

盈利指标监管与制度化的影响：以中国证券市场ST公司申请摘帽制度为例¹

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摘要

以中国证券市场中特别处理(ST)公司的申请摘帽制度为例,本文考察了监管制度化对盈余管理及其监管的影响。ST公司如果希望摘帽,需要满足监管规则要求的盈利水平。研究发现:(1)当摘帽设定的盈利指标没有对盈利质量作出明确限定(制度化之前)时,申请摘帽公司在申请摘帽的业绩中普遍确认了重大非经常性利得;当摘帽标准明确限制了非经常性利得的幅度后(制度化之后),申请摘帽公司在申请摘帽业绩中确认的非经常性利得显著降低。(2)制度化之后的批准摘帽决策比制度化之前的批准摘帽决策伴随了显著更低的申请当期非经常性利得水平。(3)从申请摘帽年度以后的业绩来看,获批摘帽公司的业绩显著优于未获摘帽的公司;制度化之后获批摘帽的公司略优于制度化之前获批摘帽的公司,但并不非常显著。本文提供的证据意味着,在中国特定的法律和制度背景下,仅凭监管者的自主裁量,即使是对非经常性利得这样相对明显的盈余管理手段,监管者的遏制倾向也是有限的;制度化能够引导申请公司以及监管者的行为并提高盈利指标的监管效果。

关键词: 盈余管理、非经常性损益、监管、制度化、特别处理

一、引言

本文旨在考察中国证券市场中的监管制度化对监管效果的影响。近年来,监管者的监管效果,特别是能否有效遏制上市公司的盈余管理行为,已成为近

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年来资本市场研究中值得重视的一个主题 (Healy and Wahlen, 1999), 该研究主题对于中国这样一个新兴的资本市场具有更加重要的意义³。关于中国上市公司盈余管理的监管效果问题, Chen and Yuan (2004) 和 Haw *et al.* (2005) 提供了较早期间 (1996–1998 年) 与配股行为相关的证据。对于申请配股的公司, 这两篇文献都观察到, 非经常性利得是公司在申请期间实施盈余管理所使用的重要手段, 并往往伴随着随后期间的低下业绩。而且, 他们都发现, 从中国证券市场监管者的监管表现看, 监管者在 1996–1998 年间的配股监管审批过程中已经能够看穿这种比较明显的盈余管理行为; 其中 Chen and Yuan (2004) 还发现监管者的这种能力在 1996–1998 年间逐渐增强。

针对非经常性利得, 可以注意到中国证券市场监管规则在上述两篇文献研究期间之后发生的一项重大变动。2001 年 6 月以前, 监管者一直没有在与融资和市场交易有关的盈利指标中作出明确限制, 规则通常要求净利润大于零, 但不提及非经常性损益; 因此如果公司在盈利指标中确认了重大的非经常性利得, 是否能通过相关的监管审批, 主要取决于监管者的自主裁量。2001 年 6 月起, 监管者才在若干领域 (如申请配股或申请撤销特别处理) 的监管制度中明确限定了盈利的质量要求, 即剔除非经常性利得后的净利润仍为正值。

以往的理论分析 (如 Black and Kraakman, 1996; Hay *et al.*, 1996) 认为, 在法制欠完备的新兴市场或转型经济中, 明晰化的监管标准 (bright-line regulation) 要优于宽泛、不明确的监管标准 (broad/vague standard)。在中国证券市场中, 非经常性利得虽然在盈利指标的监管理念上被普遍认为具有机会主义动机和缺乏持续性, 但监管者是否需要将其剔除出监管审批使用的财务业绩, 经历了一个从不明确到明确的制度化过程。因此, 该制度变迁使我们有机会观察和评价制度化对监管效果的影响, 从而对 Chen and Yuan (2004) 以及 Haw *et al.* (2005) 作出拓展。

以中国证券市场 1998–2003 年间由于连续两年亏损导致 ST 的上市公司在随后年度的申请摘帽及其监管审批作为研究环境, 本文的证据显示制度化对盈余管理及其监管具有明显的影响。从申请摘帽公司的角度观察: 当摘帽设定的盈利指标没有对盈利质量作出明确限时, 申请摘帽公司在申请摘帽的业绩中普遍确认了重大非经常性利得; 当摘帽标准明确限制了非经常性利得的幅度后, 申请摘帽公司在申请摘帽业绩中的非经常性利得显著降低。从监管审批的

³ 虽然近期文献 (如 La Porta *et al.*, 2006) 提出, 公共的监管执行效力 (public enforcement) 在证券市场过程中发挥的作用弱于私人执行效力 (private enforcement, 主要体现为投资者诉讼), 但在中国证券市场中, 由于证券民事诉讼的发展难以一蹴而就, 于是监管执行效力对中国证券市场具有特别重要的作用, 因而在中国市场中研究监管效果及其影响机制也具有重要性。感谢一位审稿人就论述该重要性提出的建议。

角度观察，在控制了公司若干特征差异后，制度化之后的批准摘帽决策对非经常性利得的确认行为体现出比制度化以前更为严格的遏制倾向。从申请摘帽后的财务业绩角度观察，获批摘帽公司的业绩显著优于未获摘帽的公司；制度化之后获批摘帽的公司略优于制度化之前获批摘帽的公司，但并不十分显著。本文提供的证据意味着，在中国特定的法律和制度背景下，仅凭监管者的自主裁量，即使是对非经常性利得这样相对明显的盈余管理手段，监管者的遏制倾向也是有限的。制度化能够引导申请公司以及监管者的行为并提高盈利指标的监管效果，但仍有必要关注制度化可能存在的局限，如制度设计可能过于规则化，以及可能促使盈余管理向隐性方式转化。

本文随后各部分安排如下：第二部分讨论制度背景并提出研究问题；第三部分说明样本的选取程序，并对其历史盈余轨迹进行初步描述；第四部分检验制度化前后申报业绩中的非经常性利得差异；第五部分检验制度化前后的监管审批决策伴随的非经常性利得幅度差异；第六部分比较制度化前后的审批决策后业绩差异；第七部分为结论与讨论。

二、制度背景

（一）ST 制度与申请摘帽

1998 年 4 月，上海和深圳证券交易所开始实施 ST 制度，该制度是中国证券监管机构对财务状况异常⁴或其他状况异常⁵的上市公司的股票交易实施的一种标示⁶和限制⁷。ST 的撤销⁸则包含两个步骤：首先是由 ST 公司在符合相关规则设定的条件后提出摘帽申请；然后是证券交易所对申请公司进行审查并根据对公司情况的掌握决定是否摘帽。

对于因财务状况异常导致的 ST 的撤销条件，监管规则经历了两个阶段：第一阶段是 1998 年 4 月至 2001 年 6 月，规则规定只要申请公司提交的最近一个会计年度的财务报告净利润为正值，且每股净资产高于股票面值的，公司管理层便可申请摘帽；第二阶段是 2001 年 6 月以后，除了实现账面净利润大于零且每股净资产高于股票面值之外，申请公司还应当符合 2 项条件，其一是主营业务正常运营，其二是扣除非经常性利得后的净利润为正值。

⁴ 主要包括最近两个会计年度连续亏损、每股净资产低于股票面值以及注册会计师出具无法表示意见或否定意见的审计报告。

⁵ 如中止经营、破产申请、重大诉讼或仲裁赔偿等。

⁶ 如在公司股票简称前冠以“ST”字样。

⁷ 如股票报价日涨跌幅限制为 5%。

⁸ 为了表述方便，撤销 ST 简称“摘帽”。

（二）选取 ST 公司申请摘帽作为研究环境的考虑

作为考察监管制度化作用的一项初步研究，本文没有选取与配股行为相关的监管环境（Chen and Yuan, 2004; Haw *et al.*, 2005），而采用了另一套监管环境和数据样本，即 ST 公司申请摘帽。这主要是考虑到摘帽与配股具有如下不同的制度特点，从而使前者的研究设计更易于控制：

首先，监管者对申请配股行为的关注除了财务业绩指标外，还涉及其他诸多非财务条件（Chen and Yuan, 2004）；而申请摘帽的条件主要限于财务指标，因此在评价盈余管理的监管效果时采用 ST 公司数据，可以更少地受到其他非财务指标监管考虑的干扰；

第二，申请配股的财务业绩条件涉及净资产收益率（ROE）指标，对该指标的操纵手段并不仅限于盈余管理，还可能通过对资产、负债甚至股东权益项目的操纵得以实现；而申请摘帽公司的财务业绩条件仅涉及净利润指标，因此样本观测的潜在操纵行为突出集中在盈余管理上；

第三，配股政策中通常涉及多期财务业绩的指标要求，申请配股当期的盈余管理动机和程度往往受到多期财务指标的共同影响（Clinch, 2005），而摘帽政策仅涉及单期业绩要求，因此申请摘帽当期的盈余管理行为更加独立和易于判断与识别；

第四，申请配股公司的盈余管理可能是为了达到较高盈余水平，申请摘帽公司的盈余管理行为更多的是为了避免继续亏损；从盈余管理的实施层级（hierarchy）和成本收益角度而言，配股公司可能会先采用比较隐蔽的盈余管理手段（如线上应计项目），非经常性利得这样比较容易识别的线下项目盈余管理手段更可能是辅助性的（Clinch, 2005），而出于避免继续亏损动机的摘帽公司群体更可能首先诉之于非持续性的特殊利得项目实施盈余管理（Marquardt and Wiedman, 2004），因此监管者理应更容易识别申请摘帽公司的盈余管理手段。

（三）主要的研究问题

会计学术界的一种传统观点是，只要资本市场参与者（尤其是监管者）能够观察到盈余管理，那么他们就会对盈余数字进行适当调整后再作决策，从而盈余管理就不会产生不利后果⁹。由于非经常性利得在性质上通常具有偶发性和缺乏持续性¹⁰，易于被公司操纵，相对于应计项目来讲也更容易被信息使用人识别，因此无论是否将非经常性利得指标纳入监管规则，ST 公司在申报净利润时都理当对该指标占净利润的比重有所顾忌，监管机构亦理当对该指标表

⁹ 见 Dechow and Skinner（2000）的讨论。

¹⁰ 关于非经常性损益的理论特征，可参见 Beaver（1999）的讨论。

现出一贯的敏感性和遏制倾向。以往针对中国资本市场的研究表明，监管者在 1996—1998 年间的配股监管审批工作中对非经常性利得已经表现出相当的敏感性和遏制倾向（Chen and Yuan, 2004; Haw *et al.*, 2005）。

但另一方面，现实中的监管者对盈余管理的遏制能力可能受到经验技能或处理成本的限制（Schipper, 1989）；中国属于成文法系国家，并且监管者可能承担多重职能，或受到政府其他代理机构或利益集团游说的干扰（Allen *et al.*, 2005），特别是当监管规则没有明确将盈利质量标准纳入制度时，申请公司的投机性更强，而监管者的自主裁量空间更大，从而监管执行的实际效果可能弱化（Black and Kraakman, 1996; Hay *et al.*, 1996）。

