Do Managers Transparently Disclose Earnings Announcement Revisions?*

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ABSTRACT

Many firms issue an earnings announcement (EA) via Form 8-K before filing their 10-K or 10-Q. When managers identify a revision to earnings reported in the EA, they must exercise professional judgment in their decision to disclose the change because no explicit guidance exists. We find that 47% of EA revisions are transparently disclosed in an amended 8-K, while 53% are not. Firms are more likely to update their 8-K when revisions are large, reduce earnings, cause the firm to miss a target, or affect core accounts, suggesting that managers analogize the restatement guidance to this situation. We also find fewer amended 8-K filings among firms that report a non-GAAP earnings metric, indicating that most revising firms do not reconcile their non-GAAP metric with the final earnings number—an apparent inconsistency with the intent of Regulation G. EA revisions have implications for capital markets, management, auditors, and regulators. Finally, firms that have EA revisions are more likely to file future EAs concurrently with their 10-K or 10-Q.

Keywords: Earnings Announcement Revisions; Materiality, Non-GAAP; Transparency

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1. Introduction

How do managers respond when they discover a material error in information relied upon by investors? If an earnings-related error appears in a 10-K or 10-Q filing (hereafter, a periodic filing), explicit guidance exists on how it should be corrected and disclosed. However, many firms release earnings before their periodic filing to meet investor demand for timely information (Bronson et al. 2011; Arif et al. 2019). When managers issue a voluntary earnings announcement (EA), they must file a Form 8-K to notify market participants. Research shows that investors react more strongly to the EA than to the subsequent periodic filing (Li and Ramesh 2009).

In some cases, firms revise earnings after the EA, leading to a discrepancy between earnings reported in the EA and earnings in the subsequent 10-K or 10-Q filing (Bronson et al. 2011; Schroeder 2016; Haislip et al. 2017). Despite the importance that investors place on EAs, no formal guidance exists on how managers should correct and disclose errors in an EA. Instead, managers may choose to transparently disclose the revision by filing an amended 8-K, or they may simply correct the earnings figure in the next periodic filing. The objective of this paper is to understand how managers make this disclosure decision; what the consequences of this decision are; and what actions, if any, managers take to prevent future errors.

We hypothesize that, in the absence of explicit guidance, managers analogize from the Securities and Exchange Commission's (SEC's) guidance on the correction of errors in financial reports, such as Staff Accounting Bulletin (SAB) 99 and SAB 108 (hereafter, restatement guidance). This restatement guidance states that managers should consider quantitative and qualitative factors, including the nature and magnitude of the error and its effect on meeting earnings thresholds. When managers apply this framework, they would be more likely to disclose adjustments perceived as bad news, such as earnings declines or revisions that cause a firm to miss a key benchmark (Kasznik and Lev 1995; Skinner 1994, 1997).

This hypothesis is not without tension. Prior research suggests that when managers have reporting discretion, as with EA revisions, they may choose to hide or obscure bad news (e.g., Kothari et al. 2009). For example, managers may withhold bad news to limit media attention, protect their reputation, and reduce turnover risk (Kothari et al. 2009). Furthermore, transparent disclosure of negative information can harm a firm's short-term stock price, particularly if investors have limited attention and face awareness costs (Hirshleifer et al. 2011; Blankespoor et al. 2020). As a result, managers may be incentivized to avoid transparency. Overall, the lack of clear guidance and managers' competing disclosure incentives create opposing predictions, warranting an empirical investigation.

To investigate the transparency of EA revisions, we require a sample of revisions and a way to determine whether firms announced the revisions via an amended 8-K filing. Because no commercial database contains this information, we follow prior literature (e.g., Chapman et al. 2021) and use Compustat Snapshot as-reported data to identify firm-quarters with potential EA revisions, which we manually review and verify. We require that firms in our sample provide an EA before the periodic filing date, which excludes firm-quarters that disclose EAs concurrently with the periodic filing (Arif et al. 2019). To ensure that the EA revisions are material, we restrict our sample to revisions with an absolute earnings-per-share (EPS) difference of at least 0.01 and an absolute earnings difference of at least $1 million. These restrictions yield a sample of more than 1,350 firm-quarter observations between 2004 and 2021. For each EA revision, we manually review all 8-K or 8-K/A filings between the EA date and the subsequent periodic filing date to determine whether the firm transparently announced the revision.

We begin our analysis by examining the magnitude, direction, and timing of EA revisions. On average, these revisions are substantial, with an absolute mean (median) adjustment of $0.43

($0.09) per share. Most EA revisions (73.9%) lead to lower EPS, often affecting whether a firm meets an earnings benchmark.

Regarding disclosure practices, 46.9% of firms transparently disclose revisions by filing an amended 8-K; we call these firms Announcers. The remaining 53.1% (Non-Announcers) do not issue a separate 8-K for the revision. Our univariate analysis reveals that firms are more likely to amend an 8-K when the revision is large, reduces earnings, affects whether a firm meets an earnings benchmark, or affects key financial statement accounts, such as revenue or loan losses. These findings suggest that managers weigh both qualitative and quantitative factors when deciding how to disclose EA revisions.

In our main analysis, we investigate determinants of the transparent disclosure of EA revisions and then quantify the economic magnitude and statistical importance of the determinants. We focus on both quantitative and qualitative measures of materiality (e.g., revision size and income-decreasing revisions, respectively). We find that firms are more likely to transparently disclose large revisions and income-decreasing revisions, which is consistent with managers' analogizing in their EA disclosure decisions to SEC restatement guidance. Concerning economic magnitude, we find that income-decreasing revisions are associated with a 10.2% increased likelihood of announcing the revision via an 8-K.

The SEC emphasizes that firms should assess whether financial statement errors affect their ability to meet earnings benchmarks (SEC 1999). Prior research indicates that both investors and managers place considerable importance on benchmarks, such as prior-year earnings or the zero-earnings threshold (Graham et al. 2005; Beyer et al. 2010). As a result, downward EA revisions may be viewed as more material if they cause a firm to miss an earnings threshold. To test this

prediction, we examine EA revisions that cause firms to miss an earnings benchmark and find that these firms are more likely to disclose such revisions in an 8-K.

To investigate the relative importance of the quantitative and qualitative materiality factors in determining a firm's disclosure choice, we use a variance decomposition approach (Shapley 1953; Winter 2002; Belnap et al. 2023), which examines the relative amount of variation in disclosure choice that can be explained by various characteristics. We find that income-decreasing revisions and revisions that alter whether a firm meets a threshold rank highest of any determinant in explaining disclosure choice.

Research indicates that investors place greater emphasis on core financial statement accounts, such as revenue (Jegadeesh and Livnat 2006; Stubben 2010) and the allowance for loan losses (Bushman and Williams 2012; Wheeler 2019). If managers apply the principles of SAB 99, they should be more likely to transparently disclose revisions affecting these core items compared to those involving non-core items, such as asset impairments. Consistent with this expectation, we find that firms are significantly more likely to disclose revisions related to revenue or loan losses.

Overall, our results suggest that managers, on average, disclose material EA revisions via an amended 8-K filing, consistent with their adherence to the spirit of the SEC restatement guidance. Because many EAs include non-GAAP metrics, the SEC's Regulation G also is relevant for EA revisions. However, whether managers analogize from this guidance to their disclosure decisions is unclear because research shows that some firms ignore key provisions of Regulation G.[1] Regulation G states that firms should reconcile non-GAAP metrics to the nearest GAAP metric. Most firms in our sample provide a non-GAAP metric in their preliminary EA that is based on a GAAP number that they subsequently revise. Since non-GAAP metrics from the EA are

[1] For example, Chen et al. (2021) find that 26 percent of firms do not follow the Regulation G guidance stating that GAAP earnings measures should be presented more prominently than non-GAAP metrics.

typically excluded from the 10-K or 10-Q (Lamoreaux et al. 2024; Brown et al. 2024), firms committed to adhering to the spirit of Regulation G should file an amended Form 8-K to disclose any changes to their non-GAAP metrics and provide an updated reconciliation.

Surprisingly, we find that firms presenting a non-GAAP metric in their EA are less likely to file an amended 8-K. This decision creates two sources of uncertainty for investors. First, whether the non-GAAP measure has changed is unclear. Second, this omission leaves the non-GAAP metric—whether the revision affects it or not—unreconciled to the final GAAP earnings number, which is inconsistent with the intent of Regulation G. Therefore, although firms generally analogize from the available SEC restatement guidance, they do not apply the same approach to Regulation G.

After analyzing the determinants of EA revisions, we explore four potential consequences of firms' disclosure choices, beginning with their effect on capital market participants. Prior research suggests that investors, constrained by limited time and resources, may underreact to information that is not clearly disclosed (Hirshleifer et al. 2011; Guay et al. 2016; Blankespoor et al. 2020). We posit that investors who rely on the EA release may not reconcile this number to the subsequent 10-Q or 10-K and thus would be unaware of the EA revision unless the firm announces it in an amended 8-K filing. Consistent with this expectation, our analysis of abnormal trading volume around the periodic filing date reveals that the abnormal volume is significantly higher when firms transparently disclose the revision via an amended 8-K.

Next, we examine the effect of EA revision disclosure on regulatory scrutiny. Our findings suggest that investors react more strongly to EA revisions announced in an 8-K. Given these reactions, the SEC may scrutinize firms more closely when they have not transparently disclosed an EA revision. To measure regulatory scrutiny, we use the SEC filing review process. The SEC's

Division of Corporation Finance (DCF) reviews registrants' financial statements to ensure that investors have access to material information (SEC 2020). A growing literature focuses on SEC oversight of financial reports, such as 10-Ks or 10-Qs (Cassell et al. 2013; Kubic 2021; Cunningham and Leidner 2022). Building on this literature, we show that future regulatory oversight of 8-K filings increases when a firm fails to transparently announce an EA revision.

Our third consequence test examines whether the choice to disclose an EA revision affects management or auditor turnover. Prior research finds that EA revisions disclosed in an 8-K are associated with increased turnover among both auditors and executives (Haislip et al. 2017). However, whether this effect extends to firms' revisions in the absence of an 8-K filing, which constitute most of our sample, is unclear. On the one hand, revisions disclosed in an 8-K tend to be more material, suggesting that less material revisions, which are less likely to result in 8-K disclosure, may have little effect on turnover. On the other hand, a firm's decision not to file an 8-K could be perceived as a lack of transparency, potentially leading to similar or even higher rates of turnover. Our findings support the latter interpretation: We observe comparable or slightly higher turnover rates for CEOs, CFOs, and auditors in firms that do not disclose revisions in an 8-K. This finding suggests that the turnover effects documented by Haislip et al. (2017) apply to a broader set of EA revisions.

Finally, we examine whether firms with an EA revision are more likely to file their next EA concurrently with their periodic report. Arif et al. (2019) find that concurrent EA/10-K filings are positively associated with ex-ante indicators of weak accounting systems, reporting complexity, and limited auditor resources. We extend their analysis by examining whether EA revisions prompt firms to change their disclosure practices. Consistent with our expectations, we find that firms experiencing an EA revision are less likely to file their future EAs before their

periodic filing. By concurrently filing the EA on the 10-K/10-Q filing date, these firms eliminate the possibility of future EA revisions, a sign that managers take real actions to reduce future risk.

Our study makes three key contributions. First, we contribute to the literature on EA revisions (Bronson et al. 2011; Hollie et al. 2012; Haislip et al. 2017; Arif et al. 2019; Marshall et al. 2019). To the best of our knowledge, prior research has not explored how firms choose to announce an EA revision. Haislip et al. (2017) focus on auditor and manager consequences of EA revisions that are related to the year-end financial statement audit. Arif et al. (2019) and Marshall et al. (2019) focus on the timing and audit completeness of preliminary earnings releases. Our study explores how managers choose to disclose EA revisions and finds that firms are more likely to transparently disclose income-decreasing revisions, consistent with firms' analogizing the disclosure to SEC restatement guidance. However, we also find that most firms with a non-GAAP earnings metric in their EA fail to file an amended 8-K; thus, they fail to reconcile their non-GAAP measure and their *final* earnings number in accordance with Regulation G.

Second, we contribute to the literature on whether managers hide bad news (Skinner 1994, 1997; Kothari et al. 2009). Prior research suggests that some managers hide bad news (Kothari et al. 2009) or strategically disclose the news when the market is less attentive (DeHaan et al. 2015; Rawson et al. 2023). As discussed in Bao et al. (2019), researchers commonly infer the existence of bad news using indirect proxies, such as market returns or short interest. In our setting, we know the amount and nature of each revision, which ensures construct validity. We find that managers are more likely to disclose bad news, such as income-decreasing revisions, and to take actions to mitigate future EA revisions, such as filing future EAs concurrently with their periodic filing.

Third, we contribute to the literature on how firms correct errors in financial information. Earnings play a critical role in capital markets, and an extensive body of research examines the

determinants and consequences of earnings manipulation corrected via restatements (Palmrose et al. 2004; Burns and Kedia 2006; Hennes et al. 2008; Files et al. 2009; Schrand and Zechman 2012). One key distinction between periodic filings and earnings releases is that securities laws require firms to transparently correct a material error in the former but not in the latter. Prior research finds that some managers obfuscated restatement announcements, particularly in the pre-Sarbanes-Oxley (SOX) period (Files et al. 2009), leading to regulatory changes such as the revised 8-K disclosure rules and SAB 108 guidance (SEC 2004, 2006). We find that, even in the absence of explicit SEC guidance, managers are more likely to disclose material EA revisions in an amended 8-K filing. However, most firms with EA revisions report non-GAAP metrics but do not file amended Regulation G reconciliations. This suggests that managers analogize to the SEC restatement guidance but not Regulation G. These findings have important implications not just for the SEC but also for the Financial Accounting Standards Board (FASB) as it considers its project on key performance indicators (FASB 2024).[2]

2. Background and Hypothesis Development

2.1 Prior Research

In the United States, public firms must file quarterly financial statements with the SEC. Historically, firms issued quarterly EAs after completion of the external review or audit. Bronson et al. (2011) show that Public Company Accounting Oversight Board (PCAOB) standards on internal controls and documentation (PCAOB Auditing Standards 2 and 3, respectively) extended the audit process and often led to delays in audit completion.

