001
	(6.175)	(0.495)	(1.20)	(0.113)	(-0.592)