中国证券市场中与非经常性利得确认为相关的监管规则变迁，促使笔者考察监管标准的制度化是否会影响监管者对该行为的监管效果，具体包括：（1）制度化前后申请摘帽公司确认非经常性利得的行为特征是否存在显著差异；（2）制度化前后的批准摘帽决策是否伴随着明显不同的非经常性利得水平；（3）审批决策作出后的公司业绩表现在制度化前后是否存在显著差异。

三、样本选取与描述

（一）样本选取

根据笔者对上市公司公告及相关信息披露内容的详细手工分析、整理，1998 年 4 月 28 日至 2004 年 6 月 30 日¹¹，共有 238 家上市公司先后被 ST。随后再观察这些公司自 ST 年度后的各年会计报表共 368 个观测值（公司/年），考察其披露的每股净利润、每股净资产和审计报告类型¹²，发现有 251 例（68.2%）观测值在形式上便不符合监管部门制定的摘帽标准¹³，共有 117 例（31.8%）观测值在形式上符合监管部门制定的特别处理撤销标准，即同时实现净利润正值（对于 2001 年度后的观测，其披露的扣除非经常性损益后净利润为正值）和每股净资产高于股票面值，且没有出现无法表示意见或否定意见这样的极端审计意见。

¹¹ 1998 年 4 月 28 日是中国证券市场第一例 ST 的时间，2004 年 6 月 30 日是 2003 年年报披露结束后合理延伸的观察截止时点（因为公司被 ST 的时间可能是在年报披露后的若干天）。由于此后的描述统计和经验分析涉及申请摘帽公司在申请摘帽当期和随后至少 1 个年度的业绩，因此本研究选取的 ST 观测只截至 2003 年，否则难以确保大部分观测具有足够的观测年度。

¹² 对于 2001 年度起的会计报表，还考察公司披露的扣除非经常性损益后净利润。

¹³ 其中 158 例观测值直接亏损；78 例观测值虽然盈利、但每股净资产低于股票面值；还有 2001 年度之后的 14 例观测值披露了负的扣除非经常性损益后净利润；另有 1 例观测值虽不存在前述情形，但被出具了无法表示意见的审计报告。

为了考察ST公司的盈余管理特征以及监管倾向,本文希望将样本限制在具有强烈盈余管理动机,且尽可能少受其他动机干扰的观测中。于是,在117例观测中进一步剔除了21例仅因每股净资产低于股票面值导致ST的观测、11例仅因极端审计意见导致ST的观测,以及14例未涉及连续两年净利润小于零的其他原因导致ST的观测,仅保留因连续两年净利润小于零而遭致ST的71例观测进行观察。表1描述了71例观测在各年度的摘帽情况。

表1显示,在1999-2004年间,由于连续两年亏损而ST的71例公司中有60例(84.5%)成功摘帽,11例(15.5%)未获摘帽。监管者对申请摘帽的公司总体上保持了较高的审批通过率,大部分具有扭亏动机的申请公司都能获准摘帽;规则的第一阶段和第二阶段分别有25例和46例申请摘帽公司观测,两个规则阶段的摘帽率不存在显著差异。

表1 由于连续两年亏损导致ST的上市公司的申请摘帽及其审批结果

摘帽情况	规则的第一阶段:				规则的第二阶段:				1999- 2004年 合计
	1999-2001年				2002-2004年				
	1999	2000	2001	小计	2002	2003	2004	小计	
摘帽	3	10	8	21	8	14	17	39	60
未摘帽	2	0	2	4	2	4	1	7	11
合计	5	10	10	25	10	18	18	46	71
摘帽率 #	60.0%	100.0%	80.0%	84.0%	80.0%	77.8%	94.4%	84.8%	84.5%

摘帽率 = 成功摘帽的公司数 / 当期申请摘帽的公司数。

(二) 样本的历史盈余轨迹描述

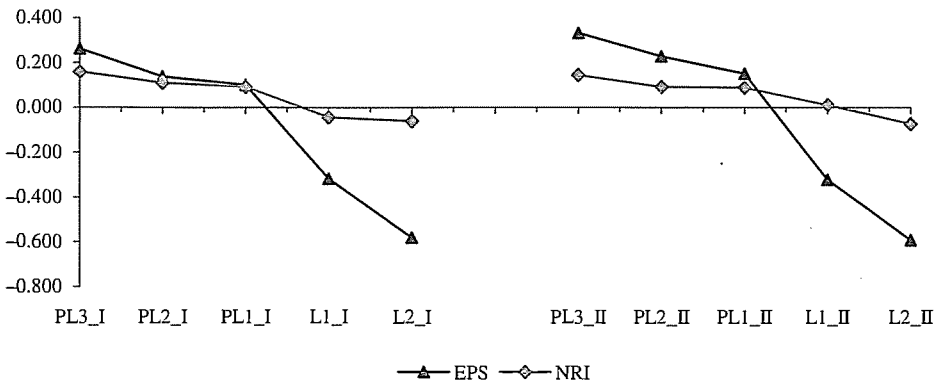
如前所述,本文选取的样本观测均具有特定的历史盈余轨迹(连续两年亏损)。除了用历年公开披露的每股净利润反映样本观测在申请摘帽前的历史盈余轨迹,作为本文研究对象的非经常性利得也是一项重要参照。

图1对照性地绘制了规则第一阶段25例申请摘帽观测和第二阶段46例申请摘帽观测在申请摘帽前的历史盈余轨迹。历史轨迹涵盖连续亏损的两年以及亏损前三年。盈余数据采用两项基本指标:每股净利润(*EPS*)和每股非经常性利得(*NRI*),其中 $NRI = \text{每股利润总额} - \text{每股营业利润} + \text{每股其他业务利润}$ ¹⁴。对于规则第一(二)阶段的25(46)例观测,由于某些ST公司从上市到连亏不足三年,使得亏损前三个期间的观测数不足25(46)例。

¹⁴ 关于非经常性利得的信息来源及其估计方式,详见第四部分第(一)节的讨论。

图 1 显示，在规则第一阶段和第二阶段，连续两年亏损的上市公司群体在申请摘帽前的盈余轨迹高度相似：（1）亏损前三年的净利润逐年下滑，每年都确认了显著大于零的非经常性利得，且对非经常性利得的依赖越来越强；（2）在连续亏损的两个年度中，第二年亏损额大于第一个亏损年度，两年均未确认重大的非经常性利得，且第二年确认了显著小于零的非经常性损失（支持“大清洗”假说）。该描述统计意味着，申请摘帽以前的公司总体盈余特征并不受到监管规则阶段差异的影响。

图 1 制度化前后两组样本观测的历史盈余轨迹



	规则第一阶段 (I)			规则第二阶段 (II)		
	n	EPS 均值	NRI 均值	n	EPS 均值	NRI 均值
PL3	12	0.262***	0.160***	36	0.332***	0.144***
PL2	20	0.138***	0.110***	41	0.227***	0.091***
PL1	23	0.101***	0.092***	44	0.151***	0.088***
L1	25	-0.318***	-0.043	46	-0.322***	0.011
L2	25	-0.581***	-0.060**	46	-0.591***	-0.073***

*** 和 ** 分别表示在 1% 和 5% 水平上显著 (t 检验：与 0 的差异)。

横轴表示时间序列，其中：PL1 (PL2、PL3) 表示亏损前的第一年 (第二年、第三年)；L1 (L2) 表示公司发生亏损的第一年 (第二年)；I (II) 表示处于规则第一阶段 (第二阶段) 的样本观测。

纵轴表示 EPS 或 NRI。EPS 表示每股净利润；NRI 表示每股非经常性利得，= 每股利润总额 - 每股营业利润 + 每股其他业务利润。

四、制度化前后申请摘帽业绩中的非经常性利得特征

(一) 非经常性利得的数据来源

本部分旨在比较在不同的监管规则阶段，申请摘帽公司在申请摘帽年度¹⁵的非经常性利得水平是否存在重大差异。关于非经常性利得信息，选取两种来源。第一个来源是申请摘帽公司自身公开披露的信息；第二个来源是笔者根据利润表结构作出的独立估计。

对于公开披露的非经常性损益信息，中国上市公司普遍自1999年年报开始披露。选取公司自行披露信息的优点在于其公开可获得性和可验证性，但也存在若干缺陷：（1）从动机的角度考虑，申请摘帽公司的自我披露可能缺乏可靠性和可比性；特别地，一旦非经常性损益信息被作为能否摘帽的重要评判尺度后，公司便可能产生更为强烈的低估动机；（2）从操纵披露的机会上看，监管机构直到2001年4月底才对非经常性损益的含义和构成内容作出首次界定，2004年1月再次作出相关修订，因此权威标准本身就经历了一个从无到有、逐步完善的过程；同时，该信息长期以来均未纳入上市公司的财务报表体系，因此缺少注册会计师对该信息的审计。

鉴于公开披露的非经常性利得的潜在缺陷，第二项数据来源是采用“利润表”法进行独立估计。根据利润表的结构，非经常性利得通常涉及投资收益、营业外收支净额、补贴收入以及其他业务利润¹⁶，分别考察由该四个项目组成的非经常性利得总额以及四个项目单项金额。采用独立估计方法的优点是能够在一定程度上克服申请摘帽公司低估非经常性利得的偏差，其潜在不足是认定范围可能与监管者认定的范围不尽一致。

(二) 公开披露的非经常性利得

表2描述了两个规则阶段申请摘帽公司在申请摘帽年度业绩中自行披露的非经常性利得水平。表2显示，在监管规则的第一阶段，申请摘帽公司自行披露在申请摘帽年度的业绩中确认了重大的非经常性利得，23例披露了相关数据的观测确认的非经常性利得占利润总额的比例（*NRI_D*）平均为230.7%（中值为95.7%），有11例观测披露确认的非经常性利得占利润总额的比例超过100%。在监管规则的第二阶段，申请摘帽公司自身认可的在申请摘帽年

¹⁵ 本文所称“申请摘帽年度”是指ST公司为了申请摘帽而使用的会计信息对应的最近一期会计年度。例如，某公司在2003年4月15日提出摘帽申请，其申报的盈利指标对应的是2002年度财务报表数据，则2002年度作为“申请摘帽年度”。

¹⁶ 李爽和吴溪（2002，脚注7）讨论了将其他业务利润归为非经常性利得的合理性。本研究也发现申请摘帽公司确认了重大的其他业务利润（71例观测确认的其他业务利润占利润总额比例平均为37.8%，中值为12.1%），且通过查证相关项目的报表附注，大量被纳入其他业务利润的项目符合非经常性利得的内涵。

