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Accounting Comparability and the Value Relevance in Brazil

FÁBIO MINATTO

Universidade Federal de Santa Catarina (UFSC)

JOSÉ ALONSO BORBA

Universidade Federal de Santa Catarina (UFSC)

Abstract

Financial statement comparability has been recognized as an enhancing attribute of financial reporting, improving the usefulness of accounting information. Furthermore, value relevance is a pertinent research avenue in accounting, which tests whether the accounting information derived from financial statements reflects the firm share price and is relevant for investors. This study seeks to enhance our understanding of financial statement comparability among industry peers enhance the value relevance of earnings and book value. Using a sample of Brazilian public companies from 2012 to 2020, we test the moderate role of accounting comparability in the value relevance of earnings and book value. Our model also includes the effect of accrual earnings management on this relationship. Descriptive results indicated that Brazilian public companies showed a lower level of accounting comparability than the literature's evidence. We provide evidence, in the opposite way from what was expected, that accounting comparability had a negative effect on the book value of equity and no effect on earnings. Additionally, we find that discretionary accruals have a negative effect on the relationship between book value and accounting comparability but no effect on earnings. Moreover, our results are robust to using different accounting comparability and discretionary accruals proxies. Our findings contribute to accounting research by providing evidence that accounting comparability could reduce the value relevance of the book value of equity and the moderator effect of accrual earnings management. Besides, how the discretionary accruals influence reducing this relationship. Finally, the results reflect the effect of financial comparability and value relevance moderated by discretionary accruals in an emerging economy, which has limited evidence.

Keywords: Accounting Comparability, Value Relevance, Accrual Earnings Management

1. Introduction

This study investigates whether accounting comparability among industry peers enhances earnings and book value relevance. We explore the moderating effect of accounting comparability (De Franco et al., 2011) in the value relevance of earnings and book value (Ohlson, 1995). Moreover, we investigate the moderating effect of discretionary accruals (Dechow et al., 1995; Jones, 1991) for the value relevance benefits of comparability among peers.

Financial statement comparability has been recognized as an enhancing attribute of financial reporting, improving the usefulness of accounting information (Wang, 2014). It is defined as the extent to which firms have similar accounting systems and hence produce similar financial statements (De Franco et al., 2011). In the literature, there is documented evidence about the benefits of financial statement comparability, such as improving the analysts' information environment (De Franco et al. 2011) and the informativeness of stock prices (Choi et al., 2019), lowering information asymmetry (Peterson et al., 2015), and enhancing the value relevance of earnings (B. Chen et al., 2020).



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Value relevance is a pertinent research avenue in accounting, which tests whether the accounting information derived from financial statements reflects the firm share price and is relevant for investors (Barth et al., 2001). Moreover, the importance of accounting information for investors depends on the extent to which this information is comparable across peer firms (B. Chen et al., 2020). Therefore, we predict that the financial statement comparability among peer firms will enhance the value relevance of earnings and book value of equity under the Ohlson (1995) framework.

Earnings quality could affect accounting comparability and the value relevance of earnings and book value, whereas greater levels of accrual earnings management could reduce them. Therefore, investors could have trouble accurately assessing earnings quality and failing to correctly distinguish the type of accrual (A. Chen & Gong, 2019). We expect that greater levels of earnings management could reduce the value relevance coefficients, as indicated by B. Chen et al. (2020).

There is limited empirical evidence on how comparability affects value relevance (B. Chen et al., 2020), particularly in the Brazilian context. To the best of our knowledge, the relationship between earnings management and comparability and their value relevance was not tested in a context of an emerging market.

Regarding the value relevance of book value and earnings, we employ the framework proposed by Ohlson (1995). We measure accounting comparability following the methodology of De Franco et al. (2011), which conceptually captures the similarity of peer firms' accounting systems, and estimate discretionary accruals according to Jones (1991) model and, as a robustness analysis, we follow the adjustments proposed by Dechow et al. (1995).

Our primary empirical model was based on the framework elaborated by B. Chen et al. (2020). We use a sample of Brazilian public companies for the 2012-2020 period, using the sector classification based on North American Classification System (NAICS) to define peer firms. We employ an ordinary least squares (OLS) regression with industry-year fixed effects to test our first research hypothesis, based on two-way interactions of earnings and book value with accounting comparability. In our second research hypothesis, we add the discretionary accruals in this interaction of both variables.

