

Performance Disaggregation on the Income Statement^{*}

Reeyarn Z. Li^a, Soenke Sievers^a

^a*Paderborn University*

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Abstract

This paper studies how managers disaggregate firm performance by examining the income statement layout with XBRL. Challenging our prior that managers would conceal details under poor performance, we find that disaggregation increases with negative news, and the increase is driven by costs, expenses, and loss items. Firms with less persistent GAAP earnings are more likely to increase disaggregation, especially that of non-operating expenses, consistent with highlighting transitory components. Firms with higher disaggregation tend to also report Non-GAAP metrics, and insiders appear to refrain from selling stocks after 10-K, indicating private information that certain disaggregated accounts deflate earnings temporarily. Overall, our evidence indicates that managers use income statement presentation to convey earnings persistence knowledge to the market.

JEL Classification: M41, M20, G14.

Keywords: Financial reporting, Mandatory disclosure, Income Statement, XBRL, Performance disaggregation, Managerial discretion, Non-GAAP, Insider trading.

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“What are General Electric Co.’s earnings? The question doesn’t have a single answer—the company recently provided four different versions of them.”

WSJ, 2017, “GE’s Numbers Game: Pick From Four Earnings Figures”

1. Introduction

Income statements are pivotal among financial reports to provide earnings and firm performance to the market (e.g., Ball and Brown, 1968; Lipe, 1986; Hann et al., 2021). While accounting standards provide a framework for reporting—to recognize material items on statements and disclose details in footnotes, managers exercise considerable discretion to decide what is material and where to disclose, in ways that go beyond mechanical compliance (Georgiev, 2017; Thompson, 2023; Hinson et al., 2024).

A key dimension of this discretion is the level of disaggregation. A manager can either present a highly aggregated, simple picture of performance on their income statement, putting the details in the footnotes, or provide a granular, disaggregated one with numerous line items.¹ The choice between recognizing and disclosing disaggregated information is central to current standard-setting debates, involving a trade-off between clarity and informativeness (Barth et al., 2001; Müller et al., 2015; Convery et al., 2024).² In this paper, we investigate how managers exert discretion over the level of earnings performance disaggregation on the income statement (Libby and Brown, 2013; Holzman et al., 2021; Berger et al., 2024).

¹For instance, NRG’s 2020 income statement adopts a highly *aggregated* format in the top rows, reporting “Revenues” as a single line item valued at \$9.821 billion and “Cost of operations” as a corresponding aggregate of \$7.303 billion. In the sections below revenues, NRGs 2020 income statement chooses to *disaggregatedly* list several distinct expense categories beyond its aggregated “Cost of operations” including “Depreciation and amortization” (\$373 million), “Impairment losses” (\$5 million), “Selling, general and administrative” (\$827 million), “Reorganization costs” (\$23 million), and “Development costs” (\$7 million), before arriving at “Total operating costs and expenses” (\$8.538 billion).

NGR’s approach contrasts sharply with Apple’s 2020 income statement, which *disaggregates* revenue and related costs. Specifically, Apple delineates “Net sales” into “Products” (\$220.747 billion) and “Services” (\$53.768 billion), yielding a total of \$274.515 billion. Similarly, its cost of goods sold (COGS) is partitioned into “Products” (\$151.286 billion) and “Services” (\$18.273 billion), aggregating to a “Cost of sales” of \$169.559 billion. Below revenues, Apples 2020 income statement consolidates its operating expenses into just two primary line items: “Research and development” (\$18.752 billion) and “Selling, general and administrative” (\$19.916 billion), totaling “Operating expenses” of \$38.668 billion.

²In response to investor demand for granular expense information, the FASB issued ASU 2024-03 in November 2024, requiring public business entities to disaggregate specific expense captions in footnote disclosures beginning with fiscal years after December 15, 2026. In ASU 2025-01, the FASB clarified implementation requirements, addressing investor feedback that “disclosure of disaggregated information about expenses is critically important in understanding an entity’s performance, assessing an entity’s prospects for future cash flows, and comparing an entity’s performance over time and with that of other entities.”

Prior research offers conflicting predictions regarding how underlying news affects such discretion. A seminal analytical model by Verrecchia (1983) posits that when disclosure is costly, managers will withhold information unless it is sufficiently favorable. This incentive to *hide* may be particularly strong when poor performance could reveal proprietary weaknesses to competitors or expose agency problems to shareholder scrutiny. From this perspective, one would expect managers facing negative shocks to present a more opaque, aggregated income statement.

Conversely, empirical studies find that managers often make preemptive disclosure voluntarily when receiving bad news to mitigate litigation risk or market penalties (e.g., Skinner, 1994; Huang et al., 2019). Basu (1997) finds that conditional on having bad news, financial accounting becomes less conservative and is more associated with the underlying economic news. Leung and Veenman (2018) find that loss firms voluntarily provide non-GAAP earnings to offset the low informativeness of GAAP losses. Recent analytical models offer theoretical support for these findings. Armstrong et al. (2016) predicts more precise disclosures when cash flows are low. Ebert et al. (2017) shows that managers are more inclined to fully disaggregate information—separating good news from bad—when the firm’s overall performance is weak, thereby signaling that the results are closer to neutral than an aggregated figure might suggest. These findings highlight a tension in the literature: while some theories predict reduced disclosure to obscure poor performance (e.g., Verrecchia, 1983; Dye, 1985), others suggest increased disclosure to provide context for negative news.

This tension motivates our inquiry into whether similar asymmetric disclosure patterns extend to performance disaggregation. We posit that managers use detailed income statements to contextualize poor performance (Leung and Veenman, 2018; Kim and Nikolaev, 2024). As a result, income statement disaggregation increases asymmetrically with negative economic news, with greater granularity (more line items) for bad news than good news, as illustrated in Figure 1. We further explore whether this presentation choice coordinates with other managerial

decisions, such as non-GAAP reporting and insider trading to signal earnings persistence.

[INSERT FIGURE 1 AROUND HERE]

We construct a simple measure of performance disaggregation using the number of line items reported on the income statement. Our measure builds on the innovative approach by Johnston et al. (2024), who construct a comprehensive measure of financial statement disaggregation using XBRL Presentation Linkbase data. We adapt their method to focus specifically on the income statement, which allows us to isolate and examine how managerial incentives and strategic considerations drive choices related to *performance* disaggregation. As depicted on Figure 2A, the number of line items in the income statements (SOP) exhibits a visible variation in our sample, bottom 25% of firms having less than 14 line items, and top 25% of firms more than 21. As an example, General Electric Co.'s fiscal year 2013 has 25 line items in its income statement, more than 85% of firms in our sample.³

[INSERT FIGURES 2A, 2B, 2C AROUND HERE]

We develop a classification framework to categorize income statement line items into distinct sections (revenue and costs of goods sold, operating section, non-operating section, etc.) and account types within each section, with which to study how managers exercise discretion in performance disaggregation.⁴ We then categorize the income statement items based on their T-account balance into debit- and credit-side, as well as those that can be on either side.⁵ With

³In Appendix A, we use General Electric Co.'s fiscal year 2013 as an example for a case study of a typical income statement.

⁴Our classification framework divides the income statement into four sections: (1) the top section REV_COGS_GP containing sales revenue and cost of goods sold, (2) the middle operating section OP_EXP_OP_INC to include operating expenses such as SG&A, R&D and operating incomes, (3) the middle non-operating section INT_NONOP_EBT to include non-operating expenses and income, and (4) the last section above the EPS part TX_NI_DISCO_MIN that contains tax expenses, discontinued operations, minority interest, and the bottom line net incomes. This section scheme assumes a two-step income statement, separating expenses into operating and non-operating ones; U.S. GAAP also allows a one-step approach that groups expenses together. A detailed discussion of the scheme is included in Appendix C.

⁵Credit-side items (REVT) include sales revenues, operating income, interest income, and gains, that increase earnings. Debit-side items (EXPS) are expenses, costs, provisions, and losses, that reduce the bottom-line results. Figure 2B shows their respective distributions.

these granular measures of income statement performance disaggregations, we then examine how firms choose the level of disaggregation for their reported earnings.

Our empirical analysis yields several key findings. First, we find that performance disaggregation increases asymmetrically in response to negative economic news, confirming the theoretical prediction (Armstrong et al., 2016; Ebert et al., 2017). This pattern holds across multiple news proxies, including negative earnings changes, poor stock returns, and negative special items (Conrad et al., 2002).

[INSERT FIGURE 3 AROUND HERE]

The economic magnitude of this response is significant. To illustrate with earnings changes, a one standard deviation (one-SD) increase in positive earnings change is associated with a *decrease* of 0.054 line items, suggesting managers aggregate performance when news is positive. In contrast, a comparable increase in the magnitude of negative earnings change is associated with an *increase* of 0.102 line items, indicating greater disaggregation to highlight transitory components during negative news. On average, a negative earnings change in one-SD implies that one in every 9.8 firms adds a line, while a positive change implies one in every 18.5 firms remove a line. The marginal propensity to disaggregate bad news is almost twice as large as for good news but in opposite directions, highlighting a deliberate choice to provide greater context for poor performance. This increase in granularity is concentrated on the debit side of the income statement, driven by a greater number of expense and loss items, particularly within the non-operating section. However, the nature of the news matters: when the negative news is a decline in sales, managers instead tend to increase the disaggregation of credit-side revenue items, consistent with an effort to explain the source of a top-line shortfall.

Second, we provide direct evidence that this disclosure choice is linked to the persistence of earnings. Firms that most substantially increase their disaggregation of non-operating expenses exhibit significantly lower persistence in the non-operating component of their earnings. This supports the hypothesis that managers use disaggregation to highlight and effectively isolate

transitory items that depress current earnings, thereby helping investors to better assess the persistence of core performance.

Third, this presentation choice is coordinated with other disclosure decisions. Using data of managerial Non-GAAP disclosure from earnings press releases in Form 8-K provided by Bentley et al. (2018), we find that the decision to report a non-GAAP earnings metric is not associated with an increase in overall income statement disaggregation. Instead, the association is concentrated precisely where one would expect: a increase in the disaggregation of non-operating expenses is significant. This suggests that income statement disaggregation and non-GAAP exclusions are not just broadly complementary, but are often used in concert to highlight the same specific set of items that managers wish to portray as transitory. In other words, managers appear to use both the mandatory statement's layout and the voluntary press release to draw attention to and explain the same charges they are excluding from their preferred performance metric.

Finally, we link this reporting strategy to the trading behavior of corporate insiders. We find that an increase in income statement disaggregation is associated with significantly less net insider selling in the one-month period after the Form 10-K is filed. This is consistent with managers possessing private information that the disaggregated, earnings-reducing items are temporary and do not reflect a permanent decline in firm value, a belief they credibly signal by refraining from selling their own shares.

Taken together, the evidence indicates that managers use disaggregation on the income statement to communicate, rather than to obfuscate. By expanding the number of expense and non-operating items when the news is bad, managers appear to highlight components that depress current earnings but may have low persistence, which can aid investors assessment of future performance (Ohlson, 1999; Landsman et al., 2007, 2011). This pattern lines up with the idea that presentation choices can transmit managers private information about the nature and persistence of earnings components.

This study contributes to the accounting and finance literature in several ways. First, we provide large-sample empirical evidence supporting recent theoretical models that predict that disclosure unravels in response to negative news (Armstrong et al., 2016; Ebert et al., 2017). Our findings show that managers strategically increase the granularity of reported expenses and losses to provide context for poor performance, offering a clear empirical counterpart to these theoretical predictions.

Second, our paper makes a methodological contribution by demonstrating how XBRL Presentation Linkbase data can be used to construct a precise measure of on-the-face financial statement disaggregation. We extend Hoitash and Hoitash (2018) and Johnston et al. (2024) by looking deeper into the XBRL filings at a focal financial statement, the income statement. This approach overcomes significant limitations of prior measures based on standardized databases like Compustat (Du et al., 2023).⁶ Crucially, this approach allows us to decompose the income statement and separately analyze its constituent parts, including credit-side (revenue) accounts, debit-side (expense) accounts, and more specific categories like non-operating expenses. For instance, we are able to document that managers' disaggregation strategies are highly targeted: they increase the granularity of expense items in response to negative earnings news but shift to disaggregating revenue items when faced with a sales decline. Such nuanced findings, which would be obscured by a single, aggregate measure of disaggregation, highlight the targeted nature of managers' communication strategies.

Third, we shed light on the interplay between mandatory and voluntary disclosure channels. We document that the decision to disaggregate specific expense items on the income statement is systematically coordinated with the voluntary disclosure of non-GAAP earnings (e.g., Bentley et al., 2018; Leung and Veenman, 2018). This evidence suggests that managers use these two

⁶Prior work has often relied on counting non-missing items in commercial databases like Compustat to construct broad measures of overall disclosure quality (e.g., Chen et al., 2015; Blann and Moon, 2023; Nagar and Schoenfeld, 2025). While these measures are well-suited for capturing the total quantity of information disclosed across an entire annual report, our research question requires isolating the specific managerial decision to present a line item on the face of the income statement, as distinct from disclosing it in the footnotes. Our XBRL-based measure is designed for this more targeted purpose, motivated by evidence that the placement of information affects its salience and how users process it (e.g., Clor-Proell and Maines, 2014).

disclosure tools not as substitutes, but as complements in a cohesive strategy to frame certain charges as transitory and guide investors toward a *core* earnings figure (Décamps et al., 2016).

Finally, we provide evidence on the credibility of income statement disaggregation by linking it to the trading behavior of corporate insiders (e.g., Dechow et al., 2016). The evidence that insiders sell less following an increase in disaggregation provides supporting evidence that these presentation choices contain credible information about the firm's future prospects. In sum, we provide supporting evidence that income statement functions as a meaningful communication tool, rather than merely for compliance, or even a device of obfuscation.

The remainder of the paper is organized as follows. Section 2 motivates the research question and develops our hypotheses. Section 3 describes the data, the XBRL-based disaggregation measure, and the empirical design. Section 4 presents the results, and Section 5 concludes.

2. Literature Review and Hypothesis Development

2.1. Managerial Discretion and the Informativeness of the Income Statement

The income statement is a primary vehicle for communicating firm performance to investors and other stakeholders.⁷ Foundational research establishes that accounting earnings numbers are useful precisely because they contain information that is reflected in security prices (Ball and Brown, 1968; Beaver et al., 1980). Recognizing this, accounting standard setters view equity investment as a primary focus of financial reporting (Barth et al., 2001). However, accounting standards do not mandate a uniform, detailed chart of accounts for the income statement.⁸ Instead, U.S. GAAP and IFRS operate on principles that permit significant managerial discretion in the level of aggregation presented on the face of the statement (Flood, 2020; Young, 2024).

⁷Financial reporting in the United States is primarily governed by Generally Accepted Accounting Principles (GAAP), established by the Financial Accounting Standards Board (FASB), and the regulations of the U.S. Securities and Exchange Commission (SEC) for public companies. The SEC's Regulation S-X prescribes the form and content for financial statements filed with the commission (Levy, 2018; Financial Accounting Standards Board, 2024).

⁸Neither U.S. GAAP nor IFRS mandates a specifically fixed format of income statement. However, certain local GAAPs, such as Germany's HGB, do provide detailed guidance regarding the specific names and orders in balance sheets and income statements.

This flexibility allows managers to prepare financial statements that better reflect the unique economics of their business.

The income statements role extends beyond reporting a single, aggregated earnings metric. Its value lies in providing a disaggregated set of performance components, each with distinct informational properties. The disaggregation of earnings into its components—such as revenues, different types of expenses, gains, and losses—is crucial for users (Hinson et al., 2024). This granularity allows for a more nuanced assessment of performance by helping to distinguish persistent components of earnings from transitory ones, thereby improving the prediction of future cash flows and aiding in valuation (Ohlson, 1999). Disaggregation helps stakeholders evaluate firm performance, supporting decisions related to contracting and strategy (Nishikawa et al., 2016). Indeed, the central proposition of the FASB’s conceptual framework is that accrual-based earnings provide better information about future cash flows than do cash flows themselves. Recent evidence strongly supports this, showing that when earnings are properly disaggregated to focus on operating activities, they are superior predictors of future operating cash flows (Ball and Nikolaev, 2022).

However, this discretion also creates an opportunity for managers to influence perceptions of performance. The choice of how much to disaggregate is a key reporting strategy. The placement and presentation of information can affect its salience and how users process it. For example, experimental evidence shows that increasing the proximity and similarity of related accounts on the statement of cash flows improves users’ ability to understand the link between earnings and cash flows (Crandall et al., 2024). This raises a central question in the disclosure literature: what incentives drive managers choices about the level of disaggregation on the income statement?

2.2. Asymmetric Disclosure and the Role of Economic News

Economic theory offers conflicting predictions about how managers would use their disclosure discretion. Classical voluntary disclosure theory, for example, suggests that when disclo-

sure is costly, managers will withhold information unless it is sufficiently favorable to overcome the costs of revealing it (Verrecchia, 1983). A primary rationale for such costs is that disaggregation may reveal proprietary information to competitors. Consistent with this, recent research finds that firms that withhold disaggregated cost-of-sales data subsequently experience higher gross profitability, suggesting that aggregation protects cost-side innovations from imitation (Berger et al., 2024). The proprietary nature of cost structure information is also a key reason why it is not typically disclosed and may not be fully priced by investors (Bhojraj et al., 2021).