度的非经常性利得水平大幅下降，46 例观测的 NRI_D 均值为 26.6%，中值为 25.4%（ t 检验和 Mann-Whitney 检验分别在 10% 和 1% 水平上显著）。由此可见，在监管规则没有明确遏制非经常性利得的环境下，申请摘帽公司没有表现出明显的顾忌。

表2 申请摘帽公司在申请摘帽年度自行披露的非经常性利得：两个监管规则阶段的比较

	均值 (中值)	t-statistic (Z-statistic)	非经常性利得项目占利润总额的比例		
			≥20% 的观测数 (比例)	≥50% 的观测数 (比例)	≥100% 的观测数 (比例)
NRI_D PHASE=0 (n = 23#)	230.7% (95.7%)	-1.983*	17 (73.9%)	12 (52.2%)	11 (47.8%)
PHASE=1 (n = 46)	26.6% (25.4%)	(-2.896***)	25 (54.3%)	10 (21.7%)	0 (0.0%)

* 和 *** 分别表示在 10% 和 1% 水平上显著。
 # 由于非经常性利得的公开信息披露自 1999 年年报开始，故监管规则的第一阶段中涉及 1998 年的 2 例观测缺失该数据。
 PHASE=0，表示观测处于摘帽监管规则的第一阶段（1999-2001 年）；=1，表示观测处于摘帽监管规则的第二阶段（2002-2004 年）。
 NRI_D = 申请摘帽公司自行披露的非经常性利得金额占利润总额的比例。

值得注意的是，在监管规则的第二阶段，没有 1 例观测公开认可其确认的非经常性利得超过利润总额或净利润，这很可能与监管规则要求的扣除非经常性损益后的净利润为正有关；但仍有相当比重的观测在申报业绩中确认了具有一定重大性的非经常性利得，例如 NRI_D 超过 20%（50%）的观测占 46 例观测的 54.3%（21.7%）。

（三）独立估计的非经常性利得

表 3 描述了通过“利润表”法独立估计的、申请摘帽公司在申请摘帽年度业绩中确认的非经常性利得水平，同时还描述了构成非经常性利得估计金额的具体利得项目。相关性检验显示，在监管规则的两个阶段，独立估计的非经常性利得水平（ NRI_E ）与申请摘帽公司自行披露的水平（ NRI_D ）均高度正相关（对于第一阶段，相关系数 = 0.941；对于第二阶段，相关系数 = 0.493）。Wilcoxon 符号秩检验显示，不论是监管规则的第一阶段还是第二阶段， NRI_E 都显著高于 NRI_D （对于第一阶段， $Z = -2.798$ ， $p < 0.01$ ；对于第二阶段， $Z = -2.376$ ， $p < 0.05$ ）。

表3 通过“利润表”法独立估计的申请摘帽公司在申请摘帽年度的非经常性利得及其构成：两个监管规则阶段的比较

	均值 (中值)	t-statistic (Z-statistic)	非经常性利得项目占利润总额 的比例		
			≥20% 的观测数 (比例)	≥50% 的观测数 (比例)	≥100% 的观测数 (比例)
<i>NRI_E</i>					
<i>PHASE</i> = 0 (n = 25)	320.9% (258.7%)	-3.651***	22 (88.0%)	21 (84.0%)	17 (68.0%)
<i>PHASE</i> = 1 (n = 46)	43.4% (30.6%)	(-4.659***)	26 (56.5%)	15 (32.6%)	6 (13.0%)
构成项目：					
<i>INVEST</i>					
<i>PHASE</i> = 0 (n = 25)	93.8% (50.8%)	-2.832***	14 (56.0%)	13 (52.0%)	10 (40.0%)
<i>PHASE</i> = 1 (n = 46)	15.6% (0.0%)	(-2.166***)	12 (26.1%)	9 (19.6%)	1 (2.2%)
<i>EXTRA</i>					
<i>PHASE</i> = 0 (n = 25)	84.7% (6.6%)	-2.160**	11 (44.0%)	8 (32.0%)	7 (28.0%)
<i>PHASE</i> = 1 (n = 46)	3.2% (-1.0%)	(-2.462**)	8 (17.4%)	2 (4.3%)	0 (0.0%)
<i>SUBSID</i>					
<i>PHASE</i> = 0 (n = 25)	66.6% (1.2%)	-1.283	7 (28.0%)	4 (16.0%)	2 (8.0%)
<i>PHASE</i> = 1 (n = 46)	5.4% (0.0%)	(-1.575)	6 (13.0%)	0 (0.0%)	0 (0.0%)
<i>OTHER</i>					
<i>PHASE</i> = 0 (n = 25)	71.9% (24.8%)	-2.294**	14 (56.0%)	10 (40.0%)	5 (20.0%)
<i>PHASE</i> = 1 (n = 46)	19.2% (10.0%)	(-2.011**)	12 (26.1%)	4 (8.7%)	2 (4.3%)

** 和 *** 分别表示在 5% 和 1% 水平上显著。

PHASE = 0，表示观测处于摘帽监管规则的第一阶段（1999-2001 年）；=1，表示观测处于摘帽监管规则的第二阶段（2002-2004 年）。

NRI_E = 非经常性利得估计金额占利润总额的比例，其中非经常性利得估计金额 = 投资收益 + 营业外收支净额 + 补贴收入 + 其他业务利润。

INVEST = 投资收益占利润总额的比例。

EXTRA = 营业外收支净额占利润总额的比例。

SUBSID = 补贴收入占利润总额的比例。

OTHER = 其他业务利润占利润总额的比例。

表 3 显示，在监管规则的第一阶段，25 例申请摘帽观测的 NRI_E 均值（中值）为 320.9%（258.7%），有 17 例观测（占 68%）的非经常性利得占利润总额的比例超过 100%，比申请摘帽公司自行披露的情况多 6 例。在监管规则的第二阶段，申请摘帽公司在申请摘帽年度的非经常性利得水平显著下降（ t 检验和 Mann-Whitney 检验均在 1% 水平上显著）。

值得注意的是，在监管规则的第二阶段， NRI_E 超过 100% 的观测达到 6 例，这与申请公司自行披露的对应数据（ NRI_D 超过 100% 的观测数为 0）形成了明显对比，意味着申请摘帽公司可能在监管指标临界值附近的披露存在低估偏差。

分项统计显示，在监管规则的第一阶段，申请摘帽公司较普遍地确认重大的投资收益、营业外收支净额和其他业务利润，而采用补贴收入的方式则相对较少；在监管规则的第二阶段，仍有部分观测确认一定重大比例的投资收益或其他业务利润，而确认重大营业外收支净额和补贴收入的观测则很少。

（四）小结

总体而言，通过申请摘帽公司的自行披露数据和独立估计的数据，处于规则第一阶段的申请摘帽公司普遍在申报业绩中确认了重大的非经常性利得，而处于规则第二阶段的申请摘帽公司在申报业绩中确认非经常性利得的幅度和频率均显著下降。该现象与第三部分对两个规则阶段样本观测在申请摘帽前具有相近盈余轨迹的描述形成了明显反差，意味着监管标准的制度化（而不是两个规则阶段的样本观测在申请摘帽前的特征差异）对申请摘帽过程中的盈余管理行为产生了影响。

五、制度化前后的监管审批倾向

（一）监管审批结果：对相关信息披露的初步分析

笔者首先通过观察公开信息披露，描述了申请摘帽公司被批准摘帽或未被批准摘帽的决定因素（如表 4 所示），从而对监管者在制度化前后的审批决策特点形成初步判断。

表 4 组 A 描述了 60 例摘帽观测在撤销特别处理公告中披露的相关指标条件。组 A 显示，在两个监管规则阶段内，98.3% 的摘帽观测都提及了净利润大于零，81.7% 的观测提及每股净资产大于股票面值，75.0% 的观测提及注册会计师发表了无保留审计意见。在 2001 年 6 月 8 日摘帽监管规则发生重大变化后，上市公司的相关信息披露也开始明确提及和强调“扣除非经常性损益后的净利润大于零”以及“主营业务正常经营”，具体表现为，在规则的第二阶段，分别有 87.2% 和 82.1% 的摘帽观测在相关公告中提及了“扣除非经

常性损益后的净利润大于零”和“主营业务正常经营”（或类似表述），而在规则的第一阶段，提及上述两项指标的观测仅分别为 0 和 1 例。

表 4 组 B 描述了笔者所能查到的未摘帽观测（11 例中的 5 例）在其未获准撤销特别处理公告中披露的原因。其中规则第二阶段的 4 例观测在公告中指出，监管者认为公司披露的非经常性损益项目存在问题，从而导致扣除非经常性损益后净利润正数实际应更正为负数；有 1 例观测披露监管者认为虽扭亏为盈，但盈利微薄。

表 4 的描述性统计初步显示，监管者的监管审批倾向在规则第二阶段明显转向了主业经营能力的改善和盈利能力的实质性提高。

表 4 申请摘帽公司公开披露的摘帽或未摘帽原因

组 A：摘帽观测	监管规则 第一阶段 (n = 21)		监管规则 第二阶段 (n = 39)		合计 (n = 60)	
	观测数	比例	观测数	比例	观测数	比例
公司在申请摘帽年度：						
净利润大于零	21	100.0%	38	97.4%	59	98.3%
每股净资产大于股票面值	14	66.7%	35	89.7%	49	81.7%
审计意见为无保留意见	18	85.7%	27	69.2%	45	75.0%
扣除非经常性损益后的 净利润大于零	0	0.0%	34	87.2%	34	56.7%
主营业务或经营正常， 或发生重大资产重组， 或发生改善经营的重 大变革	1	4.8%	32	82.1%	33	55.0%
已连续几年盈利	1	4.8%	5	12.8%	6	10.0%
调整后每股净资产大于 股票面值	0	0.0%	3	7.7%	3	5.0%
组 B：未摘帽观测				监管规则 第一阶段 (n = 4)		监管规则 第二阶段 (n = 7)
交易所认为公司披露的扣除非经常性损益后净利润 正数实际应为负数					4	
交易所认为虽扭亏为盈，但盈利微薄						1
未披露原因				4		2

（二）研究设计

为了进一步检验在制度化前后监管审批决策对申请公司确认非经常性利得行为的反应，设计如下多元回归模型：

$$NRI_E = b_0 + b_1LTA + b_2LEV + b_3RESTRUC + b_4APPROV_PHASE1 + b_5APPROV_PHASE2 + \delta \quad (1)$$

$$NRI_E = b_0 + b_1LTA + b_2LEV + b_3RESTRUC + b_4PHASE + \delta \quad (2)$$

上述模型的基本思路是在控制其他因素的情况下，检验不同规则阶段的审批决策伴随的非经常性利得幅度。模型的因变量为 NRI_E ，表示估计的非经常性利得占利润总额的比重。¹⁷