[2] The FASB Invitation to Comment seeks input from users and preparers of financial statements on whether key performance indicators (KPIs) disclosed in earnings releases should also be included in 10-K or 10-Q filings, accompanied by a reconciliation to the nearest GAAP measure, similar to the requirements of IFRS 18, *Presentation and Disclosure in Financial Statements*. Our findings indicate that incorporating KPIs into financial statements could benefit investors by providing insights into changes in non-GAAP earnings and by offering an updated reconciliation for non-GAAP metrics—information that, in most cases, is not included in an amended 8-K filing.

To meet investor demand for timely information, many firms began issuing EAs before the audit was complete (Bronson et al. 2011; Schroeder 2016). However, furnishing a preliminary EA before the periodic filing date results in a tradeoff. On the one hand, investors receive decision-useful information more quickly, and the provision of timely information is a cornerstone of financial reporting (FASB 2010). On the other hand, issuing a preliminary EA before the periodic report engenders the risk that the EA contains an error that may necessitate a revision (Bronson et al. 2011). An EA revision occurs when earnings reported in a company's quarterly (10-Q) or annual (10-K) filing differs from its earnings in the EA; differences may emerge as a result of newly discovered information, finalizing of complex accounting estimates, or completion of the audit. When EA revisions occur, firms must determine how to disclose the revisions to investors.

The SEC website summarizes guidance on 8-K filings and addresses specific questions related to various 8-K topics.[3] The disclosure of preliminary earnings information falls under Item 2.02, *Results of Operations and Financial Condition*. In reviewing the SEC's disclosure guidance, we identified seven interpretive questions related to Item 2.02. However, only Question 106.7 addresses preliminary EAs, emphasizing that registrants must comply with all 8-K disclosure requirements, even when the EA includes preliminary amounts. Notably, this guidance does not reference how to disclose or correct an error in a preliminary EA.[4]

To confirm the absence of formal SEC guidance on EA revisions, we submitted an inquiry to the SEC Division of Corporation Finance for interpretive advice (see Appendix C for the

[3] This guidance is available at https://www.sec.gov/rules-regulations/staff-guidance/compliance-disclosure-interpretations/exchange-act-form-8-k

[4] We also examined the SEC's 8-K guidance for references to amended filings. The most relevant guidance appears in Question 102.01, which states that registrants are not required to file an 8-K when an agreement (or contract) that was initially immaterial later becomes material. Applied to the EA context, this suggests firms are not required to file an updated 8-K for EA revisions. However, Question 115.02 states that errors in Article 11 pro formas be corrected via an amended 8-K. While this guidance implies that errors in EAs might also require an amended 8-K, it is important to note that, unlike earnings information, Article 11 pro are not included in a 10-K or 10-Q.

submission). The SEC states that interpretive advice is "not rules, regulations, or statements of the Commission, and the Commission has neither approved nor disapproved the staff's responses or interpretations (SEC 2025)." In response to our inquiry, SEC staff indicated that they were unaware of any specific guidance on EA revisions. Accordingly, disclosure decisions regarding EA revisions appear to lack formal guidance and remain subject to managerial discretion.

Prior research has examined the effect of EA revisions announced in an 8-K on managers and auditors. Haislip et al. (2017) find that auditors are more likely to lose clients following an EA revision, particularly when the revision lowers earnings. They also observe increased management turnover, indicating that the negative effects extend beyond the audit firm. Bronson et al. (2011) show that the market reacts negatively to downward EA revisions when firms file an amended 8-K. To the best of our knowledge, research has not examined the determinants of EA revision disclosure choice and whether disclosure choice matters.

Most research on disclosure choices for correcting accounting errors focuses on the errors in 10-K or 10-Q filings and not on errors in preliminary earnings releases (Gleason et al. 2008; Files et al. 2009; Elliott et al. 2012; Thompson 2023). Files et al. (2009) note that, before Sarbanes-Oxley, managers had discretion in how they announced accounting restatements in press releases, ranging from high prominence (headline disclosure) to low prominence (footnote mention). Firms with more prominent restatement disclosures experienced more negative market reactions, and firms with less prominent disclosures experienced fewer class action lawsuits.

In response to a GAO (2002) report highlighting firms' minimal disclosure of restatements, Congress included provisions in the Sarbanes-Oxley Act requiring firms to disclose material information more quickly and prominently (Section 409). This prompted the SEC to revise 8-K disclosure requirements in 2004 (SEC 2004; Lerman and Livnat 2010) and to issue SAB 108 in

2006 (SEC 2006). These pronouncements provide guidance on quantifying the effect of restatements and on the appropriate method of disclosing restatements. Although no similar guidance exists for EA revisions, we hypothesize that managers may analogize from this guidance to their EA revisions, given the similarity of the two settings.

2.2 Hypothesis Development

When firms experience changes in earnings after releasing an EA but before filing their 10-K or 10-Q, they must decide how to disclose the revision. This decision is complicated by the fact that the SEC does not provide specific, directly applicable guidance addressing this scenario. In our discussions with the SEC, we confirmed that no such explicit guidance exists, leaving firms without a clear regulatory framework to follow.

In the absence of directly applicable SEC guidance, we posit that managers likely refer to the most analogous regulatory framework to inform their disclosure decisions. One logical approach is to follow the SEC's guidance on financial statement error corrections, including the materiality considerations outlined in SAB 99 and SAB 108. The materiality framework established in SAB 99 requires firms to assess both quantitative and qualitative factors when evaluating the significance of an error.[5] Under this guidance, an error is deemed material not only if it exceeds a certain numerical threshold or percentage of income, but also if it affects key qualitative considerations. For example, does it alter a firm's ability to meet earnings benchmarks, influence trends in financial performance, or affect financial statement accounts that are most relevant to investors?[6] If firms apply this materiality framework to EA revisions, we expect that

[5] Historically, materiality was based on quantitative benchmarks or thresholds (Antonacci 2001). In his 1998 speech titled "The Numbers Game," former SEC Chair Arthur Levitt raised concerns about using a strict numerical threshold to measure materiality (Levitt 1998).

[6] Auditors also consider qualitative and quantitative factors when determining materiality (Choudhary et al. 2019; Hallman et al. 2022).

they are more likely to transparently disclose the revision via an amended 8-K in four cases: if the revision is large, if it results in a decrease in reported earnings, if it changes whether the firm meets a key earnings benchmark, and if it affects key income statement line items.

In the absence of directly applicable guidance, firms may analogize to the most closely related guidance for several reasons. One reason is that doing so represents a reasonable and minimally contentious course of action, aligning with the established U.S. financial reporting framework in closely related areas.[7] A second reason is that firms may analogize from the SEC's restatement guidance to mitigate legal risks, protect their reputations, and reduce the likelihood of regulatory scrutiny. Prior research suggests that minimizing SEC scrutiny and litigation exposure are key considerations in firms' financial reporting decisions (Skinner 1994, 1997; Johnston and Petacchi 2017). Managers also may prefer to transparently disclose material news, recognizing that concealing such news has only a temporary effect because market participants will certainly uncover it, at which time managers may be punished for their lack of transparency (Kasznik and Lev 1995; Corona and Randhawa 2018).

The hypothesis that firms analogize to the SEC restatement guidance is not without tension. Prior research indicates that managers may withhold bad news (Kothari et al. 2009) or, to soften its impact, may strategically disclose it when market attention is low (DeHaan et al. 2015; Rawson et al. 2023). For instance, Kothari et al. (2009) provide evidence that managers delay disclosing bad news in anticipation of future offsetting good news.[8] Kothari et al. (2009) find that withholding

[7] An example of analogizing to other guidance can be found in the accounting for government grants. U.S. accounting standards do not provide guidance on the accounting for government grants; thus, many U.S. firms analogize and turn to International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*. If firms analogize when accounting standards do not provide guidance, the expectation that they would do the same when the SEC does not provide explicit guidance seems reasonable.

[8] Kothari et al. (2009) assume that new information—whether positive or negative—arrives randomly. If managers disclose news as it becomes available, stock price reactions to good and bad news should be symmetric. However, their findings reveal an asymmetry: Stock prices react more strongly to bad news disclosures than to good news. They

bad news is more prevalent when managers face greater career concerns or have more wealth at stake and that the likelihood of withholding is mitigated in the presence of high litigation risk. In the context of financial restatements, Files et al. (2009) show that some managers minimize the prominence of restatement disclosures—such as burying them in footnotes—to mitigate negative market reactions. Similarly, DeHaan et al. (2015) find that firms time the release of bad news when investor attention is relatively low.

Our study shares a key feature with much of the aforementioned literature: the absence of directly applicable SEC guidance. As a result, firms have the flexibility to choose disclosure methods that obscure bad news while remaining compliant with securities laws. Prior research suggests that managers may opt for less transparent disclosure when revisions reduce income, affect key financial line items, or affect whether the firm meets an earnings threshold. Given these competing predictions, we state our hypothesis in the null:

> **H1:** Managers do not analogize to SEC restatement guidance when deciding how to disclose an EA revision.

3. Research Design, Sample Selection, and Descriptive Statistics

3.1 Sample Selection

To test our hypothesis, we require a sample of firm-quarter observations with EA revisions. We identify in Compustat Snapshot all firm quarters ending between January 1, 2004, and December 31, 2021, that furnish a preliminary earnings release before firms file their periodic report.[9] Using Compustat Snapshot, we identify firm quarters where the quarterly earnings number changes between the preliminary EA and the final periodic report. To ensure that EA revisions do

interpret this pattern as evidence that managers hoard bad news until doing so becomes unsustainable, triggering a sharp negative market reaction upon its disclosure.

[9] Lyle et al. (2024) show that historical data in Compustat Quarterly files are updated frequently. To accurately observe the information initially reported by firms, we use Compustat Snapshot as-reported data as a starting point to identify potential EA revisions, and then we manually review and hand-collect EA information from SEC filings.

not result from rounding, we retain observations with a net income difference greater than $1 million and an EPS difference greater than 0.01. We also eliminate observations that announce a restatement between the EA and periodic filing date. Finally, we require observations to have sufficient trading volume data around the EA date and the periodic filing date. This process yields a sample of 1,696 firm quarters. Using the SEC's EDGAR database, we manually review all 8-K filings to verify that the preliminary earnings number differs from the final earnings number reported in the periodic filing. Of the 1,696 observations we reviewed, we were unable to verify that the preliminary earnings number differed from the final earnings number in 345 cases.[10] Thus, our final sample contains 1,351 observations. Table 1 summarizes our sample selection.

3.2 Research Design

To measure EA revision transparency, we identify whether firms announced the EA revision via a Form 8-K. Specifically, we define *Announcer* as an indicator variable set to one if the firm announces the EA revision in an 8-K filing and zero otherwise.[11] Firms not filing an 8-K to correct the EA error (*Non-Announcers*) report the revision only in the 10-K or 10-Q filing.

We use four different measures of EA materiality. Our first measure of materiality is an indicator variable that is equal to one if the EA revision decreases income and is zero otherwise (*Earnings Decrease*). Our second measure is an indicator variable that is equal to one if the revision causes the firm to miss an earnings threshold that was met prior to the revision and is zero

[10] Of the 345 observations, there are relatively few observations in which we cannot verify either the preliminary or final earnings number. Instead, we commonly observe that either the preliminary or final earnings number reported in Compustat appears inconsistent with what is reported in the firm's preliminary earnings release (e.g., 8-K) or periodic filing (10-Q or 10-K). An example is Alaska Air Group Inc.'s fiscal quarter ending on December 31, 2004. The preliminary earnings release reports a quarterly net loss of $44.9 million, which is consistent with what is reported in Compustat Snapshot for the preliminary earnings number. For the final earnings number, Compustat Snapshot reports a quarterly net loss of $50.1 million. However, the quarterly loss reported in Alaska Air Group's 10-K for the fourth fiscal quarter is $44.9 million, suggesting that no EA revision occurred.

[11] Some firms announce the EA revision before filing their 10-K/10-Q, while others do so on the same date as the periodic report filing. In our main tests, we do not distinguish between these cases, as we cannot observe when the firm becomes aware of the EA revision.

otherwise (*Missed Threshold*).[12] Following prior research, we focus on two GAAP-based thresholds: (1) earnings from the same quarter of the prior year, and (2) the zero earnings threshold (Burgstahler and Dichev 1997; Roychowdhury 2006).[13] Our third measure is revision size measured in EPS (*Revision Size* and *Revision Size*^{2}). We include a squared term (*Revision Size*^{2}) because we expect non-linearities. Fourth, we include ten different indicator variables for financial statement line items that are affected by the revision. Using these measures of EA transparency and materiality, we test H1 by estimating the following linear probability model[14]:

$$Announcer_{i,t} = \beta_0 + \beta_1 Materiality_{i,t} + Controls_{i,t} + fixed\ effects + \varepsilon_{i,t}\,. \quad (1)$$

If firms are more likely to transparently disclose material revisions, then the coefficient on *Materiality* should be positive. Alternatively, if firms seek to hide material EA revisions, then the coefficient on *Materiality* should be negative.

