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Determinants of corporate financial reporting lag: The French empirical evidence

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This paper focuses on studying why some managers of listed companies decide to disclose their financial numbers later than others who opt to publish earlier. This research concentrates on both statutory annual financial disclosures in France: the earnings announcements date and the full financial statements release date. The reporting lag is in fact a pivotal issue, since there is increasing demand from investors for relevant up-to-date. Annual summary statistics continue to underline that the reporting delay is shortening under mounting pressure from capital markets. In contrast, reporting lag in the release of financial statements is rising over time. Empirical results provide further insight into the determinants of reporting lags (DELAYS) that documenting managers can opt for when reporting accounting numbers.

Key words: Annual financial disclosures, reporting lag, delays, earnings announcements, financial statement releases.

INTRODUCTION

Financial research explores the effects of various discretionary management practices such as opportunistic accounting choices and disclosure policies. Studies focus on management releases of earnings and sales forecasts, financial statements and attached footnotes, and managerial discretion in accounting choices or conference call presentations (Healy and Palepu, 2001; Verrechia, 2001). However, few surveys focus on managers' timing decisions on the release of accounting information. The limited attention to this topic, especially in the U.S., may indicate that financial markets are less interested in the timing of disclosures and reporting lag than in the intrinsic value of the financial figures reported. As a result, surveys focus on when managers decide to release accounting information. Givoli and Palmon (1982) and Zeghal (1984) analyze the timeliness of accounting reports, whereas Sengupta (2004) first examines the time when firms choose to reveal quarterly accounting earnings by specifically focus on the number of days between the end of the fiscal period and the quarterly earnings announcements dates.

This paper investigates how French listed companies decide when to announce their corporate annual earnings (parent company and consolidated company) as well as the full sets of (non) audited financial statements. Financial reports provide users and other stockholders with the company's accounting policy plus detailed information on revenues, results, treasury and financial situation. Managers may use their discretion to delay or shorten information release depending on whether they believe the move will positively or negatively influence equity pricing. Given that the accounting data not only reflects the current financial situation but may also convey various predictable information concerning future prospects (forward-looking information), managers would be encouraged to strategically determine the earnings announcement date or opt to use their discretionary powers when deciding the timing for release of financial statements.

The primary aim of this paper is to investigate whether firms facing losses versus profit, good news versus bad news, exhibiting excessive stock price volatility (risk), fluctuating trade volumes, past economic performance, market pressure, accounting complexity or earnings management issues (expressed as discretionary accruals) may choose to influence DELAY1 and DELAY2

variables. DELAY1 is defined as the number of days after the end of the fiscal period before managers release annual earnings information, whereas DELAY2 is defined as the number of days separating the earnings announcement date from the publication of the full set of financial statements in the B.A.L.O. (Bulletin des Annonces Légales et Obligatoires, a section of the Official Journal of the French Republic).

This paper makes a real contribution to two interrelated research streams - two dimensions that researchers have widely neglected. Firstly, it extends the discretionary disclosure literature by focusing specifically on disclosure timing decisions by analyzing disclosure timing practices. It appears that a number of firms actively use reporting lag, opting to disclose their figures later than the 'expected' (or 'pre-announced') date. This move is likely driven by the fact that under market pressure, firms are required to release an un-audited preliminary earnings forecast prior to announcing the actual earnings. Secondly, this paper discusses a component focused on timing in consolidities financial statement disclosures. The rest of the article is organized as follows. Section 1 reviews the principal international-scale studies on timeliness in corporate financial reporting and document release in relation to French national regulations. Section 2 describes the research design through the variables used and models estimated. Section 3 covers sample selection and descriptive statistics. Section 4 reports empirical results, while section 5 offers concluding remarks.

