Does Auditor Style Influence Non-GAAP Reporting?*

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Abstract: We examine whether auditor style is associated with non-GAAP disclosures. Specifically, we find that clients audited by the same auditor are more likely to similarly disclose non-GAAP earnings. We assess disclosure similarity using (1) the decision to disclose non-GAAP earnings, (2) the disclosure prominence of non-GAAP earnings, and (3) the discussion of non-GAAP earnings in the management discussion and analysis of the annual report. We find that the association between auditor style and non-GAAP disclosure is determined by Big 4 accounting firms and clients audited by the same audit office within an audit firm. These effects are incremental to similarity that results from geographical proximity. We also find some evidence that auditor style is associated with non-GAAP disclosure quality. Our results are relevant to current policy discussions regarding auditor involvement in unaudited non-GAAP earnings reporting.

Keywords: Auditor style; non-GAAP reporting; Big 4 accounting firms

1. INTRODUCTION

Non-GAAP earnings is one of the most common voluntary corporate disclosures. Over 90% of the S&P 500 companies disclosed non-GAAP metrics in their earnings press releases between 2015 and 2017 (Usvyatsky and Coleman 2018), and approximately two-thirds of publicly-traded companies disclose non-GAAP earnings (Bentley, Christensen, Gee, and Whipple 2018). Research suggests that investors find non-GAAP numbers more useful than their GAAP counterparts (e.g., Bradshaw and Sloan 2002; Bhattacharya, Black, Christensen, and Larson 2003; Bradshaw, Christensen, Gee, and Whipple 2018), although there is also evidence of managers' opportunistic use of non-GAAP earnings (e.g. Black and Christensen 2009; Doyle, Jennings, and Soliman 2013). In response to the prevalence of non-GAAP earnings disclosures and concerns that manager-defined non-GAAP earnings might mislead some investors, the U.S. Securities and Exchange Commission (SEC) has imposed various rules on non-GAAP disclosures, and researchers have addressed the influence of regulatory intervention in non-GAAP reporting (e.g., Heflin and Hsu 2008; Kolev, Marquardt, and McVay 2008; Marques 2006; Zhang and Zheng, 2011; Gomez, Heflin, and Wang 2021; Chen, Gee, and Neilson 2021). Regulators are now discussing the potential role of auditors in providing assurance for non-GAAP earnings (U.S. Securities and Exchange Commission 2016; Center for Audit Quality 2020). Therefore, it is critical to first develop an understanding of the role that auditors currently play, if at all, in their clients' non-GAAP reporting.

In this paper, we address whether auditors exert influence on managers' non-GAAP earnings disclosures because of auditor styles and preferences. Prior research suggests that individual audit firms exhibit unique working styles ("audit firm style"), which influences GAAP earnings and mandatory disclosures (e.g., Francis, Pinnuck, and Watanabe 2014; Baugh and

Schmardebeck 2020). Auditor styles are a result of each audit firms' internal policies and procedures that guide how an audit should be conducted. Auditor style potentially extends to non-GAAP earnings disclosures because managers often consult with their auditors on a variety of disclosure issues, including non-GAAP earnings. In fact, anecdotal evidence suggests that auditors frequently review non-GAAP disclosures prepared by managers even though it is not a required element of the audit. For example, managers often use their auditors as a resource to determine if intended non-GAAP disclosures comply with relevant regulations (PwC 2019).

We investigate whether auditors influence non-GAAP reporting by assessing whether there is commonality in the non-GAAP earnings disclosures of client firms audited by the same auditor. If auditors exert influence over their clients' non-GAAP earnings disclosures, we expect the non-GAAP disclosures of two clients audited by the same auditor to be more similar than the non-GAAP disclosures of two clients audited by different auditors.[1] We adopt a methodology used in prior research on audit firm style. Specifically, we pair client-year observations from the same industry-year. We assess whether pairs of client-year observations ("client-year pairs") that share the same auditor have non-GAAP disclosures that are more similar than client-year pairs that have different auditors.

We begin with investigating whether auditor style plays a role in client firms' decisions to disclose non-GAAP earnings in addition to other economic determinants of non-GAAP reporting documented in prior literature. To conduct this analysis, we define two clients in a client-year pair as similar if both clients either report non-GAAP earnings or do not report non-GAAP earnings, and as non-similar if one client reports non-GAAP earnings while the other does not. Next, we study auditors' influence on two important attributes of non-GAAP disclosure for the subsample

[1] We use the term "clients" to refer to individual companies in general. It does not refer to a specific auditor's clients.

of client-year pairs that both disclose non-GAAP earnings. First, we are interested in the prominence of disclosed non-GAAP earnings relative to GAAP earnings because of regulators' growing concerns over this issue (Chen et al. 2021).[2] Two clients within a client-year pair are similar if both clients either report non-GAAP earnings and GAAP earnings in the same order (i.e., both report non-GAAP earnings before GAAP earnings or both disclose non-GAAP earnings after GAAP earnings). Second, we also examine the discussion of non-GAAP earnings in the management discussion and analysis (MD&A) section of the client's annual report. Although researchers traditionally focus on non-GAAP earnings disclosed in earnings press releases, non-GAAP discussions in MD&As are particularly relevant in our setting given that auditors may be more likely to review these other disclosures included within audited filings (i.e., 10-Ks). Clients in a client-year pair are deemed similar if both clients either discuss non-GAAP earnings or do not discuss non-GAAP earnings in their 10-K MD&A, and non-similar otherwise.

We obtain non-GAAP data from Bentley et al. (2018) and non-GAAP disclosure prominence data from Chen et al. (2021). Our full sample starts in 2003 and ends in 2019, while our prominence and MD&A subsamples end in 2016 due to data constraints. Using pairwise regression techniques, we regress an indicator for non-GAAP reporting similarity (i.e., whether a client-year pair discloses similarly or not using one of our three non-GAAP similarity measures) on (1) an indicator capturing whether the two clients in a client-year pair share the same audit firm, and (2) an indicator reflecting whether the two clients in a client-year pair share the same audit office.

Our results suggest that auditors influence non-GAAP disclosures. We first examine whether two clients in a client-year pair are more likely to report non-GAAP earnings similarly

[2] We follow Chen et al. (2021) and define prominence based on the ordering of non-GAAP earnings-per-share (EPS) and GAAP EPS in a firm's quarterly earnings announcement.

when they share the same audit firm (audit firm style). We find that when two clients share the same audit firm, they are: (1) more likely to both report or not report non-GAAP earnings; (2) more likely to give the same level of prominence to non-GAAP earnings; and (3) more likely to both discuss or not discuss non-GAAP earnings in their 10-K MD&As. Our findings extend prior research on audit firm style (Francis et al., 2014; Baugh and Schmardebeck 2020) and show that audit firm style extends beyond GAAP disclosures to non-GAAP disclosures as well.

Next, we explore whether auditor style effects on non-GAAP earnings disclosures stem from local audit offices because it is possible that audit firms may not issue firm-wide guidance on items that are outside the scope of the audit. Additionally, our conversations with audit partners also suggest that local audit offices can exhibit significant variation in scrutinizing their clients' non-GAAP reporting decisions. To test this conjecture, we restrict our sample to client-year pairs that share the same audit firm. We then examine whether two clients in client-year pair are more likely to report non-GAAP earnings similarly when they share the same audit office compared to client-year pairs that are audited by different audit offices within the same audit firm. Within this subsample, we document that when two clients share the same audit office, they are more likely to make similar decisions to report or not report non-GAAP earnings, are more likely to give a similar level of prominence to non-GAAP earnings, and are more likely to both discuss or not discuss non-GAAP earnings in their 10-K MD&As.

We further explore whether there is a national audit firm style effect after controlling for audit office style effect. In this test, we include client-year pairs that are audited by different audit firms as well as those that are audited by the same audit firm. We continue to observe a positive and significant national audit firm style effect on the decision to report non-GAAP earnings and a positive but insignificant effect on the prominence of non-GAAP disclosures and the inclusion of

non-GAAP earnings in the MD&A. The magnitude of the audit office effect is much larger than the national audit firm effect. Collectively, these results are consistent with the idea that local offices have considerable autonomy in interpreting and implementing firm-level policies and procedures (e.g., Reichelt and Wang 2010; Kawada 2014).

An important aspect of our audit office analysis is its ability to reduce the likelihood that our results are driven by some unknown client effect at the audit firm level (although our construction of client-year pairs within industry also makes this less likely). For example, it is possible that clients of a certain type cluster at different audit firms and those types tend to disclose non-GAAP earnings similarly. Audit office level analyses reduce this likelihood because it is far less likely that clients of certain types cluster both within an audit firm and at a particular audit office.

We also investigate a possible alternative explanation that our audit office results might be driven by a geographic "locale" effect. Prior research indicates that companies located in close geographic proximity tend to share commonalities in various corporate decisions and outcomes including stock returns, investment, and earnings management (Pirinsky and Wang 2006; Dougal, Parsons, and Titman 2015; Kedia, Koh, and Rajgopal 2015; Parsons, Sulaeman, and Titman 2018). Therefore, we consider whether geographic proximity explains similarity in non-GAAP disclosures. Accordingly, we repeat our office-level analyses with an additional control for client-year pairs that utilize audit offices located in the same city but do not share the same audit firm. We find that, while the same city variable is statistically significant, the effect size is significantly smaller than our audit office effect. Thus, while there is a small locale effect, it is not responsible for the audit office effect.

Finally, since regulators' concerns often center on the quality of non-GAAP earnings, we attempt to provide evidence on whether the audit office effect we document is associated with non-GAAP disclosure quality. Therefore, we examine whether two clients are more likely to report non-GAAP information similarly when they share the same audit office. We define non-GAAP quality using four measures: (1) only managers report non-GAAP earnings while analysts do not; (2) managers use non-GAAP earnings to meet or beat analysts' forecasts when GAAP earnings miss said forecasts; (3) managers' non-GAAP earnings differ from analysts' non-GAAP earnings; and (4) a combination of measures (1) and (3). We find a positive and significant audit office effect across all four measures of non-GAAP quality similarity, thus indicating that clients who share the same audit office are more likely to report non-GAAP information of a similar quality (i.e., both report high-quality or both report low-quality non-GAAP information). Thus, our results suggest that auditors influence non-GAAP reporting quality although they are not required to audit non-GAAP earnings in the current regime.

We make several contributions to the literature. First, we are the first archival study to document that auditors influence non-GAAP disclosures. Anderson, Hobson, and Sommerfeldt (2021) examine the effect of auditing non-GAAP measures on investor judgments in an experimental setting and find that audits of non-GAAP measures can influence investors to inappropriately use low-quality non-GAAP numbers. We use archival data to provide evidence on whether auditors influence non-GAAP disclosures under the current regime where auditing of non-GAAP earnings is not mandated. Second, we extend the stream of research on auditor style, which has focused on how auditor style is reflected in companies' GAAP-based financial statement numbers and mandatory disclosures (e.g., Reichelt and Wang 2010; Francis et al. 2014; Kawada 2014; Baugh and Schmardebeck 2020; Johnston and Zhang 2020, Chen et al. 2021). We are, to

our knowledge, the first study to provide evidence that the influence of auditor style extends beyond mandatory disclosure and generalizes to voluntary disclosure as well. Finally, our evidence can inform policy development as regulators discuss auditor involvement in non-GAAP disclosures (Center for Audit Quality 2020). Understanding auditor influence in the absence of regulation can help regulators determine the degree of involvement auditors should have in non-GAAP disclosures. Our results indicate that auditors, especially high-quality auditors (i.e., Big 4 audit firms), appear to have unique styles and different preferences when it comes to their clients' non-GAAP reporting choices, which likely has contributed to the heterogeneity across public firms' non-GAAP practices. Our findings imply that more regulatory intervention might help to standardize auditors' involvement and their clients' disclosures.