Our results suggest that accounting comparability has a negative effect on the book value of equity and no effect on earnings. Moreover, we provide evidence that accrual earnings management has a negative effect on the relationship between book value and accounting comparability but no effect on earnings.

Therefore, we seek to contribute to accounting literature by providing evidence of the moderating role of accounting comparability in the value relevance of earnings and book value of equity in an emerging country. Moreover, how the discretionary accruals influence reducing this relationship.

The remainder of the article is structured as follows: We first present a literature review that sustain our research hypotheses in the second section. In the third section, we describe our sample and the empirical methodology. The next section discusses the main results and robustness analyses. Finally, the fifth section concludes, presenting avenues for future research and possible caveats and limitations of our approach.

2. Related Literature and Research Hypotheses

2.1. Accounting Comparability and Value Relevance

Financial statements provide market participants with relevant information for their valuation decisions (B. Chen et al., 2020) and they are a function of the underlying economic events captured and the accounting for those events (A. Chen & Gong, 2019). Accounting



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comparability can be defined as the extent of similarity between firms' this function (De Franco et al., 2011), where similar transactions are accounted for similarly, and dissimilar transactions are accounted for dissimilarly (A. Chen & Gong, 2019).

Therefore, the literature has pointed out several benefits of accounting comparability. Evidence provided by C.-W. Chen et al. (2018) suggested that acquirers make more profitable acquisition decisions when target firms' financial statements are more comparable. Within a market perspective, they argue that accounting comparability allows acquirers better to understand the underlying economic events of the target relative to its industry peers.

Moreover, Chircop (2021) tested the association between accounting comparability and firm productivity, where his results indicated that positive relation. Especially, accounting comparability improved inventory management where accounting comparability was higher.

Zhang et al. (2020) focused on the monitoring role of accounting comparability and its effect on corporate labor investment efficiency. Their results suggested a positive influence that mitigates the agency conflict, reducing opportunistic employment decision-making.

According to B. Chen et al. (2020), accounting comparability should positively affect investors' valuation of key financial statement metrics. Therefore, they tested by investigating the moderating role of accounting comparability in the value relevance of earnings and book value. Their results indicated that accounting comparability increased earnings' value relevance, but not the book value of equity. Their results indicated that accounting comparability increased the value relevance of earnings, but not book value of equity.

In the Brazilian context, Ribeiro et al. (2016) examined if there was a difference between comparability and uniformity before and after the adoption of international accounting rules. The results suggested that accounting comparability improved after the adoption, whereas the uniformity decrease. Moreover, Sousa et al. (2021) analysed the effect of external audit tenure in the accounting comparability of financial statements. The results indicated that the change, voluntary or mandated, of the external audit firm do not reduce accounting comparability.

Overall, there is consistent evidence about its positive effect both in the information and monitoring role of accounting comparability. Moreover, accounting comparability reduces investors' information gathering and processing costs, allowing for a more accurate and efficient valuation judgment (B. Chen et al., 2020). Therefore, we state our first hypothesis as follows:

H1a The value relevance of earnings enhances with accounting comparability

H1b The value relevance of book value of equity enhances with accounting comparability

2.2. Accrual Earnings Management and Accounting Comparability

Earnings management occurs when managers use judgment in financial reporting and structure operations to mislead stakeholders in the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers. The literature highlights the use of models that capture distortions that may indicate lower earnings quality (Dechow et al., 2010). However, it is pointed out that the mentioned judgment is present in several economic events recorded from estimates and is important to make the reports more informative (Healy & Wahlen, 1999).

Accrual earnings management is one source of earnings management, where discretionary accruals are widely used to measure managers' earnings manipulations (Jones,

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1991). The models partitioned total accruals in normal and abnormal and use the latter as a proxy of discretionary accruals.

A. Chen and Gong (2019) examined the impact of accounting comparability on financial reporting quality. They defined the magnitude of discretionary accruals as one of the measures of financial reporting quality. Their results indicated that prior-period comparability is associated with higher financial reporting quality, that is, lower discretionary accruals.

Furthermore, B. Chen et al. (2020) investigated the moderating role of discretionary accruals on the book value of equity and earnings value relevance. They posit that an environment with lower quality could reduce the benefit of accounting comparability on the value relevance. Their results could confirm that negative influence for earnings, but not for book value of equity.