BACKGROUND AND FRENCH NATIONAL REGULATIONS

Prior research

Most studies focused on the timeliness of corporate financial reporting have been undertaken in the U.S. Based on a sample of 210 North-American companies over the 1960 - 1974 periods, Givoly and Palmon (1982) studied the relationship between the information content and timeliness of the financial report. They highlighted timeliness of the earnings announcements improved over the period covered (that is, a median delay of 37 days in 1974), although they also observed a differential degree of capital market reaction to "early" and "late" announcements. Consequently, empirical evidence has suggested that "late" earnings releases appear to convey less new information than "early" reports. Results reported by Kross (1981) indicate that lower (higher) actual earnings relative to forecasted earnings are most likely to be released to the public later (earlier) than expected. Zeghal (1984) highlighted higher information content in financial reports with shorter delays than longer delays. Similarly, Chambers and Penman (1984) reported evi-

dence of a significant relationship between timing of earnings announcements and stock price behavior, indicating that reports released earlier than scheduled tend to generate larger price responses than when released on time or later than expected. Sengupta (2004) points out that the reporting lag (days between fiscal period end and quarterly earnings release date) is shorter for firms facing greater demand for information from investors and greater litigation costs. His results indicate that the reporting lag, however, is longer for firms with greater block ownership and those whose operations are somewhat more complex.

Al-Ajmi (2008) focuses on three measures of reporting lags who's the audit signature date, the interim period and the number of days between the financial year-end and the earlier of newspaper publication date or the date of posting the reports on the website of the company. This study shows that highly leveraged firms tend to delay publication of their annual reports as well as have a longer audit lag period. It is also found that the interim period is determined largely by the firm's corporate governance, measured by the number of shareholders and the number of investors holding 5% and more. Finally, the results show that the larger the number of shareholders, the shorter the interim period.

AMF and European union regulations

Compulsory disclosures from publicly-traded companies on the Euronext Paris Stock Exchange are enacted by the AMF. The requirements governing 'periodical' information are defined by the "Règlement Général de l'Autorité des Marchés Financiers" (RGAMF hereafter) and ongoing instructions endorsed in the Euronext Regulations. The deadlines for pushing out regulatory listed-firm information, especially semi-annual and annual accounts, are enforced through amended notes 222 - 3 to 222 - 6 rather than complying with the former RGAMF 212 - 36 note. These notes specify that from 2007 onwards, French firms must strictly publish their financial statements within 4 months of fiscal year close, instead of within 6 months as used to be the case. The AMF has switched the deadlines for filing financial annual reports, which that have shortened progressively from 6 months - 4 months in application of European Directive 2004/109/EE as of December 15th, 2004.

RESEARCH DESIGN

Reporting lag

Company managers have discretionary powers to determine when to release corporate disclosures. As with many disclosures, managers are expected to choose fi-

nancial disclosures timing mainly based on a precise evaluation of the expected costs and benefits of releasing early versus late. Given that it is not just the intrinsic value of accounting numbers that enables market participants to make profitable investing decisions, we posit that isolating when to release annual earnings and accounting reports makes it possible to capture the characteristics of firms in terms of relevance of volatility, uncertainty (that is, risk) and/or earnings management policy.

This research explores the potential determinants of reporting lag, defined as:

DELAY1: days between fiscal year-end and annual earnings release date

DELAY2: days between annual earnings release date and financial statements disclosure date

Trading volumes

Financial investors are likely to be concerned about receiving timely information from firms they are investing in. Thus, we suggest that DELAY1 and DELAY2 ought to be negatively associated with trading volumes. Findings published by Bushee and Noe (2000) or Bushee et al. (2003) point out that firm tend to respond to investors demanding greater discretionary disclosures. Demand for timely disclosure should also be higher for firms that have greater shareholder equity. Consistent with the methodology used by Sengupta (2004), we include the variable VOL to reflect this, where:

VOL = total number of shares traded over the fiscal year divided by the number of shares outstanding at fiscal year-end

Litigation costs

Skinner (1994) argued that the threat of lawsuits arising from large negative earnings surprises gives managers strong motives for pre-announcing information to reduce litigation costs. Consistent with this assumption, Skinner (1994, 1997) demonstrated that firms reporting bad news are more likely to disclose early (that is pre-disclose) than firms releasing good news.