2. HYPOTHESIS DEVELOPMENT

2.1 Regulatory Interest in Non-GAAP Disclosures

Non-GAAP disclosures are governed by Regulation G, Regulation S-K Item 10 (e), and Item 2.02 of Form 8-K depending on where the non-GAAP measure is reported or communicated. Regulation G applies to any public disclosure, as well as press releases and SEC filings. It requires that non-GAAP earnings must not be misleading, that the most directly comparable GAAP measure must also be presented, and that a reconciliation between the GAAP and non-GAAP measure must be presented. Item 2.02 of Form 8-K applies to press releases and SEC filings and requires the registrant to present the most directly comparable GAAP measure with equal or greater prominence, include a statement on why the non-GAAP measure provides useful information, and disclose additional purposes for which management uses the measure. Regulation S-K Item 10 (e)

only applies to SEC filings and does not allow adjustments that are likely to recur within two years to be labeled as nonrecurring, infrequent, or unusual.

While non-GAAP disclosures are currently beyond the scope of a financial statement audit, several different groups have raised the possibility of having these metrics audited.[3] The PCAOB's Investor Advisory Group recommended that management should be required to transparently define and reconcile selected non-GAAP metrics, and auditors should be required to audit reported non-GAAP earnings and reconciliations.[4] Similarly, the Center for Audit Quality (CAQ), which is affiliated with the American Institute of CPAs, has also suggested that having auditors associated with non-GAAP disclosures could discipline management's reporting and help enhance the public's trust and confidence in this information. Furthermore, the PCAOB's 2018-2022 strategic plan includes initiatives to move forward with standard setting related to the auditor's role regarding other information and company performance measures, including non-GAAP measures.

2.2 Hypothesis

One factor leading to the possibility that auditors influence non-GAAP disclosures is auditor style. Kinney (1986) and Kaplan, Menon, and Williams (1990) argue that audit firms have unique methodology, procedures, and technology, which Francis et al. (2014) suggests contributes to a unique auditor style. Kothari, Ramanna, and Skinner (2010) suggest that each of the Big 4 accounting firms develop their own internal rules for the application of GAAP and GAAS. Auditor style arises from the unique testing approach for implementing GAAS along with internal practices

[3] SAS No. 118 states that, "the auditor's opinion does not cover other information, and the auditor has no responsibility for determining whether such information is properly stated." However, auditors are required to read the other information in documents containing audited financial statements for material inconsistencies in that information. The PCAOB has also adopted Auditing Standard (AS) 2710, which has similar requirements. Thus, auditor involvement in non-GAAP earnings disclosures is only required if there is a non-GAAP earnings disclosure that creates material inconsistencies in a document containing audited financial statements. Note that financial statements in earnings press releases are unaudited.

[4] https://pcaobus.org/News/Events/Documents/10242017-IAG-meeting/WG-slides-non-GAAP.pdf

and policies for interpreting and applying GAAP. Francis et al. (2014) provide empirical support for auditor style by showing that companies exhibit higher financial reporting comparability when they are audited by the same Big 4 accounting firm. However, auditor style can also propagate errors. Using the similarity of comment letters between clients of the same auditor, Baugh and Schmardebeck (2020) show that auditor style is also associated with common disclosure deficiencies among clients.

A second factor leading to the possibility that auditors influence non-GAAP disclosures is that managers seek, and auditors often provide, input into disclosure decisions. In fact, there is anecdotal evidence that auditors advise managers on non-GAAP disclosures. Companies use non-GAAP earnings to provide insight into their performance and operations.[5] These supplemental measures are particularly useful for companies when there is uncertainty and market volatility. While auditors may not necessarily be required to provide an opinion on non-GAAP earnings, each of the Big 4 accounting firms has issued guidance surrounding the usage and application of non-GAAP.[6] In addition to general guidance, some of the Big 4 accounting firms have issued guidance that specifically discuss how to use non-GAAP measures to discuss the effects of COVID-19.

For example, EY's (2020) technical guide provides guidance on what adjustments are appropriate, how to present those adjustments, and even provides specific examples of adjustments that may or may not be acceptable. Specifically, hazard pay, charges related to cleaning and disinfecting facilities, contract termination fees or penalties related to the pandemic, and insurance recoveries are listed as acceptable COVID-19 non-GAAP adjustments. Paying idled employees,

[5] We focus on non-GAAP earnings or EPS because they are the most common adjustments reported. 77 percent of S&P 500 companies report these metrics.
[6] Deloitte (2020); EY (2020); KPMG (2018); PwC (2019, 2021)

recurring expenses related to temporarily idle facilities, excess capacity costs, premiums for chipping, and employee expenses for increased hours are adjustments EY considers inappropriate. Deloitte's (2020) COVID-19 non-GAAP reporting guide provides three categories of adjustments. Adjustments that they suggest are likely consistent with SEC interpretations include goodwill impairment, contract termination costs, facility shutdown costs, cleaning costs, employee-termination costs, hazard pay, government grants, and insurance recoveries. Questionable adjustments include significant receivable reserves, expected credit losses, unprecedented markdowns, depreciation of idled facilities, and furloughed employees. Estimated lost revenue or profit, non-temporary increases or decreases to salary, and excess overhead are adjustments Deloitte considers unlikely consistent with SEC requirements.

These examples of auditor guidance on whether COVID-19 adjustments are appropriate suggests that auditors may play a role in shaping non-GAAP earnings disclosures. While our sample period does not include the pandemic era, these examples suggest the possibility that, pre-COVID-19, auditors had audit-firm-specific opinions about non-GAAP earnings disclosures and, if so, likely communicated those opinions to their clients. We present our hypothesis in the alternative form below.

Hypothesis: A pair of clients audited by the same auditor will have more similar non-GAAP earnings disclosures than a pair of clients audited by two different auditors.

3. RESEARCH DESIGN AND DATA

3.1 Research Design

Based on Francis et al. (2014) and Baugh and Schmardebeck (2020), we create a panel of pairwise observations to examine the similarity of non-GAAP reporting between a set of clients.

Using 2-digit SIC codes, we create pairs using all unique combinations of clients that make earnings announcements within an industry-year. For example, if a given fiscal year and 2-digit SIC industry contains three clients with earnings announcement data (Companies 1, 2 and 3), the resulting pair observations would be Company 1 + Company 2, Company 1 + Company 3, and Company 2 + Company 3.

3.1.1 Dependent Variables

The dependent variable, *NGsimilarity*, captures the similarity in non-GAAP earnings disclosures between the two clients in a pair. We measure *NGsimilarity* along three important dimensions of non-GAAP reporting: (1) a client's decision to report non-GAAP earnings (*NGsimilarity_report*); (2) the prominence of reported non-GAAP earnings presented in relation to GAAP earnings (*NGsimilarity_prominence*); and (3) the discussion of non-GAAP earnings in the MD&A section of the annual report (*NGsimilarity_MD&A*). We construct our measures based on the characteristics of non-GAAP earnings in the fourth quarter of a fiscal year because auditors are likely to pay closer attention to these disclosures since they are presented in the annual report along with the audit report.[7]

For *NGsimilarity_report*, we identify whether a client reports non-GAAP earnings using the dataset provided by Bentley et al. (2018). Two clients in a pair of client-year observations are deemed to have similar non-GAAP reporting if both clients exhibit similar non-GAAP reporting behavior in the fourth quarter of the same fiscal year. Specifically, both clients within a pair of client-year observations are viewed as similar if both clients either report non-GAAP earnings or do not report non-GAAP earnings, and *NGsimilarity_report* is coded as one. Conversely, both

[7] Annual reports are audited while quarterly reports are typically reviewed by the auditor.

clients are deemed as dissimilar to each other if one client reports non-GAAP earnings while the other does not report non-GAAP earnings, then *NGsimilarity_report* is coded as zero.

To construct *NGsimilarity_prominence*, we obtain data on the prominence of non-GAAP disclosures from Chen et al. (2021). Auditors may affect the prominence of non-GAAP disclosures because the SEC specifically prohibits non-GAAP financial measures from being featured more prominently than comparable GAAP measures in client disclosures. To construct the measure empirically, *NGsimilarity_prominence* is coded as one if both clients in a client-year pair either report non-GAAP earnings before GAAP earnings or report non-GAAP earnings after GAAP earnings. On the contrary, *NGsimilarity_prominence* is coded as zero if one client in a client-year pair reports non-GAAP earnings first while the other reports GAAP earnings first.[8]

Finally, we use the non-GAAP keywords from Bentley et al.'s (2018) text processing method to identify whether a company discusses non-GAAP earnings in its MD&A for the *NGsimilarity_MD&A* measure. We examine non-GAAP earnings disclosed in MD&As because auditors may be more likely to review these other disclosures included within audited filings (i.e., 10-Ks). *NGsimilarity_MD&A* takes the value of one if both clients within a client-year pair either discuss or do not discuss non-GAAP earnings in the MD&A. *NGsimilarity_MD&A* is coded as zero if one client in a client-year pair discusses non-GAAP earnings in its MD&A while the other client does not.

3.1.2 Independent Variables

We construct two variables to capture auditor style at the audit firm level (*Same Firm*) and at the audit office level (*Same Office*). We examine audit firm level effects because prior research

[8] We are interested in examining the similarity in prominence of non-GAAP disclosures and have defined our variable of interest to reflect similarity. This differs from the definition in Chen et al. (2021) which distinguishes between non-GAAP and GAAP prominence by comparing the order of non-GAAP earnings and GAAP earnings in an earnings press release.

suggests that audit firms have developed their own in-house rules at the national level and there is considerable variation across audit firms (Francis et al. 2014). It is possible that auditor style relating to GAAP earnings and mandatory disclosure could extend to non-GAAP disclosures. We estimate the following pair-year level regressions.

$$NGsimilarity_{i,j,t} = \beta_0 + \beta_1 * Same\ Firm_{i,j,t} + Controls + \varepsilon \quad (1)$$

Same Firm is an indicator variable that equals to one if two clients in a pair of client-year observations share the same audit firm, and zero otherwise. We expect β_1 to be positive in Equation (1).

On the other hand, we recognize that auditors are explicitly not responsible for opining on non-GAAP earnings. Therefore, it is possible that auditors may not issue firm-wide guidance on items that are outside the scope of the audit. From our conversations with audit partners, local audit offices can exhibit significant variation in scrutinizing their clients' non-GAAP reporting decisions in the absence of clear guidance from the national office. We modify Equation (1) to capture audit office effects:

$$NGsimilarity_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon \quad (2)$$

Same Office takes the value of one if two clients in a pair of client-year observations are audited by the same audit office of the same audit firm, and zero otherwise. Similar to Equation (1), we also expect β_1 to be positive in Equation (2).

In both Equations (1) and (2), we control for firm characteristics associated with non-GAAP reporting and auditor characteristics that likely affect disclosure practice. We follow Francis et al. (2014) and Baugh and Schmardebeck (2020) in selecting control variables. We control for firm size, market-to-book ratio, leverage, stock return volatility, sales growth, loss, M&A activity, litigation risk, institutional ownership, the number of business segments, and the

number of geographic segments. Since the unit of observation is a client-year pair in our model, we follow prior research and create difference and minimum versions of the control variables instead of directly controlling for these variables. For example, we include the absolute difference in size between the two clients in a pair of client-year observations (*Size_Diff*) and the smaller size in the pair (*Size_Min*) when controlling for size. We report both robust standard errors and firm-pair-clustered standard errors for all analyses.

3.2 Sample

We define our dependent variable, *NGsimilarity*, in three different ways and have different samples for each of these definitions. We use the full sample of clients (i.e., Compustat firms) for the reporting test (*NGsimilarity_report*). Only clients that report non-GAAP earnings are included in the prominence test (*NGsimilarity_prominence*). The MD&A test only includes clients that report non-GAAP earnings with available MD&A data (*NGsimilarity_MD&A*). Table 1 presents our sample.

