

The Role of Target's Financial Statement Comparability in the Efficiency of Takeover Decisions

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Abstract

We investigate whether acquiring firms make more profitable acquisitions when target firms' financial statements are more comparable with their industry peers. We replicate the original sample of Chen et al. (2018) and extend their sample to the most recent year. We find that acquiring firms experience higher announcement returns, higher acquisition synergies and better post-acquisition operating performance when acquiring targets with higher financial statement comparability. Our results are robust to the newly constructed measure of financial statement comparability, suggesting that comparable accounting information indeed facilitates the efficiency of capital allocation.

Keywords: Financial statement comparability, Takeover efficiency, Capital allocation

JEL Classifications: G14, G32, G34, M41

1. Introduction

Financial statement comparability is the qualitative characteristic of financial information that helps users to identify similarities and differences among firms in order to understand the link between accounting numbers and economic outcomes, and to compare firms' performance (FASB, 2010; SEC, 2000). The role of comparable accounting information in facilitating the efficient allocation of capital is further emphasised by accounting standard boards and academic researchers (Cheng and Wu, 2018; De Franco et al., 2011; FASB, 2010; SEC, 2000). Previous studies suggest that financial statement comparability improves transparency and mitigates information asymmetry between managers and shareholders which subsequently leads to increase the informativeness of stock price (Choi et al., 2019), improve analyst forecast accuracy (De Franco et al., 2011), reduce firms' credit risks and cost of debt (Kim et al., 2013), complete the loan syndication process faster and attract more lenders (Fang et al., 2016). Cheng and Wu (2018) find that firms with higher financial statement comparability have more efficient internal capital allocation and lower diversification discounts.

Prior literature document a number of factors that affect the post-acquisition performance of acquiring firms such as participation in merger waves, method of payment, takeover competition, powerful chair, compensation of bidders' non-executive directors, and corporate social responsibility of acquirers (Bugeja et al., 2017; Duong and Izan, 2012; Faff et al., 2019; Ghannam et al., 2019; Krishnamurtia et al., 2019). It also suggests that targets' accounting information quality such as accruals quality is related to acquisition profitability, the speed of merger and acquisition (M&A) process, and M&A completion time (Marquardt and Zur, 2015; McNichols and Stubben, 2015). Chen et al. (2018) argue that financial statement comparability allows acquiring firms to better understand the underlying economic values of targets, more effectively evaluate them, and consequently helps acquirers make better acquisition decisions. They empirically find that acquiring firms foster more efficient capital allocation when target firms' financial statements are more comparable to their industry peers. Chen et al. (2018) conducted their study in the U.S. setting where accounting principles are governed by the Financial Accounting Standard Board (FASB) whose primary purpose is to establish and improve the General Accepted Accounting Principles (GAAP).

In this paper, we replicate the study of Chen et al. (2018) and extend their original U.S. dataset to cover a longer period from 1983 to 2016.¹ Following Chen et al. (2018), we adopt three measures of acquisition efficiency: (i) acquirers' three-day abnormal returns around takeover announcements; (ii) the combined three-day abnormal returns of acquirers and targets; (iii) the industry-adjusted changes in pre- and post-acquisition operating performance of acquiring firms. In addition to the original proxy for financial statement comparability of Chen et al. (2018), we construct a new measure of accounting comparability using the median accounting comparability of target firm with all other firms in the same industry. Compared to Chen et al. (2018), we document similar results when extending the U.S. data to 2016. Acquisitions of targets with higher financial statement comparability result in higher announcement returns, higher synergies and better post-acquisition accounting performance for acquiring firms. The results are robust to our alternative proxy of financial statement comparability. Our findings further confirm the results of Chen et al. (2018) that comparable accounting information of target firms enhances the efficient allocation of capital in the M&A context.

Our paper is structured as follows. In Section 2, we describe the sample selection and methodology. The results for both the original and extended samples are presented in Section 3, and concluding remarks are discussed in Section 4.