An alternative view is that managers may withhold information to obscure poor performance arising from agency problems. For instance, managers may aggregate segment information to hide underperforming units from shareholder scrutiny (Berger and Hann, 2007). In a similar vein, some research finds that managers who actively intervene in the earnings process—for example, through income smoothing—tend to provide less disclosure in their earnings announcements, presumably to focus investor attention on a single, managed earnings number (D’Souza et al., 2010). Both the proprietary cost and agency cost arguments predict that managers have incentives to aggregate, rather than disaggregate, certain types of information.

However, a separate stream of both empirical and theoretical work predicts the opposite: that managers increase disclosure in response to negative news. Empirically, managers often make preemptive disclosures of bad news to mitigate litigation risk or market penalties (Skinner, 1994, 1997). More recent analytical models provide theoretical support for this behavior. Armstrong et al. (2016) develop a model showing that even risk-averse managers will provide more precise earnings disclosures when future cash flows are expected to be low. Similarly, Ebert et al. (2017) demonstrate that when managers can combine multiple pieces of information, they are more likely to fully disaggregate—separating good news from bad—when the firms overall performance is weak. This act of disaggregation signals that performance, while poor, may contain offsetting positive components and is thus closer to neutral than an aggregated figure might suggest.

These competing views motivate our first research question: do firms strategically increase the level of disaggregation on the income statement when economic news is negative? The analytical work of Armstrong et al. (2016) and Ebert et al. (2017) suggests they do, using disaggregation as a tool to provide context and influence investors assessments of poor performance. This leads to our first hypothesis:

Hypothesis 1: *When the underlying news is more negative, firms tend to provide more disaggregated information on the income statement, especially for the debit-side accounts pertaining to expenses and charges that lower bottom-line earnings.*

2.3. Disaggregation, Earnings Persistence, and Coordination with Non-GAAP Reporting

A key challenge in testing this prediction is measuring disaggregation. Prior studies have often relied on proxies, such as counting non-missing items in Compustat. Chen et al. (2015) count non-missing Items in Capital IQ's Compustat Fundamental annual data file and construct a measure of disaggregation quality (DQ). Follow-up studies used DQ to study disclosure disaggregation. In the context of IPO, Nagar and Schoenfeld (2025) find that firms with weaker performance appear to have more non-missing Compustat items. Other recent work uses Compustat's backend data files to construct measures of voluntary expense disaggregation (Blann and Moon, 2023). While informative, such measures may not perfectly distinguish between items recognized on the face of the income statement and those disclosed elsewhere, such as in the footnotes. This distinction is economically significant, as recognition on the primary financial statements has a stronger effect on user judgment than footnote disclosure (Clor-Proell and Maines, 2014). Our study overcomes this limitation by using XBRL Presentation Linkbase data to directly count the line items on the income statement, providing a more precise measure of managers' presentation choices.

Managers reporting strategies are not made in isolation. The decision to disaggregate income statement items may be coordinated with other voluntary disclosure choices, such as the reporting of non-GAAP earnings. Managers often contend that they report non-GAAP metrics

to provide a clearer picture of “core earnings” by excluding items they deem transitory or non-recurring. Research shows that market participants find these non-GAAP figures to be more informative and persistent than their GAAP counterparts, suggesting that investors and analysts value the separation of core from transitory performance (Bhattacharya et al., 2003).

The items excluded in non-GAAP calculations are frequently the same items that warrant separate line-item presentation on the income statement during periods of poor performance. This suggests that managers may use income statement disaggregation and non-GAAP exclusions as complementary tools to highlight transitory components and explain performance. The extensive use of manager-provided non-GAAP metrics, and the nuanced differences between what managers report and what data providers like I/B/E/S disseminate, underscore the importance of studying managers’ direct communication choices (Bentley et al., 2018). This leads to our second hypothesis:

Hypothesis 2: *The level of income statement disaggregation is associated with the existence of transitory components in earnings and with the firms decision to report non-GAAP earnings.*

Finally, if managers increase disaggregation to convey private information—for instance, that the earnings-reducing items are temporary—their own trading behavior should reflect this knowledge. A manager who disaggregates expenses to signal their transitory nature would be less likely to sell shares, as they would anticipate a future stock price recovery. This links the presentation choice to a tangible economic action and allows for a test of the information content of disaggregation. This leads to our final hypothesis:

Hypothesis 3: *An increase in income statement disaggregation is associated with fewer insider stock sales.*

3. Data and Measure of Income Statement Performance Disaggregation

3.1. XBRL Presentation Linkbase

Our primary data source is the U.S. Securities and Exchange Commissions (SEC) Financial Statement Data Set (FSDS).⁹ FSDS contains numeric data extracted from the face of the primary financial statements in corporate filings submitted using eXtensible Business Reporting Language (XBRL) beginning in 2009. XBRL is a framework that tags financial data with standardized, machine-readable labels. An XBRL filing is composed of several components, including Linkbases that define the relationships between the tagged data (Ghislain, 2024; Johnston et al., 2024).

Crucially for our study, the Presentation Linkbase within an XBRL filing dictates the structure and hierarchical relationship of line items as they are presented in the Form 10-K. It defines how individual accounts are grouped, ordered, and displayed on the income statement, effectively creating a map of the statement's visual layout. This allows us to observe the exact structure managers choose when presenting firm performance.

We use the presentation files (PRE) from the FSDS, which directly capture the parent-child relationships and ordering of the line items from the Presentation Linkbase. These files allow us to reconstruct the "as-filed" structure of each firm's income statement.

Table 1 outlines our sample construction process. Our initial sample comprises 94,167 firm-year observations from 10-K filings between 2009 and 2024 for which we can calculate our disaggregation measures. We merge this XBRL-based data with several archival databases. After requiring data from the Capital IQ Compustat North America database for firm fundamentals, our main sample consists of 51,731 firm-year observations. We further merge this sample with CRSP for stock return data, I/B/E/S for analyst forecasts, and the dataset of non-GAAP report-

⁹Data can be downloaded from the SEC Website: <https://www.sec.gov/data-research/sec-markets-data/financial-statement-data-sets>. We use an open-source Python code available at GitHub to pre-process the FSDS data <https://github.com/HansjoergW/sec-fincancial-statement-data-set>.

ing from Bentley et al. (2018), resulting in smaller subsamples for specific analyses as detailed in Table 1.

[INSERT TABLE 1 AROUND HERE]

3.2. Measuring Performance Disaggregation

We measure performance disaggregation as the total count of line items presented on the income statement (the Statement of Operations). For each firm-year in our sample, we parse the presentation data from the FSDS to count the total number of unique line items appearing on the income statement, which we label SOP(Statement of Performance items).

This measure, derived directly from the XBRL Presentation Linkbase, offers a significant refinement over proxies used in prior literature. Studies such as Chen et al. (2015) measure disaggregation by counting the number of non-missing data items in the Compustat database. However, Compustat data does not distinguish between items recognized on the face of the financial statements and those disclosed only in the footnotes. Our measure isolates the managerial decision of presenting a line item on the income statement, which has been shown to have a greater effect on user perception and market reaction than footnote disclosure (Hodge et al., 2014).

To investigate the nature of disaggregation more deeply, we decompose our main measure based on the account type and its likely effect on earnings. Following the structure of the income statement, we separately count the number of:

- Credit-side items (REVI): Line items that typically increase earnings, such as revenues, income, and gains.
- Debit-side items (EXPS): Line items that typically decrease earnings, such as costs, expenses, provisions, and losses.

Furthermore, we examine specific sections of the income statement where managers may exercise greater discretion, separately counting debit- and credit-side items within the non-operating section of the income statement (NONOPX and NONOPI, respectively). Appendix B

provides detailed definitions for all variables. This detailed measurement approach allows us to test not only whether managers change the level of disaggregation but also how and where on the income statement they do so in response to economic news.

Table 2 presents summary statistics for these disaggregation measures. Panel B shows there is considerable variation in presentation choices. The total number of income statement line items (SOP) ranges from 14 at the 25th percentile to 21 at the 75th percentile, with a mean of approximately 18 items. On average, firms present more than twice as many expense items (EXPS, mean = 9.39) as revenue items (REVI, mean = 4.47).

[INSERT TABLE 2 AROUND HERE]

Panel C of Table 2 shows that reporting practices vary systematically across industries. Firms in the Finance and Insurance industry (SIC code 6) present the most detailed income statements, with an average of 24.07 line items. In contrast, manufacturing firms (SIC codes 2-3) report more aggregated statements, with an average of 15.20 items. This variation underscores the importance of controlling for industry-specific reporting norms in our analysis.

3.3. Descriptive Statistics

Table 3 provides descriptive statistics for the main variables used in our analyses. The mean year-over-year change in the total number of line items (Δ SOP) is 0.03, indicating that, on average, the level of disaggregation is relatively stable. However, the standard deviation of 2.31 reveals that a meaningful number of firms make significant changes to their income statement presentation each year.

[INSERT TABLE 3 AROUND HERE]

The statistics for our economic news proxies are consistent with a sample covering diverse economic conditions. The mean annual abnormal stock return ($ARET_{12m}$) is slightly positive (0.01), but 59% of firm-years in our sample experience negative abnormal returns. Similarly,

while the mean change in earnings ($\Delta\text{Earnings}$) is positive, 42% of observations involve an earnings decline. These summary statistics provide a foundation for our subsequent tests of how managers adjust their reporting choices in response to good and bad news.

4. Empirical Analyses and Results

This section presents our empirical findings. We first provide univariate evidence on the relation between economic news and disaggregation. We then present the results from our multivariate regression models, starting with a baseline model of the determinants of disaggregation and then testing our hypotheses regarding asymmetric disclosure, earnings persistence, non-GAAP reporting, and insider trading.

4.1. Univariate Evidence on Economic News and Disaggregation

Before turning to our main regression analyses, we present univariate tests to provide preliminary evidence on the association between economic news and income statement disaggregation. Table 4 reports the mean change in the number of income statement items (ΔSOP) for firm-years sorted into quartiles based on the absolute magnitude of three news proxies: earnings changes, stock returns, and special items.

[INSERT TABLE 4 AROUND HERE]

Panel A of Table 4 shows a clear pattern for earnings changes. Firms in the lowest quartile of $\text{Abs}(\Delta\text{Earnings})$ (i.e., those with the smallest earnings changes) decreased their line items by an average of 0.07. In contrast, firms in the highest quartile increased their line items by 0.12. The difference of 0.20 is statistically and economically significant. This monotonic relationship holds for both positive and negative earnings changes, indicating that firms alter their income statement presentation in response to larger economic events, regardless of the sign of the news.

Panels B and C show a similar pattern for abnormal stock returns and special items, respectively. For all three news proxies, firms experiencing larger economic events (as measured by

the magnitude of the news) exhibit significantly greater changes in the number of income statement line items. This univariate evidence is consistent with managers adjusting the level of disaggregation in response to the materiality of economic news and motivates our subsequent tests of whether this response is asymmetric.

4.2. *Determinants of Performance Disaggregation—Baseline Model*

We first establish a baseline model to understand the fundamental firm characteristics associated with changes in income statement disaggregation. This step helps ensure that our subsequent findings related to economic news, earnings persistence, and other strategic choices are not merely driven by underlying firm attributes.

Baseline Model

We model the year-over-year change in the number of income statement line items as a function of firm complexity, size, age, and other established determinants of disclosure choices from prior literature. The analysis is based on the following regression model:

$$\Delta\text{Disaggregation} = \beta_0 + \beta_1\text{Controls} + \text{Year FE} + \text{Industry FE} + \varepsilon \quad (1)$$

The dependent variable, $\Delta\text{Disaggregation}$, is measured using the change in the total number of income statement items (ΔSOP), changes in its debit-side (ΔEXPS) and credit-side (ΔREVI) subcomponents, as well as the items whose account balance can be on either side (ΔSOPO), such as gross margin, operating results, net income or loss). In addition, we also examine changes in non-operating items with debit-side (ΔNONOPX) and credit-side balance (ΔNONOPI).

The independent variables are a set of control variables intended to capture firm characteristics that prior literature suggests may affect reporting choices. We first include an indicator, Non-Missing(SPI), for firms with special items recorded in Compustat as a validation test. We expect that firms with non-missing Compustat special items should have more line items measured by ΔSOP , as certain events and transactions may mechanically lead to the recognition of additional material line items in the income statement.

We also include several proxies for the overall complexity of the firm’s financial reporting: ARC, the total number of distinct monetary XBRL tags in Item 8 of the 10-K filings from Hoitash and Hoitash (2018), and Disaggregation Quality (DQ) from Chen et al. (2015). We expect that firms with more complex operations and reporting environments are more likely to change their income statement presentation.

Other controls include operating characteristics related to business complexity and information asymmetry, such as firm size (Log Assets), the number of business segments (Log Segments), age (Log Age), capital and intangible asset intensity (Capital Intensity, Intangible Intensity) and the length of the operating cycle (Op. Cycle). We also control for risk, growth opportunities, and financial health, including volatility (S.D. (Ret)), book-to-market ratio(Book-to-Market), and leverage (Leverage). The model includes year and industry fixed effects to absorb macroeconomic trends and time-invariant, industry-specific reporting norms.

Empirical Results of the Baseline Model

Table 5 presents the regression results for this baseline determinant model. Consistent with our prediction for the control variables, we find that proxies for reporting complexity are positively associated with changes in disaggregation.

[INSERT TABLE 5 AROUND HERE]

As expected, the reporting of special items has a direct impact on income statement structure. The coefficient on Non-Missing(SPI) is positive and significant (0.232, t-stat = 2.08) in Column (1), confirming the intuition that firms reporting special items tend to increase the number of line items on their income statements. The economic magnitude of this coefficient estimate implies that every one in $1/0.232$ or 4.3 firm-year’s with non-missing Compustat special items will add a new line item to the income statement presentation layout. This increase is driven almost entirely by an expansion of debit-side items, as shown by the significant positive coefficients in the ΔEXPS regression (0.246, t-stat = 4.05) in Column (3) and, more specifically,

the ΔNONOPX regression (0.245, $t\text{-stat} = 5.07$) in Column (5). This aligns with the fact that special items often represent charges, losses, or other unusual expenses that are material enough to warrant separate disclosure on the face of the income statement.

The coefficient on ARC is positive and highly significant across all specifications (e.g., 0.008, $t\text{-stat} = 11.45$ for ΔSOP), suggesting that firms with more complex overall financial reports are also more likely to alter their income statement presentation. Similarly, DQ is positively and significantly associated with an increase in total line items (0.003, $t\text{-stat} = 4.09$ for ΔSOP), driven primarily by changes on the expense side (ΔEXPS). These results confirm that our disaggregation measures are related to, yet distinct from, broader constructs of reporting complexity.

Other control variables show more modest or inconsistent associations. For example, Capital Intensity is negatively associated with changes in total and revenue-side items, suggesting firms with more tangible assets may have more stable operating structures and thus more static reporting. Leverage, Book-to-Market, Intangible Intensity, and the number of business segments (Log Segments) are not consistently significant across the models. The lack of significance for Log Segments is noteworthy, as it suggests that once broader complexity measures like ARC are controlled for, the number of business segments offers little additional explanatory power for changes in income statement presentation.

Overall, the results from the baseline model indicate that our measure of disaggregation changes behaves in an economically sensible manner and is correlated with established determinants of disclosure choices in predictable ways. This provides a stable foundation for testing our main hypotheses, to which we now turn.

4.3. The Association between Economic News and Disaggregation

Our first hypothesis (H1) predicts that firms increase income statement disaggregation in response to negative economic news, particularly by expanding the number of debit-side (expense and loss) items. We test this prediction by examining the association between changes in disaggregation and various measures of firm performance.

Research Design for H1

To test H1, we augment our baseline model by adding variables that capture economic news. The hypothesis predicts an asymmetric response, where negative news prompts a stronger disclosure reaction than positive news. We therefore employ a piecewise linear specification that allows the slope of the news variable to differ for positive and negative realizations. This research design is analogous to that of Basu (1997), who famously uses a similar model to show that earnings asymmetrically reflect bad news (negative stock returns) more quickly than good news. In the same spirit, we test whether the change in disaggregation exhibits a similar asymmetry in response to news. The regression model is as follows:

$$\begin{aligned} \Delta\text{Disaggregation} = & \beta_0 + \beta_1 \text{Abs(News)} + \beta_2 \text{Neg(News)} \times \text{Abs(News)} \\ & + \beta_3 \text{Neg(News)} + \text{Controls} + \text{Year FE} + \text{Industry FE} + \varepsilon \end{aligned} \quad (2)$$

The dependent variables are the same change-in-disaggregation measures used in the baseline model (ΔSOP , ΔREVI , ΔEXPS , etc.).

Our primary independent variables are a measure of the magnitude of economic news over the fiscal year that income statement is expected to report and disaggregate as firm performance, as well as its interaction with an indicator for negative news. We use four different proxies for economic news:

- **Earnings Change:** The change in GAAP earnings per share from the prior year.
- **Annual Abnormal Stock Returns:** The firms buy-and-hold returns net of the value-weighted market return over the 12 months starting from the third month of the fiscal year.
- **Special Items:** Compustat special items scaled by lagged total assets, which we expect to show up on the debit-side expense items (EXPS) and in particular non-operation expenses (NONOPX).
- **Sales Change:** The percentage change in annual sales revenue, which we expect to show up on credit-side revenue items (REVI).

