

Table 1 Determinants of Analysts' future performance forecasts

This table compares analysts' future performance forecasts between suspected REM firms and control firms on the sample over 1988-2014. The dependent variable is EPS forecasts for the subsequent one or two years. Columns 1, 3, 5 and 7 present results when EPS forecast for the subsequent one year is used as the dependent variable. Columns 2, 4, 6, and 8 present results when EPS forecast for the subsequent two years is used as the dependent variable. LOGASSETS is the natural logarithm of total assets; FEPS1 is the EPS forecast for the current year; BTM is the book value of equity divided by the market value of equity; Return is one year holding stock return; REMD is a dummy variable that takes the value of one if the firm is suspected REM firm, and zero otherwise. Coefficients and *t*-statistics (in parentheses) are reported. Coefficients marked with ***, **, and * are significant at the 1%, 5%, and 10% level, respectively.

Variable	REM_CFO		REM_RD		REM_SGA		REM_GLA	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
LOGASSETS	-8.578 (-1.41)	2.628*** (5.26)	-5.793* (-1.77)	1.500*** (3.27)	-1.128 (-1.55)	0.498*** (2.61)	-12.975 (-1.16)	4.697*** (5.61)
FEPS1	-0.443*** (-66.17)	-0.295*** (-639.80)	0.358*** (230.50)	0.333*** (1785.43)	0.980*** (700.66)	0.819*** (1042.35)	0.107*** (32.57)	0.333*** (1136.86)
BTM	31.632** (2.25)	0.505 (0.47)	5.954 (0.98)	-0.000 (-0.00)	0.836 (0.76)	0.017 (0.06)	0.019 (0.05)	0.473 (0.34)
Return	-7.681 (-0.83)	0.346 (0.37)	-4.654 (-0.73)	-0.134 (-0.15)	-1.199 (-0.80)	-0.240 (0.61)	-5.194 (-0.32)	-0.906 (-0.50)
REMD	-36.252 (1.54)	-2.350 (-1.25)	-9.954 (-0.74)	-1.492 (-0.78)	0.687 (0.25)	-0.857 (-1.23)	-48.183 (-1.12)	2.865 (0.90)
Constant	86.895** (2.08)	-13.169*** (-3.65)	49.332** (2.32)	-5.828* (-1.83)	8.700* (1.82)	-0.896 (-0.67)	140.772** (1.97)	-27.424*** (-4.76)
Number of observations	15,546	10,996	13,743	9,266	12,168	8,405	11,610	7,771
R-squared	0.2204	0.97	0.7946	0.9971	0.9758	0.9923	0.0839	0.9940

Table 2 Determinants of Analysts' forecasts error

This table compares analysts' forecasts error between suspected REM firms and control firms on the sample over 1988-2014. The dependent variable is the analysts' forecast error, which is measured as realized long-term growth in earnings minus the analysts' forecast of long-term growth in earnings. Realized earnings growth is a 5-year annualized growth rate, which is calculated by fitting a least squares growth line to the logarithms of the five annual observations, beginning with the suspected REM year and ending in the fifth year after Rem year. Fgrow is the analysts' forecast of long-term growth in earnings, which is the consensus long-term growth forecasts issued in the closest month after earnings announcement in year t. REMD is a dummy variable that takes the value of one if the firm is suspected REM firm, and zero otherwise. Ab_CFO, Ab_RD, Ab_SGA and Ab_GLA are the abnormal cashflow from operations, abnormal R&D expenditures, abnormal selling, general and administrative expenses and abnormal gains on assets sales, respectively. Coefficients and *t*-statistics (in parentheses) are reported. Coefficients market with ***, **, and * are significant at the 1%, 5%, and 10% level, respectively.

Variable	REM_CFO	REM_RD	REM_SGA	REM_GLA	
Fgrow	-0.994 ^{***} (-1960.0)	-0.994 ^{***} (1433.6)	-0.994 ^{***} (-1506.9)	-0.995 ^{***} (-1365.1)	-0.995 ^{***} (-2578.4)
REMD	0.030 ^{***} (3.35)	0.017 (1.46)	0.052 ^{***} (4.03)	0.015 (1.30)	
Ab_CFO					-0.012 ^{**} (-2.52)
Ab_RD					0.032 (1.28)
Ab_SGA					-0.063 ^{***} (-3.03)
Ab_GFA					-0.312 ^{***} (-4.00)
Constant	-0.009 (-0.83)	-0.018 (-1.24)	-0.047 ^{***} (-3.18)	-0.021 (-1.38)	-0.002 (-0.33)
Number of observations	6,364	3,582	3,921	3,249	11,877
R-squared	0.9983	0.9983	0.9983	0.9983	0.9982

Table 3 Factors that affect the REM decision

This table reports results of the logit analysis of REM decisions on the sample over 1988-2014. The dependent variable for columns 1-4 is REMD, which is a dummy variable that takes the value of one if the firm is suspected REM firm, and zero otherwise. The dependent variable is the sum of all standardized values of four REM measures. Big4 is a dummy variable that takes the value of one if the firm's auditor is one of the big four accounting firms, and zero otherwise; T_AUDIT is the number of years the auditor work for the firm; Litigation is a dummy variable that takes the value of one if a firm is in a high litigation industry and zero otherwise; NOA is net operating assets; SOX is a dummy variable that equals one for post-SOX years and zero otherwise; and ACOVERAGE is the number of estimates. Coefficients and *t*-statistics (in parentheses) are reported. Coefficients marked with ***, **, and * are significant at the 1%, 5%, and 10% level, respectively.

Variable	REM_CFO	REM_RD	REM_SGA	REM_GLA	RESUM
Big4	-0.010 (-1.49)	0.005 (0.75)	-0.051*** (-6.04)	-0.006 (-0.84)	-0.022 (-0.85)
T_AUDIT	0.005** (10.54)	0.004** (8.67)	0.003** (6.60)	0.005** (9.00)	0.003** (2.00)
Litigation	0.018** (2.55)	0.094*** (12.64)	0.019** (2.17)	0.015* (1.83)	0.027 (1.01)
NOA	0.000*** (3.80)	0.000*** (6.02)	-0.000 (-0.73)	0.000 (0.65)	-0.000 (-0.61)
SOX	-0.026*** (-3.99)	-0.033*** (-4.84)	-0.012* (1.68)	-0.020*** (-2.59)	-0.010 (-0.42)
ACOVERAGE	0.022** (23.78)	0.020** (17.32)	0.025** (19.12)	0.013** (10.48)	-0.009** (-2.45)
Constant	0.496*** (70.74)	0.483*** (62.99)	0.521*** (59.19)	0.500*** (59.30)	0.020 (0.74)
Number of observations	22,463	19,794	16,501	16,861	9,714
R-squared	0.0411	0.0350	0.0283	0.0154	0.0011