2. Data and methodology

2.1. Sample selection

Chen et al. (2018) start their sample with acquisition announcement dates from 1983 to 2009. We extend the period of investigation for the U.S. market to 2016 since it is required to have data in three years following takeover to calculate change in ROA. Our initial sample is sourced from the Thomson SDC Mergers and Acquisitions database over the period 1983-2016. Following Chen et al. (2018), we ignore repurchases and only include mergers announced by public firms with form of the deal identified by SDC as mergers, acquisitions of majority interests, or acquisitions of assets. In addition, takeover transactions with deal value less than \$US1 million or less than 1% of acquirer's pre-announced market value are eliminated to ensure materiality. We also exclude M&A transactions that do not have data to

¹ In the original study of Chen et al. (2018), they investigate the acquisition efficiency of U.S. acquiring firms over the period 1983-2009. We need to calculate the takeover performance of acquiring firms in three years following acquisitions so the maximum time period that we can extend is until 2016.

calculate announcement returns of acquirers and targets, target's financial statement comparability, and control variables in the regression analysis. Our extended sample consists of 843 acquisitions. The sample is reduced to 754 when change in ROA is used as a measure of takeover efficiency due to additional data requirement to calculate the ΔROA variable.

2.2. Regression model

We estimate the following regression to investigate whether greater financial statement comparability of target firms will result in better acquisitions.

$$\begin{aligned} Takeover_Efficiency = & \beta_0 + \beta_1(Tar_comp_rank) + \beta_i(Acquirer_characteristics)_i \\ & + \beta_j(Target_characteristics)_j + \beta_k(Deal_characteristics)_k \quad (1) \\ & + [Year_Fixed_Effects] + \varepsilon \end{aligned}$$

All variables equation (1) are defined in Appendix A. We run regression (1) for the two samples: 1983-2009 sample (the original sample of Chen et al. (2018)); and 1983-2016 (the extended sample). The dependent variable (*Takeover_Efficiency*) refers to three different measures of acquisition efficiency: cumulative abnormal returns (CAR) of acquiring firms (*Acq_CAR*), of targets and acquirers (*Synergy*) in three days around the takeover announcement using the market model, and change in industry-adjusted ROA of acquiring firms (ΔROA).

Following De Franco et al. (2011) and Chen et al. (2018), we use quarterly data in the last four years when mapping returns into earnings for each individual U.S. firms for calculating the financial statement comparability of target firms. We use two proxies for measuring target's financial comparability. The first one is similar to that computed in Chen et al. (2018), *Tar_comp_mean*, which is calculated as the average accounting comparability score for target firm with all other firms in the same 2-digit SIC industry. We extend the study of Chen et al. (2018) by including an alternative measure for target firms' accounting comparability, *Tar_comp_median*, which is computed as the median comparability of target firm with their industry peers. Following Chen et al. (2018), we use the ranked values for target's financial statement comparability in equation (1) in order to control for the possible nonlinearities between accounting comparability and dependent variables. For each of the two financial statement comparability variables (*Tar_comp_mean* and *Tar_comp_median*), we compute the decile ranks (0-9 scale), and then divide these ranked values by 9 to form

scaled-rank values from 0 to 1. Our main variable of interest for target's financial comparability in equation (1) is *Tar_comp_rank*, which have two proxies: *Tar_comp_mean_rank* and *Tar_comp_median_rank*.

Similar to Chen et al. (2018), we also control for all variables describing acquirer, target and deal characteristics in the regression analysis. Year fixed effects are also controlled for in equation (1).