For each news measure, Abs(News) is news in absolute value, and Neg(News) is an indicator variable equal to one if the news is negative. The coefficient β_1 is expected to capture the base

association between the magnitude of news and disaggregation, which may arise mechanically from materiality considerations (i.e., larger events are more likely to be separately disclosed). Our main test of H1 centers on the coefficient of the interaction term, β_2 . H1 predicts that β_2 will be positive and significant, which would indicate that the sensitivity of disaggregation to the magnitude of news is greater when the news is negative. Furthermore, we predict this asymmetric effect will be concentrated in debit-side items (ΔEXPS and ΔNONOPX).

Empirical Results for H1

Table 6 presents the results for testing H1, with each panel corresponding to a different measure of economic news. The findings are broadly consistent across all four specifications and strongly support H1.

[INSERT TABLE 6 AROUND HERE]

Panel A: Earnings Change. When news is measured by earnings changes, we observe a significant asymmetric response at the income statement layout. The coefficient on the interaction term $\text{Neg } \Delta \text{ Earnings} \times \text{Abs}(\Delta \text{ Earnings})$ is positive and significant in the regression for the total change in items (ΔSOP : 0.380, $t\text{-stat} = 2.24$). This indicates that as earnings decline, firms increase the number of line items more than they do for a comparable earnings increase by mechanically applying the materiality principle.

The economic magnitude of this asymmetric response is meaningful. A one-standard-deviation increase in the magnitude of a positive earnings change is associated with an increase of 0.054 line items, consistent with a baseline response to materiality. However, for a comparable one-standard-deviation increase in the magnitude of a negative earnings change, the total associated increase is 0.102 line items. Translating the small numbers to the number of firms adding one line item on the income statement, every one in 9.8 firms would add one more line item when the one-standard-deviation earnings change is negative, compared to every one in 18.4 firms when the earnings change is positive. The marginal propensity to disaggregate bad news is there-

fore nearly twice as large as the entire effect for good news, highlighting a deliberate choice to provide greater context for poor performance.

As predicted, this effect is driven by expense items. The coefficient on the interaction term is large, positive, and highly significant for debit-side items (ΔEXPS : 0.351, $t\text{-stat} = 3.91$) and non-operating expenses (ΔNONOPX : 0.316, $t\text{-stat} = 4.94$). In contrast, we find no significant asymmetric response for revenue items (ΔREVI).

Panel B: Annual Stock Returns. The results are similar when using abnormal stock returns (ARET_{12m}) as the news measure. The coefficient on the interaction term, $\text{Neg ARET}_{12m} \times \text{Abs}(\text{ARET}_{12m})$, is positive and significant for ΔSOP (0.185, $t\text{-stat} = 2.04$). Again, this effect is concentrated in debit-side items (ΔEXPS : 0.351, $t\text{-stat} = 6.02$; ΔNONOPX : 0.335, $t\text{-stat} = 7.47$). This shows that poor underlying firm performance as captured by stock returns is associated with a greater disaggregation of expenses.

Panel C: Special Items. Panel C reports the results using Compustat special items as a direct proxy for significant, often non-recurring, economic events that managers must decide how to present. These findings provide some of the most direct support for H1. First, consistent with the principle of materiality, the magnitude of special items, $\text{Abs}(\text{Sp. Items})$, is strongly and positively associated with an increase in disaggregation. The coefficient is large and highly significant for total line items (ΔSOP : 3.151, $t\text{-stat} = 3.42$). As expected, this effect is concentrated almost entirely on the debit side of the income statement, specifically within total expenses (ΔEXPS : 2.502, $t\text{-stat} = 4.87$) and non-operating expenses (ΔNONOPX : 2.317, $t\text{-stat} = 6.12$), which is the section where items like restructuring charges or asset impairments are typically reported.

More importantly, we find evidence of the predicted asymmetric disclosure choice. The coefficient on the interaction term, $\text{Neg Sp. Items} \times \text{Abs}(\text{Sp. Items})$, is positive and significant for both ΔEXPS (1.162, $t\text{-stat} = 1.98$) and ΔNONOPX (0.893, $t\text{-stat} = 2.05$). This indicates that

the increase in expense disaggregation is significantly greater when the special item is negative (a charge or loss) compared to a positive special item (a gain) of the same magnitude. This result goes beyond a purely mechanical reporting requirement and suggests a strategic decision by managers to provide more granular detail to explain and contextualize significant adverse events. This evidence strongly aligns with our hypothesis that managers use disaggregation as a tool to provide context for bad news.

Panel D: Sales Changes. The results using the change in annual sales as the news proxy, presented in Panel D, offer a more nuanced perspective on disaggregation choices. While the overall pattern for total disaggregation (Δ SOP) aligns with our primary hypothesis—the coefficient on the interaction term $\text{Neg}\Delta \text{Sales} \times \text{Abs}(\Delta \text{Sales})$ is positive and significant (0.408, t-stat = 3.03)—the underlying drivers differ markedly from our other news measures. Specifically, the asymmetric response to negative sales news is driven by an increase in the disaggregation of credit-side items. The interaction term in the Δ REVI regression is positive and significant (0.122, t-stat = 2.61), indicating that managers provide more granular detail about their revenue streams when sales are declining. This is consistent with managers attempting to explain the source of the sales shortfall, for instance, by breaking out revenues by geography or product line to isolate the weakness.

In stark contrast to the results for earnings, returns, and special items, we do not find that falling sales lead to greater disaggregation of expenses. In fact, the coefficient on the interaction term in the Δ EXPS regression is negative and significant (-0.129, t-stat = -1.79), and it is insignificant for non-operating expenses (Δ NONOPX). A plausible explanation for this finding is that a significant decline in sales volume may lead to a corresponding simplification of a firm's operating and cost structure. As production or service delivery scales back, there may be fewer distinct variable cost categories or operational activities to report, leading to a more aggregated presentation of expenses. This result highlights that the nature of the economic news matters; unlike news that directly impacts profitability (e.g., special items), a top-line decline appears to

shift the focus of disaggregation toward explaining the revenue shortfall itself, while the expense side may become less detailed, possibly reflecting a simplification of underlying operations.

Collectively, the evidence in Table 6 provides strong support for H1. Managers appear to strategically increase the granularity of the income statement, particularly for expense and loss items, to provide context when faced with negative economic news. Disaggregation increases with the magnitude of news and responds more strongly to bad news, with the asymmetry concentrated on the debit side and especially non-operating expenses for earnings and returns news, targeted expense-side expansion for special items, and with broader statement restructuring under sales news. In Basu's asymmetric spirit, the positive coefficient on the interaction term $\text{Neg(News)} \times \text{Abs(News)}$ indicates greater “presentation sensitivity” to bad news, consistent with materiality and with managers using line-item granularity to separate and highlight items that depress current earnings but are plausibly transitory. The Basu-style piecewise-linear design provides a transparent and powerful test of asymmetric disclosure via presentation choices rather than recognition, yielding consistent in-sample support across four alternative news measures.

4.4. Earnings Persistence and Changes in Performance Disaggregation

Our second hypothesis (H2) posits that managers use disaggregation to communicate information about the persistence of earnings components. Specifically, we predict that an increase in disaggregation is a mechanism to highlight transitory items that are less likely to recur in the future. If this is true, we should observe that when managers increase the number of line items, particularly for non-operating expenses, the persistence of the non-operating component of earnings is lower.

Research Design for Earnings Persistence Tests

To test this prediction, we examine how the change in disaggregation affects the association between current earnings components and future firm performance. We employ a forecasting

model where one-year-ahead operating cash flow is regressed on current earnings components, conditional on the level of disaggregation. This approach is grounded in the extensive literature on earnings persistence, which examines the differential ability of earnings components to predict future performance (e.g., Richardson et al., 2005). We adapt the design to decompose total earnings into a core component and a non-operating component (Pro Forma Adj):

$$\text{GAAP Earnings} = \text{Operating Income} + \text{Pro Forma Adj} \quad (3)$$

Here, Operating Income represents the core, recurring component of earnings, which is expected to be highly persistent. Pro Forma Adj represents the non-operating, and often more transitory, component of earnings that managers often exclude in their non-GAAP metric.

A straightforward way to model the persistence of these two separate components would be:

$$\text{OCF}_{t+1} = \alpha_0 + \alpha_1 \text{Operating Income} + \alpha_2 \text{Pro Forma Adj} + \varepsilon, \quad (\text{Step One})$$

In this specification, the interpretation is simple: α_1 measures the persistence of Operating Income, and α_2 measures the persistence of Pro Forma Adj. Our hypothesis that non-operating items are more transitory than core earnings would be tested by examining whether $\alpha_1 > \alpha_2$. Following Richardson et al. (2005), the model used in this paper is an algebraic rearrangement of this more intuitive model. We can rearrange the identity from Step One to express Operating Income in terms of the other variables:

$$\text{Operating Income} = \text{GAAP Earnings} - \text{Pro Forma Adj}, \quad (\text{Step Two})$$

Now, we substitute this expression for Operating Income into the intuitive model from Step Two:

$$\text{OCF}_{t+1} = \alpha_0 + \alpha_1 (\text{GAAP Earnings} - \text{Pro Forma Adj}) + \alpha_2 \text{Pro Forma Adj} + \varepsilon$$

By grouping the Pro Forma Adj. terms together, we arrive at:

$$\text{OCF}_{t+1} = \alpha_0 + \alpha_1 \text{GAAP Earnings} + (\alpha_2 - \alpha_1) \text{Pro Forma Adj} + \varepsilon$$

Expressing $\beta_1 = \alpha_1$ and $\beta_2 = \alpha_2 - \alpha_1$, we have

$$OCF_{t+1} = \beta_0 + \beta_1 \text{GAAP Earnings} + \beta_2 \text{Pro Forma Adj} + \varepsilon, \quad (4)$$

which is our baseline model for testing the persistence of earnings components. Here, the coefficient on Pro Forma Adj, $\beta_2 = \alpha_2 - \alpha_1$, is not the absolute persistence of that component (α_2), but rather the difference between the persistence of the pro forma adjustment component (α_2) and the persistence of the core operating income component (α_1).

Expanding the baseline model and interacting with our variable of interest, our regression model is specified as follows:

$$\begin{aligned} OCF_{t+1} = & \beta_0 + \beta_1 \text{GAAP Earnings} + \beta_2 \text{Pro Forma Adj} \\ & + \beta_3 \Delta \text{Disagg} \times \text{GAAP Earnings} \\ & + \beta_4 \Delta \text{Disagg} \times \text{Pro Forma Adj} + \text{Controls} + \varepsilon \end{aligned} \quad (5)$$

The dependent variable is one-year-ahead operating cash flow (OCF_{t+1}), a proxy for future economic performance. The key independent variables are GAAP Earnings and Pro Forma Adj (defined as GAAP earnings less operating income), which captures non-operating and potentially transitory items. In this specification, the coefficient of GAAP Earnings (β_1) captures the persistence of the core (operating) earnings component, while the coefficient of Pro Forma Adj. (β_2) captures the incremental persistence of the non-operating adjustments. We interact these two earnings components with indicator variables representing quartiles of the year-over-year change in disaggregation (ΔDisagg), which are dummy variables representing quartiles of the change in disaggregation (ΔSOP , ΔEXPS , etc.).

Our test of H2 centers on the coefficient of $\Delta \text{Disagg} \times \text{Pro Forma Adj}$. (β_4). We predict that β_4 will be negative, particularly for the highest quartile of disaggregation change. A negative coefficient would imply that when managers substantially increase the number of line items, the non-operating components of earnings have significantly lower persistence (i.e., are less predictive of future cash flows). This finding would be consistent with managers using disaggregation

to signal the transitory nature of these items.

Empirical Results of Earnings Persistence Tests

Table 7 presents the results of the earnings persistence tests. Panel A shows the persistence of total GAAP earnings conditional on disaggregation changes, while Panels B and C present the main test by comparing the persistence of GAAP earnings with earnings components.

[INSERT TABLE 7 AROUND HERE]

Persistence of GAAP Earnings. Panel A provides an initial test of our hypothesis by examining the persistence of the aggregate GAAP Earnings number, conditional on the change in income statement disaggregation. The model regresses one-year-ahead operating cash flow (OCF_{t+1}) on current GAAP Earnings, an interaction term between GAAP Earnings and dummies for quartiles of disaggregation change, and control variables.

$$OCF_{t+1} = \beta_0 + \beta_1 \text{GAAP Earnings} + \beta_2 \text{Pro Forma Adj.} \\ + \beta_3 \Delta \text{Disagg} \times \text{GAAP Earnings} + \text{Controls} + \varepsilon$$

If an increase in disaggregation is used to highlight transitory, earnings-depressing items, then we would expect the overall GAAP earnings figure in such periods to be a less reliable predictor of future performance. This translates to a prediction of a negative coefficient on the interaction term $G\text{Disagg}=4 \times \text{GAAP Earnings}$.

Column (1) presents the baseline model without interactions. The coefficient on GAAP Earnings is 0.730 and is highly significant (t-stat = 49.10), indicating that, on average, a one-dollar increase in current earnings is associated with a 73-cent increase in next year's operating cash flow. This confirms the well-established persistence of earnings. The subsequent columns introduce the interactions with quartiles of disaggregation change. The results strongly support our prediction. Focusing on the firms with the largest increases in disaggregation (the fourth quartile, $G\text{Disagg}=4$), we find a significant reduction in earnings persistence when the disaggre-

gation is concentrated in expense items.

In Column (4), which uses the change in total expense items (ΔEXPS), the coefficient on the interaction term $\text{GDisagg}=4 \times \text{GAAP Earnings}$ is -0.102 and highly significant (t-stat = -2.97). This indicates that for firms in the highest quartile of expense disaggregation, the persistence of their GAAP earnings is substantially lower. The total persistence for this group is the sum of the baseline coefficient and the interaction term ($0.753 - 0.102 = 0.651$), a notable decrease from the baseline.

The effect is even more pronounced when we examine the change in non-operating expenses (ΔNONOPX) in Column (6). Here, the coefficient on the interaction term $\text{GDisagg}=4 \times \text{GAAP Earnings}$ is -0.111 (t-stat = -4.17). For firms that most aggressively increase the granularity of their non-operating expenses, the persistence of their total GAAP earnings falls by 11.1 cents for every dollar, from a baseline of 0.761 to 0.650. This strong negative association provides compelling evidence that the separate line items being added are indeed transitory in nature and reduce the predictive ability of the aggregate earnings number.

Importantly, this effect is specific to expense disaggregation. As shown in Column (3), there is no statistically significant change in earnings persistence for firms that increase the disaggregation of revenue-side items (ΔREVI). This reinforces the interpretation that managers are using expense-line disaggregation, not revenue-line disaggregation, as the primary channel to communicate information about temporary negative shocks to performance.

In summary, the results in Panel A provide preliminary evidence consistent with H2. The finding that GAAP earnings persistence declines when firms significantly increase the disaggregation of their expenses suggests that these disaggregated figures contain value-relevant information about the transitory nature of reported earnings.

Persistence of Pro Forma Adjustments Relative to that of GAAP Earnings. Panel B is particularly relevant for testing H2. The model regresses future operating cash flow (OCF_{t+1}) on current GAAP Earnings, Pro Forma Adj., and their interactions with indicators for quartiles

of disaggregation changes. The baseline regression in Column (1) shows that, on average, both earnings components are persistent, though Pro Forma Adj. is significantly less so (-0.763 vs. 0.829 for GAAP Earnings).

Columns (2) through (7) introduce the interactions. Focusing on Column (6), which uses the change in non-operating expenses (ΔNONOPX) to form quartiles, we find strong support for H2. The coefficient on the interaction between the highest quartile of ΔNONOPX and Pro Forma Adj. is negative and significant (-0.131, t-stat = -2.32). This indicates that when firms substantially increase the number of non-operating expense line items, the persistence of their pro forma adjustments (non-operating components) is significantly lower. In other words, the disaggregated items are indeed more transitory. The effect is also present, though weaker, for total disaggregation (ΔSOP) and total expense disaggregation (ΔEXPS).

These results suggest that managers use the disaggregation of non-operating expenses as a tool to signal that certain negative earnings components are not expected to persist. By separating these items, they help investors to better forecast future performance based on the more persistent core operating earnings.

Persistence of Operating Income Relative to that of GAAP Earnings. Panel C offers a complementary and powerful test of the same underlying hypothesis by decomposing GAAP earnings differently. Here, we specify the model with both GAAP Earnings and Operating Income as independent variables. Our hypothesis remains the same: an increase in disaggregation, particularly of non-operating expenses, should be associated with a decrease in the persistence of the non-operating component of earnings. This predicts a negative coefficient on the interaction term $\text{GDisagg} = 4 \times \text{GAAP Earnings}$.

The results in Panel C provide strong corroborating evidence for our hypothesis. First, the baseline model in Column (1) shows that the persistence of the non-operating component (GAAP Earnings coefficient) is 0.144, while the incremental persistence of core earnings (Operating Income coefficient) is a substantial 0.691. This confirms that core operating income is

significantly more persistent than the non-operating items.