Our sample for *NGsimilarity_report*, presented in Panel A of Table 1, contains clients with fiscal year-ends that range from January 31, 2003 to November 30, 2019. These clients were obtained from the data provided by Bentley et al. (2018). We obtain data for control variables from Compustat and auditor information from Audit Analytics. After eliminating any client-year observations with missing values, we are left with 38,914 client-year observations. Using our research design to create a panel of pairwise observations, this sample results in 2,563,698 client-year pairs.

The *NGsimilarity_prominence* subsample, presented in Panel B of Table 1, only includes clients that report non-GAAP earnings. We merge our main sample with data from Chen et al. (2021) to obtain information on the display of non-GAAP earnings. This gives us 11,498 client-

year observations with fiscal year-ends that range from January 31, 2003 to April 30, 2016. Using our research design to create a panel of pairwise observations, this sample results in 305,397 client-year pairs.

The *NGsimilarity_MD&A* subsample, presented in Panel C of Table 1, only includes clients that report non-GAAP earnings and have available 10-K MD&A data. This sample contains a total of 11,161 client-year observations with fiscal year-ends that range from January 31, 2003 to April 30, 2016. Using our research design to create a panel of pairwise observations, this sample results in 291,013 client-year pairs.

3.3 Descriptive Statistics

Table 2 presents the descriptive statistics for each sample of pairwise observations discussed in Section 3.2. Descriptive statistics for *NGsimilarity_report* are presented in Panel A, *NGsimilarity_prominence* are presented in Panel B, and *NGsimilarity_MD&A* are presented in Panel C. *NGsimilarity_report* has a mean of 0.60, which indicates that 60% of client-year pairs make the same non-GAAP reporting decision (i.e. both report non-GAAP earnings or both do not report non-GAAP earnings). Both *NGsimilarity_prominence* and *NGsimilarity_MD&A* have a mean of 0.66. These descriptive statistics indicate that 66% of client-year pairs make similar decisions regarding the display of non-GAAP earnings relative to GAAP earnings and whether to discuss these earnings in the MD&A of the 10-K.

Our first key independent variable, *Same Firm*, has a mean of 0.16 in Panel A of Table 2, 0.21 in Panel B, and 0.20 in Panel C. These statistics indicate that 16% to 21% of client-year pairs within an industry share the same audit firm. Our second key independent variable, *Same Office*, has a mean of 0.01 in Panel A of Table 2, 0.02 in Panel B, and 0.02 in Panel C. These statistics

suggest that although many client-year pairs are audited by the same audit firm, only 1% to 2% employ the same audit office.

4. MAIN RESULTS

4.1 Auditor Style and the Decision to Report non-GAAP Earnings

4.1.1 Audit Firm Level Effects

We first examine whether two clients in a pair of client-year observations are more likely make similar non-GAAP earnings reporting decisions when they share the same audit firm. We estimate Equation (1) using *NGsimilarity_report* as the dependent variable and report the results in Table 3. Across all six columns of Table 3, the variable of interest, *SameFirm*, captures the incremental effect of sharing an audit firm on *NGsimilarity_report* compared to client-pairs audited by different audit firms.

In columns (1) and (2) of Table 3, we present results from regressions using the full sample, which includes client-pairs audited by all types of audit firms with available data. The results suggest that two clients audited by the same audit firm are 1.1% more likely to make similar non-GAAP reporting decisions (i.e., both clients report or both do not report non-GAAP earnings) compared to two clients audited by different audit firms.

Francis et al. (2014) argues that Big 4 accounting firms are more likely to have the capacity and incentive to invest in developing their own in-house rules regarding the application of GAAP. We empirically test whether their conclusion generalizes to non-GAAP reporting. We re-estimate the regression for clients audited by Big 4 accounting firms ("Big 4 sub-sample") in columns (3) and (4) and for clients audited by non-Big 4 accounting firms ("non-Big 4 sub-sample") in columns (5) and (6). The results in columns (3) and (4) of Table 3 indicate that two clients sharing the same Big 4 auditor are 0.6% more likely to make the same non-GAAP reporting decision compared to two clients audited by different Big 4 auditors. However, the coefficient on *SameFirm* is positive

but insignificant in columns (5) and (6), suggesting that non-Big 4 auditors may not influence their clients' decisions to report non-GAAP earnings.

Overall, our findings presented in Table 3 provide strong evidence of audit firm level effects on the decision to report non-GAAP earnings. Consistent with prior research (Francis et al. 2014; Baugh and Schmardebeck 2020), these audit firm level effects concentrate within the sub-sample of clients audited by Big 4 accounting firms, thus suggesting that Big 4 accounting firms may have developed a set of in-house guidelines for non-GAAP reporting while non-Big 4 accounting firms have not.

4.1.2 Audit Office Level Effects

In this section, we further explore whether the results documented in Section 4.1 are attributable to local audit offices, because audit firms may be reluctant to issue firm-wide guidance on items that are outside the scope of the audit. Local audit offices within the same firm can exhibit significant variation in scrutinizing their clients' non-GAAP reporting decisions in the absence of clear guidance from the national office. To empirically test this conjecture, we estimate Equation (2) using *NGsimilarity_report* as the dependent variable. We restrict the sample to pairs of client-year observations that share the same audit firm.[9] This additional sample restriction allows us to directly compare client-pairs audited by the same office within an audit firm with client-pairs audited by different offices of the same audit firm, and the coefficient on *SameFirm_SameOffice* captures this difference.

Table 4 presents the results of this analysis. We first perform the analysis on the full sample, and then separately examine the Big 4 sub-sample and non-Big 4 sub-sample. In columns (1) and (2) of Table 4, we find that two clients that share the same audit office are 3.2% more likely to

[9] Refer to Panel B of Appendix B for an illustration of which pairs of client-year observations are included in this test.

both report or not report non-GAAP earnings relative to client-pairs audited by different audit office within the same audit firm. We present results using the Big 4 sub-sample in columns (3) and (4) of Table 4. The coefficient indicates client-pairs audited by the same audit office are 3.5% more likely make the same non-GAAP reporting decisions relative to client-pairs audited by different audit offices of the same audit firm. In columns (5) and (6) of Table 4, the coefficient on our variable of interest is positive but insignificant. Consistent with our audit firm level results, Big 4 offices exhibit unique styles that appear to influence their clients' non-GAAP reporting decisions, while non-Big 4 audit offices do not.

A natural question that arises is whether there is a national office effect after controlling for a local office effect. In this test, we switch back to the full sample of client-pairs audited by different audit firms as well as those audited by the same audit firm. By expanding the sample, we are able to compare across three groups of client-pairs: client-pairs sharing the same office of the same audit firm, client-pairs audited by different offices within the same audit firm, and client-pairs audited by different audit firms. Therefore, in addition to *SameFirm_SameOffice*, we also include an indicator for client-year pairs audited by difference offices within the same audit firm (*SameFirm_DiffOffice*).

We estimate Equation (2) with *NGsimilarity_report* as the dependent variable and present the results in Table 5. We present results from the regression with the full sample in columns (1) and (2) of Table 4, the Big 4 sub-sample in columns (3) and (4), and the non-Big 4 sub-sample in columns (5) and (6). The coefficient on *SameFirm_SameOffice* in columns (1) and (2) suggest that two clients audited by the same audit office are 4.2% more likely to make similar non-GAAP reporting decisions compared to two clients audited by different audit firms. Although the coefficient on *SameFirm_DiffOffice* is also significant in columns (1) and (2), the magnitude (0.8%)

is much smaller compared to our main variable of interest (i.e., *SameFirm_SameOffice*). Thus, the results suggest that auditor style relating to non-GAAP reporting decisions is largely attributable to local offices. In columns (3) to (6) of Table 5, we continue to observe significantly positive coefficients on *SameFirm_SameOffice* for the Big 4 sub-sample and positive but insignificant coefficients for the non-Big 4 sub-sample.

Overall, our findings presented in Tables 4 and 5 indicate that an auditor's influence on the reporting of non-GAAP earnings appears to be driven by the local audit office, providing additional evidence of an audit office style effect. When considered with prior research (Reichelt and Wang 2010; Francis et al. 2014; Kawada 2014; Baugh and Schmardebeck 2020), our results further suggest that local Big 4 audit offices have autonomy in interpreting and implementing non-GAAP reporting rules.

4.2 Auditor Style and non-GAAP Disclosure Attributes

After documenting that auditor style influences the decision to report non-GAAP earnings and Big 4 audit offices are positively associated with similar non-GAAP reporting decisions for client-pairs, we next explore whether auditor style also impacts the disclosure attributes of non-GAAP earnings. Specifically, we examine whether auditor style is associated with the prominence of reported non-GAAP earnings presented in earnings press releases in relation to GAAP earnings (*NGsimilarity_prominence*) and the discussion of non-GAAP earnings in the MD&A section of the annual report (*NGsimilarity_MD&A*) for client-pairs.

4.2.1 Audit Firm Level Effects

We reestimate Equation (1) using *NGsimilarity_prominence* and *NGsimilarity_MD&A* as our outcome variables present the results in Table 6. The results for *NGsimilarity_prominence*, are presented in Panel A and the results for *NGsimilarity_MD&A* are presented in Panel B. In each

panel, we present results from regressions using the full sample in columns (1) and (2), the Big 4 sub-sample in columns (3) and (4), and the non-Big 4 sub-sample in columns (5) and (6). The variable of interest is *Same Firm*.

In Panel A of Table 6, *NGsimilarity_prominence* reflects the similarity of the prominence of non-GAAP earnings presented in relation to GAAP earnings. The coefficient on *SameFirm* is positive but insignificant in columns (1) and (2). However, the coefficient is positive and significant in columns (3) and (4) for our Big 4 sub-sample. These results suggest that two clients audited by the same Big 4 accounting firm are 0.5% more likely to present non-GAAP earnings with the same level of prominence compared to two clients audited by different Big 4 accounting firms. We also re-estimate our regression for our non-Big 4 sub-sample and find that the coefficient on *SameFirm* is negative and insignificant.

In Panel B of Table 6, *NGsimilarity_MD&A* captures whether or not both clients in a client-year pair discuss non-GAAP earnings in the MD&A of their respective 10-Ks. The results in columns (1) and (2) indicate that two clients audited by the same audit firm are 0.5% more likely to discuss non-GAAP earnings in their MD&A in the same manner (i.e., either both clients will discuss or not discuss non-GAAP earnings in their respective MD&As) compared to two clients audited by different audit firms. We continue to observe a positive and significant coefficient on *SameFirm* for our Big 4 sub-sample. However, the coefficient on *SameFirm* is negative and significant for our non-Big 4 sub-sample, suggesting that two clients audited by the same non-Big 4 accounting firm are more likely to make different MD&A disclosures relating to non-GAAP earnings.

Overall, our findings presented in Table 3 indicate that clients who share the same audit firm are more likely to provide similar non-GAAP disclosures, which is additional evidence of

auditor style at the audit firm level. Consistent with prior research and our decision to report non-GAAP results, the evidence of audit firm style is concentrated in our client-year pairs audited by Big 4 accounting firms.

4.2.2 Audit Office Level Effects

Next, we reexamine if non-GAAP disclosure similarity is associated with auditor style at the office level rather than the firm level. To examine if audit style extends to non-GAAP earnings disclosures, we restrict the sample to pairs of client-year observations that share the same audit firm and estimate Equation (2) using *NGsimilarity_prominence* and *NGsimilarity_MD&A* as the dependent variables. *SameFirm_SameOffice* is the variable of interest and we present the results in Table 7, Panels A and B, respectively.

For the *NGsimilarity_prominence* test in Panel A of Table 7, the coefficient on *SameFirm_SameOffice* in columns (1) and (2) indicates that two clients audited by the same office are 2% more likely to present non-GAAP earnings with the same level of prominence than two clients audited by different offices of the same audit firm. The positive and significant coefficients in columns (3) and (4) for our Big 4 sub-sample and positive but insignificant coefficients in Columns (5) and (6) for the non-Big 4 sub-sample indicate that this association is largely concentrated in the Big 4 audit firms.