Timing disclosure may therefore play an important role in reducing litigation costs stemming from financial reporting policies. Sengupta (2004) used TECH as a measure of litigation costs. Hence, we used the two following TECH and LEVERAGE measures to capture litigation costs:

TECH = 1 if the firm belongs to ICB sectors (ICB Sector code) classified as pharmaceutical (ICB sector code

4577), computer services (9533), electronic equipment (2737), telecommunications equipment (9578), Software (9537), aerospace (2713), computer hardware (9572), biotechnology (4573), internet (9535) or defense (2717); 0 otherwise

LEVERAGE = Debts/Total Assets

Proprietary costs

Previous research has suggested that a firm's disclosure decision might be affected by its concern that market participants can use the information disclosed to cut into the profits of the disclosing company (Verrechia, 1983; Feltham and Xie, 1992). Firms facing such 'proprietary costs' may also find it sensible to delay reporting sensitive information such as financial reporting information. Financial statements convey strategic information that competitors could use for private use. The following measure of proprietary cost used in this study is based on Bamber and Cheon (1998) and Sengupta (2004):

MKBK: the ratio of Market Value of Equity to Book value of Equity at year-end

Accounting complexity

The reported lag might also be affected by the extent to which the firm is tied to accounting complexity. We use the following measure to capture accounting complexity:

STATEMENTS = 1 if the firm establishes several kinds of financial statements in application of domestic GAAP, IAS and/or US GAAP; 0 otherwise.

Hence, STATEMENTS captures the act of producing several different financial statements in application of various domestic or international GAAP primarily to satisfy internationally well-documented investors. Firms publishing different kinds of statements in application of at least two accounting frameworks will need more time to process financial reporting. It is usually assumed that reporting lag is longer for firms establishing different sets of accounting statements prepared in accordance with various GAAP. Thereby, accounting complexity is greater when firms need to comply with French GAAP, IAS/IFRS and/or US GAAP.

Good vs. bad news and Loss vs. profit

Research conducted in recent years by Kross and Schroeder (1984), Begley and Fischer (1998), Bagnoli et al. (2002) or Sengupta (2004) has consistently documented a longer lag in quarterly earnings reporting for companies announcing bad news (and loss firms). Follow-

ing this stream, we retain BADNEWS as another control variable, defined as:

BADNEWS = 1, if reported earnings are less than the median consensus resulting from financial analyst forecasts; 0 otherwise

There is strong evidence that loss firms are less likely to disclose information than other firms (Ajinka et al., 2004). The arguments are consistent with conjecture supported by Skinner (1994, 1997). Firms have incentives to disclose bad news quickly in order to reduce litigation costs. Skinner argued that LOSS would be negatively associated with DELAY1. We thus included LOSS in the regression analysis, defined as:

LOSS = 1, if the firm reports a zero or negative EPS; 0 otherwise

Control variables

Disclosure literature has consistently reported that factors like firm size and business uncertainty are related to alternative measures of disclosures (Lang and Lundholm, 1993; Frankel et al., 1995; Botosan and Harris, 2000; Bushee et al., 2003; Sengupta, 2004). The two following measures are included to capture size and risk effects:

VOLATILITY = volatility in stock price over the previous year
SIZE = log of total sales of the year

Market attention may normally represent a factor influencing firms' disclosures. Instead of including total assets as a proxy for market pressure, we opted to choose number of financial analysts monitoring the firm as a proxy of market attention.

ANALYSTS = Numbers of analysts having issued an EPS forecast on the current fiscal year

It is also accepted that return of equity may influence the timing of corporate disclosures, with profitable firms incentivized to quickly report good news to capitalize on high profitability in shareholders' investments. Thus, we include ROE to capture the firm's profitability.