To mitigate the influence of confounding factors, we include a vector of controls identified in prior research as influencing EA revisions and disclosure policy (Bronson et al. 2011; Guay et al. 2016; Bao et al. 2019). We include indicator variables for the firm's filing deadlines (*Accelerated Filer* and *Large Accelerated Filer*) and whether the revision occurs in Q4 when the auditors are conducting the audit (*Q4 Revision*). We also control for auditor size (*Big4 Auditor*), firm fundamentals (*Firm Size*, *BTM*, *Firm Age*, *EA lag*, *Days from EA to Filing*, *Loss*, *Leverage*,

[12] We do not include *Earnings Decrease* and *Missed Threshold* in the same specification because of multicollinearity concerns.

[13] We do not focus on analyst forecasts for two reasons. First, the available analyst forecast data are more common for forecasts based on non-GAAP earnings, which differ on many unobservable dimensions from GAAP earnings. When firms fail to transparently disclose EA revisions, we have no clear way to map an EA revision onto a revised analyst-forecasted amount. Second, we use a hand-collected sample that is smaller than some existing studies, and requiring an I/B/E/S forecast further reduces the sample size. With these caveats in mind, we created an I/B/E/S GAAP threshold variable and find similar inferences using this earnings threshold.

[14] We estimate a linear probability model instead of a logistic model to accommodate the inclusion of fixed effects. Greene (2004) discusses estimation and inference issues related to nonlinear fixed effect models. Our primary results related to H1 are robust to using a logit model.

Return Volatility), and analyst coverage (*Analyst Follow*). To control for unobservable factors, we include industry by year fixed effects. We define all variables in Appendix A.

3.3 Illustrative Example

To illustrate an EA revision, we examine United Parcel Service, Inc. (UPS). On February 2, 2021, UPS announced its Q4 2020 earnings, reporting a diluted GAAP EPS of $1.64 for the fiscal year and −$3.75 for the fourth quarter. The EA also stated an Adjusted Diluted EPS of $2.66 for the fourth quarter and provided a reconciliation from GAAP to Adjusted (non-GAAP) EPS. In its subsequent 10-K filing on February 22, 2021, UPS reported a diluted EPS of $1.54 for the fiscal year, reflecting a downward revision of $0.10. Despite this change, UPS did not file a new or amended Form 8-K to disclose the downward revision (*Announcer* = 0). The 10-K includes a section titled "Non-GAAP Adjustments," which lists non-GAAP adjustments for the full year but does not report non-GAAP EPS, reconcile non-GAAP EPS to GAAP EPS, or present quarterly non-GAAP information. Appendix D provides a summary of this information.

3.4 Descriptive Statistics

Table 2, Panel A reports the distribution of sample observations by industry. The finance industry has the most observations, while the consumer durable goods industry has the fewest. Across all industries, the average absolute revision magnitude is large. For example, the Utilities industry is the only industry where the average absolute EPS revision is less than $0.10. In four industries, the average revision is greater than $0.50, and two industries have an average EPS adjustment of more than $1.00. Figure 1, Panel A shows that, on average, large revisions are more likely than small revisions to be transparently announced via an 8-K; large revisions are those with an absolute change in EPS that is equal to or greater than $0.09 (the sample median).

Figure 1, Panel B shows that income-decreasing revisions are more likely to be transparently announced than income-increasing revisions (50% likelihood vs. 38% likelihood). Consistent with this evidence, Table 2, Panel A shows that in all but three industries, firms are more likely to announce income-decreasing revisions relative to income-increasing revisions. This evidence is consistent with managers' analogizing to SEC restatement guidance when deciding how to disclose EA revisions. Providing further evidence, Figure 1, Panel C shows that transparent disclosure is also more likely when revisions cause firms to miss important earnings targets, such as the zero earnings threshold or earnings for the same quarter from the prior year.

Table 2, Panel B and Figure 2 report descriptive evidence about the underlying reasons for the revisions in our sample. We consider revisions associated with nine unique Compustat variables that are a component of earnings: Special Items; Cost of Goods Sold (COGS); Taxes; Selling, General, & Administrative expenses (SG&A); Revenue; Loan Loss Provision; Discontinued Operations; Depreciation and Amortization; and Interest. We classify an EA revision as being associated with a specific earnings component if the absolute value of the change in the earnings component (e.g., Special Items) is equal to or greater than 50% of the absolute value of the overall change in earnings. Thus, an EA revision can be associated with more than one line-item revision type. For some EA revisions, none of the changes associated with the nine Compustat variables that we consider meet the 50% threshold. Thus, we categorize these revisions as miscellaneous. Appendix B provides more information about how we identify the category of each EA revision. Table 2, Panel C, provides five examples of EA revisions.

Figure 2, Panel A shows that the most common revision type is Special Items, followed by COGS and Taxes. Panel B reports the proportion of revisions, by revision reason, that are transparently announced. Although we find that most revision types are associated with less

transparent disclosure, we do find that the majority of EA revisions associated with revenue (57%) and loan loss provision (78%) changes are transparently disclosed, suggesting that transparent disclosure is more likely when the EA revision is related to core financial statement accounts.

In Table 3, we provide descriptive statistics for the key variables in our analyses. To better understand firm disclosure choice, we compare means for *Non-Announcers* and *Announcers*. We find that fewer than half of the EA revisions are transparently announced (633/1,351 = 47%). The average EA revision is $0.43 per share, and the median is $0.09 per share. We observe that 73.9% of revisions are income decreasing (*Earnings Decrease*) and that earnings decreases are more likely when the firm announces a revision (78.7 % vs. 69.8%); this difference is statistically ($p <$ 0.01). We find that 17.4% of revisions cause a firm to miss an earnings threshold (*Missed Threshold*), with a higher occurrence among *Announcers*: 22.4% of *Announcers* experience an EA revision that leads the firm to miss an earnings threshold that was met prior to the revision compared to only 13.0% of *Non-Announcers*. This difference of 9.4% is statistically significant ($p < 0.01$) and suggests that when a revision changes whether firms miss a relevant earnings threshold, they are more likely to file an amended 8-K.

We find that 58.9% of revisions occur in the fourth quarter, which is expected because of the additional time needed to file a 10-K, annual asset impairment testing, and the year-end audit. Although prior research focuses almost exclusively on Q4 revisions (Bronson et al. 2011; Haislip et al. 2017), more than 40% of our revisions occur outside of Q4. This finding suggests that, although the year-end audit may increase the likelihood of a revision, many EA revisions are unrelated to an audit. Finally, 71.9 percent of observations report non-GAAP numbers in their EA.

4. Main Analysis

To formally test H1, we estimate Equation (1) and report the results in Table 4. In Panel A, Columns 1 through 3, we examine the effects of *Earnings Decrease* and *Revision Size* as test

variables. When determining how to disclose EAs, if firms analogize the disclosure and the restatement guidance, then we would expect positive coefficients on both variables. Conversely, negative coefficients would suggest that managers seek to withhold unfavorable information. As discussed, the *Revision Size*^{2} variable captures potential nonlinear effects of revision size.

In Table 4, Panel A, Column 1 presents results without controls, Column 2 includes control variables, and Column 3 incorporates both controls and industry-by-year fixed effects. Across all specifications, the coefficient on *Earnings Decrease* is positive and statistically significant ($p < 0.01$), indicating that firms are more likely to disclose income-decreasing revisions. This finding is consistent with managers' considering the qualitative materiality factors outlined in SAB 99. The coefficient magnitude on *Earnings Decrease* ranges from 0.102 to 0.115, suggesting that firms are 10.2% to 11.5% more likely to disclose earnings decreases compared to earnings increases. Similarly, the coefficient on *Revision Size*, our quantitative proxy for materiality, is positive and significant at the 0.05 (Columns 1 and 2) or 0.10 level (Column 3). The negative and significant coefficient on *Revision Size*^{2} indicates nonlinear effects, implying that larger revisions increase the likelihood of filing an 8-K but that this relationship eventually plateaus.

In Table 4, Panel A, Columns 4 through 6, we examine whether firms are more likely to file an amended 8-K for revisions that change whether they meet an earnings threshold. We find a robust, positive association between *Missed Threshold* and transparent disclosure. Across all three specifications, the coefficient on *Missed Threshold* is positive and significant at the 0.01 level. The coefficient magnitudes suggest a 14.5%–16.4% increase in the likelihood of transparent disclosure when the revision changes whether a firm would have met an earnings threshold. Collectively, our results suggest that firms consider both qualitative and quantitative materiality factors when deciding whether to file an amended 8-K.

To assess the relative importance of determinants in firms' disclosure decisions, we use a variance decomposition approach (Shapley 1953; Winter 2002; Belnap et al. 2023). This method quantifies the proportion of variation in the dependent variable (*Announcer*) explained by each determinant. The results, reported in Table 4, Panel B, are presented separately for specifications that include *Earnings Decrease* (Columns 1–2) and *Missed Threshold* (Columns 3–4). Columns 1 and 3 report the standardized dominance statistic, which reflects the relative explanatory power of each variable. Columns 2 and 4 rank the determinants based on their explanatory contribution, with a ranking of 1 assigned to the most influential factor. The results indicate that *Earnings Decrease* (Columns 1–2) and *Missed Threshold* (Columns 3–4) rank as the most influential determinants of firms' disclosure choices; revision size, our proxy for quantitative materiality, exhibits a lower rank relative to our measures for qualitative materiality.

4.1 Robustness Tests

We conduct several robustness tests to mitigate concerns that our results are influenced by a correlated omitted variable. First, we implement a firm fixed effects specification to control for unobservable, time-invariant firm characteristics. Table 4, Panel C presents this analysis. The disadvantage of this firm fixed effect specification is that it reduces our sample to 643 observations (a 52% decrease) because we exclude singleton observations. Despite the decrease in sample size, we continue to find a positive and significant coefficient on *Earnings Decrease, Missed Threshold*, and *Revision Size*.

The analysis in Table 4, Panel B, suggests that *Earnings Decrease* and *Missed Threshold*, which capture qualitative materiality, are the primary determinants of disclosure transparency. To address concerns that an unobservable factor may be correlated with these measures and thus influence the documented results, we test the robustness of our results using matching techniques

that relax the functional form assumptions underpinning linear regression models (Shipman et al. 2017). In Table 4, Panel D, we report results using three techniques: (1) entropy balancing (EB), (2) propensity score matching (PSM), and (3) coarsened exact matching (CEM). In these matched samples, we continue to find that *Earnings Decrease* and *Missed Threshold* are associated with transparent disclosure.[15]

4.2 Nature of the EA Revision

Next, we examine whether firms are more likely to file an amended 8-K when the revision affects financial statement line items that are more relevant to investors. This analysis is motivated by the observation that investors assign different levels of importance to various financial statement components. Prior research suggests that investors place greater emphasis on core income statement items, such as revenue (Jegadeesh and Livnat 2006; Stubben 2010) and loan loss provisions (Bushman and Williams 2012; Wheeler 2019). In contrast, non-core items may be of less concern to investors (e.g., Burgstahler et al. 2002; Bhattacharya et al. 2003; Doyle et al. 2003). If managers prioritize the disclosure of information that is most material to investors, we should find more transparent disclosure for revisions related to revenue and loan losses.

To test this prediction, we modify Equation (1) to incorporate a set of non-exclusive indicator variables representing financial statement line items that may have prompted the revision. Table 5 presents the results. Column 1 excludes controls and fixed effects, while Column 2 includes them. As predicted, firms are significantly more likely to disclose revisions related to revenue ($p < 0.05$ in Column 2) and loan losses ($p < 0.01$ in Column 2). The estimated coefficients suggest economically meaningful effects: Firms are 12.0% more likely to disclose revenue

[15] In untabulated analysis, we confirm that our results hold when using alternative measures of revision size, such as the natural log of revision size or an indicator variable equal to one for revisions exceeding 5% of pre-tax income, a common threshold for audit materiality (Hallman et al. 2022).

revisions and 22.2% more likely to disclose loan loss revisions. In contrast, the coefficient on special items (Spec Items) is negative, but not statistically significant. Overall, the results in Table 5 align with those in Table 4, suggesting that firms consider both qualitative and quantitative materiality when deciding whether to transparently disclose an EA revision.

5. EA Revisions and Non-GAAP Earnings

The results in Section 4 suggest that managers are more likely to disclose EA revisions when they are large, reduce earnings, affect core accounts, and affect whether the firm meets a benchmark. This evidence aligns with the idea that, in the absence of direct guidance, managers follow the spirit of SEC restatement guidance when deciding how to disclose EA revisions.

A key feature of EAs is the frequent inclusion of non-GAAP earnings metrics.[16] Given the widespread use of non-GAAP measures in EAs, SEC Regulation G is directly relevant to initial earnings releases, and managers may analogize to this guidance when disclosing a revision. Regulation G mandates that firms reconcile non-GAAP metrics to the nearest GAAP equivalent. In our sample, most firms include a non-GAAP measure in their preliminary EA that is based on a GAAP number that is subsequently revised. Since non-GAAP metrics from the EA are typically excluded from the 10-K or 10-Q (Lamoreaux et al. 2024; Brown et al. 2024; Ege et al. 2024), firms following the spirit of Regulation G should file an amended 8-K to indicate whether their non-GAAP metric has changed and to update the required reconciliation of non-GAAP metrics to the nearest GAAP measure.[17]

[16] Hallman et al. (2022) show that non-GAAP reporting affects the audit process by shaping materiality calculations. In particular, they find that auditors across various countries, including the United States, use non-GAAP pre-tax income measures as a benchmark for assessing quantitative materiality.