3. Results

3.1. Descriptive statistics

Table 1 reports descriptive statistics for the two samples: 1983-2009 (the original sample) and 1983-2016 (the extended sample). It is found that the summary statistics for the original sample is generally similar to those reported in Chen et al. (2018) and those in our extended sample. With regards to the sample extended to 2016, the three-day CAR of acquiring firms around announcement (*Acq_CAR*) have a mean (median) of -1.7% (-1.2%). The average combined CAR of target and acquiring firms (*Synergy*) is 1.5% largely due to the positive gains of targets around announcement. Our reported values of *Acq_CAR* and *Synergy* are consistent with the previous literature (Chen et al., 2018; Francis and Martin, 2010; Harford et al., 2012; Martin and Shalev, 2017). The change in industry-benchmark ROA of acquiring firms from the pre- to post-acquisition period (ΔROA) has an average value of 0.5% which is slightly higher than that reported in Chen et al. (2018). The average value of the first financial statement comparability variable (*Tar_comp_mean*) is -3.180 which is consistent with that reported in De Franco et al. (2011) and Chen et al. (2018). For our newly constructed variable (*Tar_comp_median*), it has an average value of -2.468 and a median of -1.610.

[Insert Table 1 here]

3.2. Regression results

Table 2 reports regression results of the original sample (1983-2009) with two proxies of target firms' accounting comparability. Columns (1), (3) and (5) present the results of the original comparability variable of Chen et al. (2018), *Tar_comp_mean_rank*. The results of our newly constructed financial statement comparability variable, *Tar_comp_median_rank*, are shown in Columns (2), (4) and (6) for dependent variables *Acq_CAR*, *Synergy*, and ΔROA , respectively. It is clear in Table 2 that the coefficients of both financial statement

comparability variables are significantly positive at $p < 0.10$ for all measures of takeover efficiency (*Acq_CAR*, *Synergy*, and ΔROA).

[Insert Table 2 here]

We run the regression analysis of equation (1) to our extended sample (1983-2016) and present the results in Table 3. It is still found that the estimated coefficients of the two accounting comparability variables are positive and significant at $p < 0.10$ for all proxies of acquisition efficiency. Our results in Table 2 and 3 support the hypothesis in Chen et al. (2018) that target firms' pre-acquisition financial statement comparability is positively associated with acquirers' announcement returns (*Acq_CAR*), the combined acquirer and target announcement returns (*Synergy*), and accounting post-acquisition performance of acquirers (ΔROA). The results are robust to the alternative measure of financial statement comparability (*Tar_comp_median_rank*), as compared to Chen et al. (2018). In terms of economic significance for the results of *Tar_comp_mean_rank* (or *Tar_comp_median_rank*) in Table 3, the acquirers' three-day announcement returns are, on average, 2.6% (or 1.9%) higher for targets that exhibit higher financial statement comparability with their industry peers. Expected synergies of acquisitions where target firms have higher financial statement comparability are, on average, 1.8% (or 1.6%) higher than for targets with less financial statement comparability. The change in acquirers' ROA for acquisitions where target firms are in the upper five deciles of accounting comparability is 4.8% (or 3.7%) higher.

[Insert Table 3 here]

The results regarding control variables in Table 2 and 3 are generally consistent with prior literature (Chen et al., 2018; Harford et al., 2012). Factors that can influence the takeover efficiency include some financial characteristics of acquiring firms (firm size, Tobin's Q, ROA, and the level of free cash flows), target firm size, and some deal characteristics (tender offers, cash deals, and relative size of deal size to acquirer's market value). In summary, the results in Table 2 and 3 suggest that financial statement comparability of targets facilitates efficient capital allocations in M&A context.

4. Conclusion

Chen et al. (2018) investigate the takeover efficiency among acquiring firms in the U.S market over the period 1983-2009. They provide evidence that acquiring firms have higher post-acquisition performance when target firms' financial statement is more comparable with their industry peer firms. In this study, we replicate the work of Chen et al. (2018) with the

period of investigation being extended to the most recent year. In addition, we calculate an alternative proxy for financial statement comparability using the median accounting comparability of target firm with all other firms in the same industry. We find supporting evidence of Chen et al. (2018) in the extended sample. Target firms' financial statement comparability is positively associated with acquirer abnormal returns around announcements, the expected synergies and post-acquisition performance of acquirers. These results are robust to our alternative measure of financial statement comparability, indicating that financial statement comparability indeed enhances efficient capital allocation in the M&A setting.

