

Variation in US GAAP Earnings Quality Among Securities and Exchange Commission Non US 20-F and US 10-K Registrants

Arsen Djatej, Colorado State University
Grace Gao, West Virginia University
Robert H.S. Sarikas, Ohio University
David L. Senteney, Ohio University

Abstract

This research examines the comparative US GAAP earnings quality of US 10-K and non US 20-F registrants over a nine year time period from 2000 to 2008. Prior to the US Securities and Exchange Commission decision to begin accepting IFRS without form 20-F reconciliation foreign filers were required to file the annual form 20-F (i.e., the equivalent of the 10-K filing for domestic registrants) with US GAAP or in home country GAAP or IFRS with reconciliation to US GAAP included in footnotes. Particularly noteworthy is the observation that many foreign filers prepare SEC Form 20-F with financial statements prepared using US GAAP. This research uses traditional measures of earnings quality established in the extant research literature to compare the domestic filers US GAAP earnings quality with international filers US GAAP earnings quality. The research results indicate that over the period of 2000 to 2008 international filers US GAAP earnings quality shows significant differences with domestic filers US GAAP earnings quality. The statistical significance of these results may provide some justification for the SEC to reconsider the decision to accept IFRS from international filers without form 20-F reconciliation.