[17] Lamoreaux et al. (2024) report that non-GAAP metrics appear in both Form 10-K and Form 8-K in 27.7% of observations. Conditional on non-GAAP reporting in an 8-K, there is a 40% probability the firm reports non-GAAP in the corresponding 10-K. However, the nature and format of non-GAAP disclosures can vary between the two filings. For instance, EAs typically emphasize the most recent quarter, whereas 10-K filings cover the entire fiscal year. Appendix D illustrates this variation using UPS as an example. In its EA, UPS highlights non-GAAP EPS for the fourth quarter and reconciles non-GAAP fourth-quarter EPS to GAAP EPS, while also providing full-year

Although managers seem to follow the spirit of SAB 99 when disclosing EA revisions, whether they would also analogize to the non-GAAP guidance in Regulation G is unclear.[18] Chen et al. (2021) report that 26% of firms fail to comply with Regulation G's requirement that GAAP earnings be presented more prominently than non-GAAP metrics. Donelson et al. (2024) find that over a 22-year period (1998–2019), only three Accounting and Auditing Enforcement Releases (AAERs) and nine securities class actions (SCAs) addressed non-GAAP reporting. These findings indicate weak public and private enforcement of non-GAAP reporting, suggesting that managers may be less inclined to follow the spirit of Regulation G.

To assess the role of non-GAAP reporting in EA revision transparency, we examine whether each preliminary EA includes a non-GAAP metric. Our sample consists of firms issuing EAs before their periodic filings, which tend to be larger firms that are more likely to use non-GAAP metrics. Thus, we find that 72% of sample firms report a non-GAAP metric. Figure 3, Panel A compares the proportion of EA revisions that are transparently announced by non-GAAP reporters relative to firms that do not report non-GAAP metrics (i.e., non-reporters). The data reveal that non-GAAP reporters transparently disclose revisions in only 44% of cases, while non-reporters disclose EA revisions in 55% of cases. This statistically significant difference ($p < 0.01$) suggests that firms do not analogize to Regulation G when revising their EAs.

information. However, in the 10-K filing, non-GAAP information is limited to full-year adjustments. The 10-K does not report non-GAAP EPS, reconcile non-GAAP EPS to GAAP EPS, or include quarterly non-GAAP disclosures. Thus, we assert that 8-K disclosures provide greater transparency.

[18] Regulation G applies to non-GAAP included in the EAs in our sample. Regulation S-K 10(e) provides guidance on non-GAAP metrics in a 10-K or 10-Q. The non-GAAP rules differ slightly across the guidance. For example, S-K 10(e) prohibits "adjusting a non-GAAP performance measure to eliminate or smooth items identified as nonrecurring, infrequent, or unusual, when (1) the nature of the charge or gain is reasonably likely to recur within 2 years or (2) there was a similar charge or gain within the prior 2 years" (SEC FRM, Section 8130). There is no similar guidance in Regulation G. Due to concerns about the interpretation of this guidance, the SEC clarified in May 2016 that this refers to the description, not the nature, of the adjustment (SEC 2017).

To control for potential confounding factors that may affect the relation between non-GAAP reporting and transparent EA disclosure, we conduct a multivariate analysis by estimating Equation (1) when adding a variable for non-GAAP reporting (*Non-GAAP*). Table 6 presents the results. Column 1 controls only for *Earnings Decrease* and shows that the coefficient on non-GAAP is −0.110, significant at the 0.01 level. This result suggests that revisions for which the initial EA included a non-GAAP number are 11.0% less likely to be transparently disclosed. Columns 2 and 3 incorporate additional control variables and fixed effects, leading to a slightly attenuated coefficient of −0.078 (−0.076) on Non-GAAP, which still is significant at the 0.05 level. Columns 4 and 6 replace the *Earnings Decrease* variable with *Missed Threshold*, and across all specifications, the coefficient on *Non-GAAP* remains negative and statistically significant.

One potential concern is that non-GAAP reporters may differ systematically from non-reporters by highlighting adjustments that they believe can provide more decision-useful information to investors. For example, non-GAAP metrics often exclude special items, which research suggests are less persistent than other earnings components (Bradshaw and Sloan 2002; Dechow and Ge 2006; Bentley et al. 2018). If a manager believes that special items are less relevant to investors, the manager may decide both to disclose a non-GAAP earnings metric in the initial EA and to not file an amended 8-K for a special item-related EA revision. To address this concern, we repeat the analysis from Panel A, excluding revisions that involve only special items.

The results in Table 6, Panel B, remain consistent with Panel A: The coefficient on *Non-GAAP* remains negative and statistically significant across all six columns. The magnitude and the significance of the effect persist in this restricted sample, suggesting that the lower transparency among non-GAAP firms is not driven by special item revisions. Figure 3, Panel B, shows that

although special item revisions are, on average, less likely to be transparently disclosed relative to other reasons for revision, the finding is true both for non-GAAP reporters and non-reporters.

Overall, our findings indicate that firms reporting non-GAAP metrics in their EA are less likely to file an amended 8-K, creating two sources of uncertainty for investors. First, whether the non-GAAP measure has changed is unclear. Second, the lack of an amended 8-K filing leaves the non-GAAP metric—whether affected by the revision or not—unreconciled to the final GAAP earnings number; this reporting is inconsistent with the intent of Regulation G. Thus, although firms analogize to the SEC restatement guidance, they do not follow the spirit of Regulation G.

6. The Consequences of EA Revisions

In this section, we examine the consequences of EA revision disclosure choices. First, we assess whether the decision to file an amended 8-K influences the trading behavior of capital market participants. Next, we investigate the effect of EA revision disclosure on regulatory scrutiny, management turnover, and auditor turnover. Finally, we analyze whether firms that experience an EA revision are more likely to file their subsequent EA concurrently with their periodic report, thereby reducing the likelihood of future revisions.

6.1 The Effect of EA Revision Disclosure Choice on Market Participants

Prior research shows that market participants react to the initial EA more than they do to the subsequent 10-K or 10-Q (Li and Ramesh 2009; Beyer et al. 2010). Moreover, research shows that investors have limited time and resources, raising the possibility that some investors may not be aware of EA revisions if the firm does not file an updated 8-K (Bhattacharya et al. 2007; Johnston et al. 2012; Blankespoor et al. 2020). Thus, we examine whether market participants react more to revisions disclosed in an amended 8-K filing by estimating the following equation:

$$Filing\ AbVol_{i,t} = \beta_0 + \beta_1 Announcer_{i,t} + Controls + \delta_t + \phi_j + \varepsilon_{it} \quad (2)$$

If the market responds more to transparent disclosure, then the β_1 coefficient should be positive. We use market trading volume to measure market reaction (Beaver 1968; Landsman and Maydew 2002). Following Beaver et al. (2020), we measure *Filing AbVol* as abnormal trading volume on the date the periodic report is filed, as well as on the subsequent day [0,1].

Firms filing an 8-K to announce an EA (*Announcers*) may disclose the EA revision at one of two different times. Some firms announce the EA revision *before the filing date* of the periodic report (*Early Announcers*) while other firms choose to announce the EA revision *on the same date* that they file the periodic report. To ensure an apples-to-apples comparison of *Announcers* and *Non-Announcers*, we drop *Early Announcers* who disclose the EA revision prior to the 10-K or 10-Q date.[19] We include the same control variables from Equation (1).

We begin with a univariate comparison of abnormal volume for *Announcers* and *Non-Announcers*, shown in Table 7, Panel A. We find no difference in abnormal trading volume at the initial EA date (*EA AbVol*), suggesting that the market initially reacts similarly to EAs for both groups. However, when examining abnormal volume at the periodic filing date (*Filing AbVol*), we find that *Announcers* experience a significantly larger increase in abnormal trading volume compared to *Non-Announcers* ($p < 0.05$).

In Table 7, Panel B, we present the results of multivariate analysis. Across all three columns, we find that abnormal volume is greater for *Announcers* relative to *Non-Announcers*. This difference suggests an increase in trading around the filing date when firms file an amended 8-K simultaneously with their periodic filing. This pattern is consistent with the idea that some investors remain unaware of revisions for *Non-Announcers*.

[19] For *Early Announcers*, we cannot use the EA revision 8-K filing date because *Non-Announcers* do not file an 8-K announcing the revision. Similarly, we cannot use the 10-K or 10-Q date for *Early Announcers* because the market response should happen on the 8-K revision date (an assumption we confirm in untabulated analysis).

6.2 EA Revision Disclosure on Regulatory Scrutiny

We posit that one reason for transparent disclosure is to avoid future regulatory scrutiny. The SEC is responsible for oversight of US public firms, and its mission is to protect investors, ensure fair and efficient markets, and facilitate capital formation (SEC 2024). As such, the SEC's Division of Corporation Finance (DCF) reviews registrants' filings, including forms 10-K, 10-Q, and 8-K, for compliance with U.S. GAAP and SEC regulations (SEC 2019b). When reviewing a firm's filings, the review team may pose questions to the registrant whenever the team's analysis suggests that a disclosure is lacking in explanation or clarity. If the SEC reviewers believe that a disclosure lacks transparency or clarity, they may ask questions about the disclosure even when such a disclosure (or the lack thereof) is compliant with securities laws.[20] We explore whether firms choosing transparent disclosure (i.e., *Announcers*) are less likely to face future comment letter questions regarding their 8-K disclosure.

Table 8 reports the results of this analysis. The dependent variable is an indicator equal to one if the firm receives an 8-K-related SEC comment letter in the two and four quarters after the EA revision and is equal to zero otherwise. Columns (1) and (3) report results for income-decreasing revisions (i.e., *Earnings Decrease* = 1), whereas Columns (2) and (4) report results for income-increasing revisions. For income-decreasing revisions, the coefficient estimate on *Announcer* is negative and significant (p-values: $p < 0.05$ and $p < 0.10$), suggesting that firms with transparent EA revision disclosure are less likely to receive subsequent 8-K-related SEC comment letters. In contrast, the coefficient estimates on *Announcer* in Columns (2) and (4) are statistically

[20] For example, in a comment letter issued on March 27, 2015, the SEC issued eBay Inc. the following comment: "We note your filing of Form 8-K on February 6, 2015, wherein you adjusted your fourth quarter and full year 2014 financial results from those previously reported in the Form 8-K you filed on January 21, 2015, due to a change in your initial measurement and final conclusion of income tax benefits associated with a December 2014 intercompany transaction. Please tell us more about the nature of the adjustment, why it occurred and whether you concluded the revision was material."

indistinguishable from zero.[21] Overall, our results suggest that a failure to transparently disclose income-decreasing revisions is associated with an increase in future regulatory oversight.

6.3 Subsequent Management and Auditor Turnover

Our third consequence test examines whether the decision to disclose an EA revision influences turnover among senior management and auditors. Haislip et al. (2017) show that EA revisions detected during the audit and disclosed in an 8-K are associated with increased turnover among executives and auditors. We examine whether these findings extend to revisions that are not disclosed via an 8-K, which represents the majority of our sample.

On the one hand, EA revisions disclosed in an 8-K are generally more material, suggesting that revisions without 8-K disclosure—as demonstrated in Section 4 to be less material—may have a limited effect on executive and auditor turnover. Thus, if turnover is driven by revision materiality, we would expect little association between *Non-Announcers* and turnover. On the other hand, the decision to forgo 8-K disclosure may be perceived by investors, regulators, and other stakeholders as a lack of transparency, potentially raising concerns about the firm's governance and financial reporting practices. This perception could increase scrutiny and lead to similar or even higher rates of executive and auditor turnover.

To increase the similarity of our setting to that of Haislip et al. (2017), we expand our sample to include non-revising observations that serve as a control group. To ensure that control observations are similar to treatment observations (i.e., revising observations), we match treatment to control observations on firm size, industry, and year-quarter using nearest-neighbor matching with a caliper distance of 0.05. Control observations must be non-concurrent filers (i.e., EA released before the 10-Q or 10-K filing) to ensure that both treatment and control firms have the

[21] We interpret these results with caution because the differences between coefficients on *Announcer* across columns (1) and (2) and across columns (3) and (4) are not significant at conventional levels.

possibility of an EA revision. We include the same control variables as in Equation (1), but exclude revision-specific variables (*Revision Size, Revision Size*^{2}, and *Q4 Revision*) that are unavailable, by definition, for non-revising control observations.[22] We then estimate the following equations:

$$Turnover_{i,t} = \beta_0 + \beta_1 Revision_{i,t} + Controls + \delta_t + \phi_j + \varepsilon_{it} \quad (3A)$$

$$Turnover_{i,t} = \beta_0 + \beta_1 Announcer_{i,t} + \beta_2 Non\text{-}Announcer_{i,t} + Controls + \delta_t + \phi_j + \varepsilon_{it} \quad (3B)$$

In both equations, the dependent variable is *Turnover*. Following Haislip et al. (2017), we separately examined CEO, CFO, and Auditor firm turnover (*CEO Turnover*, *CFO Turnover*, *Auditor Turnover*). In Equation (3A), the test variable is *Revision*, which is equal to 1 if the firm records a revision. In Equation (3B), we replace the variable *Revision* with *Announcer* and *Non-Announcer* to test whether turnover varies based on the transparency of the EA revision.