模型（1）选取 71 例申请摘帽观测进行回归；71 例观测可划分为三类：第一类是在规则第一阶段获批摘帽的 21 例观测（设置实验变量 $APPROV_PHASE1 = 1$ ）；第二类是在规则第二阶段获批摘帽的 39 例观测（设置实验变量 $APPROV_PHASE2 = 1$ ）；第三类是未被批准摘帽的 11 例观测。¹⁸ 笔者预期监管审批决策总体有效，未获摘帽观测的盈余管理幅度可能更大，因此两项实验变量的符号均应为负；进一步地，规则第二阶段的审批决策对非经常性利得的遏制应当更加明显，因此预期 $APPROV_PHASE2$ 的系数绝对值大于 $APPROV_PHASE1$ 。

模型（2）则仅选取获批摘帽的 60 例观测进行回归；设置实验变量 $PHASE$ ，取 0 时表示规则第一阶段，取 1 时表示规则第二阶段。这种设置方式可以在获批摘帽的观测中直接比较制度化前后申报业绩中的非经常性利得幅度差异。笔者预期 $PHASE$ 的系数显著为负。

在控制变量的选取上，模型控制了公司资产规模、财务状况和重大资产重组等方面的潜在差异。资产规模变量 $LTA = \ln(\text{资产总额})$ ；财务状况变量 $LEV = \text{负债总额} / \text{资产总额}$ ；重大资产重组变量设为 $RESTRUC$ ，当公司发生了控股股东变更、主营业务变更或与现任控股股东发生重大资产重组交易时取 1，否则取 0。¹⁹ 通常小规模公司、财务困境公司更可能报告低质量的盈余数字，而发生重大资产重组的公司可能会较少依赖偶发性的利得，相应地， LTA 和 $RESTRUC$ 的系数符号预期为负，而 LEV 的系数符号预期为正。

（三）回归结果

表 5 列示了模型（1）和（2）的回归结果。模型总体回归效果良好，模型 F 统计量分别为 6.110 和 10.082（均在 1% 水平上显著），调整 R^2 分别为

¹⁷ 由于申请摘帽公司在规则第二阶段的申请摘帽年度自行披露的非经常性利得水平 NRI_D 明显偏低，因此如果模型因变量采用 NRI_D 进行计量，对制度化效果的检验结果虽然会更加显著，但可能有偏差。

¹⁸ 之所以进行这样的设置，是为了避免在模型中同时设置 $APPROV$ 、 $PHASE$ 以及 $APPROV * PHASE$ 时存在的严重的多重共线性问题。

¹⁹ 未列表报告的描述性统计显示，71 例观测中 $RESTRUC = 1$ 的观测有 53 例（占 74.6%）。

表 5 不同规则阶段审批决策伴随的非经常性利得幅度：多元回归结果

因变量：NRL_E	预期符号	模型 (1)：混合获批摘帽与未获批摘帽观测		模型 (2)：限于获批摘帽观测			
		系数	t 统计量	p 值	系数	t 统计量	p 值
实验变量							
APPROV_PHASE1	-	-0.914	-1.086	0.281			
APPROV_PHASE2	-	-2.884	-3.736***	0.000			
PHASE	-				-1.901	-6.016***	0.000
控制变量							
LTA	-	-0.497	-1.426	0.159	-0.228	-1.197	0.236
LEV	+	3.191	2.013**	0.048	1.686	1.880*	0.065
RESTRUC	-	-1.880	-2.785***	0.007	-0.499	-1.277	0.207
(Constant)	?	8.570	2.215**	0.030	4.323	2.013**	0.049
Model F-statistic			6.110***			10.082***	
Adj. R ²			0.267			0.381	
n			71			60	

*、**和***分别表示在10%、5%和1%水平上显著。

$NRL_E =$ 非经常性利得估计金额占利润总额的比例，其中非经常性利得估计金额 = 投资收益 + 营业外收支净额 + 补贴收入 + 其他业务利润。

$APPROV_PHASE1 = 1$ ，表示观测属于规则第一阶段，且申请摘帽公司的申请得到了监管者的批准；0，其他。

$APPROV_PHASE2 = 1$ ，表示观测属于规则第二阶段，且申请摘帽公司的申请得到了监管者的批准；0，其他。

$PHASE = 1$ ，表示公司申请摘帽的年度处于监管规则的第二阶段；0，表示公司申请摘帽的年度处于规则的第一阶段。

$LTA =$ 资产总额取自然对数。

$LEV =$ 负债总额 / 资产总额。

$RESTRUC = 1$ ，表示公司在申请年度当期或之前会计期间发生了控股股东变更、主营业务变更或与现任控股股东进行了重大资产重组交易；0，其他。

26.7% 和 38.1%。模型 (1) 和模型 (2) 的自变量 VIF 最大值分别为 2.1 和 1.5，因此模型不存在严重的多重共线性问题。

模型 (1) 的回归结果显示，两项实验变量的系数符号均为负，其中 *APPROV_PHASE2* 的系数为 -2.884，在 1% 水平上显著为负，而 *APPROV_PHASE1* 的系数不显著。这意味着未被批准摘帽公司伴随的非经常性利得水平总体上高于获批摘帽的公司，同时规则第二阶段获批摘帽公司伴随的非经常性利得幅度显著更低。模型 (2) 的结果显示，*PHASE* 的系数为 -1.901，在 1% 水平上显著为负，这进一步表明，规则第二阶段获批摘帽公司伴随的非经常性利得水平显著低于规则第一阶段获批摘帽的公司。

在控制变量方面，资产规模 *LTA* 的系数符号均为负，符合预期但不显著；*LEV* 的系数在 5% 或 10% 水平上显著为正，意味着财务困境公司确认的非经常性利得幅度更高。*RESTRUC* 的系数符号均为负，其中在模型 (1) 的结果中显著 (1% 水平)，表明发生了重大重组交易的公司更不倾向于依赖非经常性利得。

表 5 的多元分析结果支持我们的预期，即在控制了公司若干特征差异后，制度化之后的批准摘帽决策对非经常性利得的确认行为体现出比制度化以前更为严格的遏制倾向。

六、审批决策后的业绩表现：制度化前后比较

本节观察监管审批决策后不同类别的申请摘帽公司的业绩表现差异，申请摘帽后的观察期间取 $t+1$ 和 $t+2$ 期。71 例观测分为三组：第一组是在规则第一阶段获批摘帽的 21 例观测 (设置 *APPROV_PHASE1* = 1)；第二组是在规则第二阶段获批摘帽的 39 例观测 (设置 *APPROV_PHASE2* = 1)；第三组是未被批准摘帽的 11 例观测。

表 6 组 A 描述了申请摘帽后 $t+1$ 和 $t+2$ 期的平均资产净利润率 (*SROA_{mean}*) 和平均资产核心利润率 (*SCOREROA_{mean}*)。ANOVA 检验显示，三组观测在这两项业绩指标上均存在整体显著差异，但均体现为前两组与第三组之间的差异，而前两组之间的摘帽后业绩不存在显著差异。组 B 显示，第一组 (第二组) 摘帽观测中有 19.0% (17.9%) 的观测在申请摘帽后的 $t+1$ 或 $t+2$ 期出现了净利润指标的亏损，有 57.1% (33.3%) 的观测在核心利润指标上出现亏损；Pearson 卡方检验显示，第一组和第二组观测在申请摘帽后核心业绩出现亏损的概率上存在一定差异 (在 10% 水平上显著)。

表 6 申请摘帽公司在申请摘帽后的业绩表现

	<i>APPROV_PHASE1</i> = 1	<i>APPROV_PHASE2</i> = 1	<i>APPROV</i> = 0	
	(I)	(II)	(III)	
组 A：申请摘帽后的业绩水平				
	均值	均值	均值	
	[中值]	[中值]	[中值]	
<i>SROA</i> _{mean}	1.18%	1.57%	-18.41%	
	[2.62%]	[2.35%]	[-4.30%]	
<i>SCOREROA</i> _{mean}	-0.08%	1.77%	-22.25%	
	[-0.10%]	[2.40%]	[-7.34%]	
n	21	39	11	
组 B：申请摘帽后的亏损频率				
<i>t</i> + 1 或 <i>t</i> + 2 期	观测数	观测数	观测数	
	[比例]	[比例]	[比例]	
<i>ROA</i> < 0	4	7	6	
	[19.0%]	[17.9%]	[54.5%]	
<i>COREROA</i> < 0	12	13	8	
	[57.1%]	[33.3%]	[72.7%]	
组 C：ANOVA 检验				
	F-statistic	Scheffe test		
		(I) vs. (II)	(I) vs. (III)	(II) vs. (III)
<i>SROA</i> _{mean}	4.779**	不显著	5% 水平上显著	5% 水平上显著
<i>SCOREROA</i> _{mean}	4.953***	不显著	5% 水平上显著	5% 水平上显著

*、** 和 *** 分别表示在 10%、5% 和 1% 水平上显著。

APPROV_PHASE1 = 1，表示观测属于规则第一阶段，且申请摘帽公司的申请得到了监管者的批准；0，其他。

APPROV_PHASE2 = 1，表示观测属于规则第二阶段，且申请摘帽公司的申请得到了监管者的批准；0，其他。

APPROV = 1，表示申请摘帽公司的申请得到了监管者的批准；0，表示申请公司未能在该申请年度摘帽。

$$SROA_{mean} = 0.5 * (ROA_{t+1} + ROA_{t+2})。$$

$$SCOREROA_{mean} = 0.5 * (COREROA_{t+1} + COREROA_{t+2})。$$

ROA = 净利润 / 资产总额。

COREROA = (营业利润 - 其他业务利润) / 资产总额。

t = 申请摘帽年度。

进一步设置如下多元回归模型，检验不同阶段摘帽公司的随后业绩差异。

$$SROA_{mean} = b_0 + b_1 LTA_t + b_2 LEV_t + b_3 SROA_{industry} + b_4 APPROV_PHASE1 + b_5 APPROV_PHASE2 + \eta \quad (3)$$

$$SCOREROA_{mean} = b_0 + b_1 LTA_t + b_2 LEV_t + b_3 SCOREROA_{industry} + b_4 APPROV_PHASE1 + b_5 APPROV_PHASE2 + \eta \quad (4)$$