ROE = Return of Equity = Net Income/Shareholder Equity

Another important factor potentially influencing reporting trends is 'earnings smoothing'. By manipulating discretionary accruals upward or downward, managers can release earnings as they want them to be or virtually apply managerial discretion in their options for non-cash expenses. We therefore employed the cross-sectional version of the (Jones, 1991) model proposed by DeFond

and Jiambalvo (1994) to measure discretionary accruals

$$ACC_{it} = NI_{it} - CF_{it} \tag{1}$$

$$NDACC_{it} = E(ACC_{it}) = \alpha * (\frac{1}{TA_{it-1}}) + \beta * (\frac{\Delta REV_{it}}{TA_{it-1}}) + \delta * (\frac{PPE_{it}}{TA_{it-1}}) + \varepsilon_i \tag{2}$$

$$DACC_{it} = \varepsilon_{it} \tag{3}$$

Where; ACC_{it} is total accruals, NI_{it} is net income, CF_{it} is cash flow, $NDACC_{it}$ is normal accruals, PPE_{it-1} is the gross value for plans, property and equipment at the close of year t-1, ΔREV_{it} is the total Revenues/Sales in t, and $DACC_{it}$ is discretionary accruals corresponding to the residuals of the regression model.

Estimation of the multiple regression models

In model 1, DELAY1 is the response variable:

$$DELAY1_{it} = \alpha_0 + \alpha_1 BADNEWS + \alpha_2 LOSS + \alpha_3 LEVERAGE + \alpha_4 DACC + \alpha_5 VOL + \alpha_6 ANALYSTS + \alpha_7 STATEMENTS + \alpha_8 ROE + \alpha_9 VOLATILITY + \alpha_{10} STOCKRETURN + \alpha_{11} LogCA + \alpha_{12} TECH + \alpha_{13} DELAY2 + \alpha_{14} MTBR + \varepsilon$$

The expected signs are: $\alpha_1 > 0$, $\alpha_2 < 0$, $\alpha_3 > 0$, $\alpha_4 = ?$, $\alpha_5 < 0$, $\alpha_6 < 0$, $\alpha_7 > 0$ or < 0, $\alpha_8 < 0$, $\alpha_9 > 0$, $\alpha_{10} < 0$, $\alpha_{11} < 0$, $\alpha_{12} > 0$, $\alpha_{13} < 0$, $\alpha_{14} > 0$

In model 2, DELAY2 is the response variable:

$$DELAY2_{it} = \alpha_0 + \alpha_1 BADNEWS + \alpha_2 LOSS + \alpha_3 LEVERAGE + \alpha_4 DACC + \alpha_5 VOL + \alpha_6 ANALYSTS + \alpha_7 STATEMENT + \alpha_8 ROE + \alpha_9 VOLATILITY + \alpha_{10} STOCKRETURN + \alpha_{11} LogCA + \alpha_{12} TECH + \alpha_{13} DELAY1 + \alpha_{14} MTBR + \varepsilon$$

The expected signs are: $\alpha_1 > 0$, $\alpha_2 > 0$, $\alpha_3 > 0$, $\alpha_4 > 0$, $\alpha_5 < 0$, $\alpha_6 < 0$, $\alpha_7 > 0$, $\alpha_8 < 0$, $\alpha_9 > 0$, $\alpha_{10} < 0$, $\alpha_{11} < 0$, $\alpha_{12} > 0$, $\alpha_{13} < 0$, $\alpha_{14} > 0$

SAMPLE SELECTION AND DATA

Our sample of firms consists of firms featured in the SBF 250 index over the period January 1997 to December 2002. The SBF 250 was this as of July 7th, 2006. The final sample counts 1,131 observations. All financial data were taken from Factset/JCF and the Reuters database. Panel B of Table 1 reports the year-by-year distribution of reporting lags (DELAY1 and DELAY2), highlighting a slight trend towards a decreasing mean and median DELAY1 over the period covered. This is consistent with findings by Givoly and

Table 1. Sample selection and description.

Panel A. Sample selection criteria	Number of observations
Initial sample of annual earnings announcements for the period 1997-2002	1,494
Financial data missing from FACTIVA, BALO or JCF	(280)
Financial data missing from COMPUSTAT	(83)
Final sample	1,131

Panel B: Time series distribution of the reporting lag (DELAY 1 and DELAY2)

n	2002	2001	2000	1999	1998	1997
	228	227	215	208	182	154
Variable: DELAY1						
Mean	74	77	78	79	80	84
Median	72	74	74	76	77	79
Stand-dev.	24	24	22	23	23	24
Variable: DELAY2						
Mean	40	42	41	40	32	31
Median	36	40	37	35	33	33
Stand-dev.	26	28	36	54	49	22

Table 2. Descriptive statistics for common regression variables.

