

SESSION 1: FINANCIAL ACCOUNTING AND REPORTING

DATE: THURSDAY, FEBRUARY 22

TIME: 1:30 – 3:00 PM

Post-Regulation G: Non-GAAP Reporting

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ABSTRACT: Several years have now passed since Regulation G – the SEC’s guidelines for non-GAAP reporting- has been in place. By using a sampling criteria in line with the terminology outlined by Reg. G and by reviewing actual corporate press releases rather than relying on proxies, we examine whether there has been a change in non-GAAP reporting by S&P 500 companies since the regulation went into effect. Details from fourth quarter/FYE 2002 and 2005 press releases are analyzed in our assessment of three significant issues documented in prior research. First, results indicate that the proportion of companies releasing non-GAAP earnings information has decreased only moderately. Second, the most common pre-Regulation G categories of adjustments have changed and terminology remains as inconsistent as noted in pre-Regulation G research. Third, the business services sector which had previously been identified as a prominent non-GAAP reporting sector is still an avid discloser of non-GAAP reporting. These results suggest a weak impact of the recent regulation of non-GAAP reporting on these three specific areas of concern and provide important empirical evidence for policy makers and users of financial information.