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The Effects of Financial Statement Comparability on Firm Visibility*

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〈Abstract〉

We demonstrate how the financial statement comparability enhances firm visibility that the number of analyst reports reflects in the market thereby strengthening investors' recognition and stakeholders' awareness of a firm. As sophisticated information providers, analysts are able to analyze more intensively and efficiently comparable accounting information and issue frequently analyst reports on each high－visibility firm. This finding highlights that a particular analyst continuously generates a series of analyst reports focusing on a particular firm which yields more comparable financial information. The number of analyst reports indicates an individual analyst's effort in the analysis of an individual firm, whereas the number of analysts represents the collective effort of analysts community. The testable implication of our results builds upon prior evidence about comparability benefits to analysts and contributes to the further understanding of analyst research.

〈Key words〉 Comparability, Firm Visibility, the Number of Analyst Reports, Analyst Coverage, K－IFRS

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Ⅰ. Introduction

We further explore the previous findings that financial statement comparability enhances visibility benefits of investor recognition and familiarity with a firm in the capital markets by investigating the association between comparability and the number of analyst reports that provides a more informative and specific firm profile.

Comparability is defined as “the quality of information that enables information users to identify similarities in and differences between two sets of economic phenomena”(IASB 2010, 20 ; Brochet et al. 2013, 1375). Higher values of comparability imply more precise cross－firm reporting signals(Brochet et al. 2013, 1375). The comparable firm reports similar (or different) accounting information about similar (or different) economic consequences(Barth et al. 2012, 73). The primary benefits of financial statement comparability are the reduced cost of gathering and processing information and the increased quantity and quality of available information(De Franco et al. 2011, 895). As a result, the information environment can be improved by facilitating accounting comparability benefits.

“Merton(1987) regards the number of investors who know about a security as the degree of investor recognition for that security”(Lehavy and Sloan 2008, 328). He models firm value and explains that expected returns tend to be lower on better－known firm with relatively larger investor base(Merton 1987, 495). A firm spends resources to make it an eligible investment for investors through strengthening firm visibility and expanding its investor base in the capital markets(Merton 1987, 501). When investors make informed investment judgments about the strengths and weakness of comparable firms, investor confidence in firms which are familiar to them is raised and capital is allocated in an efficient manner. If comparable information is not available, investors and lenders cannot rationally evaluate alternative investment opportunities.

Francis et al.(1997) suggest that management communicate with securities analysts by using the effective presentation and conveying credible information which enhances analysts’ confidence. After firms present, the number of analyst following is increased relative both to pre－presentation levels and to the analyst coverage for similar－size firms. De Franco et al.(2011) generate the insight into the relation between the benefits of comparable financial information and the degree of analyst recognition. They propose that analysts gain benefits of financial statement comparability, resulting in increasing analyst following, higher analyst forecast accuracy and lower analyst forecast dispersion.

Firm visibility is important for attracting investor perception thereby increasing the efficient

capital allocation in the financial market. Mehran and Peristiani(2010, 523) explain that the most widely accepted empirical proxy of visibility is analyst coverage(Mehran and Peristiani 2010 ; De Franco et al. 2011). Analyst coverage indicates the number of analysts who follows and covers firms. If a specific analyst issues either at least one report or many reports for a specific firm, analyst coverage variable is measured at '1' that indicates one analyst. From another point of view, the number of analyst reports reveals that an analyst issues frequently many reports for a particular firm. Therefore, while analyst coverage represents analysts' mass movements, the number of analyst reports stands for an analyst's intensive analysis about a particular firm.

To demonstrate the influence of financial statement comparability on firm visibility measured by the number of analyst reports, we focus on Korea Stock Exchange(KSE) listed firm data for the 2009－2013 period. The empirical analyses are based on 436 firms and 1,744 firm－year observations. Following De Franco et al.(2011), financial statement comparability is measured by the degree of earnings co－movement between a given firm and other firms in the industry, considering the similarity of the accounting systems of firms. Firm visibility is estimated as analyst coverage and the number of analyst reports. The Tobit analysis shows that there is no significant relation between comparability and analyst coverage, whereas there is a significantly positive relation between comparability and the number of analyst reports.

This study serves as a stepping stone to ongoing research on firm visibility by empirically linking comparability with the potential proxy of visibility benefits measured by the number of analyst reports. Grullon et al.(2004, 448) employ the dollar amount of advertising to be a proxy for investor visibility. Lehavy and Sloan(2008, 332) and Bartov(2008, 365) measure investor recognition via the breadth of institutional ownership. Mehran and Peristiani(2010, 523) highlight a critical role of visibility proxied by the growth in analyst coverage, change in institutional ownership, and stock turnover in attaining sufficient financial interest to go public.

This empirical study is related to the basic idea in De Franco et al.(2011). Greater comparability is beneficial to analysts who analyze financial statements and issue analyst reports. Better investor recognition and greater accessibility of information about a firm are derived from enhanced financial visibility through analyst reports. Jeon et al.(2015, 145) define a highly visible firm as "one that has a large number of investors that are aware of the firm's existence and/or with a large investor base".

Ⅱ. Related literature and hypothesis development

2.1 Related literature

2.1.1 Financial statement comparability

Many in academia have had a lot of discussions about the effect of comparability related to IFRS adoption on the economic outcomes. Prior to De Franco et al.(2011), those discussions stuck to a conceptual level without measuring the financial statement comparability(Lang et al. 2010, 1). De Franco et al.(2011, 899) introduce the conceptual definition of financial statement comparability. Under the proposed research model, a firm's accounting system recognizes the net impact of economic events on the financial statements reflected in stock returns. For a given set of economic events, firms with comparable accounting systems produce similar financial statements. These findings provide evidence that comparability decreases the cost of acquiring information and increases the overall level of information available to analysts about a firm.

Supporting De Franco et al.(2011), Lang et al.(2010) argue that cross-country accounting comparability may be positively associated with favorable properties of the information environment, such as increased analyst coverage, greater forecast accuracy, and lower forecast dispersion. Adapting from De Franco et al.(2011), Barth et al.(2012) state that comparability can be potentially attributable to earnings smoothing, accrual quality, and timeliness.