模型 (3) - (4) 中，因变量为 $SROA_{mean}$ 或 $SCOREROA_{mean}$ ，表示申请摘帽后的业绩表现；实验变量为 $APPROV_PHASE1$ 和 $APPROV_PHASE2$ ，取 1 时分别表示规则第一阶段获准摘帽的公司和规则第二阶段获准摘帽的公司，我们预期这两个变量的系数符号均为正，且 $APPROV_PHASE2$ 的系数大于 $APPROV_PHASE1$ 。控制变量包括：(1) 资产规模 LTA_t ；(2) 资产负债率 LEV_t ；(3) 与申请摘帽后会计期间相对应的行业盈利水平²⁰，与 $SROA_{mean}$ 对应的是 $SROA_{industry}$ ($=t+1$ 期和 $t+2$ 期申请摘帽公司所处行业的资产净利润率中值取平均)，与 $SCOREROA_{mean}$ 对应的是 $SCOREROA_{industry}$ ($=t+1$ 期和 $t+2$ 期申请摘帽公司所处行业的资产核心利润率中值取平均)。

表 7 列示的回归结果显示，在控制了公司规模、财务状况以及配比期间行业业绩等因素后，两项实验变量 $APPROV_PHASE1$ 和 $APPROV_PHASE2$ 的系数在 1% 或 5% 水平上显著为正，表明通过监管审批摘帽的公司随后业绩上显著优于未得到摘帽的公司。同时，模型 (3) 和模型 (4) 中 $APPROV_PHASE2$ 的系数均略大于 $APPROV_PHASE1$ ，意味着规则第二阶段的摘帽公司在摘帽后的业绩略优于规则第一阶段的摘帽公司。²¹

表 6 和表 7 的分析总体上显示，制度化之后获批摘帽公司的摘帽后业绩虽然略优于制度化之前获批摘帽的公司，但总体上不如预期中显著。出现该现象的原因可能源于规则第二阶段的摘帽公司在申请摘帽年度并没有像预期中那样实质性地改善经营业绩。一方面，不难发现在制度化以后，仍有相当数量的摘帽观测明显或隐晦地确认了较为重大的非经常性利得（只是幅度有所收敛）；另一方面，监管规则对某种具体盈余管理形式（非经常性利得）的限定还可能促使公司转向更具隐蔽性的其他盈余管理手段，包括对线上项目实施操控。²² 此外，公司可能采取经常性费用归入非经常性损失，从而夸大经常性盈

²⁰ 行业分类按照中国证监会的分类标准。本文的申请摘帽样本期间为 1998 至 2003 年，因此行业业绩水平的测算涉及 1999 至 2005 年的上市公司数据，相关数据取自 CCER 中国证券市场数据库。

²¹ 如果在运行模型时不包含未获摘帽的公司，可直接观察到两个规则阶段摘帽公司的摘帽后业绩不存在显著差异。

²² 笔者在阅读第二阶段摘帽公司在摘帽当期的财务分析师报告或审计报告时发现，这些专业报告时常提及期间费用或主营业务成本的重大减少。公司也完全可能采取虚构主营业务收入等更具隐蔽性的线上项目操纵手段。

表 7 审批决策后的公司业绩：多元回归结果

实验变量	预期符号		模型 (3) : 因变量为 $SROA_{mean}$		模型 (4) : 因变量为 $SCOREROA_{mean}$			
	+	-	系数	t 统计量	P 值	系数	t 统计量	P 值
APPROV_PHASE1	+		0.164	2.262**	0.027	0.222	2.737***	0.008
APPROV_PHASE2	+		0.227	3.396***	0.001	0.252	3.380***	0.001
控制变量								
LTA _t	+		0.022	0.799	0.427	0.023	0.736	0.465
LEV _t	-		-0.240	-1.843*	0.070	-0.284	-1.909*	0.061
SROA _{industry}	+		6.435	1.845*	0.070			
SCOREROA _{industry}	+					6.121	2.082**	0.041
(Constant)	?		-0.475	-1.515	0.135	-0.483	-1.420	0.160
Model F-statistic				3.405***			3.850***	
Adj. R ²				0.147			0.169	
n				71			71	

*、**和***分别表示在10%、5%和1%水平上显著。

$$SROA_{mean} = 0.5*(ROA_{t+1} + ROA_{t+2})。$$

$$SCOREROA_{mean} = 0.5*(COREROA_{t+1} + COREROA_{t+2})。$$

APPROV_PHASE1 = 1, 表示观测属于规则第一阶段, 且申请摘帽公司的申请得到了监管者的批准; 0, 其他。

APPROV_PHASE2 = 1, 表示观测属于规则第二阶段, 且申请摘帽公司的申请得到了监管者的批准; 0, 其他。

LTA = 资产总额取自然对数。

LEV = 负债总额 / 资产总额。

ROA = 净利润 / 资产总额。

COREROA = (营业利润 - 其他业务利润) / 资产总额。

SROA_{industry} = t + 1 期和 t + 2 期申请摘帽公司所处行业的 ROA 中值取平均。

SCOREROA_{industry} = t + 1 期和 t + 2 期申请摘帽公司所处行业的 COREROA 中值取平均。

t = 申请摘帽年度。

利的水平。²³ 这些行为的存在可能在一定程度上降低了监管制度化的预期效果。

七、结论与讨论

监管标准的制度化对公司盈余管理行为和监管者审批绩效具有什么影响，是本文的主要研究目标。利用中国证券市场特有的特别处理摘帽制度，特别是2001年中发生的重大盈利指标制度变化，本文发现监管标准的制度化对摘帽申请及其审批具有明显的影响。首先，监管标准的制度化改变了申请摘帽公司申请当期的盈余管理行为，显著提高了盈余的持续性。其次，监管标准的制度化提高了监管者的审批绩效，在控制了公司若干特征差异的情况下，制度化之后的批准摘帽决策比制度化之前的批准摘帽决策伴随了显著更低的申请当期非经常性利得水平。

监管执行效力是证券市场监管的一项重要机制 (La Porta *et al.*, 1998)。良好的监管执行效力应当能够在严格执行制度的基础上贯彻实质重于形式的专业判断精神，而不是仅仅达到制度的最低标准。本文的证据意味着：在中国证券市场中，即使是对于相对明显的盈余管理行为，当监管制度没有对其作出明确限制时，仅凭监管者的自主裁量，监管者也并不总能在执行层面上采取强烈的遏制倾向；该证据支持以往理论文献 (Black and Kraakman, 1996; Hay *et al.*, 1996) 对在新兴市场或转型经济中采取宽泛标准 (vague standard)、监管执行效力不足的忧虑，同时也反衬出制度化对提高监管效果、弥补监管执行效力不足的重要价值。

值得注意的是，如果从监管决策之后的公司业绩角度来看，尽管获批摘帽公司的业绩显著优于未获摘帽的公司，但制度化之后获批摘帽公司的摘帽后业绩仅略优于制度化以前获批摘帽的公司，而不如预期中显著。这意味着仍有必要进一步研究制度化之后的公司行为特征，以及考虑如何完善相关监管制度。例如第二阶段的监管规则要求申请摘帽公司的扣除非经常性损益后的净利润为正值，这相当于将非经常性利得的重要性水平设置为100%（相对于净利润），即在监管标准中设置了一条特定水平的“明线” (bright-line)。该明线只是禁止公司确认特别重大的非经常性利得，那么一旦当公司确认了占净利润比例低于100%（如80%）的非经常性利得时，该明线就无法从制度上限制上市公司，而进入了监管者的自主裁量空间。这也正是明线监管方式的固有局限

²³ McVay (2006) 的证据显示美国资本市场便存在着这种“分类转移”行为 (classification shifting)。在表4组B中，也发现1例观测将经常性费用归为非经常性损失，并被监管者明确指出和纠正。

(Hay *et al.*, 1996; Nelson, 2003)。未来的研究还有必要对特定制度化可能引发的盈余管理隐性化特征作出更为深入和系统的检验。

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THE EFFECT OF THE INSTITUTIONALISATION OF A PROFITABILITY REQUIREMENT: EVIDENCE FROM CHINA'S "SPECIAL TREATMENT" WITHDRAWAL REGULATION¹

Xi Wu²

ABSTRACT

This paper examines the effects of the institutionalisation of a profitability requirement on earnings management and regulatory enforcement, based on the unique setting provided by the "Special Treatment" (ST) withdrawal regulation in the Chinese stock market. When an ST company applies for withdrawal of the ST status, it has to meet regulatory requirements for profitability. Evidence indicates that: (1) when the regulator does not explicitly define earnings quality (before the institutionalisation of the profitability requirement), the applicants generally recognise material non-recurring gains in their reported earnings figures; when the regulator explicitly restricts the magnitude of non-recurring gains (after the institutionalisation of the profitability requirement), the applicants recognise a significantly lower level of non-recurring gains; (2) the magnitude of non-recurring gains of applicants approved after the institutionalisation is significantly smaller than that of applicants approved before the institutionalisation; (3) subsequent to the year of application, financial performance of approved applicants is significantly better than that of rejected applicants; however, applicants approved after the institutionalisation only marginally outperform applicants approved before the institutionalisation. The evidence generally suggests that in the unique legal and institutional setting of China, it is not sufficient for the regulator to effectively restrain even very obvious earnings management at its sole discretion only. The institutionalisation of the profitability requirement could guide both the applicants' and the regulator's behaviours and improve the enforcement of the profitability regulation.

Keywords: Earnings Management, Non-recurring Items, Regulation, Institutionalisation, Special Treatment (ST)

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I. INTRODUCTION

This paper is intended to examine the effect of the institutionalisation of a profitability requirement on capital market regulation in China. Healy and Wahlen (1999) have posed an important capital market research question as to whether the regulator can effectively restrain earnings management. Such a question should be of even greater significance for an emerging capital market like China.³ Regarding the performance of earnings management regulation in China, Chen and Yuan (2004) and Haw *et al.* (2005) provide early evidence (1996–1998) from rights offerings. Both studies document that companies applying for rights offerings frequently use non-recurring gains to manage earnings, and those applicants relying more upon non-recurring gains subsequently have a significantly lower financial performance. Both studies also show that the Chinese regulator was able to see through such obvious earnings management behaviour while reviewing rights issue applications during the period from 1996 to 1998. Furthermore, Chen and Yuan (2004) suggest that the Chinese regulator's ability to see through such earnings management behaviour improves gradually during the same period.

An important change occurs in China's regulatory rule regarding non-recurring items after the research period of the two studies mentioned above. Before June 2001, the regulator was silent about the composition and quality of earnings figures used for applying for activities like rights offerings or stock trading. The rule at that time only required a positive net income without any reference to the nature or magnitude of non-recurring items. If an applicant recognised material non-recurring gains, any approval of an application would be subject to the regulator's judgement and discretion. In June 2001, the regulator established explicit requirements for the quality of profitability in some regulatory rules, including those regarding rights offerings and "Special Treatment" withdrawal. New rules require that net income after the deduction of non-recurring items should still be positive.