	Mean	Median	Max.	Min.	S.D.	Skewness	Kurtosis
Response variables							
DELAY1	76,756	76,000	151,000	5,000	23,081	0,276	3,608
DELAY2	39,333	35,000	169,000	-15,000	25,658	1,250	6,350
Control variables							
ANALYSTS	10,736	9,000	41,000	0,000	8,005	1,236	4,697
DACC	-0,005	-0,026	1,378	-1,307	0,228	0,461	15,907
BADNEWS	0,221	0,000	1,000	0,000	0,415	1,339	2,793
LEVERAGE	0,234	0,237	0,632	0,000	0,146	0,180	2,341
TECH	0,236	0,000	1,000	0,001	0,425	1,237	2,530
STATEMENTS	0,015	0,000	1,000	0,000	0,123	7,875	63,016
LOSS	0,138	0,000	1,000	0,000	0,346	2,094	5,383
LOGCA	6,680	6,364	11,538	1,699	1,864	0,424	2,759
ROE	0,011	0,122	0,563	-10,030	0,787	-11,028	138,235
RETURN	0,121	0,031	5,666	-0,909	0,575	2,804	18,576
VOL	2655,255	921,907	58220,250	0,000	5958,978	6,868	58,427
INDUSTRY	0,277	0,000	1,000	0,000	0,449	0,997	1,994
VOLATILITY	0,265	0,238	1,416	0,074	0,129	4,116	34,121
MTBR	2,562	2,365	7,301	0,703	1,315	1,316	4,904

Palmon but contrasts with Sengupta (2004) (Table 1).

Table 2 reports summary statistics for the regression variables. The median DELAY1 is 76 days while the median DELAY2 is 35 days. There is also substantial variability in DELAY1 across the sample, as indicated by the 23-day standard deviation. These numbers are consistent, all other things being equal, with Sengupta (2004), who cited a median DELAY of 38 days for a standard deviation of 16 days). Analysis of DELAY2 resulted in a standard deviation of 25.6 days. Mean and median discretionary accruals are somewhat negative (-0.005 and -0.026), in line with Subramanyam (1996). However, abnormal accruals suffered from high dispersion, with standard deviation at 0.46. Figures (medians) on analyst projections showed that a firm's numbers matched with figures from 10.7 (9) analysts, with a maximum 41 analysts.

Table 3 presents correlation coefficients between explained and explanatory variables. It appears that DELAY1 is negatively correlated to DELAY2. After controlling for multicollinearity problems, it became clear that ROE is positively related to DACC ($\sigma = 0.382$),

Table 3. Correlation matrix (common samples).

	DELAY1	DELAY2	ROE	VOL	ANALY	DACC	BADNEWS	LEV	STATE	TECH	LOGCA	LOSS	MTBR	RETURN
DELAY1	1													
DELAY2	-0.417	1												
ROE	0.010	0.027	1											
VOL	-0.268	0.016	-0.21	1										
ANALYSTS	-0.396	0.133	0.051	0.287	1									
DACC	0.129	-0.047	0.382	-0.05	-0.225	1								
BADNEWS	-0.081	-0.023	0.080	0.011	0.045	0.160	1							
LEVERAGE	0.074	0.026	-0.07	-0.02	0.028	-0.089	0.021	1						
STAT	-0.149	-0.053	0.000	0.013	-0.031	-0.014	-0.050	-0.07	1					
TECH	-0.091	0.141	-0.00	0.027	-0.036	0.016	-0.049	-0.36	0.108	1				
LOGCA	-0.367	0.064	-0.04	0.272	0.653	-0.449	-0.016	0.254	-0.03	-0.348	1			
LOSS	0.113	-0.052	0.378	-0.15	-0.009	0.348	0.137	-0.01	-0.057	-0.097	-0.099	1		
MTBR	-0.051	0.071	0.057	0.030	0.071	0.226	0.010	-0.16	0.107	0.094	-0.258	0.070	1	
RETURN	0.151	-0.084	0.254	-0.21	-0.256	0.347	0.162	0.228	-0.057	-0.287	-0.176	0.333	0.085	1
VOLATILITY	-0.138	0.209	-0.05	0.131	-0.062	0.032	-0.116	-0.04	0.062	0.226	-0.143	-0.29	0.005	-0.232