For *NGsimilarity_MD&A* in Panel B of Table 7, the results in columns (1) and (2) indicate that two clients audited by the same audit office within the firm are 4.9% more likely to discuss non-GAAP earnings in their MD&A in the same manner (i.e., both clients either discuss or do not discuss non-GAAP earnings in the MD&A) compared to two clients audited by different offices of the same audit firm. We continue to observe a positive and significant coefficient on *SameFirm_SameOffice* for our Big 4 sub-sample. However, the coefficient on *SameFirm_SameOffice* is positive but insignificant for our non-Big 4 sub-sample.

We then examine if there is both an audit office and national office effect by reperforming our test using the full sample of client-pairs audited by different audit firms as well as those audited by the same audit firm. We compare the audit office and national office effect by including *SameFirm_SameOffice* and *SameFirm_DiffOffice* as our variables of interest. The results are presented in Table 8.

For the *NGsimilarity_prominence* test in Panel A of Table 8, the coefficient on *SameFirm_SameOffice* in columns (1) and (2) indicates that two clients audited by the same office are 1.9% more likely to present non-GAAP earnings with the same level of prominence. The coefficient on *SameFirm_DiffOffice* in these columns are positive but insignificant. An F-test for the difference between the two coefficients, presented in Panel B, is significant. This suggests that the auditor style effect on disclosure prominence is concentrated within the local office rather than the audit firm. The results for the Big 4 sub-sample and non-Big 4 subsample in Columns (3) to (6) suggests that this finding is concentrated in Big 4 firms.

For the *NGsimilarity_MD&A* test in Panel C of Table 8, the coefficient on *SameFirm_SameOffice* in columns (1) and (2) indicates that two clients audited by the same office are 4.4% more likely to discuss non-GAAP earnings in their MD&A in the same manner. The coefficient on *SameFirm_DiffOffice* in these columns are positive but insignificant. An F-test for the difference between the two coefficients, presented in Panel D, is significant. The results in Columns (3) to (6) suggests that this finding is concentrated in Big 4 firms.

Overall, the results based on disclosure prominence and MD&A discussions suggests that auditor exhibit a style that is reflected in the client non-GAAP disclosures. The auditor style appears to be an office effect that seems to exist in the Big 4 firms but not the non-Big 4 firms.

5. ALTERNATIVE EXPLANATION: GEOGRAPHIC EFFECT

We conduct an additional test to examine whether our results are explained by a geographic or locale effect. Companies that are located in close geographic proximity tend to share commonalities in stock returns, investment, and earnings management (Pirinsky and Wang 2006; Dougal, Parsons, and Titman 2015; Kedia, Koh, and Rajgopal 2015; Parsons, Sulaeman, and Titman 2018) that may not be related to auditor style. Thus, our next analysis attempts to control for commonalities from geographic proximity.

To conduct this test, we estimate Equation (2) with an additional control for pairs of client-year observations that are audited by audit offices located in the same city but do not share the same audit firm (*DiffFirm_SameCity*). The variable *DiffFirm_SameCity* is an indicator variable that takes the value of one if both clients in a pair of client-year observations use different audit firms but whose respective audit firms are located in the same city, and zero otherwise. For example, *DiffFirm_SameCity* is equal to one if one client in a client-year pair is audited by EY Atlanta while the other client in the client-year pair is audited by PwC Atlanta. Conversely, *DiffFirm_SameCity is* equal to zero if both clients in the client-year pair are audited by EY or if one client is audited by EY Atlanta and the other is audited by PwC Chicago. Refer to Panel D of Appendix B for an illustration.

Table 9 presents the results of this regression. We find significant and positive coefficients on *DiffFirm_SameCity* across all three measures of non-GAAP earnings reporting similarity. These findings indicate that geographic proximity is also associated with non-GAAP earnings reporting similarity. However, this does not necessarily suggest that the audit office level effect documented in Section 4 is purely driven by a geographic effect. We compare the coefficients on *DiffFirm_SameCity* with the coefficients on *Same Office* using an F-test. Panel B of Table 9

presents these results. We find that the coefficients for *DiffFirm_SameCity* are significantly smaller than the coefficients on *Same Office*. These findings indicate that while the geographic proximity or locale effect is significant, it is still smaller than that of the audit office level effect across all three measures of non-GAAP earnings reporting similarity. Thus, our findings suggest that the audit office level effect on non-GAAP earnings reporting similarity is incremental to the geographic or locale effect that influences non-GAAP reporting similarity.

6. NON-GAAP QUALITY

Since regulators' concerns often center on the quality of non-GAAP earnings, we conduct an additional analysis to examine whether auditor style is also associated with non-GAAP earnings quality. Bentley et al. (2018) compares non-GAAP earnings issued by managers and those by I/B/E/S and find that these two measures differ in systematic ways because I/B/E/S excludes low quality adjustments by managers and includes higher quality adjustments that are not made by managers. As such, we use I/B/E/S non-GAAP earnings as an external benchmark to infer the quality of manager non-GAAP earnings. The consistency of non-GAAP earnings between managers and I/B/E/S indicates that manager-reported non-GAAP earnings are likely of a higher quality.

In this analysis, we examine whether a pair of client-year observations that share an audit office are more likely to report non-GAAP earnings of a similar quality. We estimate the following equation to examine the association between auditor style and non-GAAP reporting quality:

$$NGsimilarity\_quality_{i,j,t} = \beta_0 + \beta_1 * Same\ Office_{i,j,t} + Controls + \varepsilon \quad (3)$$

NGsimilarity_quality is a measure of non-GAAP quality that is defined along four dimensions: (1) only managers report non-GAAP earnings while analysts do not; (2) managers use non-GAAP

earnings to meet or beat analysts' forecasts when GAAP earnings misses said forecasts; (3) managers' non-GAAP earnings differ from I/B/E/S non-GAAP earnings; and (4) a combination of measures (1) and (3). All other variables are as previously defined.

Table 10 presents the results of this regression. We find positive and significant coefficients for auditor style at the audit office level across the four measures of non-GAAP quality similarity. Using *NGsimilarity_quality* defined based on whether managers' non-GAAP earnings differ from I/B/E/S non-GAAP earnings as an example, the coefficients on *Same Office* in columns (5) and (6) of Table 10 indicate that two clients audited by the same office are 1.7% more likely to both report high-quality non-GAAP earnings or both report low-quality non-GAAP earnings. Thus, our findings suggest that: (1) clients that share the same audit office are more likely to report non-GAAP information of a similar quality, and (2) auditor style affects not only the presentation of non-GAAP earnings but also the quality of the underlying numbers.

7. CONCLUSION

Using a sample of pairs of clients in the same industry-year, we examine the association between auditor style and clients' disclosure of non-GAAP earnings. We find that pairs of client-year observations that share an audit firm are associated with the decision to report non-GAAP earnings, the prominence of non-GAAP earnings relative to GAAP earnings, and the discussion of non-GAAP earnings in the MD&A section of the 10-K. Furthermore, we document that auditor style is primarily driven by local audit offices instead of the national office. We also find that this association is driven by Big 4 accounting firms, which likely have already developed a set of internal rules about non-GAAP disclosure practices.

While Francis et al. (2014) demonstrate that auditor style from implementing auditing standards and enforcing GAAP increases the comparability of GAAP earnings, it is not clear if audit firms would issue internal working rules for items that are not required by GAAP and GAAS. We extend the literature on auditor style by examining whether auditor style is also associated with voluntary disclosure (i.e., non-GAAP reporting and disclosure). As such, we provide initial evidence that auditor style affects not only GAAP reporting but also non-GAAP reporting, which is currently exempt from the scope of a basic audit. By offering empirical evidence on auditors' current involvement in their clients' non-GAAP reporting decisions, our study sheds light on the ongoing regulatory debate regarding whether non-GAAP earnings should also be audited.

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APPENDIX A: Variable Definitions

Variable	Definition
NGsimilarity_report	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") report non-GAAP earnings similarly, and zero otherwise. For this variable, non-GAAP reporting similarity is measured based on a client's decision to report non-GAAP earnings.
NGsimilarity_prominence	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") report non-GAAP earnings similarly, and zero otherwise. For this variable, non-GAAP reporting similarity is measured based on the prominence of reported non-GAAP earnings presented in relation to GAAP earnings in a client's quarterly earnings announcement.
NGsimilarity_MD&A	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") report non-GAAP earnings similarly, and zero otherwise. For this variable, non-GAAP reporting similarity is measured based on the discussion of non-GAAP earnings in the MD&A section of the 10-K.
NGsimilarity_quality	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") report non-GAAP earnings of a similar quality, and zero otherwise. Non-GAAP reporting quality is defined along four dimensions: (1) only managers report non-GAAP earnings while analysts do not; (2) managers use non-GAAP earnings to meet or beat analysts' forecast when GAAP earnings miss said forecast; (3) managers' non-GAAP earnings differ from I/B/E/S non-GAAP earnings; and (4) a combination of measures (1) and (3).
SameFirm	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same audit firm, and zero otherwise.
SameFirm_SameOffice	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same office of the same audit firm, and zero otherwise.
SameFirm_DiffOffice	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same audit firm but different audit office, and zero otherwise.
DiffFirm_SameCity	An indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by audit offices in the same city but do not share the same audit firm, and zero otherwise. See Appendix B, Panel C for an illustration.
Volatility	The standard deviation of the client's daily stock return during the fiscal year.

SalesGrowth	The percentage change in a client's total revenue from the prior fiscal year's.
Loss	An indicator variable that equals to one if a client's pre-tax income for the fiscal year is negative, and zero otherwise.
Leverage	The debt-to-equity ratio of a client for the fiscal year.
MktVal	The natural logarithm of a client's market capitalization for the fiscal year. A client's market capitalization is measured as the product of the number of shares of common equity outstanding at fiscal year-end and the closing price per share at fiscal year-end.
M2B	The market-to-book ratio of a client for the fiscal year. Market capitalization is determined using the same formula as in *MktVal*.
Acq	An indicator variable that equals to one if a client reports acquisition-related expenses for the fiscal year, and zero otherwise.
LitRisk	An indicator variable that equals to one if a client is listed under the following 4-digit SIC codes in Compustaut: 2833-2836, 3570-3577, 3600-3674, 5200-5961, 7370-7374, and zero otherwise.
ior	The percentage of a client's shares that are held by institutions at fiscal year-end.
NumBus	The number of business segments a client has during the fiscal year.
NumGeo	The number of geographic segments a client has during the fiscal year.

