



Got Information? Investor Response to Form 10-K and Form 10-Q EDGAR Filings

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Abstract. This study examines the investor response to Form 10-K and 10-Q reports filed between 1996 and 2001. The samples comprise essentially the entire body of EDGAR filings, including the small business (SB) versions of each filing type. The study documents that the absolute value of excess return is reliably greater on the day of and on the one or two days immediately following the filing date. The response is stronger around a 10-K date than a 10-Q date, more elevated for delayed filers, and increases significantly over the study period for both filing types. A regression analysis indicates that differences in response due to filing delay and year of filing are not subsumed by other attributes of the information environment, such as changes in industry composition, day of week, market capitalization, and shares held by institutions.

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Securities and Exchange Commission (SEC) Form 10-K and Form 10-Q filings are unquestionably the most comprehensive and detailed single source of financial information available to stock investors. They often contain highly significant information about company performance and financial position not provided by other means such as earnings announcements and related communications. Yet, curiously, the few studies in accounting that focus on this topic, which I review in Section 1.2, have uncovered at most only “limited” or “weak” evidence about the timing and magnitude of investors’ responses to these SEC reports, particularly in the case of the 10-Q.

These limited results contrast markedly with the large body of evidence on the information content of earnings announcements and other disclosures (e.g., Lev, 1989; Beaver, 2002) and, further, with the vast trove of financial information available under the SEC’s EDGAR (electronic data gathering, analysis, and retrieval) system, which is routinely accessed by investors through companies such as Edgar Online (e.g., Schmerken, 2000). Others have concluded that the value relevance of published financial statements may have waned in recent years (e.g., Brown et al., 1999; Collins et al., 1999; Amir et al., 2000), possibly due to inadequacies in the accounting and reporting model for certain kinds of companies, and that this may have further confounded researchers’ abilities to detect any discernable effects of a filing. It is interesting, nonetheless, that after several decades of research, so little evidence has been amassed about the impact of, purportedly, the two most important SEC filings.

The samples studied comprise essentially the entire population of 10-K and 10-Q electronic filings on the EDGAR database from January 1996, when the system was fully operational and applicable to all registrants (see Section 1.1), to December 2001, the latest period for stock prices on the CRSP database. The samples also include the small business (SB) version of a 10-K or 10-Q filing. SEC regulations allow a “small business issuer” (revenues and current market capitalization under \$25 million) to file a less detailed version of the 10-K or 10-Q instead of a regular filing.¹

I first assess the extent to which 10-Ks and 10-Qs are value-relevant to investors around the filing date and measure value-relevance (or investor response) as an unsigned excess daily stock return in the short window around a filing date. Second, I examine several attributes of the information environment that I hypothesize should explain differences in investor response across firms and/or over time. These include market capitalization (a firm attribute), institutional holdings (an investor attribute), and certain attributes of the filing itself (e.g., filing intensity, timing relative to the filing due date, filing year, and net accounting accruals). I motivate and define these factors in Section 2.3. Briefly, consistent with earlier research on earnings announcements, I expect to find that investors respond more strongly on SEC filing date to smaller and less institutionally held firms, to filings received after the due date, and on days of high filing intensity. Investors should also respond more strongly in the later years as more use the EDGAR system, and when a firm reveals additional information about accruals not previously reported in an earlier announcement.

I find statistically significant evidence of investor response to support my hypotheses. First, I document that investors respond on the day of and one or two days after to both the regular or SB version of a 10-K and 10-Q filing. These responses are consistent with a short lag between filing receipt and public posting. Second, contrary to some researchers’ findings of reduced relevance of accounting information in recent years, the magnitude of investor response has increased (or at least not decreased) for both filing types since 1996.

When I examine other aspects of the information environment, I find, most significantly, that investor response is reliably greater for smaller firms in the sample; firms with less institutional ownership; and when filing intensity is high. When the filing arrives after a statutory due date, registrants that fail to meet the due date experience negative excess stock return around the 10-K and/or the 10-Q filing date.

Overall, the evidence in this paper adds to the literature on the information content of EDGAR filings by documenting, first, a significant investor response immediately following the Form 10-K and 10-Q filing dates. Thus, investors do indeed take notice of these two important documents, and exactly when they should, that is, as soon as the information is publicly available on EDGAR (normally within 24 hours of filing acceptance). I find no evidence of an unusual investor response in the days leading up to a filing, as reported in some prior research. My second finding—that investors respond to the Form 10-K and 10-Q (and the SB versions of both filing types) in ways that reflect the information environment—also extends the literature, since I document that some of the same variables that have been shown to