Brochet et al.(2013) infer that IFRS adoption reduces private information and results in capital market benefits through enhanced comparability. While insiders are sophisticated information users who possess private information, they cannot easily enjoy abnormal returns through insider purchases of stock after IFRS adoption in the United Kingdom.

Considering the controversies in IFRS research to unveil the impacts of comparability, there are few papers that test the relation between comparability and analysts' behavior. Neel(2017) notes that increased comparability leads to better economic outcomes of IFRS adoption such as decreased analyst forecast errors and dispersion. He says that improved comparability is a primary mechanism on analysts.

2.1.2 Firm visibility

In previous studies involving firm visibility, investor diversification choices in relation to capital market equilibrium are superficially discussed.

Merton(1987) shows that firm value is increasing in the degree of investor recognition of the

firm, assuming that investors use only security A in constructing their optimal portfolio only if they know about security A. Falkenstein(1996) concentrates on the mutual funds which strongly prefer stocks with high visibility and low transaction costs. Based on the insight on the importance of distance in portfolio choice relative to firm visibility, Coval and Moskowitz(1999) suggest that asymmetric information between local and non-local investors may yield a preference for geographically proximate investments, which have easy accessibility to information about companies and which are hedged against price.

Grullon et al.(2004) generate empirical evidence that a firm's overall visibility with investors, as measured by its product market advertising, increases the breadth of its ownership(i.e., a larger shareholder base) and significantly improves the liquidity of its stock, leading to the increase in the firm's value. While the direct effect of advertising on profits is unclear and does not unveil private information, a firm's advertising may attract uninformed investors to its stock and result in a capital market spillover effect. This results in a decrease in the cost of capital and an increase in the liquidity of the firm's stock.

Consistent with Merton(1987)'s predictions, Lehavy and Sloan(2008) posit that financing and investing activities in the underlying firm attract investors and represent investor recognition. Furthermore, investor recognition is more important than accounting information in explaining stock return variation. Mehran and Peristiani(2010) argue that a successful listing of an Initial Public Offering (IPO) firm requires broaden financial visibility and extensive investor interest.

Huberman(2001) documents that investors do not carefully consider the principles of portfolio theory, but stick to biased investment in a familiar business environment. Bushee and Miller (2012) find that greater management access and higher company visibility are essential for the effective investor relations(IR) strategy.

2.2 Hypothesis development

Comparability is typically defined as that quality of information that enables users to identify similarities in and differences between two sets of economic phenomena(IASB 2010, 20 ; Brochet et al. 2013, 1375). The improved comparability of financial statements strengthens an investor's understanding of a firm in efficiently evaluating performance and valuation. In addition, it partially reduces an insider's information advantage of assessing to a particular firm's private information source. The common reporting under the same accounting standards improves the public information set and reduces the private information set by intensifying investor

informativeness of financial statements and mitigating information asymmetry in the financial market(Brochet et al. 2013, 1376).

Ramnath et al.(2008, 41) document that analysts highly value the quality of firm reporting in determining the usefulness of financial information. Accordingly, the higher disclosure quality of a firm gains more analyst following thereby increasing the efficiency of information transmission and decreasing cost of capital. De Franco et al.(2011, 895) investigate that financial statement comparability reduces analysts' information acquisition and processing costs of covering the firm, and increases the overall quantity and quality of information available to analysts about the firm. Particularly, an analyst who is covering a specific firm can easily cover another firm in the same industry resulting in the increasing comparability across firms and analysts coverage. The higher availability of comparable information across firms may yield the analysts' better perspectives for firms through the efficient procedure for information analysis. Collectively, an analyst may be more willing to cover a firm with higher financial statement comparability.

We expect firms with higher comparability to have higher-quality information sets, leading to raising the profile of firms. In consequence, increased firm visibility enhances the degree of investor recognition, stakeholder awareness, and analysts' close monitoring in the public markets(Mehran and Peristiani 2010, 521). Combined, our hypothesis is as follows :

H : A firm's visibility increases as the magnitude of accounting comparability increases.

Ⅲ. Research design and sample

3.1 Variable measurement and research model

3.1.1 Measurement of financial statement comparability proxies[1)]

The empirical model builds on the study by De Franco et al.(2011, 899－901). For each firm-year, we first estimate the following equation using the 12 previous quarters' data.

$$Earnings_{it} = \alpha_i + \beta_i \ Return_{it} + \varepsilon_{it} \quad (1)$$

where earnings is the ratio of quarterly net income to the beginning-of-period market value of equity, and return is the stock price return during the quarter. Under the framework in Equation (1), $\hat{\alpha}_i$ and $\hat{\beta}_i$ proxy for the accounting function $f_i()$ for firm i.

1) This part is quoted from De Franco et al.(2011, 899－901).

We use the two estimated accounting functions for each firm with the economic events of a single firm. We calculate :

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

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

where $E(Earnings)_{iit}$ is predicted earnings of firm i given firm i's function and firm i's return in period t ; and, $E(Earnings)_{ijt}$ is predicted earnings of firm j given firm j's function and firm i's return in period t. By using firm i's return in both predictions, we explicitly hold economic events constant.

We define financial statement comparability between firms i and j ($CompAcct_{ijt}$) as the negative value of the average absolute difference between the predicted earnings using firm i's and j's functions, as follows :

$$CompAcct_{ijt} = -1/12 \sum_{t-11}^{t} |E(Earnings_{iit}) - E(Earnings_{ijt})| \quad (4)$$

Higher values indicate greater financial statement comparability. We estimate financial statement comparability for each firm i－firm j combination for J firms within the same two digit Korean standard industry classification (SIC). In addition to the $i-j$ measure of comparability, we also produce a firm－year measure of financial statement comparability by aggregating the firm i－firm j $CompAcct_{ijt}$ for given firm i. Specifically, after estimating financial statement comparability for each firm i－firm j combination, we rank all the J values of $CompAcct_{ijt}$ for each firm i from highest to lowest.