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Appendix A: Variable definitions

Variable	Definition
Dependent variables	
<i>Acq_CAR</i>	Cumulative abnormal returns of acquiring firms in three days around the takeover announcement using the market model
<i>Synergy</i>	Combined cumulative abnormal returns of targets and acquirers for the period of 3 days centred on the announcement day using the market model.
ΔROA	Change in ROA, measured as the difference between the average ROA of acquiring firms from year t+1 to year t+3 and the average ROA from year t-1 to year t-3, adjusted for the median ROA of all firms in the same 2-digit SIC industry and have ROA between 80% and 120%, with t is the acquisition completion year.
Independent variables	
<i>Tar_comp_mean</i>	Financial statement comparability of targets, using the method of De Franco et al. (2011) to map firm stock returns into earnings. It is measured as the average accounting comparability score of target firm with all other firms in the same 2-digit SIC industry.
<i>Tar_comp_median</i>	Financial statement comparability of targets, using the method of De Franco et al. (2011) to map firm stock returns into earnings. It is measured as the median accounting comparability of target firm with all other firms in the same 2-digit SIC industry.
<i>Tar_comp_mean_rank</i>	Scaled-rank value of target comparability measure, ranging from 0 to 1. It is calculated by forming decile ranks (from 0 to 9) of <i>Tar_comp_mean</i> variable, then divided these ranked values by nine.
<i>Tar_comp_median_rank</i>	Scaled-rank value of target comparability measure, ranging from 0 to 1. It is calculated by forming decile ranks (from 0 to 9) of <i>Tar_comp_median</i> variable, then divided these ranked values by nine.
Control variables	
Acquirer characteristics	
<i>Acq_size</i>	Market value of acquiring firm at the quarter before announcement, measured in natural logarithm.
<i>Acq_Tobin</i>	Tobin's Q of acquiring firm, measured as the market value of assets divided by the book value of assets at the year prior to takeover announcement.
<i>Acq_Tobin_D</i>	An indicator variable equals to one if Tobin's Q of acquiring firm (<i>Acq_Tobin</i>) is less than the sample median, zero otherwise.
<i>Acq_ROA</i>	Acquiring firm's ROA, measured as operating income before depreciation scaled by average total assets at the fiscal year prior to takeover announcement.
<i>Acq_lev</i>	Acquiring firm's leverage, measured as short-term and long-term debt scaled by total assets at the fiscal year prior to takeover announcement.
<i>Acq_FCF</i>	Acquiring firm's free cash flow, measured as operating income before depreciation minus interest expense, tax expense and dividends, deflated by total assets at the fiscal year of takeover announcement.
Target characteristics	
<i>Tar_size</i>	Market value of target firm at the quarter before announcement, measured in natural logarithm.
<i>Tar_Tobin</i>	Tobin's Q of target firm, measured as the market value of assets divided by the book value of assets at the year prior to takeover announcement.
<i>Tar_ROA</i>	Target firm's ROA, measured as operating income before depreciation

	scaled by average total assets for the fiscal year prior to takeover announcement.
<i>Tar_lev</i>	Target firm's leverage, measured as short-term and long-term debt scaled by total assets at the fiscal year prior to takeover announcement.
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<i>Deal characteristics</i>	
<i>All_cash</i>	An indicator variable equals to one if the deal is financed at least 90% by cash, zero otherwise.
<i>All_stock</i>	An indicator variable equals to one if the deal is financed at least 90% by acquiring firm's shares, zero otherwise.
<i>Rel_size</i>	The ratio of deal size to the market value of acquiring firm one quarter prior to announcement.
<i>Hostile</i>	An indicator variable equals to one if the deal is classified as hostile by SDC, zero otherwise.
<i>Tender</i>	An indicator variable equals to one if the deal is classified as a tender offer by SDC, zero otherwise.
<i>Dif_industry</i>	An indicator variable equals to one if target and acquirer are not in the same 2-digit SIC industry, zero otherwise.
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Table 1: Descriptive statistics