suggesting managers may voluntarily manipulate accrued expenses/revenues to improve the firm's profitability through return of equity. Furthermore, analyst projections are highly correlated with firm size ($\sigma = .65$), in line with assumptions and prior research documenting how bigger firms attract more analysts and greater market attention.

This is in conflict with table 3, which reports that DACC is negatively related to firm size ($\sigma = -.449$), indicating that smaller (bigger) companies attract greater (less) market attention and prove more (less) likely to manipulate abnormal accruals. Another standout result is the positive correlation between DACC and LOSS ($\sigma = 0.348$), indicating that firms reporting losses (profit) tend to manage discretionary accruals upward (downward). Similarly, larger companies report a greater level of volumes traded over the fiscal year ($\sigma = .272$).

RESULTS AND DISCUSSION

Determinants of cross-sectional variability in reporting lag DELAY1

The key results based on determinants of DELAY1 are given in Table 4, which reports pooled regressions over the 1997 - 2002 periods where 1,131 observations were included into the OLS regression model. The results provide evidence that most of the tested variables explain a large proportion of DELAY1 variability. Both F-statistics ($p < 0.001$) and R-squared (0.448) analysis prove the model is valid. Most variables are statistically significant at the 0.10 level, except for LOSS, DACC, ROE, RETURN, TECH and MTBR. Moreover, the estimate for LOSS is not significantly different from zero, which is in-

consistent with Choi and Ziebart (2001); Sengupta (2004) and Ajinkya et al. (2004).

Overall, the results provide mitigated support on whether the theoretical hypotheses argued are valid, especially due to the difference between the estimated and predicted signs. Thus DELAY1 is found to be negatively correlated to BADNEWS, suggesting that loss firms tend to announce the loss quickly, whereas we had anticipated a positive relationship. These findings provide in-depth evidence that firms aim to reduce litigation costs by shortening BADNEWS. A positive association between DELAY1 and LEVERAGE would be consistent with the argument that firms facing a high indebtedness ratio and thus conveying less valuable investment perspectives are more likely to delay earnings announcements. DELAY1 proved negatively associated with VOL (e.g. trading volume: measure of the investor base), supporting the argument that enterprises yield to pressure from financial investors to announce early. Furthermore, the negative association between DELAY1 and ANALYSTS provides further evidence that firms facing higher market attention and market pressure to issue disclosures on a regular basis are more likely to release financial data quickly.

The first regression equation indicates that firms facing higher risks and exhibiting greater stock price volatility will opt for a quicker release of financial data. Therefore, the results are strongly suggestive of a negative relationship between DELAY1 and DELAY2 where firms shortening (delaying) their earnings reporting are more likely to disclose full sets of financial statements later (earlier).

Table 4. Cross-sectional determinants of reporting lags DELAY1 and DELAY2.