APPENDIX B: Client-Pair Selection

Panel A: Client-Pair Selection for Tables 3, 5, 6 and 8

Auditor A	Auditor B	Same Audit Firm	Same City	Included in Regression Sample?	*Same Firm Same Office*	*Same Firm Diff Office*
EY Atlanta	EY Atlanta	Yes	Yes	Yes	1	0
EY Atlanta	EY Chicago	Yes	No	Yes	0	1
EY Atlanta	PwC Atlanta	No	Yes	Yes	0	0
EY Atlanta	PwC Chicago	No	No	Yes	0	0

Panel B: Client-Pair Selection for Tables 4 and 7

Auditor A	Auditor B	Same Audit Firm	Same City	Included in Regression Sample?	*Same Firm Same Office*
EY Atlanta	EY Atlanta	Yes	Yes	Yes	1
EY Atlanta	EY Chicago	Yes	No	Yes	0
EY Atlanta	PwC Atlanta	No	Yes	No	0
EY Atlanta	PwC Chicago	No	No	No	0

Panel C: Client-Pair Selection for Table 9

Auditor A	Auditor B	Same Audit Firm	Same City	Included in Regression Sample?	*Same Firm Same Office*	*Diff Firm Same City*
EY Atlanta	EY Atlanta	Yes	Yes	Yes	1	0
EY Atlanta	EY Chicago	Yes	No	Yes	0	0
EY Atlanta	PwC Atlanta	No	Yes	Yes	0	1
EY Atlanta	PwC Chicago	No	No	Yes	0	0

TABLE 1: Sample Selection

Panel A: Main Sample with All Clients	
Number of Compustat client-quarter observations from 2003/1/31 and 2019/11/30	187,195
Less:	
Quarter 1, 2, and 3 client-quarter observations for each Compustat client	(143,670)
Quarter 4 observations with missing control data from Compustat	(3,321)
Quarter 4 observations with a missing CIK number in Compustat	(412)
Quarter 4 observations with missing auditor information in Audit Analytics	(878)
Number of Observations	38,914
Audited by Big 4 audit firms	29,838
Audited by non-Big 4 audit firms	9,076

Panel B: Subsample of Clients who Report Non-GAAP Earnings	
Quarter 4 client-quarter observations from our main sample (from Panel A)	38,914
Less:	
Quarter 4 client-quarter observations where the client does not report non-GAAP earnings	(27,416)
Number of Observations	11,498
Audited by Big 4 audit firms	10,095
Audited by non-Big 4 audit firms	1,403

Panel C: Subsample of Clients who Report Non-GAAP Earnings & Discuss Non-GAAP Earnings in the MD&A	
Quarter 4 client-quarter observations non-GAAP earnings reporters (from Panel B)	11,498
Less:	
Quarter 4 client-quarter observations with missing 10-K MD&As	(337)
Sample Size	11,161
Audited by Big 4 audit firms	9,812
Audited by non-Big 4 audit firms	1,349

TABLE 2: Descriptive Statistics

Panel A: Main Sample with All Clients

	N = 2,563,698						
Variable	Mean	SD	p25	median	p75	min	max
NGsimilarity_report	0.60	0.49	0.00	1.00	1.00	0.00	1.00
SameFirm	0.16	0.36	0.00	0.00	0.00	0.00	1.00
SameFirm_SameOffice	0.01	0.11	0.00	0.00	0.00	0.00	1.00
VolatilityDiff	0.01	0.01	0.00	0.01	0.02	0.00	0.08
SalesGrowthDiff	0.32	0.48	0.07	0.17	0.36	0.00	3.18
LossDiff	0.36	0.48	0.00	0.00	1.00	0.00	1.00
LeverageDiff	1.23	2.17	0.14	0.48	1.22	0.00	21.26
MktValDiff	2.01	1.57	0.78	1.67	2.89	0.00	9.07
M2BDiff	3.31	5.41	0.45	1.22	3.40	0.00	43.14
AcqDiff	0.45	0.50	0.00	0.00	1.00	0.00	1.00
LitRiskDiff	0.18	0.38	0.00	0.00	0.00	0.00	1.00
iorDiff	0.36	0.29	0.12	0.30	0.56	0.00	1.13
NumBusDiff	0.94	1.28	0.00	0.00	2.00	0.00	7.00
NumGeoDiff	1.56	1.89	0.00	1.00	2.00	0.00	10.00
VolatilityMin	0.02	0.01	0.01	0.02	0.03	0.01	0.09
SalesGrowthMin	0.00	0.23	-0.08	0.02	0.10	-0.61	2.57
LossMin	0.13	0.34	0.00	0.00	0.00	0.00	1.00
LeverageMin	0.12	1.36	0.00	0.07	0.51	-7.86	13.39
MktValMin	5.31	1.52	4.21	5.24	6.32	2.41	11.48
M2BMin	1.36	3.01	0.91	1.39	2.21	-13.49	29.65
AcqMin	0.17	0.37	0.00	0.00	0.00	0.00	1.00
LitRiskMin	0.33	0.47	0.00	0.00	1.00	0.00	1.00
iorMin	0.32	0.29	0.02	0.26	0.56	0.00	1.13
NumBusMin	0.98	0.85	0.00	1.00	1.00	0.00	7.00
NumGeoMin	1.10	1.40	0.00	1.00	2.00	0.00	10.00

Panel B: Subsample of Clients who Report Non-GAAP Earnings

	N = 305,397						
Variable	Mean	SD	p25	median	p75	min	max
NGsimilarity_prominence	0.66	0.47	0.00	1.00	1.00	0.00	1.00
SameFirm	0.21	0.40	0.00	0.00	0.00	0.00	1.00
SameFirm_SameOffice	0.02	0.15	0.00	0.00	0.00	0.00	1.00
VolatilityDiff	0.01	0.01	0.00	0.01	0.02	0.00	0.06
SalesGrowthDiff	0.24	0.26	0.07	0.16	0.32	0.00	1.90
LossDiff	0.38	0.49	0.00	0.00	1.00	0.00	1.00
LeverageDiff	0.94	1.87	0.10	0.35	0.87	0.00	19.32
MktValDiff	1.83	1.39	0.73	1.55	2.64	0.00	8.36
M2BDiff	2.84	3.98	0.53	1.38	3.22	0.00	31.21
AcqDiff	0.47	0.50	0.00	0.00	1.00	0.00	1.00
LitRiskDiff	0.20	0.40	0.00	0.00	0.00	0.00	1.00
iorDiff	0.39	0.32	0.11	0.29	0.65	0.00	1.17
NumBusDiff	1.30	1.37	0.00	1.00	2.00	0.00	7.00
NumGeoDiff	1.98	1.87	1.00	2.00	3.00	0.00	10.00
VolatilityMin	0.02	0.01	0.01	0.02	0.02	0.01	0.07
SalesGrowthMin	0.01	0.17	-0.07	0.02	0.10	-0.46	1.43
LossMin	0.10	0.30	0.00	0.00	0.00	0.00	1.00
LeverageMin	0.08	0.96	0.00	0.01	0.27	-6.11	13.21
MktValMin	6.19	1.41	5.23	6.13	7.13	3.28	11.64
M2BMin	1.73	2.21	1.02	1.56	2.44	-8.89	22.32
AcqMin	0.32	0.47	0.00	0.00	1.00	0.00	1.00
LitRiskMin	0.49	0.50	0.00	0.00	1.00	0.00	1.00
iorMin	0.42	0.35	0.00	0.47	0.73	0.00	1.17
NumBusMin	1.37	0.88	1.00	1.00	1.00	0.00	7.00
NumGeoMin	1.91	1.61	1.00	2.00	3.00	0.00	10.00

Panel C: Subsample of Clients who Report Non-GAAP Earnings & Discuss Non-GAAP Earnings in the MD&A

	N = 291,013						
Variable	Mean	SD	p25	median	p75	min	max
NGsimilarity_MD&A	0.66	0.48	0.00	1.00	1.00	0.00	1.00
SameFirm	0.20	0.40	0.00	0.00	0.00	0.00	1.00
SameFirm_SameOffice	0.02	0.15	0.00	0.00	0.00	0.00	1.00
VolatilityDiff	0.01	0.01	0.00	0.01	0.02	0.00	0.06
SalesGrowthDiff	0.24	0.26	0.07	0.16	0.32	0.00	1.90
LossDiff	0.38	0.49	0.00	0.00	1.00	0.00	1.00
LeverageDiff	0.94	1.87	0.10	0.34	0.86	0.00	19.32
MktValDiff	1.83	1.39	0.73	1.54	2.64	0.00	8.36
M2BDiff	2.86	3.99	0.54	1.40	3.24	0.00	31.21
AcqDiff	0.47	0.50	0.00	0.00	1.00	0.00	1.00
LitRiskDiff	0.20	0.40	0.00	0.00	0.00	0.00	1.00
iorDiff	0.39	0.32	0.11	0.30	0.65	0.00	1.17
NumBusDiff	1.30	1.36	0.00	1.00	2.00	0.00	7.00
NumGeoDiff	2.00	1.87	1.00	2.00	3.00	0.00	10.00
VolatilityMin	0.02	0.01	0.01	0.02	0.02	0.01	0.07
SalesGrowthMin	0.01	0.17	-0.07	0.02	0.10	-0.46	1.43
LossMin	0.10	0.30	0.00	0.00	0.00	0.00	1.00
LeverageMin	0.08	0.94	0.00	0.01	0.27	-6.11	13.21
MktValMin	6.19	1.40	5.24	6.13	7.13	3.28	11.64
M2BMin	1.74	2.19	1.03	1.57	2.46	-8.89	22.32
AcqMin	0.32	0.47	0.00	0.00	1.00	0.00	1.00
LitRiskMin	0.50	0.50	0.00	0.00	1.00	0.00	1.00
iorMin	0.42	0.35	0.00	0.47	0.74	0.00	1.17
NumBusMin	1.37	0.87	1.00	1.00	1.00	0.00	7.00
NumGeoMin	1.93	1.61	1.00	2.00	3.00	0.00	10.00

TABLE 3: Audit Firm Level Effects on the Decision to Report Non-GAAP Earnings

	Dependent Variable = *NGsimilarity_report*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm	0.011***	0.011***	0.006***	0.006***	0.004	0.004
	(13.22)	(9.34)	(6.63)	(4.64)	(1.48)	(1.20)
VolatilityDiff	-0.117***	-0.117***	-0.593***	-0.593***	0.383***	0.383***
	(-4.21)	(-3.74)	(-14.51)	(-12.83)	(4.92)	(4.60)
SalesGrowthDiff	-0.002***	-0.002***	-0.002*	-0.002	-0.019***	-0.019***
	(-2.79)	(-2.60)	(-1.65)	(-1.55)	(-7.85)	(-7.45)
LossDiff	-0.020***	-0.020***	-0.022***	-0.022***	-0.022***	-0.022***
	(-25.16)	(-21.46)	(-20.20)	(-17.05)	(-9.70)	(-8.97)
LeverageDiff	-0.001***	-0.001***	-0.002***	-0.002***	-0.002***	-0.002***
	(-5.76)	(-4.65)	(-6.40)	(-5.09)	(-4.13)	(-3.62)
MktValDiff	-0.032***	-0.032***	-0.030***	-0.030***	-0.043***	-0.043***
	(-127.31)	(-89.62)	(-78.93)	(-54.80)	(-42.39)	(-34.05)
M2BDiff	0.002***	0.002***	0.001***	0.001***	0.004***	0.004***
	(21.61)	(16.96)	(14.23)	(11.14)	(15.54)	(12.90)
AcqDiff	-0.068***	-0.068***	-0.061***	-0.061***	-0.066***	-0.066***
	(-97.84)	(-86.87)	(-59.18)	(-51.81)	(-38.30)	(-36.54)
LitRiskDiff	-0.038***	-0.038***	-0.030***	-0.030***	-0.072***	-0.072***
	(-20.54)	(-14.68)	(-12.86)	(-9.38)	(-9.21)	(-7.03)
iorDiff	-0.113***	-0.113***	-0.071***	-0.071***	-0.195***	-0.195***
	(-80.85)	(-58.40)	(-34.80)	(-24.99)	(-41.32)	(-33.50)
NumBusDiff	-0.011***	-0.011***	-0.008***	-0.008***	0.005***	0.005***
	(-37.93)	(-27.00)	(-22.74)	(-16.24)	(3.81)	(3.00)
NumGeoDiff	-0.012***	-0.012***	-0.008***	-0.008***	-0.013***	-0.013***
	(-59.59)	(-41.64)	(-32.79)	(-22.88)	(-15.03)	(-12.34)
VolatilityMin	1.605***	1.605***	1.022***	1.022***	-0.282**	-0.282**
	(34.72)	(29.91)	(14.69)	(12.41)	(-2.35)	(-2.20)
SalesGrowthMin	0.006***	0.006***	0.020***	0.020***	-0.010**	-0.010**
	(4.69)	(4.57)	(11.48)	(11.21)	(-2.07)	(-1.99)
LossMin	0.017***	0.017***	0.043***	0.043***	-0.034***	-0.034***
	(14.12)	(12.07)	(24.91)	(21.07)	(-9.38)	(-8.67)
LeverageMin	0.000	0.000	0.000	0.000	-0.019***	-0.019***
	(0.57)	(0.48)	(0.01)	(0.01)	(-18.61)	(-16.50)
MktValMin	-0.006***	-0.006***	-0.006***	-0.006***	-0.054***	-0.054***
	(-16.94)	(-12.01)	(-12.67)	(-8.93)	(-39.73)	(-31.98)
M2BMin	0.001***	0.001***	0.001***	0.001***	0.008***	0.008***
	(8.30)	(6.74)	(3.37)	(2.71)	(13.62)	(11.94)
AcqMin	-0.035***	-0.035***	-0.026***	-0.026***	-0.086***	-0.086***
	(-34.17)	(-29.36)	(-19.13)	(-16.25)	(-23.89)	(-22.50)

