Full Sample Matched Sample n Percent n Per

Diff

-3.731

(5)

Matched

Sample

RESTATEit

-0.0084

Yes

Yes

30.46%

(9.57)

Yes

Yes

13.90%

-0.0062

Yes

Yes

28.12%

(-0.77)

8,218

7/9

0.1447***

(-1.00)

8,904

2,834

9/9

8/9

-35.21***

(6)

Chow

Test

4.44**

0.22

3.82*

Panel A: Shifts in Sample Composition

21,144

(1)

Full

Sample

ABSACC_{it}

(-3.70)

29,227

20,385

29,227

1/9

(Petersen 2009), t-statistics are presented in parentheses below the coefficients.

3/9

(-3.39)

Yes

Yes

0/9

Yes

Yes

-0.0065***

0.0088***

(3.00)

Yes

Yes

-0.0061***

7.758

 $ANALYST_{it} = 1$

Auditor Classification

Industry and Year FE

% of Full Sample

Internal Control Weaknesses

Industry and Year FE

% of Full Sample Covariates Balanced

Industry and Year FE

% of Full Sample

Covariates Balanced

Covariates Balanced

Variables

 $BIG4_{it}$

Controls

WEAK_{it}

Controls

Analyst Following

ANALYST_{it}

Controls

Avg. Analyst Following

Panel B: Estimates of the ATE (ABSACC_{it})

TABLE 5
The Effects of PSM on Sample Composition and ATEs

		rercent		rercent	<u>DIII.</u>	t-stat
Auditor Classification						
$BIG4_{it} = 1$	19,988	68.39%	4,452	50.00%		
$BIG4_{it}=0$	9,239	31.61%	4,452	50.00%		
% Second Tier	39.21%		55.01%		15.79%	17.62**
Internal Control Weaknesses						
$WEAK_{it} = 0$	18,962	93.02%	1,417	50.00%		
$WEAK_{it} = 1$	1,423	6.98%	1,417	50.00%		
Avg. Weakness Count	2.516		2.512		-0.003	-0.04
Analyst Following						
$ANALYST_{it} = 0$	8,083	27.66%	4,109	50.00%		

4,109

(3)

Chow

Test

8 27***

3.26*

5.13**

4.027

50.00%

(4)

Full

Sample

RESTATEit

0.0017

(0.24)

Yes

Yes

0.1488***

29,227

20,385

29,227

1/9

3/9

0/9

(11.37)

Yes

Yes

0.0039

(0.59)

Yes

Yes

72.34%

(2)

Matched

Sample

ABSACC_{it}

-0.0026

(-1.13)

Yes

Yes

30.46%

0.0047

(1.26)

Yes

Yes

13.90%

-0.0029

(-1.22)

Yes

Yes

28.12%

Panel A presents a comparison of the sample composition between the full and PSM samples. The last two columns present the change and related t-statistic of the within-group treatment composition (i.e., percent Second Tier, average number of internal control weaknesses, and average number of analysts following). Panel B presents a comparison of estimates of the ATE between the full and PSM samples. $ABSACC_{it}$ is the dependent variable in Columns (1) and (2), while $RESTATE_{it}$ is the dependent variable in Columns (4) and (5). Columns (3) and (6) present the results of Chow (1960) tests comparing the estimated ATEs. Models are estimated using OLS regression with standard errors that are robust to heteroscedasticity and clustered by firm

8,218

7/9

*, **, *** Indicate significance at the 0.10, 0.05, and 0.01 levels, respectively (based on two-tailed tests).

2.834

9/9

8,904

8/9