$COMP4raw_{it}$ = average $CompAcct_{ijt}$ of the four firms j with the highest comparability to firm i during period t

$COMP10raw_{it}$ = average $CompAcct_{ijt}$ of the 10 firms j with the highest comparability to firm i during period t

$COMPINDraw_{it}$ = median $CompAcct_{ijt}$ for all firms j in the same industry as firm i during period t

$COMP4_{it} = (-1) \times \ln\ (COMP4raw_{it} \times (-1))$

$COMP10_{it} = (-1) \times \ln\ (COMP10raw_{it} \times (-1))$

$COMPIND_{it} = (-1) \times \ln\ (COMPINDraw_{it} \times (-1))$

Firms with high $COMP4_{it}$($COMP4raw_{it}$), $COMP10_{it}$($COMP10raw_{it}$), and $COMPIND_{it}$($COMPINDraw_{it}$) have accounting functions that are more similar to those in the peer group and in the industry, respectively.

3.1.2 Measurement of firm visibility proxies

A large body of literature suggests a number of measures of firm visibility, such as analyst coverage(O'Brien and Bhushan 1990 ; Mehran and Peristiani 2010 ; Jeon et al. 2015), institutional investor ownership(Lehavy and Sloan 2008 ; Mehran and Peristiani 2010 ; Jeon et al. 2015), corporate presentations or investor relations(Francis et al. 1997 ; Bushee and Miller 2012), media coverage(Falkenstein 1996 ; Jeon et al. 2015), advertising expenditures(Grullon et al. 2004), firm age or the number of months since listing on the exchange(Falkenstein 1996), and stock trading volume(Mehran and Peristiani 2010 ; Jeon et al. 2015).

We choose analyst coverage as one of the most widely used empirical proxies of firm visibility. In addition, we introduce the number of analyst reports as a potential proxy for firm visibility. Investors rely on analyst reports, which provide investors with relevant firm and industry information in the capital markets. Hirst et al.(1995, 337) posit that "analysts' research reports are the most influential sources for investment decision making". Therefore, the number of analyst reports represents the intensity of analyst coverage, showing how frequently analysts make earnings forecasts and produce information of their reports on a particular firm. Lehavy et al.(2011, 1094) define the number of analysts as the collective effort of the analysts community, whereas the number of analyst reports works as a measure for individual analysts' efforts levels in analyzing an individual firm.

3.1.3 Model of the effect of financial statement comparability on firm visibility

To test hypothesis H, which states that a firm's visibility increases as the magnitude of that firm's financial statement comparability increases, we employ the Tobit censored regression model, which estimates linear relationships between variables when there is either left- or right-censoring in the dependent variable. There are zero values involved in the dependent variable of either analyst coverage or the number of analyst reports, either because not all analysts are willing to issue forecasts for all firms or because they are unwilling to issue analyst reports. To explain the empirical model in this paper, we quote from Wilson and Tisdell(2002, 4). "The presence of zeros in the dependent variable destroys the linearity assumption so that the least squares method is inappropriate. In this case, a Tobit analysis is used in preference to ordinary least squares".

The positive coefficient on $COMP_{it}$, β_1, in Equation (5) indicates the confirmation of H. Consistent with De Franco et al.(2011), the Tobit regression analysis of Equation (5) includes the following control variables. A large company with higher market capitalization can provide more useful and available information for analysts thereby gaining more attention and liquidity at lower trading costs in the capital market(Barron et al. 2002, 297). As analysts require further profitable private information about high-growth firms, analysts' followings increase with firm growth (Barron et al. 2002, 297). Since analysts' brokerage commissions and fees are based on trading volume of shares, analysts are attracted by trading volume(Barth et al. 2001, 10). Barth et al.(2001, 5-7) bring up issues about stronger analysts' demands for profitable private information about mispriced securities. As a consequence, analysts cover firms with greater intangible assets that reflect information asymmetry and inherent uncertainty. Research and development expenses serve as useful proxies for long-term investments in intangible assets. Compared with intangible assets, tangible assets are more repeatedly traded and valued through market transaction pricing. Subsequently, tangible assets are associated with lower information asymmetry and fewer analysts' incentives to collect private information. Depreciation expenses play roles in allocating the costs of tangible assets to the accounting period that firms benefit. Fewer analysts follow firms with higher depreciation expenses(Barth et al. 2001, 21).

Analysts cover more volatile firms which generate more trading profits for informed investors(O'Brien and Bhushan 1990, 6). To drive expected future return variance, they gather private information about estimated variability on stock returns. In this regard, Lobo et al.(2012, 498-499) revisit the issues about analysts' roles. As an information intermediary, an analyst demands for better firm disclosure and transfers the information contained in high-quality financial reporting to the market. From a different point of view, as an information provider, an analyst is likely to follow firms with greater information asymmetry, uncertainty and volatility, in order to provide an analyst's private information about firms. If an analyst plays a role of providing information, he prefers to cover firms with higher information asymmetry, as measured by earnings predictability and standard deviation of earnings and higher operating uncertainty and volatility, as measured by standard deviation of stock returns.

Taken together, except for depreciation expense exceeding industry mean value(*DEPR*), firm size(*SIZE*), firm growth(*MBR*), trading volume of shares(*VOLM*), and research and development expense exceeding industry mean value(*RND*) are expected to be positively associated with firm visibility, estimated as analyst coverage (*A_COV*) and number of analyst reports (*A_RPT*). However, since analysts may be either information intermediaries or information providers in the

market, the effects of earnings' predictive ability(*PRED*), standard deviation of earnings(*STDE*) and standard deviation of stock returns(*RTVOL*) are unclear.