Variables	1983-2009 sample				1983-2016 sample			
	Obs.	Mean	Median	Standard deviation	Obs.	Mean	Median	Standard deviation
<i>Acq_CAR</i>	626	-0.022	-0.014	0.089	843	-0.017	-0.012	0.083
<i>Synergy</i>	626	0.010	0.006	0.075	843	0.015	0.010	0.072
ΔROA	550	0.009	0.0003	0.132	754	0.005	-0.001	0.117
<i>Tar_comp_mean</i>	626	-2.836	-2.360	1.983	843	-3.180	-2.610	2.288
<i>Tar_comp_median</i>	626	-2.209	-1.445	2.097	843	-2.468	-1.610	2.477
<i>Tar_comp_mean_rank</i>	626	0.552	0.556	0.324	843	0.500	0.556	0.320
<i>Tar_comp_median_rank</i>	626	0.532	0.556	0.324	843	0.499	0.444	0.320
<i>Acq_size (ln)</i>	626	7.558	7.446	2.013	843	7.681	7.518	1.996
<i>Acq_Tobin</i>	626	1.575	1.037	2.159	843	1.413	0.960	1.944
<i>Acq_ROA</i>	626	0.084	0.085	0.118	843	0.083	0.085	0.106
<i>Acq_lev</i>	626	0.212	0.183	0.187	843	0.215	0.179	0.186
<i>Acq_FCF</i>	626	0.056	0.078	0.135	843	0.058	0.077	0.119
<i>Tar_size (ln)</i>	626	5.839	2.837	1.946	843	6.061	6.093	1.929
<i>Tar_Tobin</i>	626	1.184	0.768	1.458	843	1.137	0.752	1.393
<i>Tar_ROA</i>	626	0.063	0.080	0.177	843	0.061	0.075	0.169
<i>Tar_lev</i>	626	0.214	0.173	0.203	843	0.212	0.163	0.205
<i>All_cash</i>	626	0.264	0	0.441	843	0.306	0	0.461
<i>All_stock</i>	626	0.358	0	0.450	843	0.317	0	0.465
<i>Rel_size</i>	626	0.442	0.223	0.631	843	0.428	0.231	0.590
<i>Hostile</i>	626	0.045	0	0.207	843	0.037	0	0.188
<i>Tender</i>	626	0.184	0	0.388	843	0.174	0	0.380
<i>Dif_industry</i>	626	0.353	0	0.478	843	0.321	0	0.467

This table presents the descriptive summary statistics for the U.S. original sample (1983-2009) and the extended sample (1983-2016). All variables are defined in Appendix A.

Table 2: The impact of target's pre-acquisition financial statement comparability on takeover efficiency – The 1983-2009 original sample