Prior theoretical analyses (Black and Kraakman, 1996; Hay *et al.*, 1996) argue that in an emerging market or transitional economy with an unsound legal system, bright-line regulation would be superior to broad or vague standards. Non-recurring gains have generally been deemed as opportunistic and lacking faithfulness to the ideal of profitability regulation. China has, however, experienced a process of institutionalisation from implicit judgement to explicit stipulation on whether non-recurring gains should be excluded from the accounting for profitability when assessing relevant applications. Such a regulatory change provides an oppor-

³ Although recent literature (e.g. La Porta *et al.*, 2006) suggests that public enforcement plays a weaker role than private enforcement (mainly manifested in investors' litigation) during capital market development, public enforcement is particularly important to China because the system of civil proceedings for securities cases there is still in its infancy. It is thus vital to study the regulatory performance and its explanatory factors for the Chinese market. I would like to thank one reviewer's proposal for such a discussion.

tunity to observe and evaluate the effect of the institutionalisation of the profitability requirement on regulatory enforcement, thereby extending the research of Chen and Yuan (2004) and Haw *et al.* (2005).

Using a sample of Chinese listed companies that were categorised as needing “Special Treatment” by reason of posting losses for two consecutive years and that applied for withdrawal in the following year during the period from 1998 to 2003, I find the evidence generally consistent with a significant and positive effect of the institutionalisation on profitability regulation. First, during the period when the regulator does not explicitly define earnings quality, “Special Treatment” withdrawal applicants generally recognise material non-recurring gains in their reported earnings figures; whereas, in a period when the regulator imposes a restriction on the magnitude of non-recurring gains reported in financial statements, the applicants recognise a significantly lower level of non-recurring gains for the year of application. Second, the regulator’s approval decision after the institutionalisation is accompanied by a higher propensity to restrain recognition of non-recurring gains when compared with the situation before the institutionalisation, after controlling for differences in firm size, leverage, and material restructurings. Third, subsequent to the withdrawal application, the financial performance of approved applicants is significantly better than that of rejected applicants, while the performance of applicants approved after the institutionalisation is just slightly better than that of applicants approved before the institutionalisation. The evidence generally suggests that in the unique legal and institutional setting of China, the regulator, at its sole discretion only, exhibits a very limited efficacy in curbing earnings management, even with such obvious approaches as using non-recurring gains. The institutionalisation of a profitability requirement could guide both the applicants’ and the regulator’s behaviours, and improve the performance of profitability regulation, but potential limitations of the institutionalisation should be noted, including excessive rule-based orientation and a potential side effect of making earnings management more hidden.

The remainder of the paper is organised as follows. The next section introduces the institutional background and develops research questions. The third section provides a description of the sample and its earnings history. The fourth section describes the difference in magnitude between the non-recurring gains of the applicants as reported before and after the institutionalisation of the profitability requirement. The fifth section examines the association between the regulator’s decisions and the magnitude of non-recurring gains before and after the institutionalisation. The sixth section examines the difference between the financial performance of the applicants subsequent to the withdrawal application and before and after the institutionalisation. The concluding remarks are presented in the last section.

II. INSTITUTIONAL BACKGROUND

2.1 “Special Treatment” and Application for Withdrawal

The Shanghai and Shenzhen Stock Exchanges have implemented the “Special Treatment” system since April 1998. This system aims to signal⁴ and limit⁵ the securities trading of those listed companies with either financial⁶ or other⁷ anomalies. Normally, the withdrawal of “Special Treatment” (hereinafter referred to as “ST”) involves two steps. First, an ST company applies for ST withdrawal after meeting established authoritative criteria; second, the stock exchange reviews the application and decides whether approval should be given after an investigation of the company’s conditions.

For withdrawing special treatment due to financial anomalies, the regulatory system undergoes two rule phases. During the first rule phase, which is from April 1998 to June 2001, it is required that the company management may apply for ST withdrawal if reported net income of the latest fiscal year is positive and net assets per share at the end of the latest year are higher than the face value of outstanding common stocks. During the second rule phase, which is after June 2001, it is required that the company should meet two further criteria in addition to the criteria set out in the first rule phase, namely the normal operation of the main business and a positive net income after the deduction of non-recurring items.

2.2 Considerations for Choosing ST Withdrawal Regulation as the Research Setting

As a preliminary study to examine the effect of regulatory institutionalisation, this study chooses the ST withdrawal regulatory setting and related data instead of the rights offering setting used by Chen and Yuan (2004) and Haw *et al.* (2005). The major consideration is that the ST withdrawal setting has some features that are different from those of the rights offering setting, which make the research design of this study easier to control.

First, rights offering applicants have to satisfy many other non-financial criteria apart from the financial performance indicators (Chen and Yuan, 2004), whereas ST withdrawal applicants are mainly required to satisfy financial criteria. To evaluate the performance of regulatory enforcement over earnings management, the ST withdrawal setting would be less disturbed by the non-financial conditions of the applicants.

Second, for rights offering applicants, return on equity (ROE) is the key financial performance criterion, and the applicant may manipulate assets, liabilities, or stock-

⁴ Such as adding “ST” before the stock name of a specially treated listed company.

⁵ A major limitation is to narrow the daily maximum stock price fluctuation from 10 per cent to 5 per cent.

⁶ Financial anomalies mainly include reporting losses for the latest two consecutive fiscal years, reporting net assets per share lower than face value of the stock, and receiving an adverse opinion or a disclaimer of opinion from the auditor.

⁷ Anomalies other than financial reasons may include discontinuance of business, filing for bankruptcy, and involvement in lawsuits or arbitration for significant compensation.

holders' equity as well as earnings management in order to satisfy the specified ROE criterion. For ST withdrawal applicants, however, the explicit financial performance criterion is related to net income only, making observations of the sample more concentrated on earnings management behaviours.

Third, as noted by Clinch (2005), ROE levels for multiple periods are required for rights offerings, causing the incentives and the magnitude of earnings management to be complex and likely to depend on prior years' reported ROE levels as well as the current year's level. In the case of ST withdrawal, however, only earnings figures for the latest single period are required, making the earnings management behaviours of the applicants more independent and easier to discern.

Fourth, rights offering applicants manage earnings for better financial performance, while ST withdrawal applicants do so mostly to avoid further losses. From a cost-benefit perspective, firms might use a hierarchy of approaches in attempting to achieve earnings management targets. Rights offering applicants might first use such implicit items as above-the-line accruals, which are more difficult for investors and regulators to identify. When sufficient accruals are not available, firms might turn to more easily identifiable below-the-line items, such as non-recurring gains (Clinch, 2005). However, firms having an incentive to avoid a loss, such as the ST withdrawal applicants, will be more likely to resort to non-recurring items at the outset (Marquardt and Wiedman, 2004). Thus, in an ST withdrawal setting, the regulator is expected to be more likely to identify and curb earnings management.

2.3 Research Questions

A conventional argument in accounting literature is that as long as capital market participants (especially the regulator) can detect earnings management, they will adjust the earnings figures and then make decisions, thus making earnings management futile and inconsequential.⁸ Compared with accruals, non-recurring gains are relatively irregular, less persistent, more susceptible to manipulation, and easier to identify.⁹ Therefore, whether or not the regulator establishes an explicit limitation on non-recurring gains, firms are expected to have scruples about reporting a great magnitude of these items, and the regulator is expected to consistently exhibit vigilance and a propensity for restriction. Prior literature (Chen and Yuan, 2004; Haw *et al.*, 2005) has provided some evidence on the regulator's awareness of and constraints on non-recurring gains in China's rights offerings setting from 1996 to 1998.

On the other hand, the regulator's ability to curb earnings management may be limited by its experience or costs (Schipper, 1989). In particular, China has a statutory law system, where the regulator usually undertakes multiple functions and is susceptible to intervention or lobbying from other governmental agencies or interest groups (Allen *et al.*, 2005). When the earnings quality standard is not explicitly incorporated into the regulatory rule, ST withdrawal applicants could have stronger opportunistic incentives to manage earnings, and the regulator is left with greater

⁸ See discussion of Dechow and Skinner (2000).

⁹ See Beaver (1999) for a discussion of the theoretical features of non-recurring items.

discretion in making approval decisions. A weakened regulatory enforcement may thus be expected before the institutionalisation of the profitability requirement (Black and Kraakman, 1996; Hay *et al.*, 1996).

The above two competing arguments can be examined in China's ST withdrawal setting featuring an important institutional change in the regulatory criterion for non-recurring gains. A basic issue to be addressed is the effect of the institutionalisation of the profitability requirement on earnings management and regulatory enforcement. Specific research questions include:

1. Is there any significant difference in magnitude between ST withdrawal applicants' non-recurring gains before and after the institutionalisation?
2. Are the regulator's approval decisions accompanied by significantly different levels of non-recurring gains before and after the institutionalisation?
3. Is there any significant difference between the applicants' subsequent financial performance before and after the institutionalisation?

III. SAMPLE SELECTION AND DESCRIPTION

3.1 Sample Selection

Based on detailed hand collection and analysis of public announcements, 238 ST companies are identified during the period from 28 April 1998 to 30 June 2004.¹⁰ A total of 368 firm-year observations subsequent to the ST year are then examined in respect of net income, net assets per share, and audit opinion type,¹¹ of which 251 (68.2 per cent) observations clearly fail to meet the regulatory criteria.¹² The other 117 (31.8 per cent) observations meet ST withdrawal criteria, at least apparently, including reporting a positive net income (and a positive net income after deduction of non-recurring items for post-2001 observations), net assets per share higher than the stock's face value, and receiving an audit report without such an extreme content as an adverse opinion or a disclaimer of opinion.

To examine ST companies' earnings management and related regulatory propensity, this study intends to limit the sample to those observations with strong earnings management incentives and with minimum disturbance from other incentives. Thus, 46 out of 117 observations are further excluded from the sample:

¹⁰ 28 April 1998 is the date when the first listed company was specially treated. 30 June 2004 is the reasonable extension of the observation deadline after the 2003 annual reports have been released (30 April 2004), since the ST date could be some days after the annual report release date. This study selects ST observations through 2003 only in order to ensure the availability of ST withdrawal application year observations (no later than 2004) and at least one year of subsequent observations (no later than 2005) for assessing subsequent financial performance.

¹¹ For annual reports since 2001, the net income after deduction of non-recurring items is also examined.

¹² Among the 251 cases, 158 report losses and 78 net assets per share lower than the stock's face value; another 14 post-2001 cases post negative net income after deduction of non-recurring items, and the remaining one observation receives a disclaimer in an audit opinion.

21 categorised as ST only by reason of net assets per share lower than the stock's face value, 11 only as a result of receiving extreme types of audit report, and 14 for reasons other than reporting losses for two consecutive years or the above categories. The final sample consists of 71 observations categorised as ST due to reporting losses for two consecutive years. Table 1 presents the yearly distribution of ST withdrawal results among the 71 sample observations.