LitRiskMin	-0.003*	-0.003	0.013***	0.013***	-0.114***	-0.114***
	(-1.70)	(-1.21)	(5.46)	(3.97)	(-14.51)	(-11.09)
iorMin	-0.103***	-0.103***	-0.073***	-0.073***	-0.187***	-0.187***
	(-69.85)	(-48.39)	(-37.03)	(-25.75)	(-30.01)	(-24.00)
NumBusMin	0.005***	0.005***	0.008***	0.008***	0.003	0.003
	(9.34)	(6.53)	(11.66)	(8.18)	(1.00)	(0.79)
NumGeoMin	0.003***	0.003***	0.003***	0.003***	-0.011***	-0.011***
	(8.73)	(6.16)	(8.15)	(5.73)	(-8.46)	(-6.71)
Constant	0.798***	0.798***	0.754***	0.754***	1.170***	1.170***
	(282.93)	(212.48)	(166.81)	(123.97)	(149.75)	(125.19)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	2,563,698	2,563,698	1,324,073	1,324,073	315,026	315,026
Adjusted R-squared	0.059	0.059	0.032	0.032	0.104	0.104

This table presents results for $NGsimilarity\_report_{i,j,t} = \beta_0 + \beta_1 * SameFirm_{i,j,t} + Controls + \varepsilon$. *NGsimilarity_report* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both report or both do not report non-GAAP earnings, and zero otherwise. *SameFirm* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same audit firm, and zero otherwise. Please refer to Appendix B, Panel A for an illustration of the client-year pairs that were included in the regression sample for the analysis presented in this table. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively.

TABLE 4: Audit Office Level Effects on the Decision to Report Non-GAAP Earnings

	Dependent Variable = *NGsimilarity_report*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm_SameOffice	0.032***	0.032***	0.035***	0.035***	0.007	0.007
	(11.83)	(8.25)	(11.82)	(8.11)	(0.87)	(0.72)
VolatilityDiff	-0.348***	-0.348***	-0.510***	-0.510***	1.094***	1.094***
	(-4.73)	(-4.21)	(-6.64)	(-5.90)	(4.04)	(3.78)
SalesGrowthDiff	0.006***	0.006***	0.007***	0.007***	-0.001	-0.001
	(4.04)	(3.80)	(4.13)	(3.90)	(-0.10)	(-0.09)
LossDiff	-0.033***	-0.033***	-0.034***	-0.034***	-0.039***	-0.039***
	(-16.19)	(-13.89)	(-16.10)	(-13.76)	(-5.13)	(-4.69)
LeverageDiff	-0.002***	-0.002***	-0.002***	-0.002***	-0.003*	-0.003
	(-4.39)	(-3.55)	(-5.42)	(-4.37)	(-1.75)	(-1.53)
MktValDiff	-0.031***	-0.031***	-0.032***	-0.032***	-0.036***	-0.036***
	(-45.59)	(-32.11)	(-45.01)	(-31.49)	(-10.50)	(-8.54)
M2BDiff	0.002***	0.002***	0.002***	0.002***	0.005***	0.005***
	(11.20)	(8.82)	(10.16)	(7.98)	(5.40)	(4.53)
AcqDiff	-0.069***	-0.069***	-0.066***	-0.066***	-0.066***	-0.066***
	(-37.27)	(-32.98)	(-34.14)	(-30.04)	(-11.59)	(-11.00)
LitRiskDiff	-0.021***	-0.021***	-0.019***	-0.019***	-0.056**	-0.056
	(-4.65)	(-3.40)	(-4.23)	(-3.09)	(-2.29)	(-1.54)
iorDiff	-0.091***	-0.091***	-0.080***	-0.080***	-0.179***	-0.179***
	(-24.46)	(-17.79)	(-20.78)	(-15.03)	(-11.56)	(-9.46)
NumBusDiff	-0.004***	-0.004***	-0.004***	-0.004***	-0.001	-0.001
	(-6.45)	(-4.64)	(-6.14)	(-4.40)	(-0.27)	(-0.21)
NumGeoDiff	-0.012***	-0.012***	-0.012***	-0.012***	-0.011***	-0.011***
	(-25.00)	(-17.67)	(-24.62)	(-17.29)	(-4.65)	(-3.82)
VolatilityMin	1.477***	1.477***	1.214***	1.214***	1.640***	1.640***
	(12.17)	(10.41)	(9.46)	(8.06)	(3.95)	(3.71)
SalesGrowthMin	0.017***	0.017***	0.019***	0.019***	-0.005	-0.005
	(6.13)	(6.08)	(6.77)	(6.71)	(-0.33)	(-0.32)
LossMin	0.052***	0.052***	0.059***	0.059***	-0.067***	-0.067***
	(16.74)	(14.36)	(18.16)	(15.52)	(-5.62)	(-5.20)
LeverageMin	-0.000	-0.000	-0.001	-0.001	-0.013***	-0.013***
	(-0.60)	(-0.50)	(-1.58)	(-1.32)	(-3.80)	(-3.33)
MktValMin	-0.009***	-0.009***	-0.011***	-0.011***	-0.041***	-0.041***
	(-10.76)	(-7.73)	(-11.92)	(-8.49)	(-9.51)	(-7.52)
M2BMin	0.002***	0.002***	0.002***	0.002***	0.008***	0.008***
	(5.09)	(4.15)	(5.17)	(4.21)	(4.17)	(3.52)
AcqMin	-0.030***	-0.030***	-0.026***	-0.026***	-0.067***	-0.067***
	(-11.79)	(-10.14)	(-9.94)	(-8.50)	(-6.38)	(-6.00)

LitRiskMin	0.014***	0.014**	0.017***	0.017***	-0.094***	-0.094***
	(3.01)	(2.20)	(3.55)	(2.59)	(-3.85)	(-2.59)
iorMin	-0.090***	-0.090***	-0.082***	-0.082***	-0.097***	-0.097***
	(-24.95)	(-17.53)	(-21.84)	(-15.29)	(-5.35)	(-4.29)
NumBusMin	0.012***	0.012***	0.012***	0.012***	0.010	0.010
	(9.32)	(6.62)	(9.45)	(6.69)	(1.05)	(0.90)
NumGeoMin	0.002***	0.002**	0.002***	0.002**	-0.004	-0.004
	(3.37)	(2.43)	(3.09)	(2.22)	(-1.06)	(-0.88)
Constant	0.779***	0.779***	0.786***	0.786***	1.007***	1.007***
	(100.97)	(75.94)	(93.73)	(69.87)	(36.68)	(30.30)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	400,563	400,563	369,894	369,894	30,667	30,667
Adjusted R-squared	0.043	0.043	0.041	0.041	0.091	0.091

This table presents results for $NGsimilarity\_report_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$. This analysis only includes client-year pairs that share the same audit firm for that fiscal year. *NGsimilarity_report* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both report or both do not report non-GAAP earnings, and zero otherwise. *SameFirm_SameOffice* is indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same office of the same audit firm, and zero otherwise. Please refer to Appendix B, Panel B for an illustration of the client-year pairs that were included in the regression sample for the analysis presented in this table. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively.

TABLE 5: Office vs. National Effects on the Decision to Report Non-GAAP Earnings

Panel A: Regression Results

	Dependent Variable = *NGsimilarity_report*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm_SameOffice	0.042***	0.042***	0.038***	0.038***	0.008	0.008
	(16.29)	(11.22)	(13.56)	(9.23)	(1.23)	(1.00)
SameFirm_DiffOffice	0.008***	0.008***	0.003***	0.003**	0.003	0.003
	(9.49)	(6.72)	(3.57)	(2.51)	(1.15)	(0.93)
VolatilityDiff	-0.114***	-0.114***	-0.590***	-0.590***	0.383***	0.383***
	(-4.13)	(-3.67)	(-14.43)	(-12.76)	(4.92)	(4.60)
SalesGrowthDiff	-0.002***	-0.002***	-0.002*	-0.002	-0.019***	-0.019***
	(-2.85)	(-2.65)	(-1.72)	(-1.61)	(-7.85)	(-7.45)
LossDiff	-0.020***	-0.020***	-0.022***	-0.022***	-0.022***	-0.022***
	(-25.25)	(-21.54)	(-20.35)	(-17.18)	(-9.70)	(-8.97)
LeverageDiff	-0.001***	-0.001***	-0.002***	-0.002***	-0.002***	-0.002***
	(-5.68)	(-4.59)	(-6.33)	(-5.03)	(-4.13)	(-3.62)
MktValDiff	-0.032***	-0.032***	-0.030***	-0.030***	-0.043***	-0.043***
	(-127.35)	(-89.65)	(-79.07)	(-54.90)	(-42.38)	(-34.03)
M2BDiff	0.002***	0.002***	0.001***	0.001***	0.004***	0.004***
	(21.53)	(16.91)	(14.16)	(11.09)	(15.53)	(12.90)
AcqDiff	-0.068***	-0.068***	-0.061***	-0.061***	-0.066***	-0.066***
	(-97.77)	(-86.81)	(-59.11)	(-51.76)	(-38.29)	(-36.54)
LitRiskDiff	-0.038***	-0.038***	-0.030***	-0.030***	-0.072***	-0.072***
	(-20.52)	(-14.67)	(-12.84)	(-9.37)	(-9.21)	(-7.03)
iorDiff	-0.113***	-0.113***	-0.071***	-0.071***	-0.195***	-0.195***
	(-80.78)	(-58.36)	(-34.76)	(-24.98)	(-41.31)	(-33.49)
NumBusDiff	-0.011***	-0.011***	-0.008***	-0.008***	0.005***	0.005***
	(-37.85)	(-26.95)	(-22.63)	(-16.16)	(3.82)	(3.00)
NumGeoDiff	-0.012***	-0.012***	-0.008***	-0.008***	-0.013***	-0.013***
	(-59.67)	(-41.70)	(-32.90)	(-22.96)	(-15.03)	(-12.34)
VolatilityMin	1.602***	1.602***	1.012***	1.012***	-0.281**	-0.281**
	(34.66)	(29.85)	(14.55)	(12.29)	(-2.35)	(-2.19)
SalesGrowthMin	0.006***	0.006***	0.020***	0.020***	-0.010**	-0.010**
	(4.64)	(4.51)	(11.44)	(11.18)	(-2.08)	(-2.00)
LossMin	0.017***	0.017***	0.042***	0.042***	-0.034***	-0.034***
	(13.91)	(11.90)	(24.61)	(20.82)	(-9.38)	(-8.67)
LeverageMin	0.000	0.000	-0.000	-0.000	-0.019***	-0.019***
	(0.57)	(0.48)	(-0.00)	(-0.00)	(-18.61)	(-16.51)
MktValMin	-0.006***	-0.006***	-0.006***	-0.006***	-0.054***	-0.054***
	(-17.01)	(-12.06)	(-12.89)	(-9.10)	(-39.72)	(-31.97)
M2BMin	0.001***	0.001***	0.001***	0.001***	0.008***	0.008***

	(8.26)	(6.71)	(3.35)	(2.69)	(13.62)	(11.94)
AcqMin	-0.035***	-0.035***	-0.026***	-0.026***	-0.086***	-0.086***
	(-34.11)	(-29.31)	(-19.08)	(-16.21)	(-23.88)	(-22.50)
LitRiskMin	-0.004*	-0.004	0.013***	0.013***	-0.114***	-0.114***
	(-1.86)	(-1.33)	(5.26)	(3.83)	(-14.51)	(-11.09)
iorMin	-0.103***	-0.103***	-0.073***	-0.073***	-0.187***	-0.187***
	(-69.77)	(-48.35)	(-37.00)	(-25.73)	(-30.00)	(-23.99)
NumBusMin	0.005***	0.005***	0.008***	0.008***	0.003	0.003
	(9.40)	(6.57)	(11.77)	(8.25)	(1.00)	(0.79)
NumGeoMin	0.003***	0.003***	0.003***	0.003***	-0.011***	-0.011***
	(8.43)	(5.95)	(7.80)	(5.48)	(-8.46)	(-6.71)
Constant	0.798***	0.798***	0.755***	0.755***	1.169***	1.169***
	(283.04)	(212.59)	(167.04)	(124.17)	(149.70)	(125.12)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	2,563,698	2,563,698	1,324,073	1,324,073	315,026	315,026
Adjusted R-squared	0.059	0.059	0.032	0.032	0.104	0.104

Panel B: F-Test Results

	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
F-Stat	169.04	81.44	94.56	43.93	1.37	0.90
Probability	0.0000	0.0000	0.0000	0.0000	0.2541	0.4070

Panel A presents results for $NGsimilarity\_report_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$. *NGsimilarity_report* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both report or both do not report non-GAAP earnings, and zero otherwise. *SameFirm_SameOffice* is indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same office of the same audit firm, and zero otherwise. We also include *SameFirm_DiffOffice* in this regression. This variable is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same audit firm but different audit office, and zero otherwise. Please refer to Appendix B, Panel A for an illustration of the client-year pairs that were included in the regression sample for the analysis presented in this table. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively. Panel B presents the F-statistic associated with testing the null hypothesis that *SameFirm_SameOffice* = *SameFirm_DiffOffice* = 0 for each of the regressions in Panel A.

