

Dissertation Title	THE EFFECTS OF OTHER COMPREHENSIVE INCOME DISCLOSURES AND PRESENTATION FORMATS ON INVESTORS' AND MANAGERS' JUDGEMENTS
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ABSTRACT

Since 2010, Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) have published many accounting standards relating to Other Comprehensive Income (OCI) items, starting with the issuance of a Staff Draft of an Exposure Draft on financial statement presentation in 2010, Accounting Standard Update (ASU) No. 2011-05 in 2011 and Amendments to IAS 1 in 2012, respectively. This study primarily investigated whether alternative financial statement presentation formats affected (a) investors' ability to detect earnings management, and (b) managers' willingness to engage in earnings management. The impacts of OCI disclosures and presentation formats were experimentally assessed in two experiments. In Experiment 1, I manipulated three forms of financial statement presentation formats (SD, ONE and TWO), two levels of non-professional investors' knowledge (High and Low) and two types of investors (Professional and Non-professional) in a 3x2x2 reduced factorial design.

The results showed that it was not only the financial statement presentation format that matters, but the knowledge level of non-professional investor matters as well in increasing non-professional investors' ability to detect earnings management activities. The results in Experiment 1 indicated that overall, non-professional investors with high level of knowledge had higher tendency to detect earnings management activities and assessed stock price lower than those with low level of knowledge. Specifically, a more transparent accounting presentation format (SD) could help non-professional investors with high level of knowledge detect earnings management activities and evaluate stock price more accurately than those in ONE and TWO conditions. Besides, non-professional investors with high level of knowledge could also take advantages from a more aggregated form of presentation format (ONE) and had a higher possibility to detect earnings management activities than those in TWO condition.

In contrast, with insufficient accounting knowledge, non-professional investors with low level of knowledge in either ONE or TWO condition hardly detected earnings management activities and constantly evaluated stock price much higher than those in SD condition. Because non-professional investors with low level of knowledge in SD condition could get some benefits from more transparent presentation format, they assessed stock price more accurately after they detected earnings management activities presented in the financial statements. In case of professional investors, with intense experience in financial statement analysis, professional investors could always detect earnings management activities and assessed the price of common stock correctly regardless of presentation formats of performance statements.

In Experiment 2, I conducted 3x2x2 mixed design with two between-subjects variables: Financial statement presentation formats (SD, ONE and TWO), Accountability (High and Low), and one within-subjects variable, Incentive horizon (Short-term and Long-term). The results in Experiment 2 showed that the three corporate governance mechanisms which were: a) obtaining more transparent form of financial statement presentation format (SD), b) requiring managers to inform and provide some rational

reasons to support their decisions to CEO and the board of directors (High Accountability) and c) compensating managers' benefits with long-term incentive bonuses (Long-term incentive horizon) could independently help lessen managers' willingness to engage in earnings management.

Keywords: Financial reporting, Comprehensive income, Earnings management, Experimental research

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LIST OF ABBREVIATIONS

Symbols/Abbreviations	Terms
AFS	Available-For-Sale security
CI	Comprehensive Income
E-MBA	Executive Master of Business Administration
FASB	Financial Accounting Standards Board
FSP	Financial Statement Presentation
HACC	High Accountability
HKNOW	High level of Knowledge
IASB	International Accounting Standards Board
LACC	Low Accountability
LINC	Long-term Incentive Horizon
LKNOW	Low level of Knowledge
MAcc	Master of Accountancy
MBA	Master of Business Administration
MIF	Master in Finance
NI	Net Income
OCI	Other Comprehensive Income
ONE	One-statement approach
SD	Staff Draft of Exposure Draft on Financial Statement Presentation
STINC	Short-term Incentive Horizon
TWO	Two-statement approach
Y-MBA	Young Executive Master of Business Administration