Sohn (2016) examined whether the opportunistic earnings management activities affecting by the degree of their firms’ accounting comparability with other firms. The author examined both accrual earnings management and real earnings management, and results indicated a positive effect for the former and a negative for the latter.

The benefit of having comparable financial statements could be reduced when a firm's information environment has low earnings quality, where investors cannot reliably assess the reported numbers (B. Chen et al., 2020). Hence, we state our second hypothesis as follows:

H2 Accrual earnings management attenuates the value relevance benefits of accounting comparability.

3. Data Collection and Research Design

Sample Description

Our analysis was conducted using a sample of 116 publicly traded Brazilian companies from Brasil Bolsa Balcão (B3) for the period 2012-2020. We use both consolidated financial statements and unconsolidated financial statements. Finally, we collect all this information through the Economatica® database.

We break down these companies according to the respective sector of economic activity, summing up 11 sectors. We define peer firms based on NAICS sector classification, excluding the Financial Services and Insurance companies and removing the sectors that do not have at least four companies (Sousa et al., 2020). Moreover, we remove firms with negative book value of equity, consistent, especially, with the value relevance literature (B. Chen et al., 2020).

Accounting Comparability Measure

We estimate the financial reports’ comparability through the similarity of the accounting function developed in De Franco et al. (2011). The firm-specific accounting system is estimated considering the last 12 quarterly periods, according to the adjustments proposed by Yip and Young (2012), replacing the firm market value by the total asset. Therefore, to estimate the accounting function, for each firm-year, we follow as in equation 2.

$$\text{Earnings}_{it} = \alpha_i + \beta_i \text{Return}_{it} + \varepsilon_{it} \quad (1)$$

Earnings is the ratio of quarterly earnings before interest and taxes to the beginning-of-period total asset, and Return is the stock price return during the quarter. The accounting

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function for firm j is proxied by $\hat{\alpha}_j$ and $\hat{\beta}_j$ (estimated using the earnings and return for firm j) (De Franco et al., 2011).

When we compare two accounting systems from companies of the same sector (e.g. company j and i), the closer the parameters $\hat{\alpha}_j$ and $\hat{\beta}_j$ with $\hat{\alpha}_i$ and $\hat{\beta}_i$ the closer the accounting functions. The more the accounting systems of two firms are comparable, the smaller the difference between two expected earnings. We use firm i 's and firm j 's estimated accounting functions to predict their earnings, assuming they had the same return (De Franco et al., 2011).

$$E(\text{Earnings})_{iit} = \hat{\alpha}_i + \hat{\beta}_i \text{Return}_{it} \quad (2)$$

$$E(\text{Earnings})_{ijt} = \hat{\alpha}_j + \hat{\beta}_j \text{Return}_{it} \quad (3)$$

$E(\text{Earnings})_{iit}$ is the predicted earnings of firm i given firm i 's function and firm i 's return in period t and $E(\text{Earnings})_{ijt}$ is the predicted earnings of firm j given firm j 's function and firm i 's return in period t . Accounting comparability between firms i and j (AccComp_{ijt}) is defined as the negative value of the average absolute difference between the predicted earnings using firm i 's and j 's functions (De Franco et al., 2011):

$$\text{AccComp}_{ijt} = -1/12 \times \sum_{t-11}^t |E(\text{Earnings}_{iit}) - E(\text{Earnings}_{ijt})| \quad (4)$$

The closer this value is to zero, the greater the accounting comparability between the two firms (De Franco et al., 2011).

Accrual Earnings Management

To decompose total accruals into the expected, normal portion and the unexpected, abnormal portion, we employ Jones (1991) model (equation 6) and Dechow et al. (1995) proposed modifications (equation 7), as a robustness check. They are estimate cross-sectionally for each industry-year. Consistent to the accounting comparability estimation, we employ NAICS industry classification. The abnormal portion of total accruals, also called discretionary accruals, after estimated, are used as their absolute value, consistent with accounting comparability related studies (A. Chen & Gong, 2019; B. Chen et al., 2020; Sohn, 2016).