The key tests are the interactions in the subsequent columns. In Column (6), where we examine changes in non-operating expense disaggregation (ΔNONOPX), we find a negative and statistically significant coefficient on the interaction term $\text{GDisagg}=4 \times \text{GAAP Earnings}$ of -0.115 ($t\text{-stat} = -2.33$). This is our primary result in this panel. It indicates that for the firms that most significantly increase their non-operating expense line items, the already low persistence of their non-operating earnings component is further reduced. The total persistence for this group falls to near zero ($0.171 - 0.115 = 0.056$), effectively signaling that these disaggregated items are highly transitory.

Furthermore, we observe a positive and significant coefficient on the corresponding interaction with core earnings, $\text{GDisagg}=4 \times \text{Operating Income}$ (0.085 , $t\text{-stat} = 1.74$). This complementary finding implies that when managers disaggregate non-operating expenses, the gap in persistence between core operating income and the non-operating items widens. In essence, the act of disaggregation appears to successfully “purify” the core earnings number, enhancing its perceived persistence relative to the now-isolated transitory components.

In summary, the results from Panel C reinforce the conclusions from Panel B. By using an alternative but theoretically consistent earnings decomposition, we again find that an increase in the disaggregation of non-operating expenses is associated with a significant decline in the persistence of the non-operating earnings that contain those items. This is consistent with managers using the layout of the income statement as a strategic tool to communicate their private information about the transitory nature of certain earnings components.

4.5. Non-GAAP Exclusion and Performance Disaggregation

Hypothesis 2 also predicts that income statement disaggregation and non-GAAP reporting are complementary disclosure choices. Managers use non-GAAP adjustments to exclude items they deem non-recurring or transitory. These are often the same items that warrant separate line-item presentation on the GAAP income statement. We therefore predict a positive association

between the use of non-GAAP exclusions and the level of income statement disaggregation.

Research Design for Non-GAAP Metrics Tests

We test this prediction with a regression of the change in disaggregation on indicators of non-GAAP reporting activity:

$$\begin{aligned} \Delta\text{Disaggregation} = & \beta_0 + \beta_1 \text{MGR Exclude} + \text{Controls} \\ & + \text{Year FE} + \text{Industry FE} + \varepsilon \end{aligned} \quad (6)$$

The dependent variables are our standard set of $\Delta\text{Disaggregation}$ measures. The key independent variable, MGR Exclude, is an indicator equal to one if the firm reports a non-GAAP earnings figure in its earnings press release. A positive coefficient on MGR Exclude would indicate that firms reporting non-GAAP earnings are also more likely to increase the disaggregation of their income statements. In Panel B, we further explore this by examining the "aggressiveness" of the non-GAAP exclusion, measured by the difference between manager-provided non-GAAP earnings and street non-GAAP earnings (FirmStrGap), predicting that more aggressive exclusions are associated with greater disaggregation.

Empirical Results of Non-GAAP Metrics Tests

Table 8 presents the results. Panel A tests the association with the simple indicator for non-GAAP reporting. Contrary to a simple complementary story, the coefficient on MGR Exclude is not significantly positive for the overall change in line items (ΔSOP). However, a more nuanced picture emerges when we examine the components of disaggregation. The coefficient is positive and significant for the change in non-operating expenses (ΔNONOPX : 0.039, t-stat = 2.24) and negative for non-operating income (ΔNONOPI : -0.013, t-stat = -1.84).

[INSERT TABLE 8 AROUND HERE]

This suggests a specific form of coordination: firms that report non-GAAP metrics in their earnings announcement are simultaneously expanding the detail of non-operating expenses on

the income statement. This is consistent with managers using both channels to highlight specific, often transitory, charges that are being excluded from their preferred performance metric. The results in Panel B, using the aggressiveness measure FirmStrGap, reinforce this finding. The coefficient on FirmStrGap is positive and significant for ΔNONOPX (0.504, t-stat = 2.21), suggesting that firms making larger positive adjustments to their non-GAAP figures (i.e., excluding more expenses) also tend to provide more detail on those non-operating expenses in the income statement.

Overall, the evidence supports the idea that income statement disaggregation and non-GAAP reporting are related strategies managers use to provide context around earnings components they wish to highlight as transitory.

4.6. Changes of Performance Disaggregation and Net Insider Trading After Form 10-K

Our final hypothesis (H3) posits that if managers increase disaggregation to convey private information that earnings-reducing items are transitory, their trading behavior should reflect this belief. Specifically, an increase in disaggregation should be associated with less insider selling (or more buying), as managers would anticipate a future stock price recovery once the market understands the temporary nature of the reported expenses.

Research Design for Insider Trading Tests

To test H3, we examine the association between changes in disaggregation and net insider trading in the 30-day window following the Form 10-K filing. The prediction is tested using the following model:

$$\begin{aligned} \text{Insider Trading, pos-10K} = & \beta_0 + \beta_1 \Delta\text{Disagg} + \beta_2 \text{Insider Trading, pre-10K} \\ & + \text{Controls} + \text{Year FE} + \text{Industry FE} + \varepsilon \end{aligned} \quad (7)$$

The dependent variable is Insider Net BP, pos-10K, which measures shares purchased minus shares sold by insiders, scaled by shares outstanding. A positive value indicates net buying. The key independent variable is the change in disaggregation (ΔSOP , ΔEXPS , etc.). H3 predicts a

positive coefficient on ΔDisagg , implying that greater increases in disaggregation are associated with more net insider buying (or less net selling). The model controls for pre-filing insider trading (Insider Net BP, pre-10K), earnings news (Earnings Change), and other firm characteristics known to influence trading.

Empirical Results of Insider Trading Tests

Table 9 presents the regression results. Panel A uses net trading in basis points as the dependent variable, while Panel B uses the net dollar value (in thousands) of trades. The results in both panels provide strong support for H3.

[INSERT TABLE 9 AROUND HERE]

In Panel A, Column 1, the coefficient on the change in total line items (ΔSOP) is positive and highly significant (0.021, t-stat = 3.61). This indicates that when firms increase the number of line items on their income statement, insiders tend to sell fewer shares (or buy more) in the month after the filing. This finding is robust across the different disaggregation measures. The association is particularly strong for changes in debit-side items (ΔEXPS : 0.033, t-stat = 3.38) and non-operating expenses (ΔNONOPX : 0.045, t-stat = 3.68). This aligns perfectly with our theory that managers disaggregate these specific items to signal their transitory nature.

The results in Panel B, which use the thousand-dollar value of net trading, tell the same story. The coefficient on ΔSOP is positive and significant (9.109, t-stat = 3.29), as are the coefficients on ΔEXPS (15.834, t-stat = 3.67) and ΔNONOPX (15.963, t-stat = 2.93). The economic magnitude is notable; an increase in non-operating expense items is associated with significantly fewer dollars of net insider sales.

Taken together, our evidence is consistent with managers using disaggregation to credibly signal their private information. When they expand the income statement to detail negative items, they are not simply disclosing bad news; they are also signaling a belief that these items are transitory, a belief they back up by refraining from selling their own stock.

5. Conclusion

This study examines managerial discretion in income statement disaggregation using XBRL presentation data. We find that firms increase disaggregation asymmetrically in response to negative economic news, with a focus on debit-side items (e.g., non-operating expenses) when profitability weakens and credit-side revenue items during sales declines. Persistence tests confirm that disaggregated non-operating expenses are more transitory, suggesting managers use granularity to signal earnings persistence. This strategy aligns with non-GAAP reporting and is associated with reduced insider stock sales, indicating credibility.

These findings suggest that managers use income statement structure strategically to convey private information, consistent with asymmetric disclosure theories (Armstrong et al., 2016; Ebert et al., 2017). For investors, the granularity of income statements offers a signal to distinguish persistent from transitory earnings, aiding forecasting (Ohlson, 1999). For regulators, our results highlight the interplay between mandatory presentation and voluntary disclosures, which shapes earnings quality assessments.

However, our study has limitations. First, our measure of disaggregation (number of line items) may oversimplify presentation choices, potentially missing nuances in item salience or hierarchy. Second, the correlational design limits causal inferences; unobservable factors like firm complexity may drive both news and disaggregation. Third, our focus on U.S. firms post-2009 XBRL mandate may limit generalizability to other reporting regimes. Future research could address these by exploring weighted disaggregation measures, causal identification strategies, or international settings.

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Appendix A: Example of Statement of Operations (GE 2013)

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Company	General Electric Company			Period	20230101–20131231
section	account_type	plabel	tag	value_in_million_usd	
				debit	credit
REV_COGS_GP	REV	Sales of goods	SalesRevenueGoodsNet		71,873
REV_COGS_GP	REV	Sales of services	SalesRevenueServicesNet		28,669
INT_NONOP_EBT	NONOP_INC_EXP	Other income	NonoperatingIncomeExpense		3,108
	OTHER	GECC earnings from continuing operations	GE:SubsidiaryEarningsFrom-ContinuingOperations		-
REV_COGS_GP	REV	GECC revenues from services	FinancialServicesRevenue		42,395
REV_COGS_GP	REV	Total revenues and other income	Revenues		146,045
REV_COGS_GP	COGS	Cost of goods sold	CostOfGoodsSold	57,867	
REV_COGS_GP	COGS	Cost of services sold	CostOfServices	19,274	
INT_NONOP_EBT	INT_EXP	Interest and other financial charges	GE:InterestAndOtherFinancialCharges	10,116	
OP_EXP_OP_INC	OP_EXP	Investment contracts, insurance losses and insurance annuity benefits	GE:InvestmentContractsInsuranceLosses-AndInsuranceAnnuityBenefits	2,676	
INT_NONOP_EBT	SPI	Provision for losses on financing receivables	ProvisionForLoanAndLeaseLosses	4,818	
INT_NONOP_EBT	NONOP_EXP	Other costs and expenses	GE:CostAndExpensesOther	35,143	
INT_NONOP_EBT	NONOP_EXP	Total costs and expenses	CostsAndExpenses	129,894	
INT_NONOP_EBT	PRE_TAX	Earnings (loss) from continuing operations before income taxes	IncomeLossFromContinuingOperations-BeforeIncomeTaxesExtraordinaryItems-NoncontrollingInterest		16,151
TAXES_NI_DISCO_MIN	TAX_EXP	Benefit (provision) for income taxes	IncomeTaxExpenseBenefit	676	
TAXES_NI_DISCO_MIN	EARN	Earnings from continuing operations	IncomeLossFromContinuingOperations-IncludingPortionAttributableTo-NoncontrollingInterest		15,475
TAXES_NI_DISCO_MIN	DISCO	Earnings (loss) from discontinued operations, net of taxes	IncomeLossFromDiscontinuedOperations-NetOfTax		(2,120)
TAXES_NI_DISCO_MIN	EARN	Net earnings (loss)	ProfitLoss		13,355

TAXES_NI_DISCO_MIN	MIN_INT	Less: net earnings (loss) attributable to noncontrolling interests	NetIncomeLossAttributableTo-NoncontrollingInterest	298
TAXES_NI_DISCO_MIN	EARN	Net earnings (loss) attributable to the Company	NetIncomeLoss	13,057
TAXES_NI_DISCO_MIN	PRFD	Preferred stock dividends declared	PreferredStockDividends-IncomeStatementImpact	-
TAXES_NI_DISCO_MIN	EARN	Net earnings (loss) attributable to GE common shareowners	NetIncomeLossAvailableTo-CommonStockholdersBasic	13,057
TAXES_NI_DISCO_MIN	EARN	Earnings (loss) from continuing operations	IncomeLossFromContinuingOperations	15,177
TAXES_NI_DISCO_MIN	DISCO	Earnings (loss) from discontinued operations, net of taxes	IncomeLossFromDiscontinuedOperations-NetOfTaxAttributableToReportingEntity	(2,120)
TAXES_NI_DISCO_MIN	EARN	Net earnings (loss) attributable to the Company	NetIncomeLoss	13,057

Source: <https://www.sec.gov/Archives/edgar/data/40545/000004055414000023/geform10k2013.htm>

Appendix B: Variable Definitions

Variable Definitions

Income Statement Decomposition Variables

SOP	The number of all income statement (Statement of Performance) items other than in the EPS section.
Δ SOP	The change relative to the previous year in the number of all income statement (Statement of Performance) items other than in the EPS section.
REVI	The number of credit-side income statement items, such as revenues, income, and gains.
Δ REVI	The change relative to the previous year in the number of credit-side income statement items, such as revenues, income, and gains.
EXPS	The number of debit-side income statement items, such as costs, expenses, provisions, and losses.
Δ EXPS	The change relative to the previous year in the number of debit-side income statement items, such as costs, expenses, provisions, and losses.
SOPO	The number of other income statement items that can have either debit-side or credit-side balance.
Δ SOPO	The change relative to the previous year in the number of other income statement items that can have either debit-side or credit-side balance.
NONOPX	The number of debit-side income statement items in the non-operating section, such as interest expense, other non-operating expenses and special items.
Δ NONOPX	The change relative to the previous year in the number of debit-side income statement items in the non-operating section, such as interest expense, other non-operating expenses and special items.
NONOPI	The number of credit-side income statement items in the non-operating section, such as interest income, other non-operating income.
Δ NONOPI	The change relative to the previous year in the number of credit-side income statement items in the non-operating section, such as interest income, other non-operating income.
GDisagg	Indicator variables for the quartiles of the year-over-year change in a disaggregation measure (e.g., Δ SOP, Δ EXPS). GDisagg=4 represents the highest quartile. (further SOP sections and account types defined in Appendix C)

Firm-level Economic News Variables

Δ Earnings	random-walk earnings surprise based on Compustat.
Earnings Surprise	IBES earnings surprise.
$ARET_{12m}$	Annualized stock returns net of weighted-average market returns from 3 to 15 months relative to fiscal year beginning month.
Sp. Items	Special Items (Compustat item: SPI) scaled by lagged assets (Compustat item: AT). [to be renamed].

Variable Definitions—Continued

Management Pro Forma (Non-GAAP) Performance Metrics Variables

MGR Exclude	An indicator variable taking value 1 if there is non-gaap performance measure in the annual earnings announcement press release from Form 8-K , and 0 otherwise. Data from Bentley et al. (2018) and updated till 2020.
FirmStrGap	Firm's pro forma earnings less Street Non-GAAP from IBES actual.
Pos. FirmStrGap	An indicator variable taking value 1 if the manager's non-gaap performance measure is higher than I/B/E/S street earnings from the I/B/E/S actual file., 0 if lower, and missing if the manager does not have non-gaap performance measure on the annual earnings announcement press release from Form 8-K.

Insider trading variables

Insider Net BP, pre-10K	LSEG Thomson Reuters insider trading table 1 data, daily shares bought minus sold by insiders (TFN.TABLE1: SHARES where TRANCODE is 'P' or 'S' respectively), over the window of [-30, -1] days relative to Form 10-K filing day, divided by the number of shares outstanding (CRSP: SHROUT) scaled in basis points, with same ROLECODES for insider Net K\$ Post 1m.
Insider Net BP, pos-10K	LSEG Thomson Reuters insider trading table 1 data, daily shares bought minus sold by insiders (TFN.TABLE1: SHARES where TRANCODE is 'P' or 'S' respectively), over the window of [0, 29] days relative to Form 10-K filing day, divided by the number of shares outstanding (CRSP: SHROUT) scaled in basis points, with same ROLECODES for insider Net K\$ Post 1m.
Insider Net K\$, pre-10K	LSEG Thomson Reuters insider trading table 1 data, thousand dollars of bought net of sold by insiders (TFN.TABLE1: SHARES times TPRICE where TRANCODE is 'P' or 'S'), over the window of [-30, -1] days relative to Form 10-K filing day, with same ROLECODES for insider Net K\$ Post 1m.
Insider Net K\$, pos-10K	LSEG Thomson Reuters insider trading table 1 data, thousand dollars of bought net of sold by insiders (TFN.TABLE1: SHARES times TPRICE where TRANCODE is 'P' or 'S'), over the window of [0, 29] days relative to Form 10-K filing day, with insiders defined officers and directors (TFN.TABLE1: ROLECODE1 being 'CEO', 'D', 'H', 'DO', 'OD', 'VC', 'OB', 'OP', 'OX', 'CB', 'AV', 'CFO', 'CI', 'CO', 'CP', 'EVP', 'OX', 'P', 'S', 'SVP', or 'VP')

Firm-level Control Variables

ARC	The number of unique XBRL tags with numeric value in Form 10-K with XBRL (Hoitash and Hoitash, 2018).
DQ	The number of non-missing items in Compustat Fundamental annual file (Chen et al., 2015).
Non-Missing(SPI)	An indicator variable taking value 1 if Special Items (Compustat item: SPI) is not missing, and 0 otherwise.
Log Assets	The natural logarithm of total assets (Compustat item: AT).
Capital Intensity	Property, plant, and equipment as percentage of total assets (Compustat items: PPENT/AT).
Intangible Intensity	Intangible assets as a percentage of total assets (Compustat items: INTAN/AT).
Op. Cycle	Log-transformed sum of days inventory outstanding and receivables outstanding, where either is set to 0 if missing; (Compustat items: $[365/(\text{COGS}/(\text{INVT}+\text{INVT1})/2))] + [365/(\text{SALE}/(\text{RECD} + \text{RECD lag}/2))]$).