$$A\_COV^*_{it}(A\_RPT^*_{it}) = \alpha + \beta_1 COMP_{it} + \beta_2 SIZE_{it} + \beta_3 MBR_{it} + \beta_4 VOLM_{it} + \beta_5 RND_{it} + \beta_6 DEPR_{it} + \beta_7 PRED_{it} + \beta_8 STDE_{it} + \beta_9 RTVOL_{it} + \sum IND_{it} + \sum YEAR_{it} + \varepsilon_{it}$$

$$A\_COV_{it}(A\_RPT_{it}) = A\_COV^*_{it}(A\_RPT^*_{it}) \text{ if } A\_COV^*_{it}(A\_RPT^*_{it}) > 0$$
$$A\_COV_{it}(A\_RPT_{it}) = 0 \text{ if } A\_COV^*_{it}(A\_RPT^*_{it}) \leq 0 \quad (5)$$

where,

A_COV(*A_RPT*) = Analyst coverage (number of analyst reports)

COMP = $CompAcct_{ijt} = -1/12 \times \sum_{t-11}^{t} |E(Earnings_{iit}) - E(Earnings_{ijt})| \cdots (4)$,

$COMP4raw_{it}$ = average $CompAcct_{ijt}$ of the four firms j with highest comparability to firm i during period t,

$COMP10raw_{it}$ = average $CompAcct_{ijt}$ of the 10 firms j with highest comparability to firm i during period t,

$COMPINDraw_{it}$ = median $CompAcct_{ijt}$ for all firms j in the same industry as firm i during period t,

$COMP4_{it} = (-1) \times \ln(COMP4raw_{it} \times (-1))$,

$COMP10_{it} = (-1) \times \ln(COMP10raw_{it} \times (-1))$,

$COMPIND_{it} = (-1) \times \ln(COMPINDraw_{it} \times (-1))$

SIZE = Logarithm of market value of equity measured at year-end

MBR = Ratio of market value of equity to book value at year-end

VOLM = Logarithm of trading volume in millions of shares during the year

RND = Firm research and development expense scaled by total sales less the respective two-digit SIC industry mean value of research and development expense scaled by total sales

DEPR = Firm depreciation expense scaled by total sales, less the respective two-digit SIC industry mean value of depreciation expense scaled by total sales

PRED = R^2 from a regression of firm i's quarterly earnings of quarter $t-1$ on the quarterly earnings of quarter t over the most recent three years ($Earnings_{it} = \alpha_i + \beta_i Earnings_{it-1} + \varepsilon_{it}$)

STDE = Standard deviation of 12 quarterly earnings

RTVOL = Standard deviation of 36 months of stock returns

IND = Industry dummy variables

YEAR = Year dummy variables

3.2 Sample selection

Our empirical analysis is based on a sample of Korean firms in the period 2009 to 2013. We extract financial data from the KisValue database and TS 2000 database. We select firm-years

that satisfy the following criteria : (1) KSE listing firms ; (2) non-financial firms ; (3) fiscal year-end is December ; (4) firms not designated as issues for administration ; (5) firms without impaired capital ; (6) firms that had not voluntarily adopted IFRS before 2011 ; (7) firms with no fewer than 10 observations in any two-digit SIC code in any given year ; and (8) firms that had their IPO before the end of 2009.

We exclude firms that adopted IFRS before 2011. In 2011, IFRS was mandatorily adopted. To reduce the mixed effects of the switch to IFRS on the value relevance of earnings and on the relationship between stock returns and earnings(Ahmed et al. 2013, 1354), the final sample does not contain the financial data for the mandatory IFRS adoption year of 2011. Further, there is insufficient data available for measurement of financial statement comparability proxies using Equation (2) and (3). To estimate the predicted earnings of firm *i* given firm *i*'s function and firm *i*'s return in period *t*, 2011, ($E(Earnings)_{ii2011}$), quarterly net income and stock price return during the quarter for 2009 are necessary. In this case, we use the 2009 financial data based on K-GAAP, which differs from K-IFRS. As a result, 436 firms and 1,744 firm-year observations are selected for the period 2009-2013, excluding the transition year of 2011, as shown in Table 1, which reports the sample selection process. Through balanced sampling, each period's homogeneous panel(2009-2010 and 2012-2013) contains the same firms in both panels and the same 436 firm-year observations in each year.

〈Table 1〉 Sample selection

KSE listing non-financial firms (2009, 2010, 2012, 2013)		2,756
Firms with non-December fiscal year-ends	(112)	
Issues for administration	(48)	
Firms with impaired capital	(32)	
Insufficient financial data	(139)	
Firms that had adopted IFRS before 2011	(100)	
Firms that went IPO before the end of 2009	(333)	
Firms that had fewer than 10 observations in any two-digit SIC code in any given year	(82)	
		(846)
Firm-year observations		1,910
Firms that went IPO after the end of 2009	(166)	(166)
Final sample		1,744

Unit : firm-year observations

Ⅳ. Empirical results

4.1 Descriptive statistics and univariate analysis

4.1.1 Descriptive statistics

Table 2 presents descriptive statistics on the variables included in the sample. In Panel A, the mean(median) value of β measured in the empirical model of the firm's accounting system developed for estimating financial statement comparability proxies is 0.05(0.023). In Panel B, similar to De Franco et al.(2011), the distributions of *COMP4raw*, *COMP10raw*, and *COMPINDraw* are skewed, indicating means(medians) of −0.015(−0.006), −0.021(−0.010), and −0.038(−0.025), respectively. If the distribution of a variable has a skew, taking a natural logarithm of the variable helps to fit the variable into a model and to make the skewed distribution more normal(Falkenstein 1996, 115). Therefore, we use the log transformation as follows：

$$COMP4_{it} = (-1) \times \ln\ (COMP4raw_{it} \times (-1))$$
$$COMP10_{it} = (-1) \times \ln\ (COMP10raw_{it} \times (-1))$$
$$COMPIND_{it} = (-1) \times \ln\ (COMPINDraw_{it} \times (-1))$$

The mean(median) values of *COMP4*, *COMP10*, and *COMIND* are 4.903(5.080), 4.472(4.624), and 3.570(3.704), respectively. This shows that the fewer *j* firms included in Equations (2) and (3), the higher are the mean(median) values of financial statement comparability proxies. On the other hand, the mean(median) values of *COMP4*, *COMP10*, and *COMIND* are increased slightly in 2012 and 2013 than those in 2009 and 2010.