TABLE 6: Audit Firm Level Effects on Non-GAAP Disclosure Attributes

Panel A: Non-GAAP Earnings Prominence

	Dependent Variable = *NGsimilarity_prominence*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm	0.003	0.003	0.005**	0.005*	-0.002	-0.002
	(1.34)	(1.02)	(2.22)	(1.68)	(-0.11)	(-0.10)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	305,395	305,395	228,529	228,529	7,421	7,421
Adjusted R-squared	0.024	0.024	0.025	0.025	0.059	0.059

Panel B: MD&A Discussion

	Dependent Variable = *NGsimilarity_MD&A*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm	0.005**	0.005*	0.005**	0.005*	-0.047***	-0.047***
	(2.37)	(1.66)	(2.42)	(1.68)	(-3.12)	(-2.81)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	291,011	291,011	218,425	218,425	6,870	6,870
Adjusted R-squared	0.092	0.092	0.093	0.093	0.105	0.105

Panel A presents results for $NGsimilarity\_prominence_{i,j,t} = \beta_0 + \beta_1 * SameFirm_{i,j,t} + Controls + \varepsilon$. *NGsimilarity_prominence* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both present non-GAAP earnings before GAAP earnings or both present GAAP earnings before non-GAAP earnings in their respective quarterly earnings announcements, and zero otherwise. Panel B presents results for $NGsimilarity\_MD\&A_{i,j,t} = \beta_0 + \beta_1 * SameFirm_{i,j,t} + Controls + \varepsilon$. *NGsimilarity_MD&A* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both discuss or both do not discuss non-GAAP earnings in their respective MD&As, and zero otherwise. We only report coefficients for our independent variable of interest, *SameFirm*, and do not include control variables for brevity. *SameFirm* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same audit firm, and zero otherwise. Please refer to Appendix B, Panel A for an illustration of the client-year pairs that were included in the regression sample for the analysis presented in this table. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively. The number of observations reported in Panel A and B differ from the sample size reported in Panel B and C of Table 2. This is due to the omission of singleton observations in our analysis.

TABLE 7: Audit Office Level Effects on Non-GAAP Disclosure Attributes

Panel A: Non-GAAP Earnings Prominence

	Dependent Variable = *NGsimilarity_prominence*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm_SameOffice	0.020***	0.020**	0.019***	0.019**	0.044	0.044
	(3.27)	(2.46)	(3.09)	(2.31)	(1.15)	(1.08)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	62,482	62,482	61,191	61,191	1,288	1,288
Adjusted R-squared	0.023	0.023	0.024	0.024	0.078	0.078

Panel B: MD&A Discussion

	Dependent Variable = *NGsimilarity_MD&A*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm_SameOffice	0.049***	0.049***	0.050***	0.050***	0.030	0.030
	(8.58)	(5.89)	(8.66)	(5.91)	(0.77)	(0.70)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Firm	No	Yes	No	Yes	No	Yes
Observations	59,337	59,337	58,145	58,145	1,188	1,188
Adjusted R-squared	0.100	0.100	0.101	0.101	0.099	0.099

We present results from $NGsimilarity\_prominence_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$ in Panel A. This analysis only includes client-pairs that share the same audit firm for that fiscal year. *NGsimilarity_prominence* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both present non-GAAP earnings before GAAP earnings or both present GAAP earnings before non-GAAP earnings in their respective quarterly earnings announcements, and zero otherwise. Panel B presents results for $NGsimilarity\_MD\&A_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$, conditional on each client in a pair of client-year observations using the same audit firm for that fiscal year. *NGsimilarity_MD&A* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both discuss or both do not discuss non-GAAP earnings in their respective MD&As, and zero otherwise. We only report coefficients for our independent variable of interest, *SameFirm_SameOffice*, and do not report coefficients for other control variables for brevity. *SameFirm_SameOffice* is indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same office of the same audit firm, and zero otherwise. Please refer to Appendix B, Panel B for an illustration of the client-year pairs that were included in the regression sample for the analysis presented in this table. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively.

TABLE 8: Office vs. National Effects on Non-GAAP Disclosure Attributes

Panel A: Regression Results for Non-GAAP Earnings Prominence

	Dependent Variable = *NGsimilarity_prominence*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm_SameOffice	0.019***	0.019**	0.023***	0.023***	0.038	0.038
	(3.38)	(2.53)	(3.91)	(2.91)	(1.15)	(1.09)
SameFirm_DiffOffice	0.001	0.001	0.003	0.003	-0.008	-0.008
	(0.40)	(0.30)	(1.21)	(0.92)	(-0.53)	(-0.46)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	305,395	305,395	228,529	228,529	7,421	7,421
Adjusted R-squared	0.024	0.024	0.025	0.025	0.059	0.059

Panel B: F-Test Results for Regressions in Panel B

	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
F-Stat	5.72	3.20	8.02	4.45	0.87	0.76
Probability	0.0033	0.0409	0.0003	0.0117	0.4194	0.4665

Panel C: Regression Results for MD&A Discussion

	Dependent Variable = *NGsimilarity_MD&A*					
	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm_SameOffice	0.044***	0.044***	0.048***	0.048***	-0.037	-0.037
	(8.39)	(5.70)	(8.88)	(6.00)	(-1.08)	(-0.97)
SameFirm_DiffOffice	0.000	0.000	0.000	0.000	-0.048***	-0.048***
	(0.08)	(0.05)	(0.06)	(0.04)	(-3.01)	(-2.70)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	291,011	291,011	218,425	218,425	6,870	6,870
Adjusted R-squared	0.092	0.092	0.093	0.093	0.105	0.105

Panel D: F-Test Results for Regressions in Panel C

	All Audit Firms		*Big 4 Firms*		*Non-Big 4 Firms*	
	(1)	(2)	(3)	(4)	(5)	(6)
F-Stat	35.36	16.32	39.73	18.16	4.89	3.95
Probability	0.0000	0.0000	0.0000	0.0000	0.0075	0.0194

We present results for $NGsimilarity\_prominence_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$ in Panel A. *NGsimilarity_prominence* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both present non-GAAP earnings before GAAP earnings or both present GAAP earnings before non-GAAP earnings in their respective quarterly earnings announcements, and zero otherwise. Panel C presents results for $NGsimilarity\_MD\&A_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$. *NGsimilarity_MD&A* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both discuss or both do not discuss non-GAAP earnings in their respective MD&As, and zero otherwise. *SameFirm_SameOffice* is indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same office of the same audit firm, and zero otherwise. We also include *SameFirm_DiffOffice* in each of these regressions. This variable is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same audit firm but different audit office, and zero otherwise. We only report coefficients for our independent variable of interest, *SameFirm_SameOffice*, and the above indicator, *SameFirm_DiffOffice*. We do not report coefficients for other control variables for brevity. Please refer to Appendix B, Panel A for an illustration of the client-year pairs that were included in the regression sample for the analysis presented in this table. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively. Panel B and Panel D present the F-statistics associated with testing the null hypothesis that *SameFirm_SameOffice* = *SameFirm_DiffOffice* = 0 for each of the regressions in Panel A and Panel C respectively.

TABLE 9: Geographic Effect

Panel A: Regression Results

	Dependent Variable = *NGsimilarity_report*		Dependent Variable = *NGsimilarity_prominence*		Dependent Variable = *NGsimilarity_MD&A*	
	(1)	(2)	(3)	(4)	(5)	(6)
SameFirm_SameOffice	0.039***	0.039***	0.023***	0.023***	0.049***	0.049***
	(13.85)	(9.43)	(3.99)	(2.97)	(9.18)	(6.20)
DiffFirm_SameCity	0.025***	0.025***	0.013***	0.013**	0.019***	0.019***
	(11.11)	(7.53)	(2.85)	(2.14)	(4.20)	(2.85)
VolatilityDiff	-0.591***	-0.591***	0.688***	0.688***	0.136	0.136
	(-14.46)	(-12.79)	(5.59)	(5.04)	(1.12)	(0.97)
SalesGrowthDiff	-0.002*	-0.002	0.033***	0.033***	-0.011***	-0.011***
	(-1.74)	(-1.63)	(7.94)	(7.65)	(-2.82)	(-2.65)
LossDiff	-0.022***	-0.022***	0.010***	0.010***	0.006***	0.006**
	(-20.48)	(-17.30)	(4.29)	(3.92)	(2.60)	(2.27)
LeverageDiff	-0.002***	-0.002***	-0.005***	-0.005***	-0.010***	-0.010***
	(-6.33)	(-5.03)	(-8.19)	(-6.81)	(-14.37)	(-11.79)
MktValDiff	-0.030***	-0.030***	0.013***	0.013***	-0.006***	-0.006***
	(-79.28)	(-55.06)	(14.01)	(10.81)	(-5.91)	(-4.20)
M2BDiff	0.001***	0.001***	0.004***	0.004***	0.001***	0.001***
	(14.18)	(11.10)	(12.21)	(9.91)	(3.56)	(2.85)
AcqDiff	-0.061***	-0.061***	-0.022***	-0.022***	-0.006**	-0.006*
	(-59.13)	(-51.78)	(-8.07)	(-7.41)	(-2.11)	(-1.89)
LitRiskDiff	-0.030***	-0.030***	-0.012**	-0.012*	0.036***	0.036***
	(-12.83)	(-9.36)	(-2.09)	(-1.75)	(6.17)	(4.58)
iorDiff	-0.071***	-0.071***	-0.003	-0.003	-0.028***	-0.028***
	(-34.70)	(-24.94)	(-0.67)	(-0.52)	(-5.87)	(-4.18)
NumBusDiff	-0.008***	-0.008***	-0.010***	-0.010***	-0.007***	-0.007***
	(-22.56)	(-16.11)	(-13.22)	(-10.47)	(-9.84)	(-7.02)
NumGeoDiff	-0.008***	-0.008***	0.003***	0.003***	0.001	0.001
	(-33.10)	(-23.10)	(5.74)	(4.54)	(1.37)	(0.99)
VolatilityMin	1.002***	1.002***	1.808***	1.808***	-0.121	-0.121
	(14.40)	(12.16)	(9.14)	(8.06)	(-0.63)	(-0.53)
SalesGrowthMin	0.020***	0.020***	0.000	0.000	-0.015**	-0.015**
	(11.44)	(11.17)	(0.03)	(0.03)	(-2.17)	(-2.07)
LossMin	0.042***	0.042***	0.023***	0.023***	0.003	0.003
	(24.37)	(20.62)	(5.56)	(5.21)	(0.73)	(0.66)
LeverageMin	-0.000	-0.000	-0.027***	-0.027***	-0.009***	-0.009***
	(-0.10)	(-0.08)	(-18.85)	(-16.32)	(-6.17)	(-5.29)
MktValMin	-0.006***	-0.006***	0.011***	0.011***	-0.012***	-0.012***
	(-13.16)	(-9.28)	(8.91)	(6.74)	(-10.19)	(-7.22)
M2BMin	0.001***	0.001***	0.011***	0.011***	0.002***	0.002***