Variable Definitions—Continued

Merger	Indicator variable taking value 1 if the firm underwent M&A activity during the current or prior year, as reported by Compustat (positive value of Compustat item: AQS); 0 otherwise.
Leverage	Debt to assets ratio (Compustat item: $(DLC + DLTT) / AT$).
S.D. (Ret)	Standard deviation of daily stock returns (CRSP DSF item: RET) from 3 to 15 months relative to fiscal year beginning month.
Log Age	The log of the current year minus the first year with available data in Compustat.
Log Segments	The log of the number of unique business segments based on Compustat Historical Segment file (WRDS_SEGMERGED.STYPE being 'BUSSEG' or 'OPSEG').
Big Auditor	An indicator variable equal to 1 when rm is auditor in year t is Big-4 auditors Deloitte & Touche, Ernst & Young, KPMG, or PWC (Compustat item: AU no higher than 8) , and 0 otherwise.

Appendix C: Section and Account Types of Income Statements

The Income Statement (formally known as Statement of Operations or SOP in the U.S. GAAP) is structured into five key sections. Below is a tabular summary of these sections, their codes, and the associated account types with examples.

Table C.1: Summary of Statement of Operations Sections and Account Types

Section	Section Name (Code)	Account Type	Example XBRL Tags
1	REV_COGS_GP Top Section: Revenue, Cost of Goods Sold, Gross Profit	REV	Revenues, RevenueFromContractWithCustomerExcludingAssessedTax, SalesRevenueNet, SalesRevenueGoodsNet, RevenueFromContractWithCustomer
		COGS	CostOfGoodsAndServicesSold, CostOfRevenue, CostOfGoodsSold, CostOfServices
		GP	GrossProfit, GrossMargin
2	OP_EXP_OP_INC Middle Section I: Operating Expenses and Operating Income	OP_EXP	OperatingExpenses, SellingGeneralAndAdministrativeExpense, ResearchAndDevelopmentExpense, DepreciationDepletionAndAmortization, ProvisionForDoubtfulAccounts, BusinessCombinationAcquisitionAndIntegrationCosts, MarketingExpense, AdvertisingExpense
		OP_INC	OperatingIncomeLoss, IncomeLossFromContinuingOperations, IncomeLossFromOperations

Table C.1: Summary of Statement of Operations Sections and Account Types

Section	Section Name (Code)	Account Type	Example XBRL Tags
3	Middle Section II: Non-Operating In- come/Expense & Earnings Before Tax	INT_NONOP_EBT	InterestIncome, InterestRevenue, InterestAndOtherIncome, OtherInterestAndDividendIncome, InterestIncomeOther, OtherOperatingIncome
		INT_INC	InterestExpense, InterestCost, InterestExpenseBenefit
		INT_EXP	BusinessCombinationAcquisitionRelatedCosts, CostsAndExpenses, OtherExpense
		NONOP_EXP	NonoperatingIncomeExpense, IncomeLossFromEquityMethodInvestments, GainLossOnSaleOfOtherAssets, GainLossOnInvestments,
		NONOP_INC_EXP	BusinessCombinationAcquisitionRelatedCosts, GainsLossesOnExtinguishmentOfDebt, OtherIncome, OtherNonoperatingIncome, OtherExpense
		NONOP_INC	OtherIncome, OtherNonoperatingIncome
		SPI	ImpairmentOfInvestments, AssetImpairmentCharges, RestructuringCosts, GainLossOnSaleOfOtherAssets, GainLossOnDispositionOfAssets

Table C.1: Summary of Statement of Operations Sections and Account Types

Section	Section Name (Code)	Account Type	Example XBRL Tags
4	Bottom Section: Income Taxes, Net Income, Minority Interest	PRE_TAX	IncomeLossFromContinuingOperations... ...BeforeIncomeTaxesExtraordinaryItemsNoncontrollingInterest, IncomeLossFromContinuingOperationsBeforeIncomeTaxes
		TAX_EXP	IncomeTaxExpenseBenefit, IncomeTaxesPaid, IncomeTaxesPaidNet
		DISCO	Discontinued Operations
		MIN_INT	NetIncomeLossAttributableToNoncontrollingInterest, IncomeLossAttributableToNoncontrollingInterest
		PRFD	PreferredDividends
		EARN	NetIncomeLoss, ProfitLoss, NetIncomeLossAvailableToCommonStockholdersBasic
		CI	ComprehensiveIncomeNetOfTax, ComprehensiveIncomeLossAttributableToParent
		EPS	EarningsPerShareBasic, EarningsPerShareDiluted, WeightedAverageNumberOfSharesOutstandingBasic, WeightedAverageNumberOfDilutedSharesOutstanding
	EPS Section (Excluded)		

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Explanations

The **Top Section (REV_COGS_GP)** captures the core revenue-generating activities of the business and the direct costs associated with producing goods or services. Revenue (REV) represents income from primary business activities, such as sales of goods or services. Cost of Goods Sold (COGS) includes direct costs like materials and labor. Gross Profit (GP) is calculated as Revenue minus Cost of Goods Sold, indicating the profit before operating expenses.

The **Middle Section I (OP_EXP_OP_INC)** focuses on the costs of running the business and the resulting operating income. Operating Expenses (OP_EXP) are

costs incurred during normal operations, excluding COGS, such as selling, general, and administrative expenses. Operating Income (OP_INC) is the profit from core operations, derived from Gross Profit minus Operating Expenses.

The **Middle Section II (INT_NONOP_EBT)** includes income and expenses from non-core activities and the resulting earnings before taxes. Interest Income (INT_INC) is earned from investments. Interest Expense (INT_EXP) represents costs of borrowed funds. Non-Operating Expense (NONOP_EXP), Non-Operating Income (NONOP_INC) and Non-Operating Income/Expense (NONOP_INC_EXP) covers secondary activities. Special Items (SPI) are unusual or nonrecurring items. Earnings Before Tax (PRE_TAX) is the profit before income taxes.

The **Bottom Section (TX_NI_DISCO_MIN)** accounts for taxes, net income, and adjustments. Income Taxes (TAX_EXP) include current and deferred taxes. Discontinued Operations (DISCO) reflect gains or losses from ceased segments. Minority Interest (MIN_INT) is the portion attributable to non-controlling interests. Preferred Dividends (PRFD) are payments to preferred stockholders. Earnings (EARN) is the profit for common stockholders. Comprehensive Income (CI) includes net
44 income plus other items.

The **EPS Section (EPS)** reports earnings metrics. Earnings Per Share (EPS) measures profit per share of common stock, both basic and diluted. This section is excluded from the analysis because it is at a different scale and is relatively standard.

The Statement of Operations is organized into these four sections (except for the EPS Section), each reflecting a stage of financial performance calculation: from revenue and direct costs to gross profit, operating activities, non-operating items, taxes and finally bottom-line net income/loss.

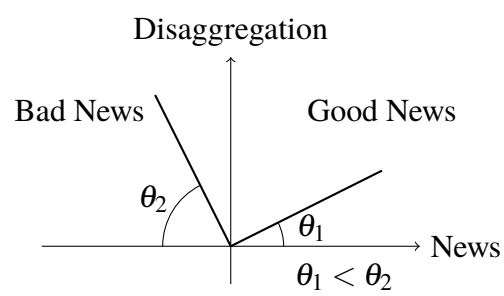


Figure 1: Economic News and Disclosure Disaggregation

Distribution of SOP

Histogram with Kernel Density Estimate (KDE)

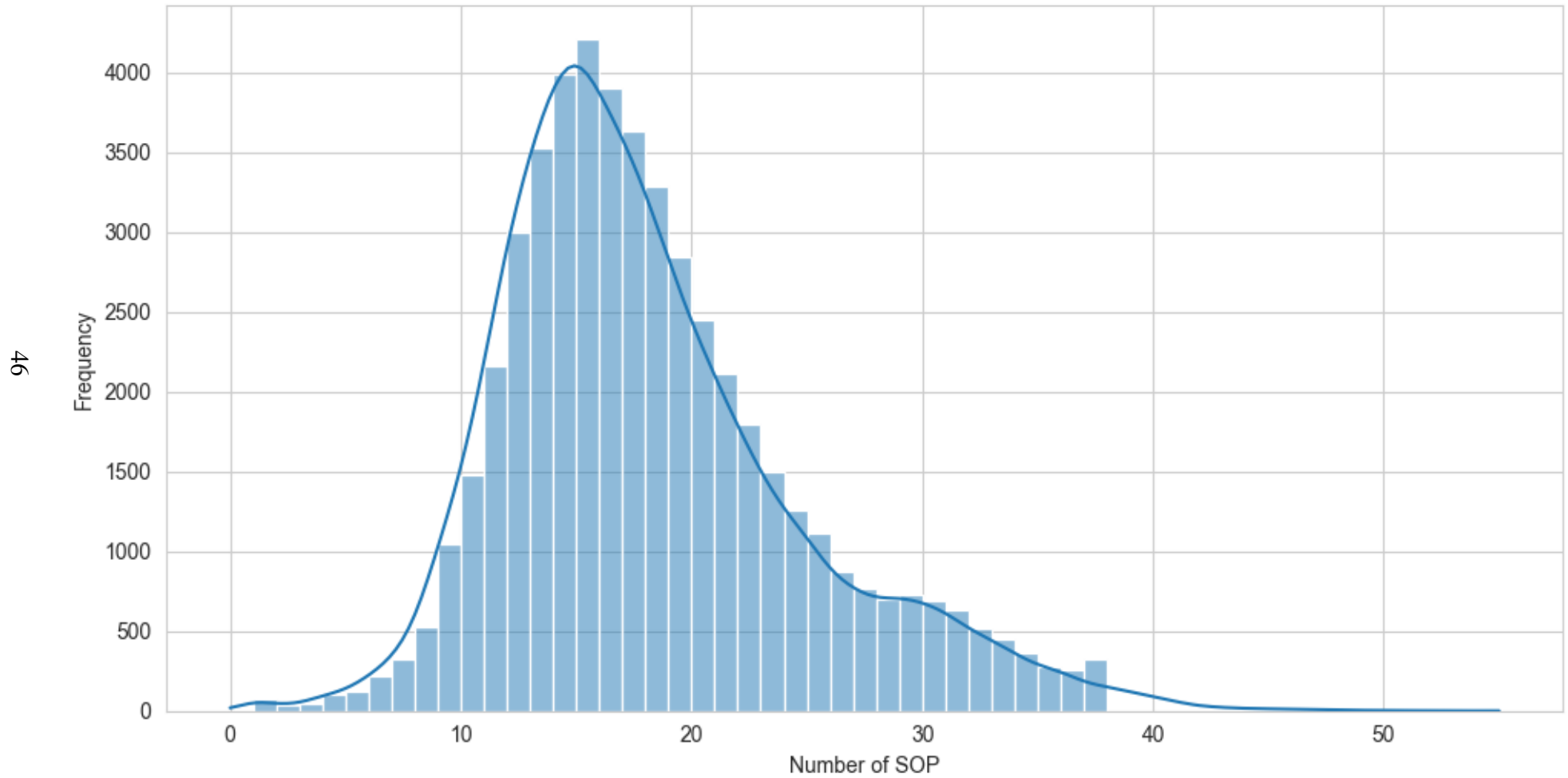


Figure 2A: Histogram of Income Statement Items

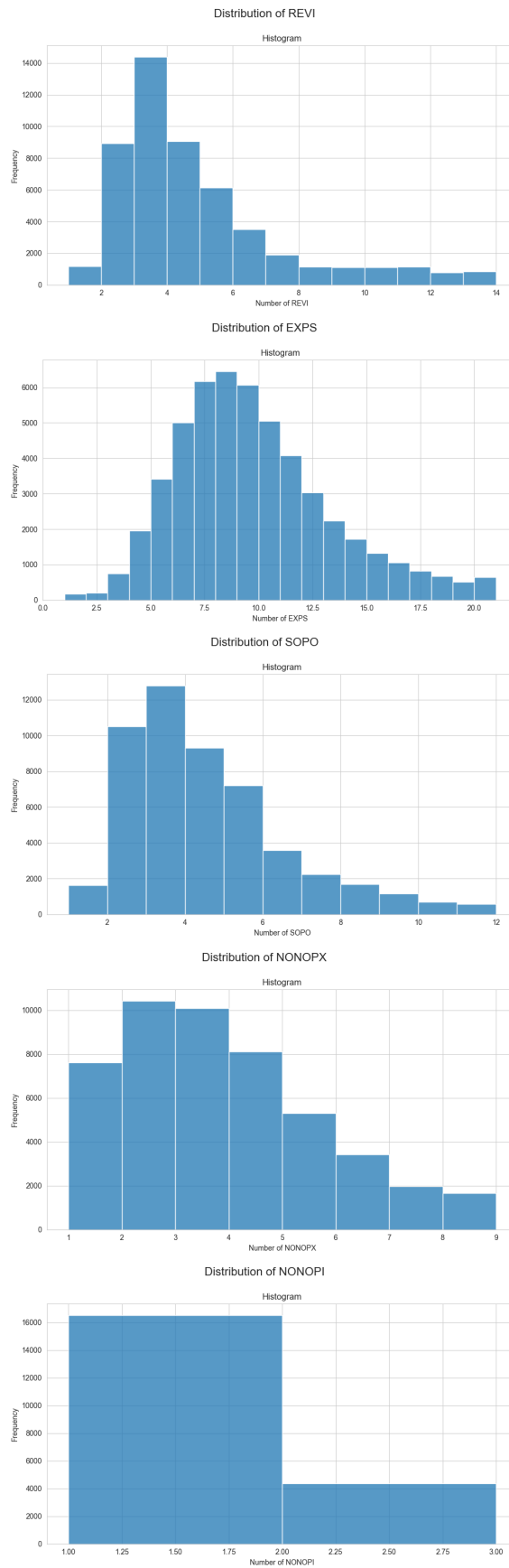


Figure 2B: Histogram of Income Statement Items by Balance Type

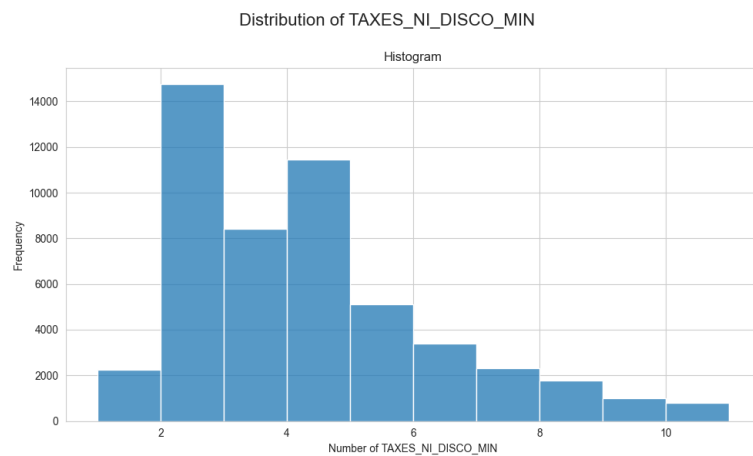
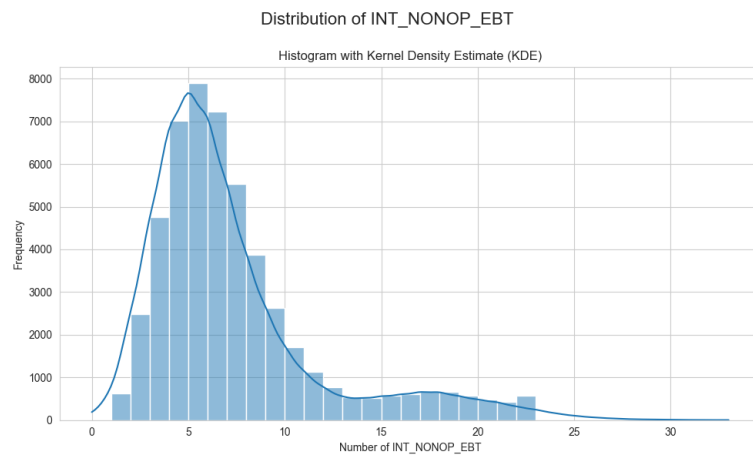
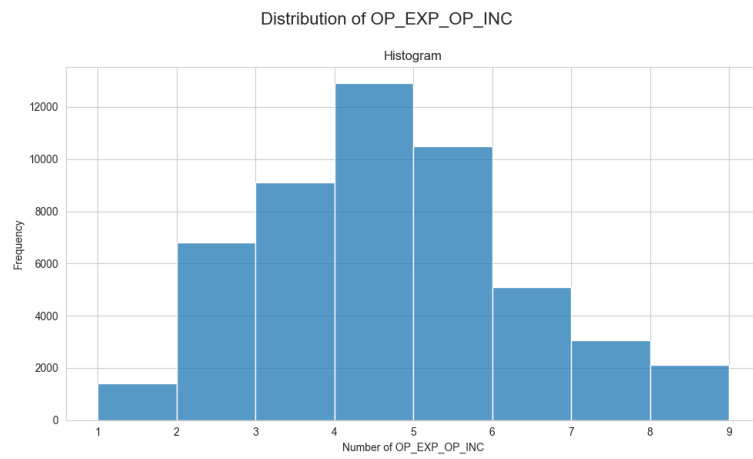
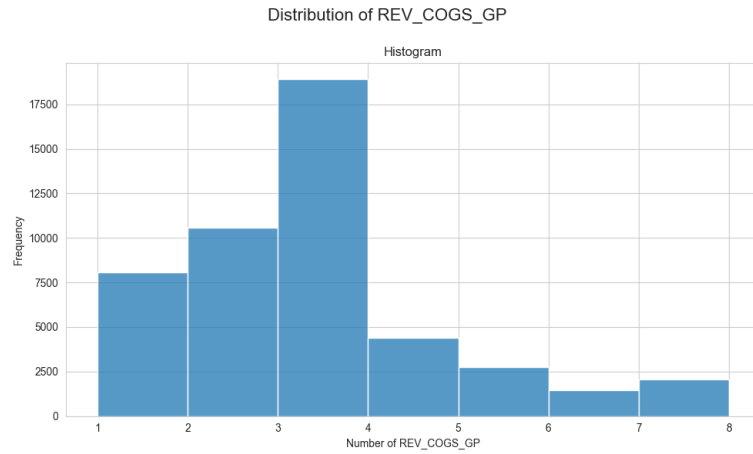