Table 9 presents the results of this analysis. Columns 1 – 3 show a positive and significant coefficient on *Revision*, which suggests that revising firms are more likely to experience manager and auditor turnover following the EA revision. These results are consistent with those reported in Haislip et al. (2017). Columns 4 – 6 expand this analysis by distinguishing between firms that disclose revisions via an amended 8-K (*Announcers*) and those that do not (*Non-Announcers*). The coefficients for both groups are positive and statistically significant, suggesting that turnover increases regardless of disclosure choice. However, the coefficient for *Non-Announcers*—firms that have less material revisions and that also choose less transparent disclosure—is slightly larger across all three columns. The difference is statistically significant in Column 5 (*CFO Turnover*) but not in Column 4 (*CEO Turnover*) or Column 6 (*Auditor Turnover*).

Overall, these results indicate that CEO, CFO, and auditor turnover rates are similar—or sometimes higher—at firms that do not disclose EA revisions via an 8-K compared to firms that

[22] Our matched sample is less than double the size of our base sample because of the loss of treatment observations that do not have a successful match.

do. This analysis suggests that the turnover effects identified by Haislip et al. (2017) broadly apply to firms experiencing EA revisions, regardless of whether they transparently disclose them.

6.4 EA Revisions and Future Disclosure Bundling

Finally, we examine whether firms that experience an EA revision are more likely to file their subsequent EAs concurrently with their periodic report. Arif et al. (2019) find that firms with weaker accounting systems and limited auditor resources are more likely to concurrently file their EA and 10-Ks. We extend their analysis by investigating whether firms adjust their disclosure practices following an EA revision. For this analysis, we modify Equations (3A) and (3B) to set the dependent variable as *Concurrent Filer*—an indicator variable equal to one if the firm files its EA concurrently with its periodic filing in the four quarters following the EA revision.

Table 10 presents the results of this analysis. In Column 1, the coefficient estimate on *Revision* is positive and statistically significant, suggesting that firms experiencing an EA revision are more likely to report subsequent EAs concurrently with their 10-K or 10-Q filings. Column 2 expands this analysis by distinguishing between *Announcers* and *Non-Announcers*. For both groups, we find that concurrent disclosure for subsequent EAs is more likely following an EA revision, although the coefficient values are not significantly different from each other ($p = 0.467$). Overall, these findings suggest that firms adjust their disclosure practices in response to EA revisions, thereby reducing the risk of future EA revisions.

7. Conclusion

Many firms issue voluntary earnings announcements (EAs) before filing their periodic reports with the SEC. When earnings change between the initial EA release and the periodic filing date, firms can choose to transparently disclose the revision in an amended 8-K filing or forgo such disclosure. We find that 47% of revisions are transparently disclosed via an 8-K. Consistent

with firms analogizing the guidance on financial statement error correction to this situation, we observe that firms are more likely to file an amended 8-K when the revision decreases earnings, results in a missed earnings target, or affects core income statement accounts. Collectively, this evidence suggests that in the absence of clear guidance, firms analogize from the SEC restatement guidance to this context.

We also examine EA revisions in the context of non-GAAP reporting. Most firms in our sample report non-GAAP metrics in their initial EA. Perhaps surprisingly, firms that report non-GAAP metrics are less likely to file an amended 8-K, creating two uncertainties for investors. First, whether the non-GAAP measure has changed is unclear. Second, the omission leaves the non-GAAP metric unreconciled to the final GAAP earnings, a practice that appears inconsistent with the intent of Regulation G.

Motivated by prior research (Bronson et al. 2011; Haislip et al. 2017; Arif et al. 2019), we conclude our analysis by demonstrating that EA revisions have significant implications for capital market participants, management, auditors, and regulatory oversight. We also show that firms experiencing EA revisions are more likely to issue future EAs concurrently with their 10-K or 10-Q filings, suggesting that firms respond to EA revisions by changing their disclosure practices.

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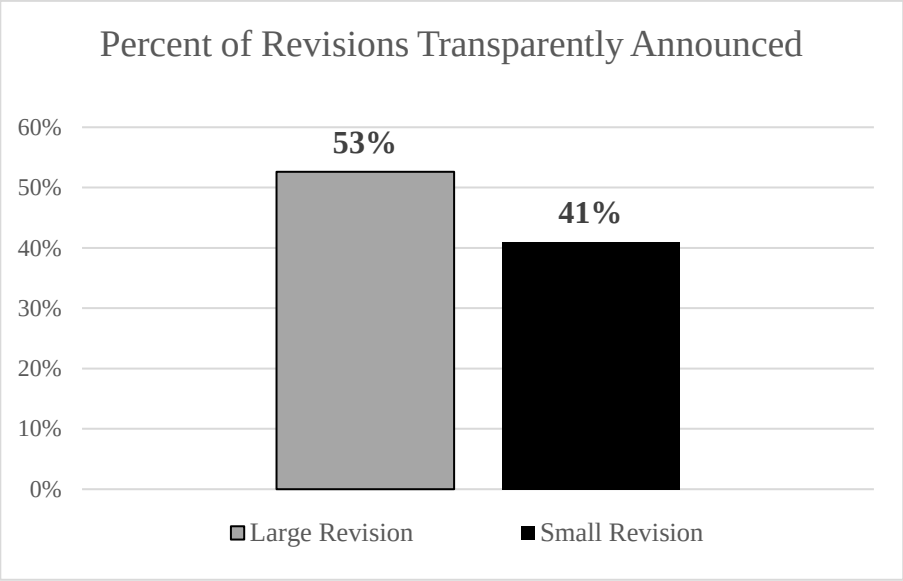
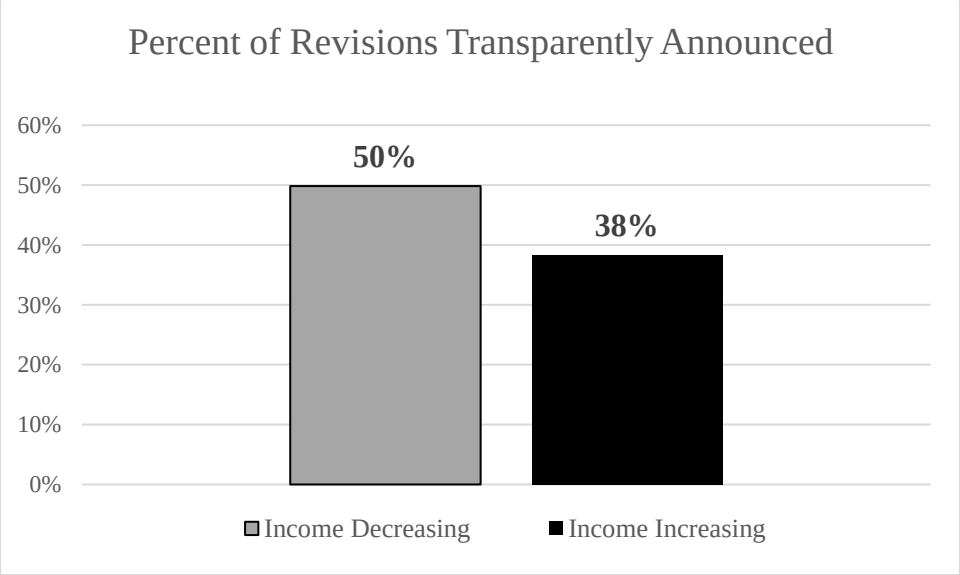
Figure 1 – Materiality and Revision Disclosure Choice

Panel A: Large vs. Small Revisions



Panel B: Income Increasing vs. Income Decreasing Revisions

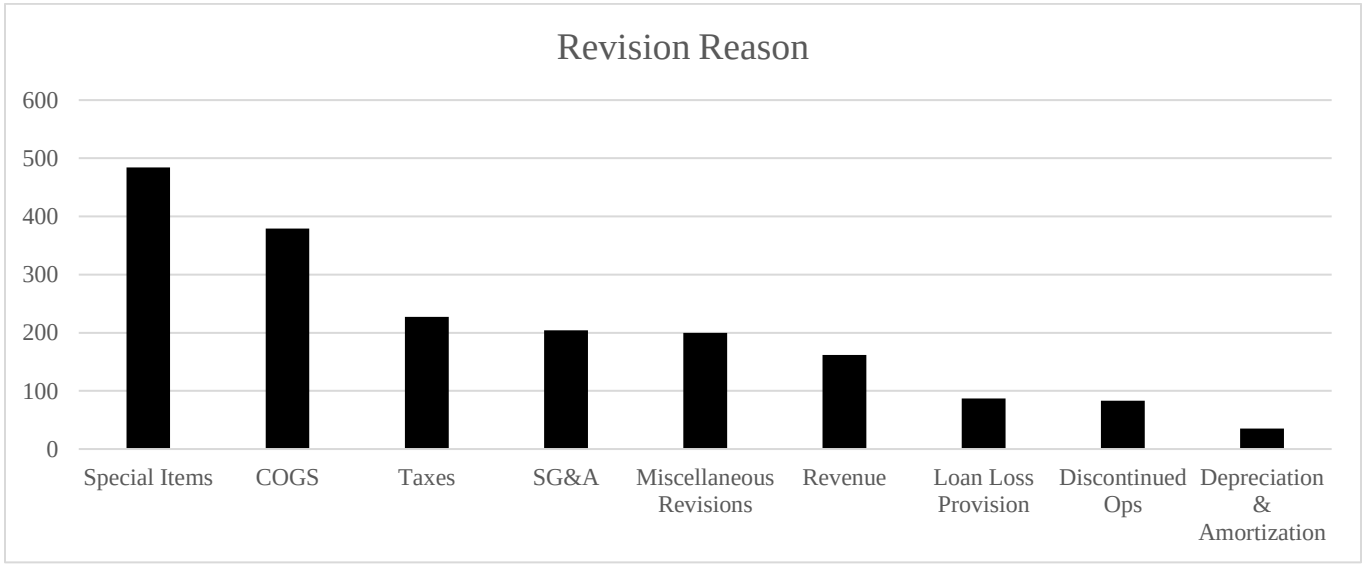


Panel C: Missed Earnings Threshold and Revision Disclosure

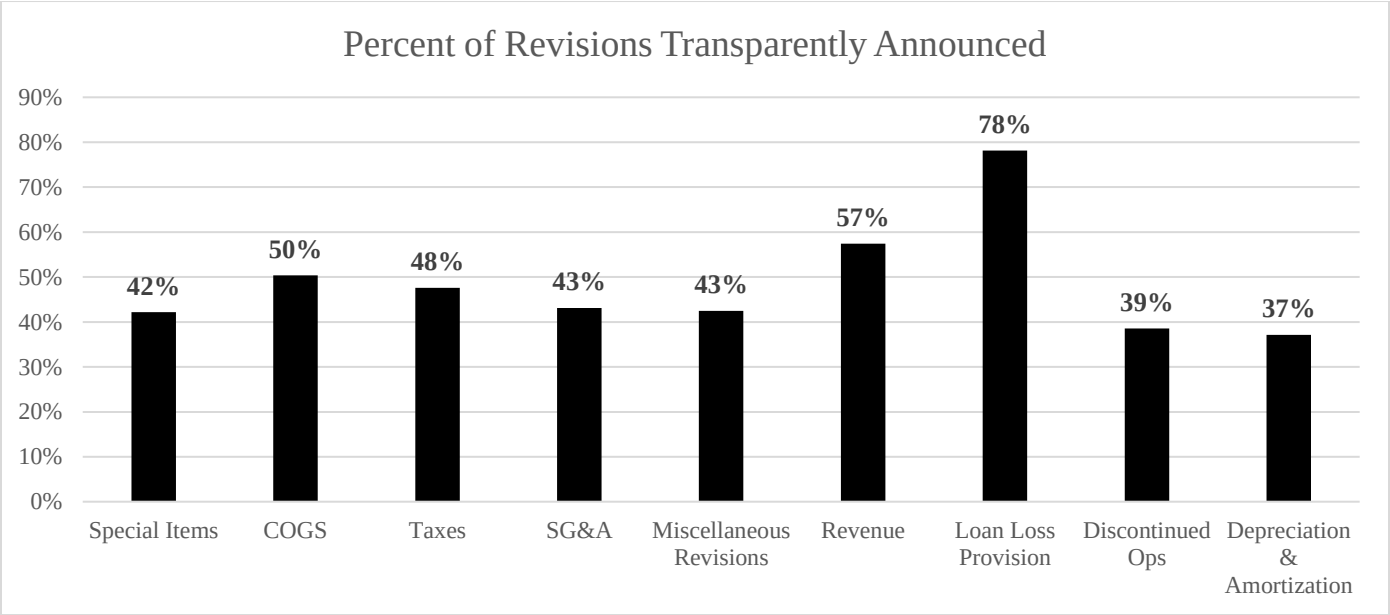
This figure compares the frequency of transparent disclosure for several measures of materiality. Panel A compares the frequency of transparent disclosure for large vs. small revisions, where large revisions are those with an absolute EPS change equal to or greater than the median absolute EPS change of $0.09. Panel B compares the frequency of transparent disclosure for income-decreasing vs. income-increasing revisions. Panel C reports the frequency of transparent disclosure for EA revisions that miss: (1) the zero earnings threshold, (2) the earnings threshold from the same quarter of the prior year, and (3) either of these two thresholds. The No Change bar represents observations where the EA revision does not change whether the firm meets an earnings threshold.

