**Report**

**Introduction**

In the realm of financial markets, timely access to accurate information is pivotal for decision-making processes. One significant aspect of this information flow is the reporting lag, defined as the duration between a company's fiscal year-end and the subsequent release of its financial statements. This research delves into the theoretical premise that stock prices of publicly traded companies might be influenced by the length of this reporting lag. The core focus of this study is to determine if extended reporting lags result in noticeable changes in stock prices, hinting at the possibility that investors may view companies less favorably due to delayed financial information releases.

**Hypotheses**

Given the broad interest in understanding the effects of accounting information on stock prices, the primary research inquiry is:

"How does the reporting lag influence company returns, and does this influence vary across different industries and time periods over a span of five years?"

**Contribution**

Understanding the influence of reporting lags is paramount for various stakeholders, including investors, analysts, and company executives. This research provides insights into the dynamics of financial markets and investor decision-making processes. Furthermore, by focusing on reporting lags and their consequential effects on returns, this study augments the existing academic discourse that ties accounting practices to market outcomes.

**Sample Selection**

The study focuses on publicly traded companies from U.S. stock exchanges. A sample of 80,000 such companies was chosen based on the availability of comprehensive financial data over the last five years. This timeframe was selected to ensure recent trends and shifts in the relationship between reporting lag and stock returns are captured, providing a contemporary perspective on the topic. The primary data sources for this research are the Compustat Fundamentals and Compustat Quarterly databases. From these databases, critical variables have been extracted, including but not limited to the company identifier, fiscal year, earnings before interest and taxes, the closing stock price at the fiscal year-end and the reporting date of Quarter 4 earnings.

**Research Design**

In this research, two primary empirical tests were employed using regression analysis.

In the first model, a simple linear regression was estimated with "Returns" as the dependent variable and "Reporting Lag" as the independent variable.  In the second model, the analysis was extended by including multiple independent variables:  "Earnings before Interest and Taxes (EBIT),”Reporting Lag" and the interaction term "EBIT \* Reporting Lag."

In *Figure 1*, where only reporting lag is considered, the coefficient for "Reporting Lag" is -2.445 with a p-value of 0.0567. While the p-value slightly exceeds the significance level of 0.05, there is an indication that reporting lag has a negative influence on company returns. The negative coefficient suggests that, on average, for each unit increase in reporting lag, company returns tend to decrease by approximately 2.445 units. Although not statistically definitive, this finding suggests that longer reporting lags could potentially lead to lower returns, warranting further investigation.

From *Figure 2*, EBIT and Reporting Lag are not statistically significant predictors of company returns in this model. However, reporting lag's coefficient is still of interest, as it suggests a negative impact on returns once again, although at a relatively weak significance level. The interaction term, which combined EBIT with Reporting Lag, displayed a negative effect, diverging from the positive trend usually associated with EBIT. Our overall model fit indicates that there's more to the story, as it explains only a small portion of return variance.

**Conclusion**

This investigation provides preliminary evidence suggesting that longer reporting lags might be associated with diminished company returns, emphasizing the importance of timely financial reporting. However, due to the inconclusive nature of some findings, there is an evident need to further explore the relationship with more variables and consider industry-specific nuances. Understanding stock returns remains an intricate task, requiring multifaceted analyses.

**Future Research**

There's a pressing need to further investigate why certain companies encounter extended reporting lags. Are these simply due to administrative processes, or do they hint at more significant operational or financial challenges? Additionally, this study underscored the nuanced nature of predicting returns. A detailed exploration of this, particularly in relation to reporting lags, would be a worthy avenue for future research. Such insights would be instrumental in guiding both corporate actions and investor strategies.

**Appendices**

A screenshot of a computer

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*Figure 2*