Figure 2C: Histogram of Income Statement Items by Sections

Bad News Associated with a Targeted and Significant Asymmetric Increase in Expense Disaggregation

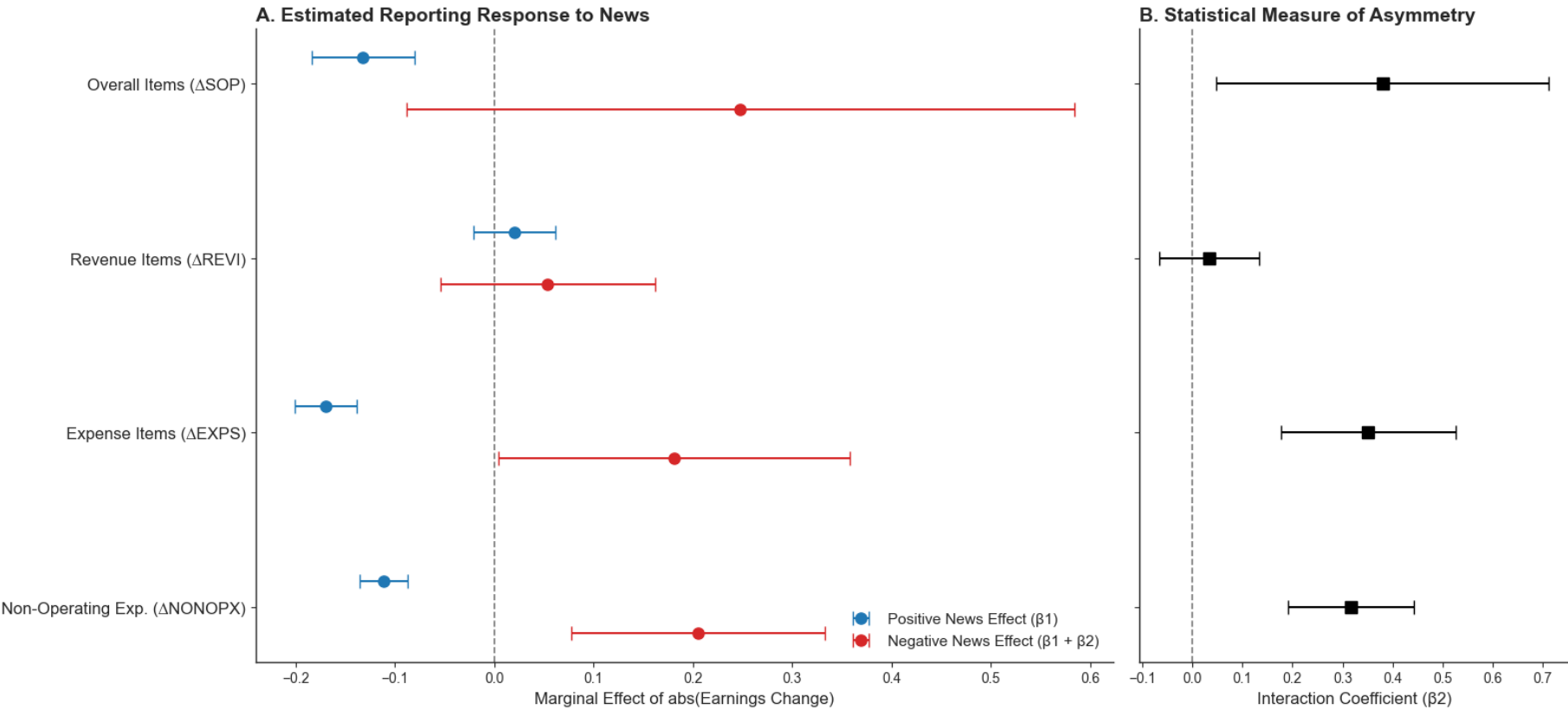


Figure 3: Bad News Associated with a Targeted and Significant Asymmetric Increase in Expense Disaggregation

Table 1: Sample Construction

	# Firms	# Firm-Year's
SEC's XBRL-based Financial Statement Data Set (FSDS)		
With Form 10-K Filings between 2009 and 2024	5,055	94,167
of which we can calculate SOP and ARC	5,051	94,046
With Compustat coverage (Table 2)		
Merging with Capital IQ Compustat with CIK and fiscal year end date	3,715	51,731
With CRSP coverage		
Merging with CRSP for stock returns data	3,171	43,143
With I/B/E/S analyst coverage		
Merging with I/B/E/S to calculate analyst based earnings surprise	2,698	31,640
With Form 8-K earnings announcement press release coverage		
Merging with Data from Bentley et al. (2018) (updated till 2020)	2,286	22,432
This table reports the sample construction process for the SEC's Financial Statement Data Set (FSDS) and data set merging steps. Variable definitions are in Appendix B.		

Table 2: Item Frequency of Income Statement Sections, Account Types, and Disaggregation Groups

Panel A: Item Frequency of Income Statement by Section and Account Type

SOP Section	Account Type	% FY	# FY	Item Count Percentiles						
		with Item	with Item	Mean	S.D.	1%	25%	50%	75%	99%
REV_COGS_GP	REV	93.7	48,447	1.65	1.24	0	1	1	2	6
	COGS	61.7	31,910	0.78	0.8	0	0	1	1	3
	GP	37.5	19,400	0.38	0.5	0	0	0	1	1
	All accounts	94.0	48,633	2.81	1.75	0	2	3	3	8
OP_EXP_OP_INC	OP_EXP	98.5	50,940	3.14	1.67	0	2	3	4	8
	OP_INC	89.2	46,118	1.09	0.67	0	1	1	1	4
	All accounts	99.1	51,258	4.23	1.79	1	3	4	5	9
INT_NONOP_EBT	NONOP_INC_EXP	84.4	43,654	1.81	1.33	0	1	2	3	6
	INT_EXP	70.3	36,367	1.22	1.6	0	0	1	1	7
	INT_INC	59.5	30,792	1.23	1.99	0	0	1	1	9
	PRE_TAX	78.2	40,466	0.91	0.64	0	1	1	1	3
	SPI	51.1	26,422	0.77	0.95	0	0	1	1	4
	NONOP_EXP	50.4	26,054	0.71	0.87	0	0	1	1	3
	NONOP_INC	40.6	20,992	0.51	0.7	0	0	0	1	3
	All accounts	99.7	51,587	7.15	4.67	1	4	6	8	23
TX_NI_DISCO_MIN	EARN	99.5	51,489	1.81	1.06	1	1	2	2	5
	TAX_EXP	87.8	45,429	0.96	0.49	0	1	1	1	3
	MIN_INT	38.8	20,069	0.47	0.69	0	0	0	1	3
	DISCO	15.2	7,845	0.29	0.8	0	0	0	0	3
	CI	18.9	9,768	0.25	0.59	0	0	0	0	2
	PRFD	10.6	5,458	0.11	0.35	0	0	0	0	1
	All accounts	99.8	51,632	3.9	2.2	1	2	4	5	11
All Sections (other than EPS)		100.0	51,731	17.98	6.56	6	14	17	21	37

Table 2 (Continued)

Panel B: Item Frequency of Income Statement by Disaggregation Groups

Disaggregation Group	% FY	# FY	Mean	S.D.	Item Count Percentiles				
	with Item	with Item			1%	25%	50%	75%	99%
SOP Items	100.0	51,731	17.98	6.56	6	14	17	21	37
REVI Items	99.5	51,486	4.47	2.78	1	3	4	5	14
EXPS Items	99.9	51,660	9.39	3.85	3	7	9	11	21
SOPO Items	99.8	51,621	4.12	2.23	1	3	4	5	12
NONOPX Items	94.7	48,997	3.29	2.08	0	2	3	4	9
NONOPI Items	40.5	20,992	0.51	0.7	0	0	0	1	3

Panel C: Distribution of SOP—By One-Digit SIC Industry

Industry	# FY	Mean	S.D.	Item Count Percentiles				
				1%	25%	50%	75%	99%
0. Agriculture	285	20.29	6.48	6	16	20	25	36
1. Mining & Construction	3,091	17.63	4.95	6	14	18	21	30
2-3. Manufacturing	20,851	15.20	4.38	7	12	15	18	28
4. Transportation	3,473	18.86	4.74	10	15	19	22	31
5. Trade	3,498	15.53	4.57	8	12	15	18	29
6. Finance & Insurance	11,953	24.07	7.83	8	18	24	30	41
7-8. Services	8,178	17.33	4.56	8	14	17	20	30
9. Public Administration	398	9.36	7.35	3	5	7	9	34

This table reports the frequency of items in the Income Statement by section and account type in Panel A, and by disaggregation groups in Panel B. Table C reports the distribution of SOP by one-digit SIC industry. The sample is described in Panel A of Table 1. The Section and Account Types are defined in Appendix C.

Table 3: Descriptive Statistics

Variable	Obs.	Mean	S.D.	Percentiles				
				1%	25%	50%	75%	99%
SOP	51,731	17.98	6.56	6.00	14.00	17.00	21.00	37.00
REVI	51,731	4.47	2.78	1.00	3.00	4.00	5.00	14.00
EXPS	51,731	9.39	3.85	3.00	7.00	9.00	11.00	21.00
SOPO	51,731	4.12	2.23	1.00	3.00	4.00	5.00	12.00
NONOPX	51,731	3.29	2.08	0.00	2.00	3.00	4.00	9.00
NONOPI	51,731	0.51	0.70	0.00	0.00	0.00	1.00	3.00
Δ SOP	43,832	0.03	2.31	-6.00	-1.00	0.00	1.00	7.00
Δ REVI	43,832	-0.05	0.94	-3.00	0.00	0.00	0.00	2.00
Δ EXPS	43,832	0.05	1.40	-4.00	0.00	0.00	1.00	4.00
Δ SOPO	43,832	0.02	1.14	-4.00	0.00	0.00	0.00	4.00
Δ NONOPX	43,832	0.07	1.08	-3.00	0.00	0.00	1.00	3.00
Δ NONOPI	43,832	0.00	0.46	-1.00	0.00	0.00	0.00	1.00
Non-Missing(XRD)	51,731	0.55	0.50	0.00	0.00	1.00	1.00	1.00
Non-Missing(SPI)	51,731	0.99	0.11	0.00	1.00	1.00	1.00	1.00
$ARET_{12m}$	43,143	0.01	1.17	-1.01	-0.33	-0.07	0.17	2.66
Neg $ARET_{12m}$	43,143	0.59	0.49	0.00	0.00	1.00	1.00	1.00
Δ Earnings	49,060	0.05	0.33	-0.81	-0.02	0.00	0.04	2.23
Neg Δ Earnings	49,060	0.42	0.49	0.00	0.00	0.00	1.00	1.00
Sp. Items	51,288	-0.01	0.05	-0.31	-0.01	-0.00	0.00	0.10
Neg Sp. Items	51,288	0.57	0.50	0.00	0.00	1.00	1.00	1.00
Earnings Surprise	31,640	-0.00	0.04	-0.25	-0.00	0.00	0.00	0.15
Neg Earnings Surprise	31,640	0.36	0.48	0.00	0.00	0.00	1.00	1.00
MGR Exclude	22,432	0.47	0.50	0.00	0.00	0.00	1.00	1.00
FirmStrGap	8,482	-0.04	0.10	-0.56	-0.06	-0.04	-0.02	0.56
Pos. FirmStrGap	8,482	0.10	0.31	0.00	0.00	0.00	0.00	1.00
OCF_{t+1}	46,300	-0.02	0.37	-2.17	0.00	0.06	0.13	0.59
GAAP Earnings	50,382	-0.09	0.38	-2.27	-0.07	0.01	0.06	0.39
Pro Forma Adj	48,182	-0.08	0.10	-0.58	-0.11	-0.06	-0.02	0.22
Insider Net BP, pre-10K	51,731	-0.20	0.86	-6.19	0.00	0.00	0.00	0.00
Insider Net BP, pos-10K	51,731	-0.72	2.70	-17.73	-0.17	0.00	0.00	5.36
Insider Net K\$, pre-10K	51,731	-81.36	383.76	-2917.44	0.00	0.00	0.00	1.20
Insider Net K\$, pos-10K	51,731	-394.49	1347.46	-9544.92	-66.86	0.00	0.00	449.00
Log Assets	51,730	6.88	2.22	1.91	5.35	7.00	8.42	12.12
Book-to-Market	48,705	0.64	0.58	0.02	0.26	0.49	0.84	3.61
S.D. (Ret)	49,827	0.03	0.02	0.01	0.02	0.02	0.04	0.13
Capital Intensity	49,649	0.20	0.24	0.00	0.02	0.10	0.28	0.90
Intangible Intensity	51,034	0.16	0.21	0.00	0.00	0.05	0.28	0.79
Op. Cycle	48,070	5.08	1.59	1.74	4.16	4.77	5.48	8.98
Log Segments	51,319	0.65	0.74	0.00	0.00	0.00	1.39	2.20
Log Age	51,731	2.75	0.88	0.69	2.08	2.89	3.40	4.26
ARC	51,731	117.25	24.33	66.00	101.00	115.00	132.00	188.00
DQ	51,731	286.56	37.28	176.00	277.00	296.00	310.00	341.00
Big Auditor	51,731	0.67	0.47	0.00	0.00	1.00	1.00	1.00

This table reports the univariate summary statistics and percentiles of the variables used in this paper. The sample is described in Panel A of Table 1. All values based on Compustat, CRSP, I/B/E/S, and LSEG Thomson Reuters are winsorized at the 1% and 99% levels to mitigate the influence of outliers. Variables are defined in Appendix B.

Table 4: Change in Disaggregation By Terciles of Economic News

Panel A: By Terciles of Abs(Δ Earnings)

Group	Count	Mean	S.D.	1%	25%	50%	75%	99%
Distribution of Δ SOP with all Δ Earnings								
(1)	11,130	−0.07	1.96	−6.00	−2.00	0.00	0.00	5.00
(2)	10,959	−0.02	2.13	−6.00	−2.00	0.00	1.00	6.00
(3)	10,868	0.03	2.37	−6.00	−2.00	0.00	1.00	7.00
(4)	10,669	0.12	2.65	−6.00	−2.00	0.00	1.00	7.00
(4)-(1)		0.20***						
t-Stat. and U- Stat.		(6.23)		(5.66e+07)***				
Distribution of Δ SOP with positive Δ Earnings								
(1)	4,240	−0.11	1.80	−5.00	0.00	0.00	0.00	5.00
(2)	4,191	−0.05	1.87	−6.00	−1.00	0.00	0.00	6.00
(3)	3,878	−0.02	2.19	−6.00	−1.00	0.00	1.00	6.00
(4)	3,376	0.09	2.62	−6.00	−1.00	0.00	1.00	7.00
(4)-(1)		0.20***						
t-Stat. and U- Stat.		(3.88)		(6.90e+06)***				
Distribution of Δ SOP with negative Δ Earnings								
(1)	5,478	−0.02	1.89	−5.00	0.00	0.00	0.00	5.00
(2)	5,329	−0.02	2.12	−6.00	−1.00	0.00	1.00	6.00
(3)	5,501	0.05	2.18	−6.00	−1.00	0.00	1.00	6.00
(4)	5,745	0.16	2.61	−6.00	−1.00	0.00	1.00	7.00
(4)-(1)		0.18***						
t-Stat. and U- Stat.		(4.18)		(1.65e+07)***				
Distribution of Abs(Δ Earnings) by tercile of Abs(Δ Earnings)								
(1)	11,130	0.00	0.00	0.00	0.00	0.00	0.01	0.01
(2)	10,959	0.02	0.01	0.01	0.01	0.02	0.02	0.04
(3)	10,868	0.06	0.03	0.02	0.04	0.05	0.07	0.14
(4)	10,669	2.37	78.96	0.07	0.15	0.24	0.51	7.74
Abs(Δ Earnings) by tercile of Abs(Δ Earnings) when Δ Earnings is positive								
(1)	4,240	0.00	0.00	0.00	0.00	0.00	0.01	0.01
(2)	4,191	0.02	0.01	0.01	0.01	0.02	0.02	0.04
(3)	3,878	0.06	0.03	0.02	0.04	0.05	0.07	0.13
(4)	3,376	1.02	18.00	0.07	0.14	0.24	0.49	6.12
Abs(Δ Earnings) by tercile of Abs(Δ Earnings) when Δ Earnings is negative								
(1)	5,478	0.00	0.00	0.00	0.00	0.00	0.01	0.01
(2)	5,329	0.02	0.01	0.01	0.01	0.02	0.02	0.04
(3)	5,501	0.06	0.03	0.02	0.04	0.05	0.07	0.15
(4)	5,745	1.15	28.17	0.08	0.15	0.25	0.52	7.51