In Panel C, the mean(median) of analyst coverage (*A_COV*) is 5.4(1). The mean(median) of the number of analyst reports(*A_RPT*) is 27.0(1).[2] Showing that the sample includes zero values of analyst coverage, 752 firm-year observations of zero values of analyst coverage are included in the final sample of 1,744 firm-year observations.

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2) The number of analysts is defined as the sum of analysts who publish at least one analyst report about 1,744 firm years at time *t* for each firm year *i*, while the number of analyst reports is defined as the sum of analyst reports published at time *t* for each firm year *i*, during the sample period(2009−2010 and 2012−2013).

〈Table 2〉 Descriptive statistics

Panel A : Empirical model of firm accounting system (N=1,744)

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

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

Variable	Mean	Std	p10	Median	p90
α	−0.045	0.209	−0.171	−0.007	0.060
β	0.050	0.177	−0.042	0.023	0.155
R^2	0.139	0.157	0.003	0.078	0.364

Panel B : Financial statement comparability proxies (N=1,744)

$$CompAcct_{ijt} = -1/12 \times \sum_{t-11}^{t} |E(Earnings_{iit}) - E(Earnings_{ijt})| \quad (4)$$

Variable	Mean	Std	p10	Median	p90
COMP4	4.903	1.033	3.547	5.080	6.072
(2009, 2010)	4.772	0.956	3.557	4.926	5.875
(2012, 2013)	5.034	1.090	3.536	5.280	6.195
COMP10	4.472	0.950	3.208	4.624	5.531
(2009, 2010)	4.340	0.863	3.193	4.473	5.309
(2012, 2013)	4.604	1.013	3.249	4.822	5.654
COMPIND	3.570	0.669	2.673	3.704	4.288
(2009, 2010)	3.481	0.595	2.669	3.609	4.086
(2012, 2013)	3.658	0.726	2.679	3.801	4.419
COMP4raw	−0.015	0.030	−0.029	−0.006	−0.002
COMP10raw	−0.021	0.036	−0.040	−0.010	−0.004
COMPINDraw	−0.038	0.044	−0.069	−0.025	−0.014

$COMP4raw_{it}$=average $CompAcct_{ijt}$ of the four firms j with the highest comparability to firm i during period t, $COMP10raw_{it}$=average $CompAcct_{ijt}$ of the 10 firms j with the highest comparability to firm i during period t, $COMPINDraw_{it}$=median $CompAcct_{ijt}$ for all firms j in the same industry as firm i during period t, $COMP4_{it}=(-1)\times\ln(COMP4raw_{it}\times(-1))$, $COMP10_{it}=(-1)\times\ln(COMP10raw_{it}\times(-1))$, $COMPIND_{it}=(-1)\times\ln(COMPINDraw_{it}\times(-1))$

〈Table 2〉 Descriptive statistics (continued)

Panel C : Model of the effect of financial statement comparability on firm visibility (N=1,744)

$$A\_COV^{*}_{it}(A\_RPT^{*}_{it}) = \alpha + \beta_1 COMP_{it} + \beta_2 SIZE_{it} + \beta_3 MBR_{it} + \beta_4 VOLM_{it} + \beta_5 RND_{it} + \beta_6 DEPR_{it} + \beta_7 PRED_{it} + \beta_8 STDE_{it} + \beta_9 RTVOL_{it} + \sum IND_{it} + \sum YEAR_{it} + \varepsilon_{it}$$

$$A\_COV_{it}(A\_RPT_{it}) = A\_COV^{*}_{it}(A\_RPT^{*}_{it}) \text{ if } A\_COV^{*}_{it}(A\_RPT^{*}_{it}) > 0$$

$$A\_COV_{it}(A\_RPT_{it}) = 0 \text{ if } A\_COV^{*}_{it}(A\_RPT^{*}_{it}) \leq 0 \quad (5)$$

Variable	Mean	Std	p10	Median	p90
A_COV	5.4	8.7	0	1	21
(2009, 2010)	5.4	8.7	0	1	21
(2012, 2013)	5.3	8.7	0	1	21
A_RPT	27.0	59.3	0	1	107
(2009, 2010)	27.0	59.9	0	1	104
(2012, 2013)	27.0	58.7	0	1	112
SIZE	25.895	1.684	24.043	25.514	28.631
MBR	1.053	0.883	0.359	0.776	2.023
VOLM	11.324	2.043	8.396	11.543	13.757
RND	−0.320	2.001	−2.687	−0.362	1.223
DEPR	−1.232	3.933	−6.478	−0.824	2.141
PRED	10.911	13.713	0.174	5.045	30.752
STDE	2.058	5.116	0.092	0.376	5.326
RTVOL	14.079	6.137	7.854	13.034	21.215

A_COV : Analyst coverage, *A_RPT* : Number of analyst reports, *SIZE* : Logarithm of market value of equity measured at year-end, *MBR* : Ratio of market value of equity to book value at year-end, *VOLM* : Logarithm of trading volume in millions of shares during the year, *RND* : Firm research and development expense scaled by total sales, less respective two-digit SIC industry mean value of research and development expense scaled by total sales, *DEPR* : Firm depreciation expense scaled by total sales, less respective two-digit SIC industry mean value of depreciation expense scaled by total sales, *PRED* : R^2 from a regression of firm *i*'s quarterly earnings of quarter $t-1$ on the quarterly earnings of quarter t over the preceding 3 years ($Earnings_{it} = \alpha_i + \beta_i Earnings_{it-1} + \varepsilon_{it}$), *STDE* : Standard deviation of 12 quarterly earnings, *RTVOL* : Standard deviation of 36 months of stock returns.

4.1.2 Univariate analysis

Table 3 reports the Pearson correlations among variables in Equations (5). Regarding the effect of financial statement comparability on firm visibility, the correlation coefficient between analyst coverage(*A_COV*) and comparability (*COMP4*) is a significant and positive 0.28. Also, the correlation coefficient between the number of analyst reports(*A_RPT*) and comparability(*COMP4*) is a significantly positive 0.25.