Figure 2 – Revisions Reasons

Panel A: Frequency of Revisions by Reason



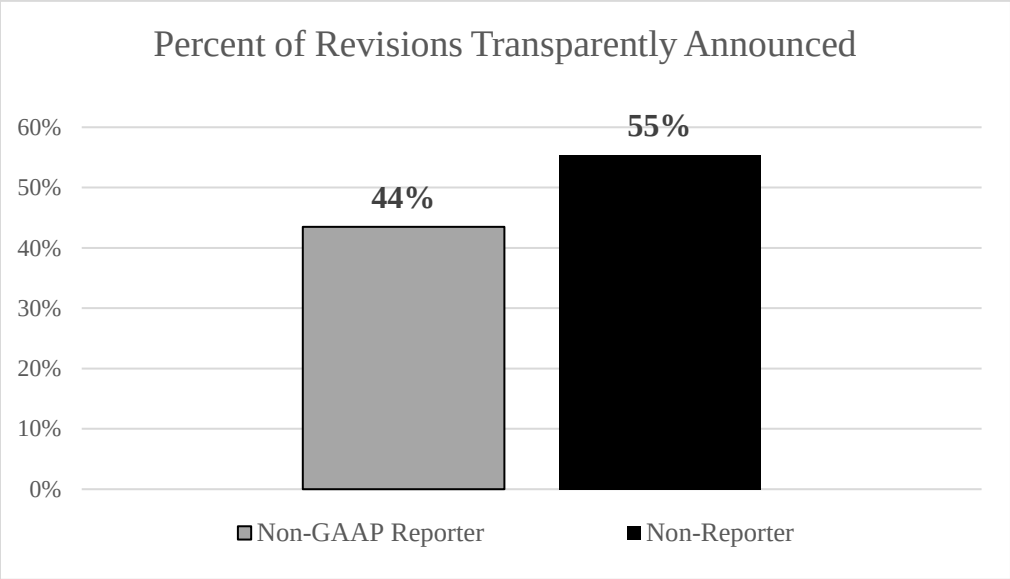
Panel B: Revision Reason and Disclosure



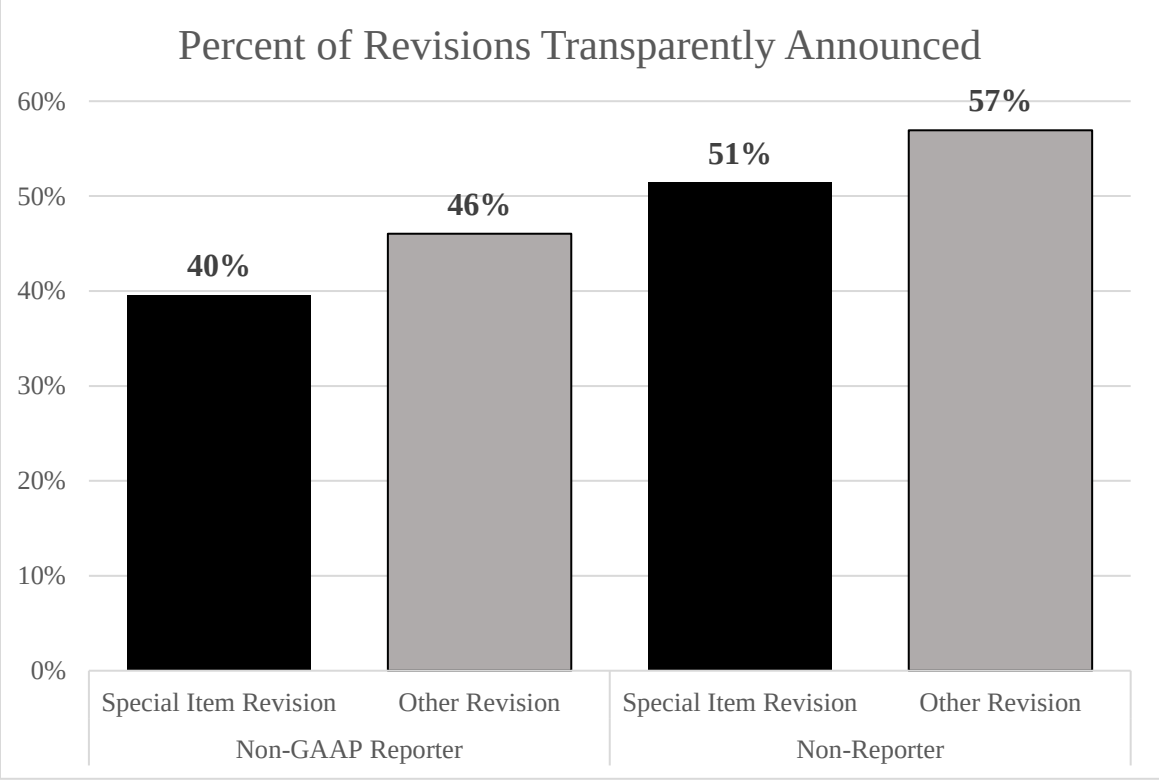
This figure examines the reasons for underlying EA revisions. Panel A reports the frequency of revisions by revision reason, where revisions are determined based on the methodology described in Appendix B. Panel B reports the proportion of revisions, by revision reason, that are transparently announced.

Figure 3 – Non-GAAP Disclosure and Transparent Disclosure

Panel A: Non-GAAP Disclosure and Transparent Disclosure



Panel B: Special Item Revisions and Non-GAAP Disclosure



This figure examines whether non-GAAP disclosure is related to revision disclosure choice. Panel A shows the proportion of revisions that are transparently disclosed by Non-GAAP Reporters versus Non-Reporters. Panel B shows the proportion of revisions for Non-GAAP Reporters and Non-Reporters that are transparently disclosed based on whether the revision is a special item or other revision.

Table 1 - Sample Selection

	Unique Firm-Quarters	Unique Firms
Observations from 2004-2021 with Assets> $1 Million, EPS Difference > 0.01, SRCQ = 20 or 21	3,883	2,242
With event and pre-event window return (trading volume) data and IBES Ticker	3,539	2,031
With NI Difference >= $1 Million	2,043	1,375
With Non-Missing File Date on AA	1,957	1,327
With no restatement announcement between RDQ and 10-Q/10-K File Date	1,696	1,176
With validated NI Difference (**Main Sample**)	1,351	956

This table presents the sample selection process. First, we identify all firm quarters ending between January 1, 2004, and December 31, 2021, in Compustat Snapshot that provide a preliminary earnings release before filing the periodic report. We retain firm-quarter observations with a material revision to earnings (net income difference > $1 million and EPS difference > 0.01). We exclude observations with restatement announcements between the preliminary and periodic filing dates to avoid confounding results. We also require sufficient return data around the earnings release and filing dates. Finally, we manually review filings in the SEC's EDGAR database to confirm that preliminary earnings differ from final earnings.

Table 2 – Summary Statistics

Panel A: Observations by Industry

Industry	NOBSs	Mean Abs. EPS Diff	% Announce Income Decreasing	% Announce Income Increasing
FF 1 - Consumer NonDurables - Food, Textiles, Apparel, Toys	47	1.10	0.36	0.21
FF 2 - Consumer Durables - Cars, TVs, Furniture, Appliances	26	0.23	0.40	0.29
FF 3 - Manufacturing - Machinery, Trucks, Planes, Furniture	125	0.42	0.49	0.26
FF 4 - Oil, Gas, and Coal Extraction and Products	47	0.37	0.43	0.42
FF 5 - Chemicals and Allied Products	51	0.19	0.31	0.58
FF 6 - Business Equipment - Computers, Software, Electronics	318	0.28	0.41	0.32
FF 7 - Telephone and Television Transmission	28	1.04	0.43	0.29
FF 8 - Utilities	46	0.07	0.38	0.64
FF 9 - Wholesale, Retail, and Some Service (Laundries, Repair)	84	0.67	0.39	0.55
FF 10 - Healthcare, Medical Equipment, and Drugs	106	0.19	0.48	0.38
FF 11 - Finance	379	0.57	0.65	0.47
FF 12 - Other -- Mines, Constr, Trans, Hotels, Serv, Entertain	116	0.31	0.51	0.34

Panel B: Revision Type

Revision Type	NOBS	% Announce	% Income Decreasing	Average Revision Size	Median Revision Size
Special Items	484	42.1%	77.5%	$ 0.81	$ 0.11
COGS	379	50.4%	73.9%	$ 0.17	$ 0.07
Taxes	227	47.6%	60.4%	$ 0.34	$ 0.09
SG&A	204	43.1%	72.5%	$ 0.13	$ 0.05
Miscellaneous Revisions	200	42.5%	72.5%	$ 0.46	$ 0.07
Revenue	162	57.4%	75.3%	$ 0.14	$ 0.06
Loan Loss Provision	87	78.2%	96.6%	$ 0.51	$ 0.24
Discontinued Ops	83	38.6%	65.1%	$ 0.30	$ 0.11
Depreciation & Amortization	35	37.1%	60.0%	$ 0.09	$ 0.05

Panel C: Revision Examples

Revision Type	Example
Special Items	We have determined at this time that certain employees in our Portugal and Angola subsidiaries directly and indirectly made or directed payments at various times from 2002 through 2013 to officials of Angola government-owned public utilities that raise concerns under the Foreign Corrupt Practices Act.... As a result, we have recorded an estimated charge in the amount of $24 million as an accrual as of December 31, 2014. The accrued amount reflects only an estimate of the Angola-related profits reasonably likely to be disgorged, and does not include provision for any fines, civil or criminal penalties, or other relief, any or all of which could be substantial. (General Cable Corporation, 8-K filed 2/25/2015)
COGS	In connection with the finalization of its fiscal 2018 audited financial statements, the Company recorded an additional non-cash GAAP charge of $6.0M ($4.6M net of tax), in the fourth quarter of fiscal 2018. This non-cash GAAP charge involved the write-down of upfront contract costs that had been capitalized to inventory during the period from fiscal 2016 to fiscal 2018. These capitalized upfront contract costs were associated with long-term government contracts that are only serviced from one of the Company's U.S. based plants that is focused on the defense business. (Sanmina Corporation, 8-K filed 11/15/2018)
Taxes	Valeant Pharmaceuticals announced that it has made an adjustment to its previously reported 2004 fourth quarter and full-year results as a result of its completed review of the company's deferred tax asset. The adjustment was made to reflect a non-cash valuation allowance of $100.4 million for the deferred tax asset, of which $95.7 million was charged to provision for income taxes and $4.7 million was charged to additional capital. (Valeant Pharmaceuticals, 8-K filed 3/15/2005)
Revenue	In the Form 10-K, the Company disclosed revenues for fiscal year 2016 of $67.2 million, representing a decrease of $10 million from the revenue figures disclosed in the Earnings Release.... The decrease was due to the Company's determination that it was unable to recognize $10 million in fourth quarter and fiscal year 2016 revenue relating to the license agreement with Blue California. (Amyris, Inc., 8-K filed 4/17/2017)
Loan Loss Provision	In its 2006 Form 10-K filed today, SunTrust Banks, Inc. (NYSE: STI) reported net income available to common shareholders of $2,109.7 million, or $5.82 per diluted common share.... These results have been revised from the earnings results the Company reported in its January 19, 2007 press release in which the Company reported net income available to common shareholders of $2,134.8 million, or $5.88 per diluted common share.... SunTrust said its revised results were prompted by developments that occurred in February 2007 in connection with resolution of a previously disclosed large commercial loan which has been on non-accrual status since August 2006. This resolution resulted in a $40 million increase in the provision for loan losses. (Suntrust, 8-K filed 3/1/2007)

This table describes the EA revisions in our sample. Panel A presents by industry (Fama French 12) the number of observations (NOBS), the mean revision size, and the proportion of announcers across both income increasing and income decreasing observations. Panel B presents the revised income statement line item, along with the direction of the revision, the proportion of revisions that are announced, and the mean/median revision size. Panel C presents illustrative examples of EA revisions to different income statement line items.

Table 3 – Descriptive Statistics and a Univariate Comparison of Means

	Full Sample Descriptive Statistics			Comparison of Means			
	Mean	Median	Std. Dev	*Announcer*	*Non-Announcer*	Difference	P-Value
N	1,351			633 (47%)	718 (53%)		
Earnings Decrease	0.739	1.000	0.439	0.787	0.698	0.089	<0.001
Missed Threshold	0.174	0.000	0.379	0.224	0.130	0.094	<0.001
Revision Size	0.430	0.090	1.122	0.418	0.440	-0.022	0.720
Revision Size^2	1.442	0.008	7.334	1.146	1.703	-0.557	0.164
Accelerated Filer	0.295	0.000	0.456	0.313	0.279	0.034	0.168
Large Accelerated Filer	0.609	1.000	0.488	0.589	0.627	-0.038	0.159
Q4 Revision	0.589	1.000	0.492	0.629	0.554	0.075	0.005
Big4 Auditor	0.832	1.000	0.374	0.791	0.868	-0.077	<0.001
Firm Size	7.115	7.201	2.072	7.096	7.133	-0.037	0.744
BTM	0.690	0.514	0.900	0.766	0.623	0.143	0.004
Firm Age	25.500	19.000	17.733	24.567	26.323	-1.756	0.069
EA Lag	32.450	29.000	13.107	31.750	33.067	-1.317	0.065
Days from EA to Filing	27.722	22.000	22.683	28.984	26.610	2.374	0.055
Loss	0.492	0.000	0.500	0.450	0.529	-0.079	0.004
Leverage	0.652	0.658	0.259	0.670	0.636	0.034	0.017
Return Volatility	0.035	0.025	0.030	0.033	0.037	-0.004	0.004
Analyst Follow	5.156	1.000	7.066	4.551	5.689	-1.138	0.003
Non-GAAP	0.719	1.000	0.449	0.668	0.765	-0.097	<0.001

This table compares the means for the main variables used throughout our analyses across two subsamples: (1) observations that transparently disclose the EA revision via an 8-K (*Announcer*), and (2) observations without transparent disclosure (*Non-Announcer*). The *Difference* Column reports the difference between the means across the two subsamples. *P-Value* reports the p-value from a two-sample t-test related to the differences in means. All variables are defined in Appendix A.

