



Information Content Change under SFAS No. 131's Interim Segment Reporting Requirements

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Abstract: This study empirically investigates the effect of implementation of SFAS No. 131 on companies' information environments by assessing the effect of interim period financial reports. Especially, using Beaver's information content measures, I investigate the market's reaction to interim period financial reporting under SFAS No. 131. The empirical results of the information content test show that the adoption of SFAS No. 131 does not affect the market's reaction. For the price test, I find no difference in the reaction to the interim financial statement filing for both voluntary and non-voluntary disclosers. This result gives evidence that the information content of the new requirements of interim financial reporting is not significantly different from that under the previous requirements.

1. Introduction

In this study, I investigate the effect of implementation of SFAS No. 131 on companies' information environments.²² Specifically, using Beaver's information content measures, I study the market's reaction to interim financial statements before and after adoption of SFAS No. 131.

²² SFAS No. 131 also changed the way companies defined segments, which could affect companies' information environments (Berger and Hann 2003; Botosan and Harris 2005; Ettredge et al. 2005). In this study, I examine the effect of the disclosure frequency (annual versus quarterly segment reporting) change, which is required by interim segment reporting requirements under SFAS No. 131. I examine the sensitivity of results to changes in reported segment as part of the analysis reported below. The results from these sensitivity tests result in similar references.