〈Table 3〉 Pearson correlation among variables

VAR	*A_COV*	*A_RPT*	*COMP4*	*SIZE*	*MBR*	*VOLM*	*RND*	*DEPR*	*PRED*	*STDE*	*RTVOL*
A_COV	1										
A_RPT	0.94* <0.01	1									
COMP4	0.28* <0.01	0.25* <0.01	1								
SIZE	0.82* <0.01	0.76* <0.01	0.38* <0.01	1							
MBR	0.41* <0.01	0.37* <0.01	0.17* <0.01	0.44* <0.01	1						
VOLM	0.28* <0.01	0.26* <0.01	−0.04 0.12	0.18* <0.01	0.28* <0.01	1					
RND	0.14* <0.01	0.17* <0.01	−0.06* <0.01	0.11* <0.01	0.13* <0.01	0.03 0.19	1				
DEPR	0.07* <0.01	0.09* <0.01	−0.13* <0.01	0.03 0.17	−0.04 0.07	−0.01 0.75	0.23* <0.01	1			
PRED	0.09* <0.01	0.10* <0.01	−0.01 0.62	0.07* <0.01	0.06* <0.01	0.02 0.45	0.04 0.12	0.00 0.91	1		
STDE	0.60* <0.01	0.64* <0.01	−0.01 0.72	0.59* <0.01	0.14* <0.01	0.22* <0.01	0.10* <0.01	0.10* <0.01	0.06* <0.01	1	
RTVOL	−0.17* <0.01	−0.17* <0.01	−0.28* <0.01	−0.21* <0.01	0.13* <0.01	0.39* <0.01	0.05 0.05	0.03 0.24	0.01 0.67	−0.09* <0.01	1

* indicates significance at the 1% level for the two−tailed tests. Variables are defined in Table 2.

In unreported results, the same qualitative patterns appear in both *COMP10* and *COMPIND* of the sample. The positive association between firm visibility and financial statement comparability is consistent with the hypothesis H.

4.2 Multivariate analysis

Table 4 presents the results of multivariate Tobit analysis examining the effect of financial statement comparability on firm visibility based on the hypothesis H. As shown in Panel A, in relation to firm visibility, proxied by analyst coverage(*A_COV*), the coefficients on financial statement comparability, *COMP4*, *COMP10*, and *COMPIND* are positive, but statistically insignificant.

〈Table 4〉 Tobit regressions of financial statement comparability on firm visibility

Panel A : Tobit regressions of financial statement comparability on analyst coverage (*A_COV*)									
Dep. Var.	*A_COV* (N=1,744)								
Ind. Var.	Coef.	t−value	p−value	Coef.	t−value	p−value	Coef.	t−value	p−value
COMP4	0.291	1.46	0.14						
COMP10				0.357	1.58	0.12			
COMPIND							0.469	1.52	0.13
SIZE	5.141	33.05***	<0.01	5.133	33.00***	<0.01	5.152	33.88***	<0.01
MBR	0.660	3.32***	<0.01	0.662	3.33***	<0.01	0.668	3.35***	<0.01
VOLM	0.939	9.53***	<0.01	0.939	9.53***	<0.01	0.941	9.55***	<0.01
RND	0.096	1.17	0.24	0.097	1.18	0.24	0.097	1.18	0.24
DEPR	0.113	2.50**	0.01	0.113	2.51**	0.01	0.114	2.52**	0.01
PRED	0.020	1.86*	0.06	0.021	1.87**	0.06	0.021	1.89*	0.06
STDE	0.098	2.63***	<0.01	0.100	2.67***	<0.01	0.097	2.62***	<0.01
RTVOL	−0.252	−6.98***	<0.01	−0.249	−6.90***	<0.01	−0.250	−6.90***	<0.01
Intercept	−139.6	−35.8***	<0.01	−139.6	−35.8***	<0.01	−140.3	−36.3***	<0.01
ΣIND,YR		Included			Included			Included	
LR Chi^2		2219.35***			2219.70***			2219.52***	
Pseudo R^2		0.246			0.246			0.246	

***, **, * indicate, respectively, significance level at the 1%, 5%, and 10% levels or better. Variables are defined in Table 2.

〈Table 4〉 Tobit regressions of financial statement comparability on firm visibility (continued)

Panel B : Tobit regressions of financial statement comparability on number of analyst reports (*A_RPT*)									
Dep. Var.	*A_RPT* (N=1,744)								
Ind. Var.	Coef.	t−value	p−value	Coef.	t−value	p−value	Coef.	t−value	p−value
COMP4	3.822	2.66***	<0.01						
COMP10				4.411	2.70***	<0.01			
COMPIND							4.896	2.20**	0.03
SIZE	31.67	28.46***	<0.01	31.651	28.44***	<0.01	32.043	29.42***	<0.01
MBR	4.375	3.10***	<0.01	4.381	3.10***	<0.01	4.406	3.11***	<0.01
VOLM	5.756	8.08***	<0.01	5.754	8.08***	<0.01	5.777	8.09***	<0.01
RND	2.036	3.50***	<0.01	2.050	3.52***	<0.01	2.035	3.49***	<0.01
DEPR	0.909	2.83***	<0.01	0.912	2.84***	<0.01	0.914	2.84***	<0.01
PRED	0.181	2.30**	0.02	0.182	2.32**	0.02	0.185	2.35**	0.02
STDE	1.951	7.41***	<0.01	1.958	7.42***	<0.01	1.886	7.24***	<0.01
RTVOL	−1.853	−7.04***	<0.01	−1.833	−6.94***	<0.01	−1.857	−7.02***	<0.01
Intercept	−877.9	−31.4***	<0.01	−878.7	−31.5***	<0.01	−888.1	−32.1***	<0.01
ΣIND,YR		Included			Included			Included	
LR Chi^2		2155.02***			2155.24***			2152.78***	
Pseudo R^2		0.170			0.170			0.170	

***, **, * indicate, respectively, significance level at the 1%, 5%, and 10% levels or better. Variables are defined in Table 2.