Table 4 – The Determinants of EA Revision Disclosure

Panel A: Announcer Determinants

	DV = Announcer					
	(1)	(2)	(3)	(4)	(5)	(6)
Earnings Decrease	0.115***	0.109***	0.102***			
	(0.000)	(0.000)	(0.002)			
Missed Threshold				0.164***	0.145***	0.145***
				(0.000)	(0.000)	(0.000)
Revision Size	0.082**	0.087**	0.073*	0.062*	0.067*	0.048
	(0.023)	(0.021)	(0.075)	(0.086)	(0.078)	(0.239)
Revision Size^2	-0.015***	-0.015***	-0.012**	-0.013**	-0.013**	-0.009
	(0.003)	(0.005)	(0.041)	(0.013)	(0.017)	(0.108)
Accelerated Filer		0.068	0.080		0.062	0.075
		(0.264)	(0.248)		(0.312)	(0.275)
Large Accelerated Filer		0.002	-0.000		0.005	0.003
		(0.983)	(0.999)		(0.953)	(0.972)
Q4 Revision		0.111***	0.117***		0.107***	0.114***
		(0.001)	(0.001)		(0.001)	(0.001)
Big4 Auditor		-0.115**	-0.080		-0.105**	-0.073
		(0.010)	(0.102)		(0.018)	(0.137)
Firm Size		0.020	0.014		0.019	0.014
		(0.198)	(0.417)		(0.220)	(0.402)
BTM		0.050***	0.026		0.057***	0.032
		(0.002)	(0.185)		(0.001)	(0.111)
Firm Age		-0.002*	0.000		-0.001	0.000
		(0.080)	(0.714)		(0.137)	(0.682)
EA Lag		-0.002	-0.002		-0.002	-0.002
		(0.103)	(0.250)		(0.106)	(0.262)
Days from EA to Filing		-0.000	-0.000		-0.000	-0.000
		(0.578)	(0.479)		(0.705)	(0.542)
Loss		-0.101***	-0.064*		-0.104***	-0.066*
		(0.002)	(0.075)		(0.001)	(0.064)
Leverage		0.160***	-0.012		0.168***	-0.006
		(0.007)	(0.878)		(0.005)	(0.941)
Return Volatility		-1.674***	-1.327**		-1.440***	-1.129*
		(0.001)	(0.041)		(0.004)	(0.077)
Analyst Follow		-0.007***	-0.005*		-0.007***	-0.005
		(0.002)	(0.090)		(0.003)	(0.111)
N	1,351	1,351	1,351	1,351	1,351	1,351
Industry x Year FE	No	No	Yes	No	No	Yes
Adj R^2	0.014	0.065	0.082	0.019	0.067	0.085

Panel B: Dominance Analysis

Variable	Std. Dominance Stat. (1)	Variable Ranking (2)	Std. Dominance Stat. (3)	Variable Ranking (4)
Earnings Decrease	12.64%	1		
Missed Threshold			17.45%	1
Revision Size	3.08%	11	2.48%	11
Revision Size^2	4.62%	9	4.21%	9
Accelerated Filer	1.67%	14	1.40%	14
Large Accelerated Filer	1.54%	15	1.38%	15
Q4 Revision	9.82%	5	9.23%	5
Big4 Auditor	10.20%	4	9.29%	4
Firm Size	2.20%	13	2.02%	13
BTM	8.52%	7	9.37%	3
Firm Age	3.01%	12	2.45%	12
EA Lag	4.26%	10	4.13%	10
Days from EA to Filing	1.24%	16	1.23%	16
Loss	10.54%	3	10.72%	2
Leverage	6.74%	8	6.92%	8
Return Volatility	10.79%	2	9.18%	6
Analyst Follow	9.14%	6	8.54%	7

Panel C: Firm Fixed Effects

	DV = Announcer	
	(1)	(2)
Earnings Decrease	0.097*	
	(0.055)	
Missed Threshold		0.133*
		(0.064)
Revision Size	0.158**	0.130*
	(0.023)	(0.070)
Revision Size^2	-0.025***	-0.022**
	(0.007)	(0.019)
N	643	643
Controls	Yes	Yes
Year FE	Yes	Yes
Adj R^2	0.280	0.281

Panel D: Matching Techniques

	EB	EB	PSM	PSM	CEM	CEM
	(1)	(2)	(3)	(4)	(5)	(6)
Earnings Decrease	0.115***		0.131***		0.103**	
	(0.004)		(0.003)		(0.023)	
Missed Threshold		0.119***		0.184***		0.146***
		(0.004)		(0.002)		(0.004)
N	1,351	1,351	692	422	842	802
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry x Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj R^2	0.184	0.205	0.091	0.145	0.086	0.243

This table presents the determinants of transparent EA revision disclosure. Panel A presents a multivariate analysis of *Announcer* determinants using equation (1). Panel B presents a dominance analysis based on the results reported in columns (3) and (6) of Panel A. Panel C reports results using a firm fixed effects specification, after dropping singleton observations. Panel D reports the robustness of our results using three matching techniques: entropy balancing (EB) (on mean, variance, and skewness); propensity score matching (PSM) (nearest neighbor with 0.05 caliper distance with no replacement); and coarsened exact matching (CEM). Variable definitions are provided in Appendix A. P-values are reported below coefficient estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively, using a two-tailed *t*-test.

Table 5: The Nature of the EA Revision

	DV = *Announcer*	
	(1)	(2)
Spec Items	-0.030	-0.031
	(0.400)	(0.431)
SG&A	-0.021	0.047
	(0.590)	(0.264)
Revenue	0.149***	0.120**
	(0.002)	(0.027)
Loan Loss Allowance	0.319***	0.222***
	(0.000)	(0.002)
Disc Ops	-0.058	-0.088
	(0.315)	(0.169)
Depr/Amort	-0.070	-0.083
	(0.391)	(0.381)
Interest Exp	-0.229***	-0.173*
	(0.003)	(0.060)
COGS	0.016	0.000
	(0.652)	(0.996)
Taxes	0.023	-0.012
	(0.591)	(0.796)
Misc	0.012	0.015
	(0.816)	(0.796)
N	1,351	1,351
Controls	No	Yes
Industry x Year FE	No	Yes
Adj R^2	0.036	0.088

This table reports results of estimating the likelihood of announcing an EA revision in relation to the nature of the revision, where "nature" is based on the underlying financial statement line-item changes that gave rise to the revision. Appendix B describes the methodology for determining the nature of the earnings announcement revisions. Variable definitions are provided in Appendix A. P-values are reported below coefficient estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively, using a two-tailed *t*-test.

Table 6 – Non-GAAP Metrics and EA Revisions

Panel A: Full Sample

	DV = Announcer					
	(1)	(2)	(3)	(4)	(5)	(6)
Non-GAAP	-0.110***	-0.078**	-0.076**	-0.106***	-0.075**	-0.071*
	(0.001)	(0.020)	(0.034)	(0.001)	(0.027)	(0.051)
Earnings Decrease	0.105***	0.104***	0.097***			
	(0.001)	(0.001)	(0.004)			
Missed Threshold				0.151***	0.138***	0.138***
				(0.000)	(0.000)	(0.001)
Revision Size		0.085**	0.070*		0.066*	0.047
		(0.024)	(0.085)		(0.083)	(0.247)
Revision Size^2		-0.014***	-0.011*		-0.012**	-0.009
		(0.007)	(0.053)		(0.021)	(0.126)
N	1,351	1,351	1,351	1,351	1,351	1,351
Controls	No	Yes	Yes	Yes	Yes	Yes
Industry x Year FE	No	No	Yes	No	No	Yes
Adj R^2	0.019	0.069	0.085	0.023	0.070	0.087

Panel B: Removing Firms with only Special Item Revisions

	DV = Announcer					
	(1)	(2)	(3)	(4)	(5)	(6)
Non-GAAP	-0.106***	-0.066*	-0.073*	-0.102***	-0.065*	-0.068*
	(0.002)	(0.074)	(0.069)	(0.004)	(0.083)	(0.092)
Earnings Decrease	0.130***	0.117***	0.108***			
	(0.000)	(0.001)	(0.005)			
Missed Threshold				0.228***	0.186***	0.197***
				(0.000)	(0.000)	(0.000)
Revision Size		0.127**	0.120*		0.095*	0.083
		(0.023)	(0.060)		(0.092)	(0.195)
Revision Size^2		-0.018**	-0.015		-0.013	-0.010
		(0.026)	(0.107)		(0.108)	(0.317)
N	1,072	1,072	1,072	1,072	1,072	1,072
Controls	No	Yes	Yes	No	Yes	Yes
Industry x Year FE	No	No	Yes	No	No	Yes
Adj R^2	0.023	0.078	0.085	0.034	0.082	0.093

This table presents the results of our non-GAAP analysis. We augment Equation (1) by adding an indicator variable equal to one for observations that report a non-GAAP metric (*Non-GAAP*) in their original earnings announcement and equal to zero otherwise. Variable definitions are provided in Appendix A. P-values are reported below coefficient estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively, using a two-tailed *t*-test.

Table 7 – Market Response to EA Revision Disclosure

Panel A: Univariate Differences

	Announcer = 0 Mean Value (NOBS)	*Announcer* = 1 Mean Value (NOBS)	Difference	P-value
EA AbVol	2.249 (716)	2.398 (323)	-0.149	0.483
Filing AbVol	0.367 (716)	0.622 (323)	-0.255	0.016

Panel B: Multivariate Analysis of Market Reaction

	DV = Filing AbVol		
	(1)	(2)	(3)
Announcer	0.254**	0.263**	0.238*
	(0.030)	(0.024)	(0.072)
N	1,039	1,039	678
Controls	No	Yes	Yes
Industry x Year FE	No	No	Yes
Adj-R^2	0.005	0.032	0.026

This table presents the results of the market reaction analysis. Panel A presents univariate differences for *EA AbVol* and *Filing AbVol* across *Announcers* and *Non-Announcers*. Panel B presents a multivariate analysis of *Filing AbVol* using ordinary least squares. We drop firms that announce the revision prior to the 10-K or 10-Q date. Thus, our analysis compares *Non-Announcers* to *Announcers* who disclose the revision on the 10-K or 10-Q filing date. Variable definitions are provided in Appendix A. P-values are reported below coefficient estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively, using a two-tailed *t*-test.

Table 8 - Regulatory Scrutiny

	$\boldsymbol{DV} = \sum_{t+1}^{t+2} Comment\ Letter$		$\boldsymbol{DV} = \sum_{t+1}^{t+4} Comment\ Letter$	
	Earnings Decrease = 1	*Earnings Decrease* = 0	*Earnings Decrease* = 1	*Earnings Decrease* = 0
	(1)	(2)	(3)	(4)
Announcer	-0.039**	0.006	-0.032*	0.005
	(0.017)	(0.863)	(0.087)	(0.901)
N	999	352	999	352
Controls	Yes	Yes	Yes	Yes
Industry x Year FE	Yes	Yes	Yes	Yes
Adj R^2	0.021	0.070	0.051	0.130

This table presents the results of the SEC Comment Letter analysis. Columns (1) and (3) present results for income-decreasing revisions and Columns (2) and (4) present results for income-increasing revisions. Variable definitions are provided in Appendix A. P-values are reported below coefficient estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively, using a two-tailed *t*-test.

Table 9: EA Revisions, Management Turnover, and Auditor Turnover

	DV					
	CEO Turnover	CFO Turnover	Auditor Turnover	CEO Turnover	CFO Turnover	Auditor Turnover
	(1)	(2)	(3)	(4)	(5)	(6)
Revision	0.150***	0.193***	0.067***			
	(0.000)	(0.000)	(0.000)			
Announcer				0.138***	0.171***	0.065***
				(0.000)	(0.000)	(0.000)
Non-Announcer				0.162***	0.215***	0.069***
				(0.000)	(0.000)	(0.000)
N	2,506	2,506	2,506	2,506	2,506	2,506
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry x Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.103	0.145	0.028	0.104	0.146	0.028

This table presents the results of the management and auditor turnover analysis. Variable definitions are provided in Appendix A. P-values are reported below coefficient estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively, using a two-tailed *t*-test.

Table 10 – The Effects on Future Disclosure Bundling

	$\boldsymbol{DV} = \sum_{t+1}^{t+4} Concurrent\ Filer$	
	(1)	(2)
Revision	0.065***	
	(0.003)	
Announcer		0.055**
		(0.029)
Non-Announcer		0.074***
		(0.004)
N	2,506	2,506
Controls	Yes	Yes
Industry x Year FE	Yes	Yes
Adj. R^2	0.202	0.202

This table presents the results of the analysis on concurrent filer status. Variable definitions are provided in Appendix A. P-values are reported below coefficient estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively, using a two-tailed *t*-test.