$$\frac{ACC_{it}}{TA_{it-1}} = \beta_0 + \beta_1 \frac{1}{TA_{it-1}} + \beta_2 \frac{\Delta Sales_{it}}{TA_{it-1}} + \beta_3 \frac{PPE_{it}}{TA_{it-1}} + \varepsilon_{it} \quad (5)$$

$$DACC_{it} = \hat{\beta}_1 \frac{1}{TA_{it-1}} + \hat{\beta}_2 \frac{\Delta Sales_{it} - \Delta AR_{it}}{TA_{it-1}} + \hat{\beta}_3 \frac{PPE_{it}}{TA_{it-1}} - \frac{ACC_{it}}{TA_{it-1}} \quad (6)$$

where:

ACC_{it} = Total Accruals, calculated as the difference between earnings before interest and taxes less operating cash flow, of company i in year t ;

TA_{it-1} = Total Assets of company i on the end of year $t-1$;

$\Delta Sales_{it}$ = Variation of Sales of company i in year $t-1$ to period t ;

PPE_{it} = Property, Plant and Equipment of company i on the end of year t ;

$DACC_{it}$ = Discretionary Accruals of company i in year t ;

ΔAR_{it} = Accounts Receivables of company i on the end of year t ;

$\hat{\beta}_1, \hat{\beta}_2, \hat{\beta}_3$ = coefficients estimated according to equation 6.

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Value Relevance

We estimate the value relevance based on the framework presented by Ohlson (1995), as follows:

$$\frac{MV_{it+1}}{TA_{it-1}} = \beta_0 + \beta_1 \frac{AbnR_{it}}{TA_{it-1}} + \beta_2 \frac{BV_{it}}{TA_{it-1}} + \varepsilon_{it} \quad (7)$$

where:

MV_{it} = Market Value of company *i* 3 months after the end of fiscal year *t*;

TA_{it-1} = Total Assets of company *i* on the end of year *t-1*;

AbnE_{it} = Abnormal Earnings, calculated as the difference between the net income and the multiplication of book value and the national interest rate, of company *i* on year *t*;

BV_{it} = Book Value of Equity of company *i* on the end of year *t*;

Following this framework and the proposed inclusion of variables by B. Chen et al. (2020), we construct our empirical models.

Empirical Models

Building on the Ohlson (1995) framework of equation 7, we operationalize our empirical models based on Chen et al. (2020). To test hypothesis 1, we include the accounting comparability proxy (De Franco et al., 2011) as a moderator variable:

$$\begin{aligned} \frac{MV_{it}}{TA_{it-1}} = & \beta_0 + \beta_1 \frac{AbnR}{TA_{it-1}} + \beta_2 \frac{BV_{it}}{TA_{it-1}} + \beta_3 CI_{it-1} + \\ & \beta_4 \frac{AbnR}{TA_{it-1}} \times CI_{it-1} + \beta_5 \frac{BV_{it}}{TA_{it-1}} \times CI_{it-1} + \varepsilon_{it} \end{aligned} \quad (8)$$

Next, to test hypothesis 2, we include the moderating role of accounting comparability in the value relevance of earnings and book value depends on firms' discretionary accruals level. To achieve that, we build upon equation 6 and add the discretionary accruals also as a moderator variable (B. Chen et al., 2020):

$$\begin{aligned} \frac{MV_{it}}{TA_{it-1}} = & \beta_0 + \beta_1 \frac{AbnR}{TA_{it-1}} + \beta_2 \frac{BV_{it}}{TA_{it-1}} + \beta_3 CI_{it-1} + \\ & \beta_4 \frac{DA_{it}}{TA_{it-1}} + \beta_5 \frac{AbnR}{TA_{it-1}} \times CI_{it-1} + \beta_6 \frac{BV_{it}}{TA_{it-1}} \times CI_{it-1} + \\ & \beta_7 \frac{AbnR}{TA_{it-1}} \times \frac{DA_{it}}{TA_{it-1}} + \beta_8 \frac{BV_{it}}{TA_{it-1}} \times \frac{DA_{it}}{TA_{it-1}} + \\ & \beta_9 \frac{AbnR}{TA_{it-1}} \times CI_{it-1} \times \frac{DA_{it}}{TA_{it-1}} + \beta_{10} \frac{BV_{it}}{TA_{it-1}} \times CI_{it-1} \times \frac{DA_{it}}{TA_{it-1}} + \varepsilon_{it} \end{aligned} \quad (9)$$

where:

MV_{it} = Market Value of company *i* 3 months after the end of fiscal year *t*;

TA_{it-1} = Total Assets of company *i* on the end of year *t-1*;

AbnE_{it} = Abnormal Earnings, calculated as the difference between the net income and the multiplication of book value and the national interest rate, of company *i* on year *t*;

BV_{it} = Book Value of Equity of company *i* on the end of year *t*;

CI_{it-1} = Comparability Index Measure of company *i* on year *t-1* (De Franco et al., 2011)

DA_{it} = Discretionary Accruals of company *i* on year *t* (Dechow et al., 1995; Jones, 1991)

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To ease interpretation, as done by Chen et al. (2020), we standardized $\frac{DA_{it}}{TA_{it-1}}$ and CI_{it-1} by subtracting their respective means and then dividing by their respective standard deviations. All continuous variables are winsorized at the top and bottom 1% level to mitigate high skewness and kurtosis of the variables.

4. Empirical Results

Descriptive results

Table 1 reports the descriptive statistics of accounting comparability (De Franco et al., 2011). In Panel A it is shown the mean and median values per year, in Panel B it is presented segregating by sector. In Panel C, we present the descriptive statistics of the variables employed in the econometric models. We present both for consolidated and unconsolidated information.

The average accounting comparability for the consolidated (unconsolidated) data is -3.96 (-5.45). These number are lower compared to similar studies (B. Chen et al., 2020; De Franco et al., 2011; Sohn, 2016), which implies that there is a higher difference between peer industry companies.

Table 1:
Descriptive Statistics
Panel A – Accounting Comparability per Year

Year	Consolidated			Unconsolidated		
	Mean	Median	N	Mean	Median	N
2012	-3,79	-3,36	105	-4,96	-4,23	114
2013	-4,05	-3,60	105	-5,66	-4,84	114
2014	-4,01	-3,50	105	-5,78	-4,90	114
2015	-4,07	-3,58	105	-5,80	-4,93	114
2016	-4,01	-3,51	105	-5,46	-4,71	114
2017	-4,14	-3,49	105	-5,24	-4,59	114
2018	-4,07	-3,51	105	-5,33	-4,61	114
2019	-3,86	-3,31	105	-5,26	-4,21	114
2020	-3,68	-3,19	105	-5,52	-3,97	114
Mean	-3,96	-3,45		-5,45	-4,55	

Panel B – Accounting Comparability per Sector

Sector	Consolidated			Unconsolidated		
	Mean	Median	N	Mean	Median	N
Business and enterprise administration	-5.35	-4.76	63	-6.69	-5.95	63
Retail	-3.56	-3.35	72	-4.37	-4.12	81
Construction	-3.65	-3.22	108	-4.76	-4.15	108
Electricity, gas, and water company	-3.86	-3.48	198	-5.36	-4.75	234
Real estate and other property rental	-4.53	-4.07	81	-7.62	-6.16	81
Manufacturing Industry	-3.82	-3.22	378	-5.07	-4.35	423
Transport and storage	-3.99	-3.65	45	-7.84	-6.73	36

Panel C – Econometric models variables – Summary

Variables	Consolidated					Unconsolidated						
	Min	Median	Mean	Max	SD	N	Min	Median	Mean	Max	SD	N
MV	0,052	0,262	0,515	3,799	0,732	933	0,094	0,385	0,698	4,786	0,942	1023
AbnE	-0,336	-0,033	0,005	0,165	0,078	945	-0,526	-0,048	0,008	0,215	0,117	1026
BV	0,042	0,26	0,377	0,955	0,194	945	0,098	0,384	0,565	1,113	0,233	1026
AccComp	-10,46	-4,642	-3,463	-1,983	1,655	945	-18,299	-6,094	-4,624	-2,791	2,681	1026
DACCJ1991	0,000	0,016	0,037	0,231	0,048	945	0,001	0,021	0,047	0,35	0,068	1026

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DACCD1995 0,001 0,017 0,037 0,237 0,049 945 0,000 0,021 0,049 0,351 0,070 1026

Note: In Panel C, MV is Market Value three months after the end of the fiscal year scaled by total assets. AbnE is the Abnormal Earnings scaled by total assets. BV is the book value of equity scaled by total assets. DACCD1991 is the Discretionary Accruals absolute value estimated using the Jones (1991) model. DACCD1995 is the Discretionary Accruals absolute value estimated using the Dechow et al. (1995) model.