As expected from H, a firm's visibility, proxied by the number of analyst reports(*A_RPT*), increases as the magnitude of a firm's financial statement comparability increases ; the significant positive coefficients of *COMP4*, *COMP10* and *COMPIND* of 3.822(p−value<0.01), 4.411(p−value<0.01), and 4.896(p−value=0.03), respectively, are shown in Panel B of Table 4.

Analyst coverage(*A_COV*) indicates the number of analysts who follow a firm and make annual earnings forecasts. On the contrary, the number of analyst reports(*A_RPT*) shows how many reports are provided by analysts, thereby representing the intensity of analyst activity and the amount of information generated about the firm in the capital markets. While there is no significant effect of accounting comparability on analyst coverage(*A_COV*), accounting comparability has a significant positive effect on the number of analyst reports(*A_RPT*).[3)]

3) In the unreported results of the OLS regression, as is evident from De Franco et al.(2011), analyst coverage(*A_COV*) has the significantly positive coefficients. *COMP4* has 0.373(*p*−value=0.01). *COMP10* has 0.415(*p*−value=0.01). *COMPIND* has 0.435(*p*−value=0.03). Also, the number of analyst reports(A_RPT) has the significantly positive coefficients. *COMP4* has 4.210(*p*−value<0.01). *COMP10*

Financial statement comparability transfers financial information through comparison, provides benchmarks for comparable firms, results in higher-quality information about firms' operating decisions, and decreases analysts' efforts and costs in the analysis of an individual firm(De Franco et al. 2011, 902). The number of analyst reports measured as an individual analyst's effort reveals higher firm visibility than the number of analysts proxied by the collective effort of analysts community.

As a whole, the coefficients on the other control variables, such as firm size(*SIZE*), stock market trading volume(*VOLM*), research and development expense exceeding industry mean value(*RND*), and depreciation expense exceeding industry mean value(*DEPR*) are positive and statistically significant. Further, the coefficient value of the standard deviation of 36 months of stock returns(*RTVOL*) is negative and statistically significant. These empirical results are consistent with De Franco et al.(2011).

Mehran and Peristiani(2010) explain that firm size and size-related factors mainly affect the number of analysts who cover the firm. In Table 4, all significant and positive coefficients of *SIZE* support that analysts follow larger firms than smaller firms and issue more analyst reports for larger firms. After controlling for this size effect, the positive coefficients of comparability variables(*COM4*, *COMP10*, *COMPIND*) in relation to the number of analyst reports capture visibility benefits in addition to the size factors as firm visibility.

Ⅴ. The comparison of the effect of comparability between pre-and post-IFRS adoption period

We generate a balanced sample that excludes the IFRS mandatory adoption year of 2011 by

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has 4.573(p-value$<$0.01). *COMPIND* has 4.640(p-value$<$0.01). There exist zero values in either analyst coverage or the number of analyst reports. Tobit regression, which is the main analysis method, is intended for continuous data that are censored, or bounded at a limiting value. We report the insignificance of analyst coverage(*A_COV*) based on the Tobit regression results. Additionally, from initial sample, we eliminate the observation in which the number of analyst reports has zero value and use the sample(992 firm-year observations). The unreported results of the OLS regression indicate that analyst coverage(*A_COV*) has the significantly positive coefficient ; the coefficient on *COMP4* is 0.524(p-value=0.02) ; the coefficient on *COMP10* is 0.605(p-value=0.02) ; the coefficient of *COMPIND* is 0.675(p-value=0.05). Also, the number of analyst reports(A_RPT) has the significantly positive coefficients ; the coefficient on *COMP4* is 4.920(p-value$<$0.01) ; the coefficient of *COMP10* is 5.568(p-value$<$0.01) ; the coefficient of *COMPIND* is 5.410(p-value=0.04).

controlling for the mixed effects of the switch to mandatory IFRS adoption on the value relevance of earnings. In addition to the more general case in Table 4, the additional analyses compare the effect of financial statement comparability on financial visibility between pre- and post-IFRS adoption period separately in Korea. Excluding the mandatory IFRS adoption year of 2011, pre-IFRS adoption period includes 2009 and 2010 whereas post-IFRS adoption period includes 2012 and 2013. One of the reasons for adopting IFRS in Korea is for the improved international consistency that leads to enhanced transparency(KASB 2012, 39). The increased comparability of cross-border financial statement positively affects firm value(KASB 2012, 6).

Using the Tobit regression analysis, Panel A in Table 5 reports the statistically insignificant relation between comparability(*COMP4*, *COMP10*, *COMPIND*) and firm visibility measured by analyst coverage(*A_COV*) during both the pre- and post-IFRS adoption period, except for the significantly positive relation between *COMPIND* and *A_COV* in the pre-IFRS adoption period. Panel B in Table 5 presents the relation between comparability(*COMP4*, *COMP10*, *COMPIND*) and firm visibility measured by the number of analyst reports(*A_RPT*) is significantly positive during the pre-IFRS adoption period, whereas it is insignificant during the post-IFRS adoption period, except for the significantly positive relation between *COMP10* and *A_RPT* in the post-IFRS adoption period.

Confirming the main results in Table 4, the number of analyst reports(*A_PRT*) might be a more powerful proxy for firm visibility in revealing the effect of financial statement comparability on firm visibility in the pre-IFRS period. In the earliest mandatory IFRS implementation period, only *COMP10* has a significant positive effect on the number of analyst reports. It means that an individual analyst exerts more intensive reporting effort in firms that are the very highest comparability ranked 10 firms.

Regarding the insignificant results in the earliest IFRS adoption period, the controversy over the Korean mandatory IFRS adoption is unclear how it would affect analysts' information environment(Cho et al. 2015 ; Kim et al. 2016 ; Jang et al. 2016). Based on the conceptual and logical approaches, it has been suggested that the Korean mandatory IFRS adoption might improve financial statement comparability, accounting information quality, level of transparency and disclosure, market liquidity, information environment quality, foreign direct investment(FDI), lower costs of capital, and so on. In contrast, the suboptimal process in accounting standards development could provide less informative financial reporting and more volatile earnings thereby increasing analysts' forecasting difficulties and reducing analysts' information quality(Jang et al. 2016, 1656).