Appendix A – Variable Definitions

Variable	Description
	Dependent Variables
Announcer	Indicator variable equal to one if the firm announces the EA revision in an 8-K, and zero otherwise. (HC)
Auditor Turnover	Indicator variable equal to one if the firm experiences auditor turnover in the 365 day period following the 10-Q or 10-K filing date. (AA)
CEO Turnover	Indicator variable equal to one if the firm experiences CEO turnover in the 365 day period following the 10-Q or 10-K filing date. (AA)
CFO Turnover	Indicator variable equal to one if the firm experiences CFO turnover in the 365 day period following the 10-Q or 10-K filing date. (AA)
Comment Letter	Indicator variable equal to one if the firm receives an 8-K-related SEC comment letter, and zero otherwise. 8-K-related comment letters are identified using the "iss_evnt_disc_text" field in the Audit Analytics Comment Letter database. (AA)
Concurrent Filer	Following Arif et al. (2019), an indicator variable equal to one if the firm releases its earnings announcement on the same day, or day before, the 10-K or 10-Q filing. Zero otherwise. (AA, CO)
Filing AbVol	Abnormal trading volume over the 10-Q or 10-K filing date, computed as the difference between shares outstanding-scaled trading volume over the event date [0,1] and average shares-outstanding scaled trading volume in the pre-event period [-80,-31]. This measure is then scaled by the standard deviation of shares-outstanding scaled volume in the pre-announcement period.
	Test and Control Variables
Accelerated Filer	Indicator variable equal to one if the firm is an accelerated filer, and zero otherwise. (CO)
Analyst Follow	The number of analysts following the firm. (IBES)
Big4 Auditor	Indicator variable equal to one if the firm's auditor (AU) is a Big Four firm, and zero otherwise. (CO)
BTM	The book-to-market ratio. (CO)
Missed Threshold	An indicator variable equal to one if: (1) the final earnings number is below prior year earnings, while preliminary earnings number met or exceeded the prior year earnings number or (2) the final earnings number is below zero, while preliminary earnings number was above zero. Zero otherwise.
EA Lag	The number of days between the end of the fiscal year and the firm's earnings announcement. (Comp)
Days from EA to Filing	The number of days from the EA date to the subsequent filing date (10-K or 10-Q). (CO)
Earning Decrease	Indicator variable equal to one if the revision decreases earnings, and zero otherwise. (HC)
Firm Age	Number of years the firm has been listed in Compustat through the current period. (CO)
Firm Size	The natural log of market capitalization (CSHOQ*PRCCQ). (CO)
Large Accelerated Filer	Indicator variable equal to one if the firm is a large accelerated filer, and zero otherwise. (CO)
Leverage	Total liabilities scaled by total assets. (CO)
Loss	Indicator variable equal to one if the firm reports a loss (NIQ), and zero otherwise. (CO)
Non-Announcer	Indicator variable equal to one if the firm does not announce the EA revision in an 8-K, and zero otherwise. (HC)

Variable	Description
Non-GAAP	Indicator variable equal to one if the firm reports a non-GAAP metric in the firm's original earnings announcement, and zero otherwise. (Snapshot, HC)
Q4 Revision	Indicator variable equal to one if the revision takes place in the fourth fiscal quarter. (CO)
Return Volatility	The standard deviation of the firm's stock returns in the 30 days prior to the firm's 10-Q or 10-K filing date. (CRSP)
Revision	Indicator variable equal to one if the earnings number on the firm's original earnings announcement differs from the earnings number reported in the subsequent 10-K or 10-Q filing; zero otherwise. (Snapshot, HC)
Revision Size	The absolute value difference of the firm's originally reported EPS per the 8-K and the revised EPS per the 10-Q or 10-K filing.
Revision Size^2	*Revision Size* squared.

* Sources of the variables include Audit Analytics (AA), Compustat (CO), Compustat Snapshot (Snapshot), CRSP (CRSP), I/B/E/S (IBES) or hand-collected from SEC Edgar filings (HC).

Appendix B – Methodology to Determine Financial Statement Line Items

To determine the financial statement line item(s) associated with an EA revision, we identify differences in amounts reported for specific line items at the initial earnings announcement relative to what is reported in the 10-Q or 10-K, with the difference being the revision associated with a specific line item. To ensure that a specific line item revision is a material component of the overall EA revision, we require the absolute value of the line item revision to be equal to or greater than 50% of the absolute value of the total EA revision.

We identify revisions pertaining to nine unique line items using the Compustat variables reported below. When using this approach, if we fail to identify that at least one of the nine line items revisions is associated with a particular EA revision then we classify the revision as being comprised of miscellaneous revisions. A "miscellaneous revision" means the EA revision likely arises from multiple line item revisions, yet the amount of each line item revision is relatively small and does not meet the 50% threshold.

Line Item	Compustat Variable
Special Items	SPIQ
Cost of Goods Sold (COGS)	COGSQ
Taxes	TXTQ
SG&A	XSGAQ
Revenue	SALEQ
Loan Loss Provision	PLLQ
Discontinued Operations (Discontinued Ops.)	DOQ
Depreciation and Amortization	DPQ
Interest	XINTQ
Miscellaneous	N/A

Appendix C – Copy of SEC Submission

We submitted the letter below to the SEC Corporation Finance Request Form for Interpretive Advice and Other Assistance (see https://www.sec.gov/forms/corp_fin_interpretive). The SEC provides the following disclaimer regarding interpretative advice through this system

> Responses to requests for interpretive advice are not rules, regulations, or statements of the Commission, and the Commission has neither approved nor disapproved the staff's responses or interpretations. Due to their informal nature, these responses are not necessarily binding on the staff, the Division of Corporation Finance or the Commission. Our responses do not constitute legal advice, for which you should consult with your own attorney. While the Division encourages written requests, the staff's responses to these requests will be given telephonically.

The SEC provided a telephonic response on August 17th, 2023. During this call, it was noted that there is no SEC requirement for firms to provide an amended 8-K filing if there is a change in earnings between the preliminary announcement date and the final earnings date.

To whom it may concern,

We are currently working on a research project related to earnings announcement revisions. An extensive body of research examines the importance of earnings announcements, which as you know, are filed on Form 8-K Item 2.02, "Results of Operations and Financial Condition." Research finds that investors place greater weight on the 8-K earnings announcement compared to the subsequent 10-K filing or 10-Q filing (Li and Ramesh 2009; Beyer et al. 2010). Research also shows negative market responses to earnings announcement revisions, where the firm filed a new or amended 8-K disclosing a change to their initial earnings announcement (Bronson et al. 2011; Haislip et al. 2017).

Between 2006 and 2021, we find over 1,000 firm-quarter observations where the firm files a 10-K or 10-Q with a net income number that differs from the earnings announcement (hereafter, "revising firms"). Based on preliminary analysis, we find that about 40-45% of firms file an 8-K announcing a revision to the preliminary earnings announcement. These revisions are typically announced before or on the date of the 10-K / 10-Q filing, although we do find a small number of cases (less than 2%) where the revised 8-K is filed shortly after the 10-K or 10-Q filing date.

Perhaps surprisingly, we find that 55-60% of revising firms do not issue an 8-K announcing a revision. In many cases, the revision is material (i.e., the revision causes a significant change in EPS) and would have affected whether or not the firm met an analyst threshold, pre-announced target, or other earnings benchmarks such as last year's earnings. In addition, the majority of these firms report a non-GAAP earnings number in their initial earnings release, with a reconciliation to the GAAP net income. Without providing an updated 8-K, it is not possible to tell whether the non-GAAP number would have changed, and there is no current reconciliation between GAAP and non-GAAP earnings.

The decision on whether to file an updated 8-K appears relevant, as managers experience negative career outcomes, and firms experience negative market outcomes when filing an earnings announcement revision 8-K (Bronson et al. 2011; Haislip et al. 2017). In contrast, we are unaware of any evidence that firms experience negative outcomes if they chose not to file an 8-K announcing the revision, although the evidence is scant. An

extensive body of research shows that investors, especially retail investors, have limited time and resources, raising the possibility that retail investors may not be aware of changes to a preliminary earnings release if the firm does not file an updated 8-K (Blankespoor et al. 2020).

To illustrate what we observe, consider the UPS example below. UPS announced its Q4 2020 earnings on February 2nd, 2021.[23] In the Form 8-K, UPS discloses preliminary annual net income of $1,427 and diluted EPS of $1.64 (income amounts are in millions). For the fourth quarter of 2020, UPS would have a loss of $3,263 or -3.75 per share. In their 12/31/2020 10-K (filed on 2/22/2021) UPS reported net income of $1,343 for the full year, resulting in diluted EPS of $1.54. Thus, net income is $84 million lower for the full year, an EPS difference of 10 cents. Similarly, the quarterly information in note 19 of Form 10-K shows a Q4 loss of 3,347 or 3.84 per share, again a difference of $84 million or 10 cents per share. It is important to note that UPS did not file a new or amended Form 8-K to disclose this change in earnings. In the preliminary earnings release, UPS reports non-GAAP diluted EPS of $2.66. It is not possible to tell if non-GAAP EPS changed without a revised 8-K filing. Even if non-GAAP EPS remained the same (because the firm would have recorded an additional non-GAAP adjustment of $84 million), it is still not possible to reconcile that non-GAAP number to the revised 10-K earnings release, a seeming inconsistency with Regulation G.

We have spoken with several audit partners as well as practitioners working in corporate financial reporting regarding the different treatments and have observed differing perspectives. Some believe that firms have a requirement to update the prior 8-K filing, especially if it includes a non-GAAP earnings number that may have changed. Others note that there is no explicit requirement to update the initial 8-K filing and view the subsequent 10-Q / 10-K filing as sufficient. We have reviewed the 8-K filing requirements, Regulation G, and the Q&A on Form 8-K, and have not found anything definitive.

Given the disparity in practice, we wanted to get your perspective on the appropriate treatment. Specifically, if a firm files a Form 8-K Item 2.02 announcing earnings, including a non-GAAAP earnings number, and then subsequently determines that earnings are materially different, is that firm required to file a Form 8-K before the release of the subsequent Form 10-Q / Form 10-K? Or is the decision to file an 8-K simply a best practice, but not required?

[23] Hyperlinks to EDGAR filings provided below:
Form 8-K for preliminary earnings
Form 10-K for final earnings

Appendix D – Illustrative Example of UPS EA Revision

February 2, 2021: UPS announced diluted GAAP EPS of $1.64 for the fiscal year (2020) and −$3.75 for Q4. Adjusted Diluted EPS for Q4 was $2.66. There is a Q4 non-GAAP reconciliation.

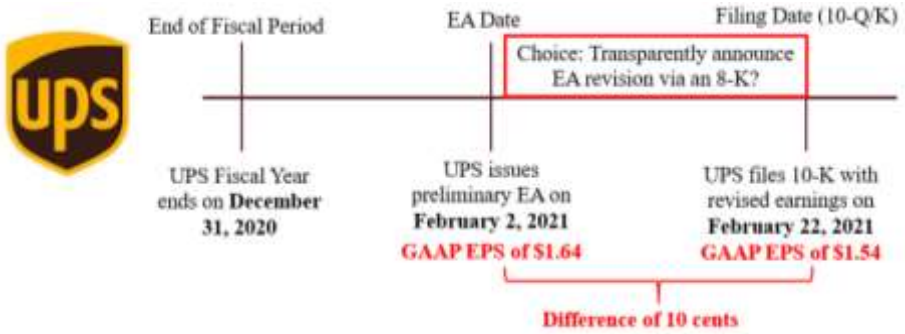
UPS RELEASES 4Q 2020 EARNINGS

- ***Consolidated Revenue Increased 21.0% to $24.9B; Growth Across All Segments***
- ***Consolidated Operating Profit Up 1.6% to $2.2B, Up 26.0% on an Adjusted* Basis***
- ***Diluted EPS of ($3.75); Adjusted Diluted EPS of $2.66, Up 26.1%***
- ***For the Year, Reported Highest Revenue and Adjusted Diluted Earnings Per Share in Company History***

In the fourth quarter, diluted loss per share was $3.75, compared to a diluted loss per share of $0.12 in the fourth quarter of 2019. Adjusted diluted earnings per share (EPS) increased 26.1% to $2.66, compared to $2.11 from the same period last year.

Available at: https://www.sec.gov/Archives/edgar/data/1090727/000109072721000010/exhibit991-q42020earningsp.htm

February 22, 2021: UPS filed its 10-K report. Revised diluted EPS to $1.54 for the fiscal year, a $0.10 decrease. No new or amended Form 8-K was filed to disclose the revision (Announcer = 0).



Form 10-K - Non-GAAP Adjustments: UPS does not report non-GAAP EPS, reconcile non-GAAP to GAAP EPS, or provide quarterly non-GAAP information.

Non-GAAP Adjustments	Year Ended December 31, 2020	2019
Operating Expenses:		
Transformation Strategy Costs	$ 348	$ 255
Goodwill and Other Asset Impairment Charges	686	—
Legal Contingencies and Expenses	—	97
Total Adjustments to Operating Expenses	$ 1,034	$ 352
Other Income and (Expense):		
Defined Benefit Plans Mark-to-Market Charges	$ 6,484	$ 2,387
Total Adjustments to Other Income and (Expense)	$ 6,484	$ 2,387
Total Adjustments to Income Before Income Taxes	$ 7,518	$ 2,739
Income Tax Benefit from Defined Benefit Plans Mark-to-Market Charges	$ (1,555)	$ (571)
Income Tax Benefit from Transformation Strategy Costs	(83)	(59)
Income Tax Benefit from Goodwill and Other Asset Impairment Charges	(57)	—
Income Tax Benefit from Legal Contingencies and Expenses	—	(6)
Total Adjustments to Income Tax Expense	$ (1,695)	$ (636)
Total Adjustments to Net Income	$ 5,823	$ 2,103

Available at: https://www.sec.gov/Archives/edgar/data/1090727/000109072721000013/ups-20201231.htm