Dependent variables	DELAY1		DELAY2	
Response variables	Predicted sign	Coef. value	Predicted sign	Coef. value
Intercept	?	118.61***	?	82.28***
(Prob)		(0.0000)		(0.0000)
BADNEWS	-	-5.48	-	-3.59
(Prob)		(0.0972)*		(0.4308)
LOSS	+	0.96	+	0.19
(Prob)		(0.7936)		(0.9722)
LEV.	+	25.12***	+	19.52*
(Prob)		(0.0034)		(0.0983)
DACC	+	0.13	+	0.44*
(Prob)		(0.5364)		(0.0991)
VOL	-	-0.0004**	-	2.65E-05
(Prob)		(0.0162)		(0.9202)
ANALY	-	-0.45**	-	-0.23
(Prob)		(0.0364)		(0.4235)
STATEMENTS	-	-25.61***	-	-34.67***
(Prob)		(0.0051)		(0.0059)
ROE	+	0.55	+	10.93
(Prob)		(0.7565)		(0.6524)
VOLATILITY	-	-15.38*	-	4.91
(Prob)		(0.0775)		(0.2381)
STOCKRETURN	-	-5.73	-	-4.63
(Prob)		(0.1157)		(0.3497)
LOGCA	-	-3.69***	-	-0.17
(Prob)		(0.0003)		(0.9010)
TECH	-	-4.81	-	4.43
(Prob)		(0.1380)		(0.3192)
DELAY1			-	-0.60***
(Prob)				(0.0000)
DELAY2	-	-0.31***	+	
(Prob)		(0.0000)		
MTBR	+	-0.70		1.14
(Prob)		(0.5257)		(0.45)
R^2%		44.83%		27.35%
F-stat Prob.		(0.000)		(0.000)

***, **, *: significant at the 0.01, 0.05, 0.10 levels. n = 1,131.

Determinants of cross-sectional variability in reporting lag DELAY2

Variation in the number of days separating earnings announcement date from first statements goes a step further towards explaining why some managers tend to delay the publication of financial reports. The model we propose shows a significant F-stat ($p < 0.001$) and an acceptable R-squared of 0.2735, suggesting that the variables included in the model explain a substantial pro-portion of the cross-sectional variability in reporting lag. The results strongly underline that DELAY2 is negatively associated with both STATEMENTS and DELAY1, indicating that the higher the number of statements produced under various GAAP frameworks, then the shorter the reporting lag before statement disclosures.

However, results suggest that firms in this scenario are more likely to accelerate statement disclosures because of potentially higher market attention due to cross-listings or perhaps because of the presence of large institutions

blocks or a large percentage of foreign shareholder equity. Regression analysis empirically demonstrates that both LEVERAGE and DACC measures are positively associated with DELAY2, which is fully consistent with the predicted signs (at the significance level of 0.10). This indicates firms able to draw on high leverage are more likely to delay the release of financial statements in order to postpone bad news as high debt/assets ratio enhancing at that moment those companies exhibit low perspectives in terms of investments capacity whatsoever. Similarly, firms delaying the release of earnings statements are more likely to 'manipulate' discretionary accruals components upward. Another possible explanation may be that firms managing earnings upwards are more likely to be firms more frequently reporting a loss, and thus having greater incentives to further delay corporate releases due to being exposed to less market attention.

Conclusion

This paper extends on the literature studying the analysis of cross-sectional determinants in reporting lag, which despite being an important topic is widely neglected by researchers. Only a limited numbers of surveys have focused on manager decisions on when to release accounting information. This issue is particularly important for regulatory agencies, while both the AMF and the European Commission are current pursuing moves to shorten financial disclosure schedules to reduce reporting lag at European listed firms. The authorities are therefore seeking to ensure greater transparency in the reporting of accounting data, in line with the European "Transparency" Directive that entered into force in January 2007 after the AMF had adopted its new regulations. This paper analyzes two specific forms of reporting lags relative to French companies. We investigate whether firms facing losses versus profit, good news versus bad news, or exhibiting stock price volatility (risk), fluctuating trading volumes, past economical performance, market pressure and accounting complexity or earnings management issues may choose to influence DELAY1 and DELAY2 variables. As a result, R-squared figures for the regressions ranged from about 27 to 44%, indicating that, on average, the variables tested explained a large proportion of the cross-sectional variability in DELAY 1/2 reporting lags. In addition to these results, non-tabulated descriptive statistics indicate that SBF 250 firms publish their financial reports an average 116.07 days after the

fiscal year-end (σ = 35 days). This means that most French publicly-traded companies would need to reduce their reporting lags to comply with AMF and European guidelines and thus achieve acceptable transparency performance.

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