Korea chose to employ a Big－Bang approach in adopting full IFRS at a certain point in time(KASB 2012, 9). Unlike rule－based standards, principle－based standards under IFRS focus on substance over form without concrete guidance. As IFRS requires a considerable degree of professional judgment, the risk of diversity in practice has been increased(KASB 2012, 16). In conclusion, the economic substances of different companies make enormous demands on the information users, particularly credit rating agencies and financial analysts. It is necessary for the users to analyze the note disclosures and estimate fair value of various firms. On the whole, there exists no overall consensus in the literature related to the consequences of IFRS adoption.

〈Table 5〉 Comparison of the effect of comparability between pre- and post-IFRS adoption period

Panel A : Tobit regressions of financial statement comparability on analyst coverage (*A_COV*)									
Dep.Var	*A_COV* (N=872) : Pre IFRS period (2009, 2010)								
Ind.Var	Coef.	t－value	p－value	Coef.	t－value	p－value	Coef.	t－value	p－value
COMP4	0.351	1.20	0.23						
COMP10				0.448	1.31	0.19			
COMPIND							1.020	1.98**	0.04
Control Var *ΣIND, YEAR*	Included			Included			Included		
LR Chi^2	1125.63***			1125.91***			1128.10***		
Pseudo R^2	0.248			0.248			0.249		
Dep.Var	*A_COV* (N=872) : Post IFRS period (2012, 2013)								
Ind.Var	Coef.	t－value	p－value	Coef.	t－value	p－value	Coef.	t－value	p－value
COMP4	0.326	1.14	0.26						
COMP10				0.448	1.36	0.18			
COMPIND							0.545	1.11	0.27
Control Var *ΣIND,YEAR*	Included			Included			Included		
LR Chi^2	1123.31***			1123.86***			1123.25***		
Pseudo R^2	0.251			0.251			0.251		

***, **, * indicate, respectively, significance level at the 1%, 5%, and 10% levels or better. Variables are defined in Table 2.

〈Table 5〉 Comparison of the effect of comparability between pre- and post-IFRS adoption period (continued)

Panel B : Tobit regressions of financial statement comparability on number of analyst reports (*A_RPT*)									
Dep.Var	*A_RPT* (N=872) : Pre IFRS period (2009, 2010)								
Ind.Var	Coef.	t-value	p-value	Coef.	t-value	p-value	Coef.	t-value	p-value
COMP4	5.205	2.39**	0.02						
COMP10				5.834	2.29**	0.02			
COMPIND							9.694	2.51***	0.01
Control Var *ΣIND, YEAR*	Included			Included			Included		
LR Chi^2	1058.39***			1057.94***			1059.03***		
Pseudo R^2	0.165			0.165			0.165		
Dep.Var	*A_RPT* (N=447) : Post IFRS period (2012, 2013)								
Ind.Var	Coef.	t-value	p-value	Coef.	t-value	p-value	Coef.	t-value	p-value
COMP4	2.796	1.40	0.16						
COMP10				3.897	1.70*	0.09			
COMPIND							4.085	1.19	0.23
Control Var *ΣIND,YEAR*	Included			Included			Included		
LR Chi^2	1123.98***			1124.90***			1123.45***		
Pseudo R^2	0.179			0.179			0.178		

***, **, * indicate, respectively, significance level at the 1%, 5%, and 10% levels or better. Variables are defined in Table 2.

Ⅵ. Conclusion

We discover the positive association between financial statement comparability measured as the similarity in the accounting systems of any two firms and firm visibility measured as the number of analyst reports. Our results shed light on the number of analyst reports as a firm visibility proxy. The empirical evidence indicates that an analyst issues frequently and actively reports on a specific firm which provides more comparable accounting information. Overall, comparable firms have higher investor perception and familiarity with the firm and stakeholder awareness in the capital markets through increasing firm visibility benefits.

In addition to De Franco et al.(2011), we re-examine the attribute of accounting comparability as a determinant of firm visibility and first point out the number of analyst reports as a potential proxy of firm visibility. We face a challenge to verify that the number of analyst reports works to increase firm visibility in the international capital market regarding the IFRS adoption. Furthermore, it is questionable whether the improved firm visibility through the number of analyst reports increase firm value. We limit our attention to the number of analyst reports and do not uncover each forecast frequency in analyst reports and a specific characteristic of each analyst forecast.

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비교가능성이 기업가시성에 미치는 효과*

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<요 약>

본 연구는 자본시장에서 재무분석가가 발간한 보고서의 수로 측정되는 기업가시성이 재무제표의 비교가능성에 의해 높아지는 것을 실증분석하였다. 비교가능성으로 증대된 기업가시성은 기업에 대한 투자자의 인지도과 이해관계자의 관심을 증가시키게 된다. 자본시장에서 전문적인 정보 제공자인 재무분석가는 비교가능성이 높은 회계정보에 대해 심도 깊은 분석을 효율적으로 수행할 수 있게 되어 기업가시성이 높은 기업에 대한 분석보고서를 자주 발간하게 된다. 본 연구는 특정 재무분석가는 비교가능성이 높은 재무정보를 산출하는 특정 기업에 대해 연속적으로 재무보고서를 발간한다는 점에 주목한다. 재무분석가 보고서의 발간건수는 개별기업에 대한 개별 재무분석가의 노력의 산물인 반면, 개별기업을 분석하는 재무분석가가 몇 명인가를 나타내는 재무분석가의 수는 기업에 대한 재무분석가들의 총체적인 관심도로 볼 수 있다. 재무분석가의 보고서 발간건수가 기업가시성의 새로운 대용치가 될 수 있다는 본 연구의 결과는 비교가능성이 재무분석가에게 유용하다는 선행연구를 뒷받침하고, 재무분석가에 대한 이해도를 높여 향후 관련 연구의 발전에 기여한다.

<주제어> 비교가능성, 기업가시성, 재무분석가 보고서의 발간건수, 재무분석가의 수, 한국채택국제회계기준

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