	<i>Acq_CAR</i>		<i>Synergy</i>		ΔROA	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Intercept</i>	0.005 (0.19)	0.005 (0.23)	0.053*** (2.65)	0.053*** (2.68)	-0.013 (0.35)	-0.011 (-0.29)
<i>Tar_comp_mean_rank</i>	0.037*** (2.85)		0.027** (2.51)		0.064*** (3.17)	
<i>Tar_comp_median_rank</i>		0.025* (1.88)		0.022** (2.03)		0.049** (2.41)
<i>Acq_size</i>	0.003 (0.79)	0.002 (0.73)	-0.007** (-2.56)	-0.007** (-2.58)	0.010* (1.70)	0.008 (1.62)
<i>Acq_Tobin_D</i>	0.009 (1.02)	0.011 (1.21)	0.002 (0.21)	0.002 (0.31)	0.038** (2.50)	0.039*** (2.62)
<i>Acq_ROA</i>	0.070 (1.26)	0.067 (1.22)	0.058 (1.27)	0.056 (1.23)	-0.102 (-1.00)	-0.109 (-1.07)
<i>Acq_lev</i>	0.007 (0.35)	0.008 (0.36)	0.0004 (0.02)	0.0003 (0.01)	-0.018 (-0.52)	-0.018 (-0.53)
<i>Acq_FCF</i>	0.012 (0.28)	0.014 (0.33)	-0.008 (-0.23)	-0.007 (-0.19)	-0.243*** (-3.46)	-0.238*** (-3.37)
<i>(Acq_Tobin_D)*</i> <i>(Acq_FCF)</i>	-0.024 (-0.36)	-0.036 (-0.53)	0.041 (0.74)	0.035 (0.64)	-0.013 (-0.12)	-0.028 (-0.25)
<i>Tar_size</i>	-0.010*** (-3.00)	-0.009*** (-2.76)	-0.0001 (-0.05)	0.002 (0.06)	-0.010* (-1.92)	-0.009* (-1.71)
<i>Tar_Tobin</i>	-0.003 (-1.03)	-0.003 (-1.09)	-0.001 (-0.30)	-0.001 (-0.33)	0.004 (1.06)	0.004 (1.01)
<i>Tar_ROA</i>	-0.014 (-0.61)	-0.013 (-0.55)	0.018 (0.94)	0.018 (0.90)	0.001 (0.02)	0.001 (0.01)
<i>Tar_lev</i>	0.015 (0.78)	0.014 (0.70)	-0.003 (-0.17)	-0.003 (-0.18)	0.0001 (0.003)	-0.003 (-0.08)
<i>All_cash</i>	0.024** (2.41)	0.023** (2.36)	0.022*** (2.71)	0.022*** (2.65)	-0.001 (-0.09)	-0.002 (-0.16)
<i>All_stock</i>	-0.004 (-0.44)	-0.004 (-0.49)	-0.011 (-1.60)	-0.011 (-1.60)	0.002 (0.13)	0.001 (0.10)
<i>Rel_size</i>	0.006 (0.79)	0.005 (0.70)	0.016*** (2.70)	0.016*** (2.64)	0.019* (1.70)	0.018 (1.58)
<i>Hostile</i>	-0.023 (-1.32)	-0.023 (-1.34)	0.006 (0.38)	0.005 (0.35)	0.019 (0.72)	0.017 (0.64)
<i>Tender</i>	0.025** (2.50)	0.025** (2.45)	0.029*** (3.46)	0.029*** (3.45)	-0.021 (-1.35)	-0.020 (-1.34)
<i>Dif_industry</i>	0.001 (0.07)	0.001 (0.09)	-0.001 (-0.17)	-0.001 (-0.14)	-0.009 (-0.80)	-0.008 (-0.73)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	626		626		550	
Adjusted R ²	9.45%	8.79%	13.01%	12.70%	13.30%	12.64%

This table reports the regression results of the impact of target's pre-acquisition financial statement comparability (*Tar_comp_mean_rank* and *Tar_comp_median_rank*) on takeover efficiency (*Acq_CAR*, *Synergy* and ΔROA) in the U.S over the period 1983-2009 (the original sample of Chen et al. (2018)). All variables are defined in Appendix A. *t*-stats are in bracket and based on robust standard errors. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 3: The impact of target's pre-acquisition financial statement comparability on takeover efficiency – The 1983-2016 extended sample