Table 4 (Continued)

Panel B: By Terciles of ARET_{12m}								
Group	Count	Mean	S.D.	1%	25%	50%	75%	99%
(1)	9,666	−0.06	2.00	−6.00	−1.00	0.00	1.00	6.00
(2)	9,598	−0.00	2.15	−6.00	−1.00	0.00	1.00	6.00
(3)	9,466	0.02	2.22	−6.00	−1.00	0.00	1.00	6.00
(4)	9,121	0.13	2.42	−6.00	−1.00	0.00	1.00	7.00
(4)-(1)		0.19***						
t-Stat. and U- Stat.		(5.74)			(4.60e+07)***			
Distribution of ΔSOP with positive ARET_{12m}								
(1)	4,447	−0.07	1.99	−6.00	−1.00	0.00	1.00	5.54
(2)	3,936	−0.06	1.98	−6.00	−1.00	0.00	1.00	6.00
(3)	3,585	0.01	2.33	−6.00	−1.00	0.00	1.00	6.00
(4)	3,753	0.02	2.25	−6.00	−1.00	0.00	1.00	6.00
(4)-(1)		0.09*						
t-Stat. and U- Stat.		(1.86)			(8.46e+06)***			
Distribution of ΔSOP with negative ARET_{12m}								
(1)	5,219	−0.05	2.00	−6.00	−1.00	0.00	1.00	6.00
(2)	5,662	0.03	2.27	−6.00	−1.00	0.00	1.00	6.00
(3)	5,881	0.02	2.15	−6.00	−1.00	0.00	1.00	6.00
(4)	5,368	0.21	2.52	−6.00	−1.00	0.00	1.00	7.00
(4)-(1)		0.25***						
t-Stat. and U- Stat.		(5.69)			(1.49e+07)***			
Distribution of Abs (ARET_{12m}) with all ARET_{12m}								
(1)	9,666	0.06	0.04	0.00	0.03	0.06	0.08	0.17
(2)	9,598	0.19	0.07	0.10	0.14	0.18	0.22	0.41
(3)	9,466	0.38	0.13	0.21	0.29	0.35	0.43	0.82
(4)	9,121	1.04	2.17	0.41	0.57	0.72	0.96	5.95
Abs (ARET_{12m}) by tercile of Abs (ARET_{12m}) when ARET_{12m} is positive								
(1)	4,447	0.06	0.04	0.00	0.03	0.05	0.08	0.17
(2)	3,936	0.18	0.06	0.10	0.14	0.17	0.21	0.41
(3)	3,585	0.37	0.14	0.21	0.28	0.34	0.42	0.88
(4)	3,753	1.52	3.32	0.41	0.60	0.89	1.52	10.56
Abs (ARET_{12m}) by tercile of Abs (ARET_{12m}) when ARET_{12m} is negative								
(1)	5,219	0.06	0.04	0.00	0.03	0.06	0.09	0.17
(2)	5,662	0.19	0.07	0.10	0.14	0.18	0.23	0.40
(3)	5,881	0.38	0.12	0.21	0.29	0.36	0.44	0.76
(4)	5,368	0.70	0.19	0.41	0.56	0.68	0.82	1.22

Table 4 (Continued)

Panel C: By Terciles of Abs(Sp. Items)								
Group	Count	Mean	S.D.	1%	25%	50%	75%	99%
(1)	12,768	-0.15	2.00	-6.00	-1.00	0.00	0.00	6.00
(2)	9,270	-0.11	2.39	-7.00	-1.00	0.00	1.00	6.00
(3)	11,126	-0.01	2.32	-6.00	-1.00	0.00	1.00	6.00
(4)	10,664	0.39	2.54	-6.00	-1.00	0.00	1.00	8.00
(4)-(1)		0.54***						
t-Stat. and U- Stat.		(18.28)			(8.02e+07)***			
Distribution of ΔSOP with positive Sp. Items								
(1)	4,412	-0.21	1.78	-5.00	-1.00	0.00	0.00	5.00
(2)	3,552	-0.11	2.21	-6.00	-1.00	0.00	0.00	6.00
(3)	4,340	-0.04	2.14	-6.00	-1.00	0.00	1.00	6.00
(4)	3,416	0.32	2.40	-6.00	0.00	0.00	1.00	7.00
(4)-(1)		0.53***						
t-Stat. and U- Stat.		(11.11)			(8.88e+06)***			
Distribution of ΔSOP with negative Sp. Items								
(1)	6,377	-0.15	2.02	-6.00	-1.00	0.00	0.00	5.00
(2)	4,088	-0.10	2.20	-6.00	-1.00	0.00	1.00	5.00
(3)	5,469	-0.03	2.24	-6.00	-1.00	0.00	1.00	6.00
(4)	6,196	0.44	2.45	-6.00	-1.00	0.00	1.00	8.00
(4)-(1)		0.59***						
t-Stat. and U- Stat.		(14.85)			(2.36e+07)***			
Sp. Items by tercile with all Sp. Items								
(1)	12,768	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2)	9,270	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(3)	11,126	0.01	0.00	0.00	0.00	0.01	0.01	0.02
(4)	10,664	0.08	0.09	0.01	0.02	0.04	0.09	0.37
Sp. Items by tercile when Sp. Items is positive								
(1)	4,412	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2)	3,552	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(3)	4,340	0.01	0.00	0.00	0.00	0.01	0.01	0.02
(4)	3,416	0.06	0.07	0.01	0.02	0.03	0.07	0.37
Sp. Items by tercile when Sp. Items is negative								
(1)	6,377	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2)	4,088	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(3)	5,469	0.01	0.00	0.00	0.00	0.01	0.01	0.02
(4)	6,196	0.08	0.09	0.01	0.02	0.04	0.10	0.37

This table presents descriptive statistics for the change in the number of income statement line items (Δ SOP) across all firm-years, and separately for positive and negative economic news. Firm-years are sorted into quartiles based on unsigned magnitude of economic news, with group (1) representing the smallest and (4) the largest. The row labeled “(4)-(1)” shows the mean difference in (Δ SOP) between the highest and lowest quartiles, with statistical significance assessed using a two-sample t-test (t-Stat.) evaluating differences in means and a Mann-Whitney U test (U-Stat.) assessing differences in distributions non-parametrically. *, **, *** indicate 10%, 5%, and 1% significance, respectively. The lower panels report the distribution of absolute economic news by quartile, and separately for positive and negative economic news to provide context. Variable definitions are provided in Appendix B.

Table 5: Change in Performance Disaggregation in the Income Statement — Baseline Determinant

Dep. Var.:	(1) Δ SOP	(2) Δ REVI	(3) Δ EXPS	(4) Δ SOPO	(5) Δ NONOPX	(6) Δ NONOPI
Non-Missing(SPI)	0.232** (2.08)	-0.007 (-0.19)	0.246*** (4.05)	-0.007 (-0.12)	0.245*** (5.07)	-0.025 (-1.02)
ARC	0.008*** (11.45)	0.002*** (6.23)	0.003*** (6.46)	0.004*** (12.71)	0.002*** (6.11)	0.000*** (3.78)
DQ	0.003*** (4.09)	-0.000* (-1.68)	0.004*** (7.49)	0.000 (0.20)	0.004*** (10.79)	-0.000 (-1.53)
S.D. (Ret)	3.329*** (3.33)	-0.482 (-1.34)	2.545*** (4.11)	1.266*** (2.91)	2.004*** (4.63)	-0.093 (-0.52)
Log Assets	-0.017* (-1.91)	-0.006* (-1.68)	-0.003 (-0.60)	-0.009** (-2.13)	-0.001 (-0.27)	-0.003* (-1.84)
Book-to-Market	0.035 (1.58)	0.007 (0.76)	0.028* (1.90)	0.000 (0.03)	0.042*** (3.71)	0.000 (0.00)
Log Age	-0.137*** (-8.20)	-0.038*** (-6.32)	-0.071*** (-6.97)	-0.028*** (-3.95)	-0.047*** (-6.94)	-0.000 (-0.06)
Capital Intensity	-0.166** (-2.13)	-0.075** (-2.51)	-0.027 (-0.57)	-0.065* (-1.68)	0.037 (1.10)	0.009 (0.71)
Intangible Intensity	0.095 (1.37)	-0.007 (-0.28)	0.066 (1.55)	0.037 (1.20)	0.041 (1.38)	0.016 (1.38)
Op. Cycle	0.010 (0.75)	-0.002 (-0.41)	0.005 (0.63)	0.007 (1.12)	0.004 (0.63)	-0.004 (-1.55)
Leverage	0.001 (0.02)	-0.000 (-0.01)	0.060 (1.41)	-0.058* (-1.85)	0.024 (0.80)	-0.018 (-1.48)
Log Segments	-0.002 (-0.10)	-0.000 (-0.05)	-0.003 (-0.30)	0.002 (0.22)	0.003 (0.41)	-0.003 (-0.94)
Big Auditor	-0.039 (-1.24)	-0.003 (-0.23)	-0.022 (-1.22)	-0.013 (-0.98)	-0.019 (-1.55)	-0.000 (-0.09)
Constant	-1.696*** (-6.65)	0.095 (0.99)	-1.427*** (-9.37)	-0.364*** (-2.95)	-1.410*** (-12.35)	0.072 (1.62)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	35,201	35,201	35,201	35,201	35,201	35,201
Adjusted R^2	0.032	0.053	0.012	0.011	0.011	0.002

This table reports the linear regression for the baseline model of determinants of change in performance disaggregation on the income statement. The sample is described in Panel A of Table 1. The determinants of performance disaggregation variables and control variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.

Table 6: Economic News and Changes in Performance Disaggregation

Panel A: Earnings Change and Changes in Performance Disaggregation (N=35,088)

Dep. Var.:	(1) ΔSOP	(2) ΔREVI	(3) ΔEXPS	(4) ΔSOPO	(5) ΔNONOPX	(6) ΔNONOPI
Abs(Δ Earnings)	−0.132** (−2.06)	0.020 (0.93)	−0.170*** (−4.28)	0.018 (0.65)	−0.111*** (−3.86)	0.007 (0.83)
Neg Δ Earnings × Abs(Δ Earnings)	0.380** (2.24)	0.034 (0.66)	0.351*** (3.91)	−0.005 (−0.07)	0.316*** (4.94)	−0.002 (−0.09)
Neg Δ Earnings	0.126*** (4.75)	−0.010 (−0.95)	0.130*** (8.15)	0.006 (0.47)	0.105*** (8.58)	−0.001 (−0.17)
Controls, Year, Industry FE's	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R ²	0.033	0.054	0.017	0.011	0.016	0.002

Panel B: Annual Stock Returns and Changes in Performance Disaggregation (N=32,072)

Dep. Var.:	(1) ΔSOP	(2) ΔREVI	(3) ΔEXPS	(4) ΔSOPO	(5) ΔNONOPX	(6) ΔNONOPI
Abs (ARET _{12m})	−0.004 (−0.09)	0.013 (0.78)	−0.029 (−1.16)	0.013 (0.63)	−0.027 (−1.35)	0.005 (0.57)
Neg ARET _{12m} × Abs (ARET _{12m})	0.185** (2.04)	−0.075** (−2.17)	0.351*** (6.02)	−0.091** (−2.11)	0.335*** (7.47)	−0.032* (−1.80)
Neg ARET _{12m}	0.051 (1.49)	0.026* (1.79)	0.008 (0.38)	0.018 (1.03)	−0.006 (−0.39)	−0.001 (−0.09)
Controls, Year, Industry FE's	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R ²	0.033	0.054	0.015	0.012	0.015	0.002

Panel C: Special Items and Changes in Performance Disaggregation (N=34,738)

Dep. Var.:	(1) ΔSOP	(2) ΔREVI	(3) ΔEXPS	(4) ΔSOPO	(5) ΔNONOPX	(6) ΔNONOPI
Abs(Sp. Items)	3.151*** (3.42)	0.233 (0.82)	2.502*** (4.87)	0.417 (1.11)	2.317*** (6.12)	0.114 (0.95)
Neg Sp. Items × Abs(Sp. Items)	0.672 (0.65)	−0.216 (−0.69)	1.162** (1.98)	−0.274 (−0.64)	0.893** (2.05)	−0.042 (−0.30)
Neg Sp. Items	0.149*** (5.59)	0.001 (0.06)	0.150*** (8.77)	−0.001 (−0.06)	0.129*** (9.77)	−0.011* (−1.92)
Controls, Year, Industry FE's	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R ²	0.039	0.053	0.028	0.012	0.032	0.002

Panel D: Sales Changes and Changes in Performance Disaggregation (N=34,962)

Dep. Var.:	(1) ΔSOP	(2) ΔREVI	(3) ΔEXPS	(4) ΔSOPO	(5) ΔNONOPX	(6) ΔNONOPI
Abs(Δ Sales)	0.146*** (5.68)	0.041*** (3.88)	0.073*** (4.46)	0.032*** (2.71)	0.028** (2.46)	0.007 (1.32)
NegΔ Sales × Abs(Δ Sales)	0.408*** (3.03)	0.122*** (2.61)	−0.129* (−1.79)	0.415*** (4.66)	−0.014 (−0.25)	0.040 (1.40)
NegΔ Sales	0.068** (2.04)	0.003 (0.26)	0.012 (0.65)	0.053*** (2.80)	0.008 (0.55)	−0.004 (−0.61)
Controls, Year, Industry FE's	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R ²	0.032	0.054	0.012	0.015	0.011	0.002

This table reports the linear regression analysis results for the relation between economic news and change in performance disaggregation on the income statement. The sample is described in Panel A of Table 1. Variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.

Table 7: Earnings Persistence and Changes in Performance Disaggregation

Panel A: Persistence of GAAP Earnings

Dep. Variable:	(1) OCF _{t+1}	(2) OCF _{t+1}	(3) OCF _{t+1}	(4) OCF _{t+1}	(5) OCF _{t+1}	(6) OCF _{t+1}	(7) OCF _{t+1}
Variable for GDisagg:		ΔSOP	ΔREVI	ΔEXPS	ΔSOPO	ΔNONOPX	ΔNONOPI
GAAP Earnings	0.730*** (49.10)	0.755*** (35.82)	0.731*** (48.28)	0.753*** (41.49)	0.726*** (44.99)	0.761*** (47.08)	0.729*** (47.82)
GDisagg=2 × GAAP Earnings		−0.024 (−0.92)	0.010 (0.21)	−0.019 (−0.52)		0.278** (2.27)	
GDisagg=3 × GAAP Earnings		−0.029 (−0.83)		−0.011 (−0.44)		−0.033 (−0.74)	
GDisagg=4 × GAAP Earnings		−0.057* (−1.79)	−0.007 (−0.25)	−0.102*** (−2.97)	0.018 (0.64)	−0.111*** (−4.17)	0.013 (0.37)
GDisagg=2		0.002 (1.26)	0.000 (0.04)	0.004 (1.55)		−0.012 (−0.94)	
GDisagg=3		0.002 (0.74)		0.001 (0.33)		0.000 (0.06)	
GDisagg=4		−0.004 (−1.40)	−0.009*** (−3.85)	0.001 (0.26)	−0.010*** (−3.85)	0.002 (0.80)	−0.004 (−1.38)
Non-Missing(SPI)	0.002 (0.30)	0.002 (0.30)	0.002 (0.29)	0.002 (0.23)	0.002 (0.27)	0.000 (0.02)	0.002 (0.28)
ARC	−0.000 (−1.48)	−0.000 (−1.35)	−0.000 (−1.32)	−0.000 (−1.62)	−0.000 (−1.12)	−0.000* (−1.83)	−0.000 (−1.42)
DQ	0.000*** (6.85)	0.000*** (6.88)	0.000*** (6.82)	0.000*** (6.82)	0.000*** (6.81)	0.000*** (6.67)	0.000*** (6.85)
S.D. (Ret)	−0.527*** (−4.56)	−0.521*** (−4.55)	−0.523*** (−4.57)	−0.524*** (−4.57)	−0.518*** (−4.49)	−0.542*** (−4.71)	−0.525*** (−4.54)
Log Assets	0.001 (1.13)	0.001 (0.98)	0.001 (1.06)	0.001 (1.04)	0.001 (1.04)	0.001 (1.07)	0.001 (1.09)
Book-to-Market	−0.010*** (−4.10)	−0.010*** (−3.99)	−0.010*** (−4.05)	−0.010*** (−3.98)	−0.010*** (−4.09)	−0.010*** (−4.13)	−0.010*** (−4.07)
Log Age	−0.006*** (−3.45)	−0.006*** (−3.55)	−0.006*** (−3.53)	−0.006*** (−3.62)	−0.006*** (−3.49)	−0.006*** (−3.47)	−0.006*** (−3.46)
Capital Intensity	0.135*** (14.35)	0.134*** (14.30)	0.134*** (14.32)	0.133*** (14.20)	0.135*** (14.38)	0.132*** (14.18)	0.135*** (14.35)
Intangible Intensity	0.066*** (7.88)	0.066*** (7.85)	0.066*** (7.91)	0.064*** (7.57)	0.067*** (8.03)	0.064*** (7.65)	0.066*** (7.92)

Op. Cycle	0.002 (0.89)	0.002 (0.87)	0.002 (0.90)	0.002 (0.85)	0.002 (0.90)	0.002 (0.86)	0.002 (0.90)
Leverage	0.003 (0.43)	0.004 (0.48)	0.004 (0.47)	0.004 (0.49)	0.003 (0.40)	0.005 (0.67)	0.003 (0.41)
Log Segments	-0.010*** (-5.71)	-0.010*** (-5.63)	-0.010*** (-5.67)	-0.010*** (-5.74)	-0.010*** (-5.63)	-0.010*** (-5.82)	-0.010*** (-5.70)
Big Auditor	0.010*** (2.77)	0.010*** (2.81)	0.010*** (2.77)	0.010*** (2.90)	0.010*** (2.75)	0.011*** (2.93)	0.010*** (2.77)
Constant	-0.090*** (-3.65)	-0.090*** (-3.66)	-0.088*** (-3.60)	-0.087*** (-3.55)	-0.090*** (-3.66)	-0.080*** (-3.27)	-0.090*** (-3.65)
Year, Ind. FE's	Yes	Yes	Yes	Yes	Yes	Yes	
Observations	33,410	33,410	33,410	33,410	33,410	33,410	33,410
Adjusted R^2	0.671	0.664	0.663	0.665	0.663	0.666	0.663

This panel reports the linear regression analysis results for the relation between earnings persistence and 4-groups of annual change of performance disaggregation on the income statement. The sample is described in Panel A of Table 1. Variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.