Panel B reports the accounting comparability mean and median segregated by sector. It is shown that the Business and enterprise administration have the lower comparability measure, whereas the Retail have the highest for both consolidated and unconsolidated data. All models have controls for industry and year fixed effects.

The average Market Value scaled by Total Assets is 0.75 for consolidated data and 1.01 for unconsolidated data, showing that the latter have higher stock price values compared to the former. The discretionary accruals estimated using both Jones (1991) and Dechow et al. (1995) models presented similar values for both the consolidated and unconsolidated data.

Regression models

In Table 2, we present the results of the value Relevance model under the Ohlson (1995) framework. For both models the results are consistent with the literature, where both variables are significant and have a positive sign. The explanatory power of the consolidated data was higher than the unconsolidated data.

Table 2:
Value relevance model (Ohlson, 1995)

	Dependent Variable: Market Value	
	Consolidated	Unconsolidated
AbnE	3.509*** (0.761)	3.113*** (0.796)
BV	1.523*** (0.360)	0.911** (0.338)
Num.Obs.	933	1023
R2	0.306	0.273
R2 Adj.	0.294	0.261
Std.Errors	by: firm	by: firm
Industry Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes

Note: + p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. MV is Market Value three months after the end of the fiscal year scaled by total assets. AbnE is the Abnormal Earnings scaled by total assets. BV is the book value of equity scaled by total assets.

Table 3 reports the results of the model elaborated to test the first hypothesis, where it is expected that the accounting comparability will improve the value relevance of abnormal earnings and book value of equity. For both models the book value has a positive influence under the higher accounting comparability peer firms. This result is different of what was found by B. Chen et al. (2020), where for their model only the interaction between accounting comparability and earnings was significant. Also, the accounting comparability measure isolated has a negative sign for both the consolidated and unconsolidated data.

Table 3:
Accounting comparability and the value relevance

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	Dependent Variable: Market Value	
	Consolidated	Unconsolidated
AbnE	3.372*** (0.728)	3.146*** (0.748)
BV	1.559*** (0.356)	0.887** (0.337)
AccComp	-0.124** (0.040)	-0.262** (0.088)
AccComp × AbnE (H1a)	0.040 (0.340)	0.474 (0.308)
AccComp × BV (H1b)	0.255** (0.093)	0.421** (0.148)
Num.Obs.	829	909
R2	0.304	0.283
R2 Adj.	0.289	0.268
Std.Errors	by: firm	by: firm
Industry Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes

Note: + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. MV is Market Value three months after the end of the fiscal year scaled by total assets. AbnE is the Abnormal Earnings scaled by total assets. BV is the book value of equity scaled by total assets. AccComp is the Accounting Comparability measure estimated using the De Franco et al. (2011).

Table 4 reports the results of the model elaborated to test the second hypothesis. We expect a negative value on both three-way interactions. The results suggest only a negative value for the interaction between accounting comparability, discretionary accruals, and book value. This result was consistent for both consolidated and unconsolidated data. This finding is not consistent with B. Chen et al. (2020) results, where they find a positive value for this interaction and a negative value for the interaction between accounting comparability, discretionary accruals, and earnings.

Table 4:
Accounting comparability, value relevance, and discretionary accruals

	Dependent Variable: Market Value	
	Consolidated	Unconsolidated
AbnE	3.377*** (0.727)	3.207*** (0.708)
BV	1.568*** (0.349)	0.899** (0.328)
AccComp	-0.112** (0.039)	-0.240** (0.076)
DACCD1991	0.012 (0.027)	0.050 (0.048)
AbnE × AccComp	0.055 (0.339)	0.341 (0.373)
AbnE × DACCD1991	0.218 (0.342)	0.136 (0.273)
AccComp × DACCD1991	0.157* (0.066)	0.248*** (0.069)
AccComp × BV	0.219* (0.088)	0.390** (0.126)
DACC × BV	0.026 (0.073)	-0.054 (0.076)
AbnE × AccComp × DACCD1991 (H2)	0.029 (0.328)	-0.913** (0.339)

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	Dependent Variable: Market Value	
	Consolidated	Unconsolidated
AccComp × DACCJ1991 × BV (H2)	-0.428* (0.194)	-0.457*** (0.113)
Num.Obs.	829	909
R2	0.313	0.300
R2 Adj.	0.293	0.281
Std.Errors	by: firm	by: firm
Industry Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes

Note: + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. MV is Market Value three months after the end of the fiscal year scaled by total assets. AbnE is the Abnormal Earnings scaled by total assets. BV is the book value of equity scaled by total assets. AccComp is the Accounting Comparability measure estimated using the De Franco et al. (2011). DACCJ1991 is the Discretionary Accruals estimated using the Jones (1991) model.