	(3.45)	(2.77)	(18.14)	(14.77)	(3.98)	(3.13)
AcqMin	-0.026***	-0.026***	-0.023***	-0.023***	-0.016***	-0.016***
	(-19.10)	(-16.23)	(-7.63)	(-6.78)	(-5.34)	(-4.62)
LitRiskMin	0.012***	0.012***	-0.026***	-0.026***	0.085***	0.085***
	(5.09)	(3.70)	(-4.37)	(-3.60)	(14.07)	(10.39)
iorMin	-0.073***	-0.073***	0.005	0.005	-0.046***	-0.046***
	(-36.92)	(-25.68)	(1.12)	(0.85)	(-10.45)	(-7.32)
NumBusMin	0.008***	0.008***	-0.012***	-0.012***	-0.016***	-0.016***
	(11.81)	(8.28)	(-8.51)	(-6.60)	(-11.29)	(-7.80)
NumGeoMin	0.003***	0.003***	0.008***	0.008***	0.007***	0.007***
	(7.42)	(5.21)	(10.12)	(7.68)	(8.37)	(5.91)
Constant	0.757***	0.757***	0.526***	0.526***	0.751***	0.751***
	(167.78)	(124.79)	(43.85)	(34.96)	(62.10)	(45.56)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes
Observations	1,324,073	1,324,073	228,529	228,529	218,425	218,425
Adjusted R-squared	0.032	0.032	0.025	0.025	0.093	0.093

Panel B: F-Test Results

	Dependent Variable = *NGsimilarity_report*		Dependent Variable = *NGsimilarity_prominence*		Dependent Variable = *NGsimilarity_MD&A*	
	(1)	(2)	(3)	(4)	(5)	(6)
F-Stat	150.26	68.61	11.36	6.26	48.66	22.08
Probability	0.0000	0.0000	0.0000	0.0019	0.0000	0.0000

This table presents results for $NGsimilarity_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$. *NGsimilarity_report* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both report or both do not report non-GAAP earnings, and zero otherwise. *NGsimilarity_prominence* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both present non-GAAP earnings before GAAP earnings or both present GAAP earnings before non-GAAP earnings in their respective quarterly earnings announcements, and zero otherwise. *NGsimilarity_MD&A* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") both discuss or both do not discuss non-GAAP earnings in their respective MD&As, and zero otherwise. *SameFirm_SameOffice* is indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same office of the same audit firm, and zero otherwise. We also include *DiffFirm_SameCity* in this regression. This variable is an indicator variable that is equal to one if two clients in a pair of client-year observations ("client-year pair") are audited by audit offices in the same city but do not share the same audit firm, and zero otherwise. Additionally, results in this table only include client-year observations that used a Big 4 audit firm for that fiscal year. Please refer to Appendix B, Panel C for an illustration of the client-year pairs that were included in the regression sample for the analysis presented in this table. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively. The panel for F-test results presents the F-statistic associated with testing the null hypothesis that *SameFirm_SameOffice* = *DiffFirm_SameCity* = 0 for each of the regressions.

TABLE 10: Auditor Effect on Non-GAAP Quality

	Dependent Variable = *NGsimilarity_quality*							
	(A)		(B)		(C)		(D)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SameFirm_SameOffice	0.008**	0.008	0.015***	0.015**	0.017***	0.017**	0.018***	0.018**
	(2.14)	(1.51)	(2.60)	(2.51)	(3.34)	(2.18)	(3.58)	(2.33)
SameFirm_DiffOffice	-0.002	-0.002	0.001	0.001	-0.001	-0.001	-0.000	-0.000
	(-1.39)	(-1.05)	(0.26)	(0.25)	(-0.47)	(-0.32)	(-0.20)	(-0.14)
VolatilityDiff	-0.548***	-0.548***	-0.273**	-0.273**	-1.056***	-1.056***	-1.009***	-1.009***
	(-6.57)	(-5.94)	(-2.35)	(-2.33)	(-9.72)	(-8.39)	(-9.28)	(-8.01)
SalesGrowthDiff	-0.075***	-0.075***	0.015***	0.015***	-0.051***	-0.051***	-0.052***	-0.052***
	(-24.47)	(-23.43)	(3.69)	(3.67)	(-13.74)	(-12.70)	(-14.01)	(-12.93)
LossDiff	0.037***	0.037***	-0.003	-0.003	0.024***	0.024***	0.023***	0.023***
	(24.64)	(21.57)	(-1.44)	(-1.42)	(12.17)	(10.52)	(11.83)	(10.25)
LeverageDiff	0.002***	0.002***	0.001*	0.001*	-0.001*	-0.001	-0.001	-0.001
	(5.67)	(4.92)	(1.86)	(1.78)	(-1.66)	(-1.41)	(-1.50)	(-1.27)
MktValDiff	0.015***	0.015***	-0.004***	-0.004***	0.012***	0.012***	0.012***	0.012***
	(24.68)	(18.56)	(-4.18)	(-3.98)	(15.53)	(10.94)	(15.37)	(10.85)
M2BDiff	-0.001***	-0.001***	0.000*	0.000*	0.000**	0.000*	0.000***	0.000**
	(-5.95)	(-4.91)	(1.82)	(1.77)	(2.36)	(1.88)	(2.78)	(2.22)
AcqDiff	0.011***	0.011***	-0.012***	-0.012***	0.009***	0.009***	0.009***	0.009***
	(6.46)	(6.12)	(-4.78)	(-4.73)	(4.10)	(3.69)	(4.23)	(3.80)
LitRiskDiff	-0.066***	-0.066***	-0.039***	-0.039***	-0.040***	-0.040***	-0.040***	-0.040***
	(-22.78)	(-18.75)	(-7.93)	(-7.70)	(-10.12)	(-7.65)	(-10.10)	(-7.65)
iorDiff	0.015***	0.015***	-0.005	-0.005	0.040***	0.040***	0.041***	0.041***
	(4.69)	(3.64)	(-1.13)	(-1.08)	(9.73)	(6.78)	(10.08)	(7.09)
NumBusDiff	-0.006***	-0.006***	-0.005***	-0.005***	-0.001	-0.001	-0.001**	-0.001
	(-12.50)	(-9.75)	(-6.46)	(-6.18)	(-1.59)	(-1.13)	(-2.05)	(-1.47)
NumGeoDiff	-0.003***	-0.003***	-0.000	-0.000	-0.003***	-0.003***	-0.003***	-0.003***

	(-9.70)	(-7.38)	(-0.31)	(-0.30)	(-5.59)	(-3.97)	(-5.68)	(-4.05)
VolatilityMin	0.295**	0.295*	-1.030***	-1.030***	2.274***	2.274***	2.216***	2.216***
	(2.19)	(1.93)	(-5.44)	(-5.36)	(12.99)	(10.76)	(12.65)	(10.49)
SalesGrowthMin	-0.015***	-0.015***	0.045***	0.045***	0.014**	0.014**	0.013**	0.013**
	(-3.20)	(-3.09)	(6.95)	(6.85)	(2.38)	(2.28)	(2.11)	(2.03)
LossMin	0.083***	0.083***	0.004	0.004	0.058***	0.058***	0.056***	0.056***
	(33.64)	(29.82)	(1.02)	(1.00)	(17.33)	(15.05)	(16.82)	(14.64)
LeverageMin	0.002***	0.002**	-0.006***	-0.006***	0.004***	0.004***	0.005***	0.005***
	(2.84)	(2.55)	(-5.68)	(-5.51)	(5.06)	(4.53)	(5.39)	(4.81)
MktValMin	0.040***	0.040***	-0.004***	-0.004***	0.035***	0.035***	0.035***	0.035***
	(55.12)	(41.73)	(-3.76)	(-3.59)	(35.94)	(25.17)	(36.40)	(25.54)
M2BMin	-0.000	-0.000	0.002***	0.002***	-0.001***	-0.001***	-0.001***	-0.001***
	(-1.05)	(-0.89)	(5.80)	(5.62)	(-4.92)	(-3.99)	(-4.93)	(-4.01)
AcqMin	0.030***	0.030***	-0.009***	-0.009***	0.020***	0.020***	0.020***	0.020***
	(16.19)	(14.86)	(-3.10)	(-3.06)	(8.24)	(7.11)	(8.05)	(6.95)
LitRiskMin	-0.089***	-0.089***	-0.015***	-0.015***	-0.069***	-0.069***	-0.067***	-0.067***
	(-28.37)	(-22.74)	(-3.02)	(-2.93)	(-16.41)	(-12.15)	(-15.92)	(-11.80)
iorMin	0.028***	0.028***	-0.015***	-0.015***	0.052***	0.052***	0.053***	0.053***
	(9.85)	(7.54)	(-3.54)	(-3.38)	(13.97)	(9.59)	(14.19)	(9.83)
NumBusMin	-0.010***	-0.010***	-0.002*	-0.002*	-0.005***	-0.005***	-0.005***	-0.005***
	(-12.43)	(-9.31)	(-1.91)	(-1.84)	(-4.43)	(-2.98)	(-4.33)	(-2.93)
NumGeoMin	0.008***	0.008***	0.001	0.001	0.013***	0.013***	0.013***	0.013***
	(16.31)	(11.92)	(1.22)	(1.17)	(20.41)	(14.11)	(19.89)	(13.77)
Constant	0.593***	0.593***	0.618***	0.618***	0.394***	0.394***	0.388***	0.388***
	(76.99)	(61.06)	(55.30)	(53.09)	(38.85)	(28.59)	(38.21)	(28.24)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster by Client-Pair	No	Yes	No	Yes	No	Yes	No	Yes
Observations	310,139	310,139	310,139	310,139	310,139	310,139	310,139	310,139
Adjusted R-squared	0.104	0.104	0.015	0.015	0.084	0.084	0.086	0.086

This table presents results for $NGsimilarity\_quality_{i,j,t} = \beta_0 + \beta_1 * SameFirm\_SameOffice_{i,j,t} + Controls + \varepsilon$. *NGsimilarity_quality* is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") report non-GAAP earnings of a similar quality, and zero otherwise. *SameFirm_SameOffice* is indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same office of the same audit firm, and zero otherwise. We also include *SameFirm_DiffOffice* in this regression. This variable is an indicator variable that equals to one if two clients in a pair of client-year observations ("client-year pair") are audited by the same audit firm but different audit office, and zero otherwise. Additionally, results in this table only include client-year observations that used a Big 4 audit firm for that fiscal year. Robust t-statistics are in parentheses. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels (two-sided), respectively. The headings (A), (B), (C), and (D) denote different measures of non-GAAP quality (*NGsimilarity_quality*) as follows:

(A): Non-GAAP quality is defined by whether a client's managers report non-GAAP earnings.

(B): Non-GAAP quality is defined by whether managers use non-GAAP earnings to meet or beat analysts' forecast when GAAP earnings miss said forecast.

(C): Non-GAAP quality is defined by whether managers' non-GAAP numbers differ from actual non-GAAP earnings reported in IBES.

(D): Non-GAAP quality is defined by whether a client's managers report non-GAAP earnings OR whether managers' non-GAAP numbers differ from actual non-GAAP earnings reported in IBES.