Table 7: (Continued)

Panel B: Persistence of Pro Forma Adjustments Relative to that of GAAP Earnings: Double Interaction

Dep. Variable:	(1) OCF _{t+1}	(2) OCF _{t+1}	(3) OCF _{t+1}	(4) OCF _{t+1}	(5) OCF _{t+1}	(6) OCF _{t+1}	(7) OCF _{t+1}
Variable for GDisagg:		ΔSOP	ΔREVI	ΔEXPS	ΔSOPO	ΔNONOPX	ΔNONOPI
GAAP Earnings	0.829*** (88.11)	0.817*** (43.13)	0.794*** (56.77)	0.805*** (49.28)	0.785*** (51.64)	0.804*** (51.79)	0.792*** (55.67)
Pro Forma Adj	-0.763*** (-30.90)	-0.694*** (-14.60)	-0.684*** (-22.87)	-0.675*** (-17.67)	-0.681*** (-22.50)	-0.631*** (-18.74)	-0.692*** (-23.22)
GDisagg=2 × GAAP Earnings		-0.044* (-1.73)	-0.015 (-0.31)	-0.045 (-1.29)		0.168*** (2.96)	
GDisagg=3 × GAAP Earnings		-0.025 (-0.79)		0.007 (0.28)		0.011 (0.26)	
GDisagg=4 × GAAP Earnings		-0.025 (-0.80)	-0.001 (-0.03)	-0.050 (-1.43)	0.035 (1.32)	-0.045* (-1.76)	0.006 (0.16)
GDisagg=2 × Pro Forma Adj		0.086 (1.64)	0.020 (0.21)	0.011 (0.20)		0.059 (0.71)	
GDisagg=3 × Pro Forma Adj		-0.046 (-0.64)		-0.001 (-0.02)		-0.042 (-0.51)	
GDisagg=4 × Pro Forma Adj		-0.033 (-0.46)	0.014 (0.21)	-0.021 (-0.26)	-0.008 (-0.12)	-0.131** (-2.32)	0.108 (1.28)
GDisagg=2		0.006 (1.45)	-0.000 (-0.04)	0.005 (0.98)		-0.007 (-0.63)	
GDisagg=3		-0.005 (-0.84)		-0.000 (-0.10)		-0.004 (-0.60)	
GDisagg=4		-0.007 (-1.21)	-0.005 (-0.96)	-0.003 (-0.50)	-0.008 (-1.51)	-0.010** (-2.11)	0.004 (0.75)
Controls, Year, Ind. FE's	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	32,999	32,999	32,999	32,999	32,999	32,999	32,999
Adjusted R ²	0.761	0.697	0.697	0.697	0.697	0.698	0.697

This panel reports the linear regression analysis results for the relation between the persistence of GAAP earnings and pro forma adjustments and 4-groups of annual change of performance disaggregation on the income statement. The sample is described in Panel A of Table 1. The determinants of performance disaggregation and control variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.

Table 7: (Continued)

Panel C: Persistence of Operating Income Relative to that of GAAP Earnings: Double Interaction

Dep. Variable:	(1) OCF _{t+1}	(2) OCF _{t+1}	(3) OCF _{t+1}	(4) OCF _{t+1}	(5) OCF _{t+1}	(6) OCF _{t+1}	(7) OCF _{t+1}
Variable for GDisagg:		ΔSOP	ΔREVI	ΔEXPS	ΔSOPO	ΔNONOPX	ΔNONOPI
GAAP Earnings	0.144*** (5.60)	0.142*** (2.78)	0.135*** (4.29)	0.142*** (3.53)	0.109*** (3.61)	0.171*** (4.28)	0.114*** (3.78)
Op. Earnings	0.691*** (26.29)	0.718*** (14.00)	0.694*** (21.76)	0.701*** (17.78)	0.710*** (23.67)	0.660*** (16.93)	0.712*** (23.41)
GDisagg=2 × GAAP Earnings		0.047 (0.76)	−0.007 (−0.08)	−0.073 (−1.04)		0.245*** (2.73)	
GDisagg=3 × GAAP Earnings		−0.068 (−0.95)		0.026 (0.43)		−0.042 (−0.44)	
GDisagg=4 × GAAP Earnings		−0.071 (−1.03)	−0.043 (−0.68)	−0.069 (−1.08)	0.070 (1.04)	−0.115** (−2.33)	0.115* (1.70)
GDisagg=2 × Op. Earnings		−0.112* (−1.90)	−0.021 (−0.25)	0.009 (0.15)		−0.099 (−1.17)	
GDisagg=3 × Op. Earnings		0.031 (0.47)		−0.037 (−0.63)		0.070 (0.77)	
GDisagg=4 × Op. Earnings		0.037 (0.55)	0.037 (0.63)	0.025 (0.39)	−0.039 (−0.61)	0.085* (1.74)	−0.118* (−1.84)
GDisagg=2		0.007* (1.66)	−0.002 (−0.27)	0.003 (0.53)		−0.001 (−0.08)	
GDisagg=3		−0.003 (−0.63)		0.002 (0.49)		−0.006 (−0.79)	
GDisagg=4		−0.006 (−1.03)	−0.007 (−1.51)	−0.002 (−0.29)	−0.004 (−0.76)	−0.005 (−1.19)	0.005 (1.02)
Controls, Year, Ind. FE's	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	32,999	32,999	32,999	32,999	32,999	32,999	32,999
Adjusted R ²	0.720	0.719	0.719	0.719	0.719	0.719	

This panel reports the linear regression analysis results for the relation between the persistence of GAAP earnings and operating income and 4-groups of annual change of performance disaggregation on the income statement. The sample is described in Panel A of Table 1. Variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.

Table 8: Non-GAAP Exclusion and Performance Disaggregation**Panel A: Using an indicator variable of Non-GAAP Exclusion**

Dep. Var.:	(1) ΔSOP	(2) $\Delta REVI$	(3) $\Delta EXPS$	(4) $\Delta SOPO$	(5) $\Delta NONOPX$	(6) $\Delta NONOPI$
MGR Exclude	−0.039 (−0.91)	−0.022 (−1.37)	0.012 (0.49)	−0.029 (−1.62)	0.039** (2.24)	−0.013* (−1.84)
Controls, Year, Ind. FE's	Yes	Yes	Yes	Yes	Yes	Yes
Observations	16,586	16,586	16,586	16,586	16,586	16,586
Adjusted R^2	0.036	0.080	0.013	0.007	0.012	0.002

Panel B: Aggressiveness of Non-GAAP Exclusion

Dep. Var.:	(1) ΔSOP	(2) $\Delta REVI$	(3) $\Delta EXPS$	(4) $\Delta SOPO$	(5) $\Delta NONOPX$	(6) $\Delta NONOPI$
FirmStrGap	0.169 (0.47)	−0.149 (−0.82)	0.402 (1.48)	−0.084 (−0.48)	0.504** (2.21)	−0.144* (−1.70)
Pos. FirmStrGap × FirmStrGap	−1.031 (−1.32)	0.402 (1.25)	−0.990* (−1.86)	−0.443 (−1.27)	−0.718* (−1.81)	0.228 (1.50)
Pos. FirmStrGap	−0.039 (−0.30)	−0.046 (−1.03)	0.030 (0.40)	−0.023 (−0.40)	0.020 (0.37)	0.033* (1.67)
Controls, Year, Ind. FE's	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,732	6,732	6,732	6,732	6,732	6,732
Adjusted R^2	0.036	0.080	0.013	0.007	0.012	0.002

This panel reports the linear regression analysis results for the relation between management non-GAAP exclusion on earnings press release and annual change of performance disaggregation on the income statement. The sample is described in Panel A of Table 1. Variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.

Table 9: Changes of Performance Disaggregation and Net Insider Trading After Form 10-K**Panel A: Net Insider Trading of Shares as Basis Point of Shares Outstanding**

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. Variable:	Insider Net BP, pos-10K	Insider Net BP, pos-10K	Insider Net BP, pos-10K	Insider Net BP, pos-10K	Insider Net BP, pos-10K	Insider Net BP, pos-10K
ΔDisagg Variable:	ΔSOP	ΔREVI	ΔEXPS	ΔSOPO	ΔNONOPX	ΔNONOPI
ΔDisagg	0.021*** (3.61)	0.029* (2.11)	0.033*** (3.38)	0.014 (1.20)	0.045*** (3.68)	0.008 (0.28)
ΔEarnings	-0.008 (-0.18)	-0.014 (-0.32)	-0.004 (-0.08)	-0.014 (-0.32)	-0.003 (-0.06)	-0.013 (-0.32)
Insider Net BP, pre-10K	0.625*** (20.56)	0.626*** (20.57)	0.625*** (20.57)	0.625*** (20.55)	0.625*** (20.57)	0.625*** (20.57)
Non-Missing(SPI)	-0.336*** (-3.05)	-0.331*** (-3.00)	-0.339*** (-3.07)	-0.331*** (-3.00)	-0.342*** (-3.10)	-0.331*** (-3.00)
ARC	-0.001 (-1.35)	-0.001 (-1.22)	-0.001 (-1.27)	-0.001 (-1.22)	-0.001 (-1.26)	-0.001 (-1.17)
DQ	-0.003*** (-2.79)	-0.003*** (-2.72)	-0.003*** (-2.84)	-0.003*** (-2.74)	-0.003*** (-2.88)	-0.003*** (-2.74)
S.D. (Ret)	8.649*** (10.01)	8.732*** (10.11)	8.629*** (9.98)	8.698*** (10.07)	8.618*** (9.98)	8.715*** (10.09)
Log Assets	-0.032** (-2.57)	-0.032*** (-2.59)	-0.032*** (-2.58)	-0.032*** (-2.60)	-0.032*** (-2.59)	-0.033*** (-2.60)
Book-to-Market	0.328*** (12.50)	0.329*** (12.51)	0.328*** (12.50)	0.329*** (12.52)	0.327*** (12.46)	0.329*** (12.52)
Log Age	0.199*** (7.88)	0.198*** (7.83)	0.198*** (7.86)	0.197*** (7.81)	0.198*** (7.86)	0.197*** (7.79)
Capital Intensity	0.031 (0.25)	0.030 (0.24)	0.029 (0.23)	0.028 (0.23)	0.026 (0.21)	0.027 (0.22)
Intangible Intensity	0.166 (1.48)	0.169 (1.51)	0.166 (1.48)	0.168 (1.50)	0.167 (1.49)	0.168 (1.50)
Op. Cycle	0.062*** (3.12)	0.062*** (3.13)	0.062*** (3.11)	0.062*** (3.12)	0.062*** (3.11)	0.062*** (3.13)
Leverage	0.278** (2.42)	0.279** (2.42)	0.276** (2.40)	0.280** (2.43)	0.277** (2.41)	0.279** (2.42)
Log Segments	0.089*** (3.16)	0.089*** (3.16)	0.089*** (3.16)	0.089*** (3.16)	0.088*** (3.15)	0.089*** (3.16)
Big Auditor	-0.239*** (-4.84)	-0.240*** (-4.85)	-0.239*** (-4.84)	-0.240*** (-4.85)	-0.239*** (-4.83)	-0.240*** (-4.85)
Constant	-0.440 (-1.29)	-0.477 (-1.40)	-0.428 (-1.25)	-0.470 (-1.38)	-0.412 (-1.20)	-0.475 (-1.39)
Year, Ind. FE's	Yes	Yes	Yes	Yes	Yes	Yes
Observations	35,088	35,088	35,088	35,088	35,088	35,088
Adjusted R ²	0.090	0.090	0.090	0.089	0.090	0.089

This panel reports the linear regression analysis results for the relation between net insider trading of shares as basis point of total shares outstanding and performance disaggregation on the income statement. The sample is described in Panel A of Table 1. Variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.

Table 9: (Continued)

Panel B: Net Insider Selling Shares as Thousand USD

Dep. Variable:	(1) Insider Net K\$, pos-10K	(2) Insider Net K\$, pos-10K	(3) Insider Net K\$, pos-10K	(4) Insider Net K\$, pos-10K	(5) Insider Net K\$, pos-10K	(6) Insider Net K\$, pos-10K
ΔDisagg Variable:	ΔSOP	ΔREVI	ΔEXPS	ΔSOPO	ΔNONOPX	ΔNONOPI
ΔDisagg	9.109** (3.29)	9.217 (1.35)	15.834*** (3.67)	6.514 (1.18)	15.963** (2.93)	-4.912 (-0.39)
ΔEarnings	-81.529*** (-5.81)	-84.105*** (-6.00)	-79.300*** (-5.62)	-84.043*** (-6.00)	-80.213*** (-5.66)	-83.943*** (-5.99)
Insider Net K\$, pre-10K	0.697*** (14.77)	0.697*** (14.78)	0.697*** (14.78)	0.697*** (14.78)	0.697*** (14.78)	0.697*** (14.78)
Non-Missing(SPI)	-25.360 (-0.35)	-23.252 (-0.32)	-27.033 (-0.38)	-23.233 (-0.32)	-27.035 (-0.38)	-23.386 (-0.33)
ARC	3.622*** (6.22)	3.683*** (6.35)	3.653*** (6.29)	3.672*** (6.30)	3.668*** (6.32)	3.700*** (6.38)
DQ	-0.054 (-0.09)	-0.022 (-0.04)	-0.081 (-0.13)	-0.026 (-0.04)	-0.085 (-0.14)	-0.027 (-0.04)
S.D. (Ret)	-1781.962*** (-3.69)	-1747.688*** (-3.62)	-1793.545*** (-3.71)	-1761.113*** (-3.65)	-1787.174*** (-3.70)	-1753.833*** (-3.63)
Log Assets	-249.585*** (-17.84)	-249.727*** (-17.84)	-249.657*** (-17.85)	-249.737*** (-17.84)	-249.714*** (-17.84)	-249.799*** (-17.85)
Book-to-Market	269.398*** (16.33)	269.705*** (16.34)	269.231*** (16.34)	269.779*** (16.34)	269.073*** (16.31)	269.779*** (16.35)
Log Age	38.251*** (2.70)	37.547*** (2.66)	38.099*** (2.69)	37.362*** (2.65)	37.893*** (2.68)	37.219*** (2.64)
Capital Intensity	317.884*** (4.57)	317.024*** (4.55)	316.845*** (4.55)	316.737*** (4.55)	315.865*** (4.54)	316.379*** (4.54)
Intangible Intensity	218.630*** (2.95)	219.648*** (2.96)	218.449*** (2.94)	219.291*** (2.95)	218.971*** (2.95)	219.645*** (2.96)
Op. Cycle	48.366*** (3.53)	48.466*** (3.54)	48.365*** (3.53)	48.412*** (3.53)	48.379*** (3.53)	48.427*** (3.54)
Leverage	316.578*** (4.96)	316.829*** (4.96)	315.535*** (4.95)	317.257*** (4.97)	316.297*** (4.96)	316.800*** (4.96)
Log Segments	11.530 (0.65)	11.513 (0.65)	11.568 (0.66)	11.505 (0.65)	11.457 (0.65)	11.502 (0.65)
Big Auditor	159.965*** (6.68)	159.578*** (6.67)	160.004*** (6.68)	159.668*** (6.67)	159.930*** (6.68)	159.568*** (6.67)
Constant	240.366 (1.15)	224.289 (1.07)	247.295 (1.18)	227.295 (1.08)	247.235 (1.17)	225.374 (1.07)
Year, Ind. FE's	Yes	Yes	Yes	Yes	Yes	Yes
Observations	35,088	35,088	35,088	35,088	35,088	35,088
Adjusted R ²	0.184	0.183	0.184	0.183	0.184	0.183

This panel reports the linear regression analysis results for the relation between net insider trading of shares as dollar amount in thousands and performance disaggregation on the income statement. The sample is described in Panel A of Table 1. Variables are defined in Appendix B. t-statistics based on cluster-robust standard errors reported in parenthesis below the coefficients, with standard errors clustered by firms. *, **, *** indicate 10%, 5%, and 1% significance, respectively.