Table 1 shows that during the period from 1999 to 2004, 60 out of 71 sample observations (84.5 per cent) have their withdrawal applications approved by the regulator, while the other 11 cases (15.5 per cent) are rejected. Overall, the regulator maintains a relatively high approval rate. There are 25 and 46 ST withdrawal applicants in the first and second rule phases, respectively. There is no significant difference in the regulator's approval rate between the two rule phases.

Table 1 Sample of ST Withdrawal Applicants: Distribution by Year and Regulatory Decision

Regulatory decisions	First rule phase: 1999–2001				Second rule phase: 2002–2004				1999–2004 Total
	1999	2000	2001	Subtotal	2002	2003	2004	Subtotal	
Approval	3	10	8	21	8	14	17	39	60
Rejection	2	0	2	4	2	4	1	7	11
Total	5	10	10	25	10	18	18	46	71
Approval rate [#]	60.0%	100.0%	80.0%	84.0%	80.0%	77.8%	94.4%	84.8%	84.5%

Approval rate = the number of firms approved / total number of ST withdrawal applicants.

3.2 Description of Sample Earnings History

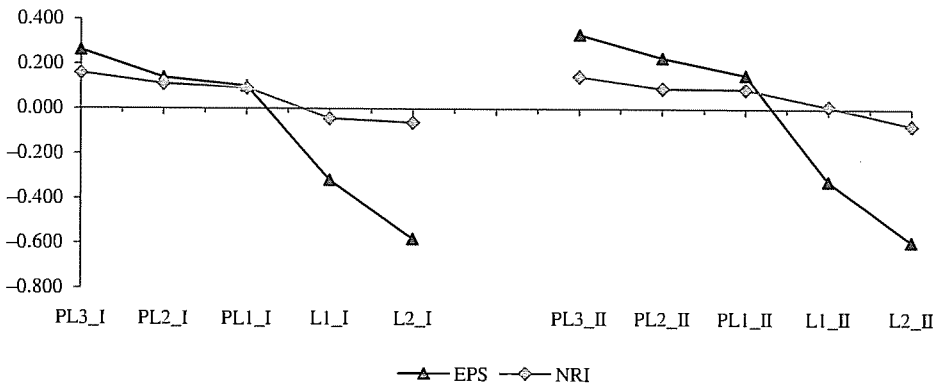
As mentioned earlier, the sample observations have a common feature of posting losses for two consecutive years in their earnings history. Both the net income and non-recurring gains are used for describing the earnings history prior to the ST withdrawal application.

Figure 1 compares earnings history before the submission of the applications of 25 ST withdrawal applicants in the first rule phase and that of 46 applicants in the second rule phase. Earnings history covers the two consecutive years of reporting loss and the three years preceding the first year of reporting loss. Two basic earnings indicators are used, which are earnings per share (EPS) and non-recurring items per share (NRI). $NRI = (\text{Total Profit before Tax} - \text{Operating Profit} + \text{Profit from Other Business}) / \text{Outstanding Common Shares}$.¹³ Among the 25 (46) sample observations in the first (second) rule phase, since the interval between the initial public offering and the first year of reporting a loss is less than three years for some ST companies, the number of observations for each of the three preceding years is less than 25 (46).

¹³ See Section 4.1 for detailed data sources and estimation of non-recurring items.

Figure 1 shows a highly similar history of earnings prior to application between ST withdrawal applicants in the first and second rule phases. First, during the three preceding years (PL1 to PL3), the mean EPS value shows a decreasing trend, with significant non-recurring gains recognised and increasingly relied upon each year. Second, during the two consecutive years of reporting a loss (L1 and L2), the magnitude of loss in the second year is greater than that in the first year, and no significant non-recurring gains are recognised in either year while significant non-recurring losses are recognised in the second year (which is consistent with the hypothesis of the “big bath”). The descriptive statistics suggest that prior to the ST withdrawal application, firms in different rule phases generally show a common trend in their overall earnings structures.

Figure 1 Sample Earnings History: Comparison between Observations in Two Rule Phases



	First rule phase (I)			Second rule phase (II)		
	n	Mean EPS	Mean NRI	n	Mean EPS	Mean NRI
PL3	12	0.262***	0.160***	36	0.332***	0.144***
PL2	20	0.138***	0.110***	41	0.227***	0.091***
PL1	23	0.101***	0.092***	44	0.151***	0.088***
L1	25	-0.318***	-0.043	46	-0.322***	0.011
L2	25	-0.581***	-0.060**	46	-0.591***	-0.073***

*** and ** denote 1 per cent and 5 per cent significance levels, respectively (t test for null hypothesis of no difference from zero).

The horizontal axis exhibits time series, where PL1 (PL2, PL3) represents the first (second, third) year preceding the first year of reporting loss, and L1 (L2) represents the first (second) year of reporting loss; I (II) denotes the first (second) rule phase.

The vertical axis represents earnings per share (EPS) or non-recurring items per share (NRI).

$$\text{NRI} = (\text{Total Profit before Tax} - \text{Operating Profit} + \text{Profit from Other Business}) / \text{Outstanding Common Shares}.$$

IV. NON-RECURRING GAINS OF ST WITHDRAWAL APPLICANTS: COMPARISON BEFORE AND AFTER THE INSTITUTIONALISATION

4.1 Data Sources of Non-Recurring Items

This section compares the magnitudes of non-recurring gains for the year of the ST withdrawal application¹⁴ before and after the institutionalisation of the profitability requirement. For non-recurring items, there are two data sources: the non-recurring items information disclosed by ST withdrawal applicants themselves, and my independent estimation based on the structure of the income statement.

As required by the China Securities Regulatory Commission (CSRC), Chinese listed companies begin to disclose non-recurring items information in the 1999 annual report. The advantage of using data disclosed by firms lies in its availability and verifiability. However, some limitations should be noted. From a motive perspective, self-disclosures by ST withdrawal applicants may lack reliability and comparability. In particular, when the non-recurring items information is used as an explicit benchmark for regulatory decisions, the applicants would probably have a stronger motive for underestimating the magnitude of non-recurring items. In view of the opportunities for disclosure manipulation, the authoritative standard regarding non-recurring items disclosure has experienced a long process of establishment and improvement, given that the CSRC did not specify the formal definition and composition of non-recurring items until the end of April 2001, and made a further revision in January 2004. Furthermore, non-recurring items were not required to be disclosed in financial statements and audited by certified public accountants for a long time, making such information less reliable than other financial information.

Considering that potential limitations exist in publicly disclosed non-recurring items, an alternative data source is to independently estimate such items based on the income statement. As indicated from the structure of income statement that complies with Chinese GAAP, non-recurring gains usually comprise investment gains, extraordinary gains (net of extraordinary losses), subsidies, and profit from other business.¹⁵ Total and individual amounts of these four non-recurring items are then examined. The advantage of using an independent estimation is being able to

¹⁴ “Year of ST withdrawal application” in this study refers to the latest fiscal year for which financial information is used for applying for ST withdrawal. For example, if an ST firm applies for ST withdrawal on 15 April 2003, the profitability data used in the application should be those for the 2002 fiscal year. The year 2002 will be treated as the “year of ST withdrawal application”.

¹⁵ Li and Wu (2002, fn. 7) discuss the rationale for classifying profit from other business as non-recurring gains. This study also finds that 71 ST withdrawal applicants report a material magnitude of profit from other business, which accounts for 37.8 per cent of total profit before tax on average with a median value of 12.1 per cent. Through further reviewing the accounting notes to financial statements, most transactions recorded as profit from other business are in fact consistent with the nature of non-recurring gains.

rectify an underestimation bias by ST withdrawal applicants, while the limitation might be its inconsistency with the scope of non-recurring items authorised by the regulator.

4.2 Publicly Disclosed Non-Recurring Gains

Table 2 describes non-recurring gains disclosed by the ST withdrawal applicants before and after the institutionalisation of the profitability requirement. In the first rule phase, for 23 observations that have disclosed the non-recurring items data,¹⁶ material non-recurring gains are disclosed with a mean (median) *NRI_D* of 230.7 per cent (95.7 per cent), and *NRI_D* is defined as the proportion of disclosed non-recurring items to total profit before tax. Out of the 23 observations, 11 report an *NRI_D* of more than 100 per cent. In the second rule phase, all 46 observations disclose a significantly decreased level of non-recurring gains for the application year, with a mean (median) *NRI_D* of 26.6 per cent (25.4 per cent) at 0.1 and 0.01 significance levels in t tests and the Mann-Whitney U test, respectively. The statistics suggest that in a regulatory setting that does not explicitly demand earnings quality, ST withdrawal applicants show no scruples about recognising and disclosing material earnings components of low quality.

It is worth noting that in the second rule phase, although no observation discloses an *NRI_D* of more than 100 per cent, which is arguably attributed to the new regulatory requirement for a positive net income after deduction of non-recurring items, a considerable number of observations report some material non-recurring gains.

Table 2 Non-Recurring Gains Disclosed by ST Withdrawal Applicants: Comparison before and after the Institutionalisation

	Mean (Median)	t statistic (Z statistic)	Proportion of disclosed non-recurring gains to total profit before tax		
			≥20% Observations (per cent)	≥50% Observations (per cent)	≥100% Observations (per cent)
<i>NRI_D</i> PHASE = 0	230.7%				
(n = 23 [#])	(95.7%)	-1.983*	17 (73.9%)	12 (52.2%)	11 (47.8%)
PHASE = 1	26.6%	(-2.896***)	25 (54.3%)	10 (21.7%)	0 (0.0%)
(n = 46)	(25.4%)				

* and *** denote 10 per cent and 1 per cent significance levels, respectively.

[#] Information of non-recurring items is not available for two observations in the first rule phase, as the requirement for disclosure of non-recurring items started to implement from the 1999 annual report.

PHASE = 0, if an observation occurs during the first rule phase, which is from 1999 to 2001;
1, if an observation occurs during the second rule phase, which is from 2002 to 2004.

NRI_D = The proportion of publicly disclosed non-recurring items to total profit before tax.

¹⁶ Non-recurring items information is not available for two observations in the first rule phase.

For example, 54.3 per cent (21.7 per cent) of 46 observations disclose an *NRI_D* of more than 20 per cent (50 per cent).

4.3 Independently Estimated Non-Recurring Gains

Table 3 describes the total and individual levels of non-recurring gains recognised by the ST withdrawal applicants, which are independently estimated using an “income statement” approach. Statistics show that the level of independently estimated non-recurring gains (*NRI_E*) is highly and positively correlated with the disclosed level (*NRI_D*), and the Pearson correlation coefficient is 0.941 (0.493) for the 25 (46) observations in the first (second) rule phase. Results of the Wilcoxon Signed Rank Test indicate that *NRI_E* is significantly higher than *NRI_D* for both rule phases with the Z statistic being -2.798 (-2.376) and p value less than 0.01 (0.05) for the first (second) rule phase.

