

PS6

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1 Steps to clean the data

1. Step1

Import data as tibble and merge data using sqldf;

2. Step2

Replace missing values in mgr_exclude with 0, because firms that have missing value for this variable are highly likely those do not make Non-GAAP disclosure;

3. Step3

Rename two columns for simplicity

4. Step4

This is an ex post step, because I noticed there are outliers when I plot the eps and ARC. Winsorize eps and ARC column at 0.01 level.

2 Explanation of the images

2.1 PS6a

This is a histogram of variable ng, which is a dummy variable indicating whether firms made Non-GAAP disclosure for that period. Histogram helps us to know the distribution of numbers of firms that made Non-GAAP disclosure in each year. It seems that the number of firms that made Non-GAAP disclosure each year is quite evenly distributed. The decrease in year 2019 is due to data availability.

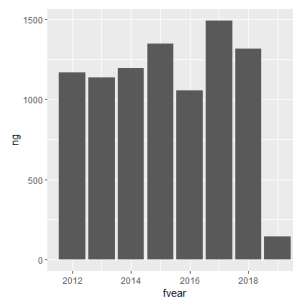


Figure 1: Histogram of NG distribution

2.2 PS6b

This is a point plot with fitted line to examine the trend of Non-GAAP eps across time. It seems that the disclosed eps is increasing over time.

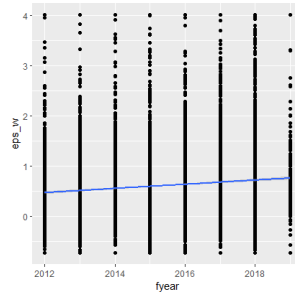


Figure 2: EPS Trends

2.3 PS6c

This plot is to show how the Non-GAAP eps changes with ARC. I expect that with the increase in accounting reporting complexity (ARC), firms will report higher Non-GAAP eps. The plot generally documents this tendency, the fitted line has a positive slope.

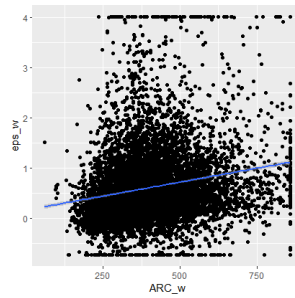


Figure 3: How does ARC affect Non-GAAP EPS

2.4 PS6d

This image shows how the ARC affect the Non-GAAP disclosure decision. The image indicates that higher ARC is associated with higher probability of Non-GAAP disclosure as expected.

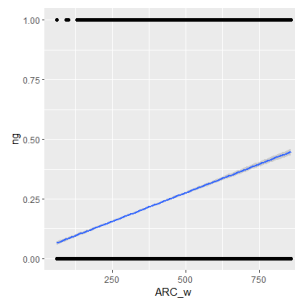


Figure 4: How does ARC affect Non-GAAP disclosure decision