4.1. Robustness Tests

We estimate, as a robustness analysis, the main model with discretionary accruals estimated using Dechow et al. (1995) model. Table 5 reports the results, where we find a consistent result for the consolidated data, since the accounting comparability, discretionary accruals, and book value was negative and significant. Moreover, for the unconsolidated data, we find that both interactions were negative and significant, consistent with H2.

Table 5:
Accounting comparability, value relevance, and Discretionary Accruals

	Dependent Variable: Market Value	
	Consolidated	Unconsolidated
AbnE	4.555*** (0.846)	3.779*** (0.791)
BV	1.459*** (0.359)	0.886** (0.323)
AccComp	-0.072 (0.063)	-0.261** (0.098)
DACCD1995	0.019 (0.042)	0.008 (0.052)
AbnE × AccComp	-0.231 (0.561)	0.317 (0.457)
AbnE × DACCD1995	0.224 (0.308)	0.270 (0.336)
AccComp × DACCD1995	0.152* (0.075)	0.269*** (0.078)
AccComp × BV	0.158+ (0.093)	0.386** (0.134)
DACCD1995 × BV	-0.010 (0.074)	-0.037 (0.071)
AbnE × AccComp × DACCD1995 (H2)	-0.421 (0.476)	-1.060** (0.407)
BV × AccComp × DACCD1995 (H2)	-0.358+ (0.200)	-0.358** (0.112)
Num.Obs.	829	909
R2	0.353	0.302
R2 Adj.	0.334	0.283
Std.Errors	by: empresa	by: empresa
Industry Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes

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	Dependent Variable: Market Value	
	Consolidated	Unconsolidated
Note: + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. MV is Market Value three months after the end of the fiscal year scaled by total assets. AbnE is the Abnormal Earnings scaled by total assets. BV is the book value of equity scaled by total assets. AccComp is the Accounting Comparability measure estimated using the De Franco et al. (2011). DACCD1995 is the Discretionary Accruals estimated using the Dechow et al. (1995) model.		

Finally, we estimate all the analysis with the accounting comparability median value (De Franco et al., 2011), and the results corroborated the main analysis, except for the unconsolidated data model that test the H1 where the interaction between accounting comparability and book value was not significant.

5. Conclusions

Based on B. Chen et al. (2020) framework, we examine whether accounting comparability among industry peers enhances the value relevance of earnings and book value. We explore the moderating effect of accounting comparability in the value relevance of earnings and book value. We posit that earnings and book value of equity value relevance enhance accounting comparability and find a negative effect of the latter. Moreover, we test if discretionary accruals attenuate the value relevance benefits of accounting comparability and our results indicated for the book value and no effect of earnings.

Our descriptive results suggest that Brazilian public companies showed a lower level of accounting comparability than the literature's evidence (Campbell & Yeung, 2017; B. Chen et al., 2020; De Franco et al., 2011). This could be explained by the reduced number of public companies in each industry in Brazil, since the sector with more observations had a higher comparability measure.

B. Chen et al. (2020) bring evidence of the moderating role of accounting comparability in the value relevance of earnings and book value of equity in US market. We seek to contribute to the accounting literature presenting evidence of this role in an emerging market (Brazil) and how the discretionary accruals impact this relationship.

This study has several limitations. Brazil has few companies per industry. Therefore, applying accounting comparability models implies a limited number of observations and sectors in the sample. Moreover, we could not include a moderator variable for audit specialists, as in B. Chen et al. (2020), because this is not disclosed for audit firms in Brazil.

Future research could replicate this model elaborated by B. Chen et al. (2020) in other emerging markets and for European companies. Moreover, it could include real earnings management as a moderator variable for accounting comparability and value relevance.

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