	<i>Acq_CAR</i>		<i>Synergy</i>		ΔROA	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Intercept</i>	-0.005 (-0.25)	-0.005 (-0.20)	0.039** (2.18)	0.040** (2.22)	-0.019 (-0.63)	-0.017 (-0.56)
<i>Tar_comp_mean_rank</i>	0.026** (2.45)		0.018** (2.01)		0.048*** (3.08)	
<i>Tar_comp_median_rank</i>		0.019* (1.84)		0.016* (1.88)		0.037** (2.49)
<i>Acq_size</i>	0.001 (0.17)	0.0004 (0.14)	-0.008*** (-3.55)	-0.008*** (-3.57)	0.008** (2.00)	0.007* (1.95)
<i>Acq_Tobin_D</i>	0.098 (1.30)	0.011 (1.47)	0.001 (0.21)	0.002 (0.28)	0.021* (1.84)	0.024** (2.03)
<i>Acq_ROA</i>	0.065 (1.31)	0.064 (1.29)	0.055 (1.31)	0.054 (1.30)	-0.179** (-2.13)	-0.182** (-2.16)
<i>Acq_lev</i>	0.013 (0.74)	0.013 (0.74)	0.005 (0.35)	0.005 (0.32)	-0.007 (-0.28)	-0.008 (-0.29)
<i>Acq_FCF</i>	0.013 (0.33)	0.015 (0.37)	0.005 (0.13)	0.006 (0.17)	-0.231*** (-3.81)	-0.227*** (-3.73)
<i>(Acq_Tobin_D)*</i> <i>(Acq_FCF)</i>	-0.005 (-0.07)	-0.015 (-0.23)	0.054 (1.01)	0.050 (0.94)	0.061 (0.60)	0.043 (0.43)
<i>Tar_size</i>	-0.008*** (-2.81)	-0.008*** (-2.70)	0.001 (0.48)	0.001 (0.49)	-0.009** (-2.20)	-0.009** (-2.09)
<i>Tar_Tobin</i>	-0.003 (-1.33)	-0.003 (-1.37)	-0.001 (-0.45)	-0.001 (-0.45)	0.003 (0.99)	0.003 (0.97)
<i>Tar_ROA</i>	-0.012 (-0.62)	-0.012 (-0.62)	0.017 (1.04)	0.016 (0.95)	0.021 (0.76)	0.019 (0.70)
<i>Tar_lev</i>	0.017 (1.10)	0.016 (1.02)	0.007 (0.55)	0.007 (0.54)	-0.003 (-0.11)	-0.005 (-0.22)
<i>All_cash</i>	0.022*** (2.89)	0.022*** (2.84)	0.025*** (3.72)	0.024*** (3.66)	-0.002 (-0.15)	-0.002 (-0.21)
<i>All_stock</i>	-0.002 (-0.34)	-0.003 (-0.36)	-0.008 (-1.40)	-0.008 (-1.38)	0.0002 (0.02)	0.000 (0.00)
<i>Rel_size</i>	0.002 (0.26)	0.001 (0.20)	0.016*** (3.08)	0.016*** (3.06)	0.017* (1.90)	0.016* (1.82)
<i>Hostile</i>	-0.017 (-1.15)	-0.017 (-1.14)	0.007 (0.57)	0.007 (0.56)	0.018 (0.80)	0.017 (0.75)
<i>Tender</i>	0.021** (2.56)	0.021** (2.52)	0.025*** (3.60)	0.025*** (3.60)	-0.013 (-1.06)	-0.012 (-1.08)
<i>Dif_industry</i>	-0.003 (-0.52)	-0.003 (-0.48)	-0.002 (-0.48)	-0.002 (-0.45)	-0.014 (-1.57)	-0.013 (-1.50)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	843		843		754	
Adjusted R ²	9.55%	9.27%	14.12%	14.07%	13.86%	13.50%

This table reports the regression results of the impact of target's pre-acquisition financial statement comparability (*Tar_comp_mean_rank* and *Tar_comp_median_rank*) on takeover efficiency (*Acq_CAR*, *Synergy* and ΔROA) in the U.S over the period 1983-2016 (the extended sample). All variables are defined in Appendix A. *t*-stats are in bracket and based on robust standard errors. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.