Table 3 shows that in the first rule phase, 25 observations have a mean (median) *NRI_E* of 320.9 per cent (258.7 per cent), of which 17 (68 per cent) have an *NRI_E* of more than 100 per cent—six more observations occur when compared with the disclosed cases. In the second rule phase, the level of estimated aggregate non-recurring gains of the ST withdrawal applicants significantly decreases with the p value less than 0.01 in both the t and the Mann-Whitney U tests.

It is worth noting that in the second rule phase, six observations are estimated to have an *NRI_E* of more than 100 per cent, which contrasts with disclosures by ST withdrawal applicants that no observation has an *NRI_D* of more than 100 per cent. This indicates that a bias of underestimation of non-recurring gains may probably exist.

Statistics of individual items of non-recurring gains show that in the first rule phase, it is common for ST withdrawal applicants to recognise a material amount in three out of four individual items, namely Investment Gains, Extraordinary Gains (net of Extraordinary Losses), and Profit from Other Business, while recognition of Subsidy Gains is less frequently used. In the second rule phase, recognitions of some material Investment Gains or Profit from Other Business are still found in a number of observations, while those of Extraordinary Gains and Subsidy Gains are even less frequently resorted to.

4.4 Summary

To sum up, based on either publicly disclosed or independently estimated data, applicants in the first rule phase generally report material non-recurring gains for their ST withdrawal applications, while those in the second rule phase recognise non-recurring gains at a significantly decreased frequency and magnitude. Given the similarity in earnings history preceding application between observations before and after the institutionalisation of the profitability requirement as described in Section III, the disparity in earnings structure for the year of application between ST withdrawal applicants in the two rule phases found in Section IV suggests that it is the institutional change rather than the differences in firm characteristics preceding application between two groups of ST withdrawal applicants that has affected the earnings management behaviours for the ST withdrawal applications.

Table 3 Total and Individual Levels of Independently Estimated Non-Recurring Gains of the ST Withdrawal Applicants: Comparison before and after the Institutionalisation

	Mean (Median)	t statistic (Z statistic)	Proportion of estimated non-recurring gains to total profit before tax		
			≥20% Observations (per cent)	≥50% Observations (per cent)	≥100% Observations (per cent)
<i>NRI_E</i>					
<i>PHASE</i> = 0 (n = 25)	320.9% (258.7%)	-3.651*** (-4.659***)	22 (88.0%)	21 (84.0%)	17 (68.0%)
<i>PHASE</i> = 1 (n = 46)	43.4% (30.6%)		26 (56.5%)	15 (32.6%)	6 (13.0%)
Individual Items of Non-Recurring Gains:					
<i>INVEST</i>					
<i>PHASE</i> = 0 (n = 25)	93.8% (50.8%)	-2.832*** (-2.166***)	14 (56.0%)	13 (52.0%)	10 (40.0%)
<i>PHASE</i> = 1 (n = 46)	15.6% (0.0%)		12 (26.1%)	9 (19.6%)	1 (2.2%)
<i>EXTRA</i>					
<i>PHASE</i> = 0 (n = 25)	84.7% (6.6%)	-2.160** (-2.462**)	11 (44.0%)	8 (32.0%)	7 (28.0%)
<i>PHASE</i> = 1 (n = 46)	3.2% (-1.0%)		8 (17.4%)	2 (4.3%)	0 (0.0%)
<i>SUBSID</i>					
<i>PHASE</i> = 0 (n = 25)	66.6% (1.2%)	-1.283 (-1.575)	7 (28.0%)	4 (16.0%)	2 (8.0%)
<i>PHASE</i> = 1 (n = 46)	5.4% (0.0%)		6 (13.0%)	0 (0.0%)	0 (0.0%)
<i>OTHER</i>					
<i>PHASE</i> = 0 (n = 25)	71.9% (24.8%)	-2.294** (-2.011**)	14 (56.0%)	10 (40.0%)	5 (20.0%)
<i>PHASE</i> = 1 (n = 46)	19.2% (10.0%)		12 (26.1%)	4 (8.7%)	2 (4.3%)

** and *** denote 5 per cent and 1 per cent significance levels, respectively.

PHASE = 0, if an observation occurs during the first rule phase, which is from 1999 to 2001; 1, if an observation occurs during the second rule phase, which is from 2002 to 2004.

NRI_E = The proportion of independently estimated non-recurring items to total profit before tax, where the independently estimated non-recurring items comprise four individual income statement items, including Investment Gains, Extraordinary Gains (net of Extraordinary Losses), Subsidy Gains, and Profit from Other Business.

INVEST = The proportion of Investment Gains to Total Profit before Tax.

EXTRA = The proportion of Extraordinary Gains (net of Extraordinary Losses) to Total Profit before Tax.

SUBSID = The proportion of Subsidy Gains to Total Profit before Tax.

OTHER = The proportion of Profit from Other Business to Total Profit before Tax.

V. REGULATOR'S PROPENSITY TOWARDS NON-RECURRING GAINS: COMPARISON BEFORE AND AFTER THE INSTITUTIONALISATION

5.1 Basis for Regulator's Decision: Initial Analysis on Public Disclosure

I hand-collect each and every publicly available firm disclosure to describe key financial determinants on which the regulator's decisions about ST withdrawals are based, as presented in Table 4, to provide an initial understanding of the basis for the regulator's decision before and after the institutional change.

Panel A of Table 4 summarises key financial indicators disclosed by 60 approved observations in ST withdrawal announcements. During the two rule phases, 98.3 per cent of approved observations mention a positive net income, 81.7 per cent disclose net assets per share above the common stock's face value, and 75.0 per cent receive a standard unqualified audit opinion. Since the institutional change on 8 June 2001, 87.2 per cent of 39 approved observations in the second rule phase explicitly mention and emphasise a positive net income after deduction of non-recurring items, and 82.1 per cent disclose normal operation of main business. Prior to the institutional change, however, no observations mention a positive net income after the deduction of non-recurring items, and only one case discloses the normal operation of the main business.

Panel B of Table 4 lists rejection reasons available from 5 out of 11 rejected observations. All five observations occur in the second rule phase, of which four firms are judged by the regulator to have disclosed a positive net income after deduction of non-recurring items, when the income should have been negative. For the remaining rejected case, the regulator judges that the net income for the year of application, although positive, is of too trivial a magnitude for approval.

Descriptions in Table 4 provide a practical understanding of the basis for the regulator's decision to approve or reject, especially the regulatory emphasis on the improvement of main operations and actual increase in profitability during the second rule phase.

5.2 Model Design

To further examine the regulator's propensity towards non-recurring gains when making decisions before and after the institutionalisation, the following multiple regression models are designed.

$$NRI_E = b_0 + b_1LTA + b_2LEV + b_3RESTRUC + b_4APPROV_PHASE1 + b_5APPROV_PHASE2 + \delta \quad (1)$$

$$NRI_E = b_0 + b_1LTA + b_2LEV + b_3RESTRUC + b_4PHASE + \delta \quad (2)$$

The basic idea of the above models is to examine the magnitude of non-recurring gains associated with regulatory decisions during different rule phases, after controlling for some firm-specific characteristics. The dependent variable is *NRI_E*,

Table 4 Publicly Disclosed Financial Determinants for Regulatory Approval or Rejection of ST Withdrawal Application

	First rule phase (n = 21)		Second rule phase (n = 39)		Total (n = 60)	
	Observations	Per cent	Observations	Per cent	Observations	Per cent
Panel A: Financial determinants for regulatory approval						
In the year of application:						
Positive net income	21	100.0%	38	97.4%	59	98.3%
Net assets per share higher than the stock's face value	14	66.7%	35	89.7%	49	81.7%
Standard unqualified audit opinion	18	85.7%	27	69.2%	45	75.0%
Positive net income after deduction of non-recurring items	0	0.0%	34	87.2%	34	56.7%
Normal operation of main business, or occurrence of significant asset restructuring or significant reforms for operational improvement	1	4.8%	32	82.1%	33	55.0%
Positive net income for latest consecutive years	1	4.8%	5	12.8%	6	10.0%
Adjusted net assets per share higher than the stock's face value	0	0.0%	3	7.7%	3	5.0%
Panel B: Financial determinants for regulatory rejection						
				First rule phase (n = 4)	Second rule phase (n = 7)	
The regulator judges that the positive net income after deduction of non-recurring items disclosed by the firm should have been negative					4	
The regulator judges that net income for the year of application, though positive, is of a trivial magnitude				4	1	
Reasons for rejection not disclosed					2	

which is measured as the proportion of independently estimated non-recurring items to Total Profit before Tax.¹⁷

Model (1) applies to all the 71 sample observations, which are divided into three sub-groups. The first sub-group consists of 21 observations approved for ST withdrawal by the regulator during the first rule phase (an experimental variable *APPROV_PHASE1* is set and coded 1 for these 21 cases). The second sub-group consists of 39 approved observations during the second rule phase (an experimental variable *APPROV_PHASE2* is set and coded 1 for these 39 cases). The third sub-group comprises 11 rejected observations during both rule phases.¹⁸ It is expected that the regulator's decisions would in general be effective, indicating a greater magnitude of earnings management associated with rejected observations. Coefficients of the two experimental variables are thus expected to have negative signs. A further expectation is that the regulator should have a stronger propensity to curb non-recurring gains in the second rule phase than in the first rule phase, and hence the absolute coefficient value of *APPROV_PHASE2* is expected to be greater than that of *APPROV_PHASE1*.

Model (2) applies only to those 60 observations approved for ST withdrawal by the regulator. An experimental variable *PHASE* is set and coded 0 (1) for the first (second) rule phase. This approach is able to directly examine the difference in the magnitude of non-recurring gains associated with regulatory approval during the two rule phases. A significant and negative coefficient of *PHASE* is expected.

Both models (1) and (2) control for such firm-specific characteristics as firm size, financial leverage, and major restructurings. The firm size variable *LTA* is measured as the natural logarithm of total assets. The financial leverage variable *LEV* equates to total liabilities divided by total assets. Both assets and liabilities are as of the end of the year of the ST withdrawal application. A dummy variable *RESTRUC* is set to control for major restructurings, and coded 1 if the applicant initiates a change in either controlling shareholder or main business, or initiates major restructuring transactions with the incumbent controlling shareholder during the year of the ST withdrawal application, and 0 otherwise.¹⁹ Generally, small-sized or financially distressed applicants with higher leverage are more likely to report earnings of low quality, while applicants undergoing major reforms or restructurings would rely less on non-recurring gains. Thus, negative signs are expected for the *LTA* and *RESTRUC* variables, and a positive sign is expected for *LEV*.

¹⁷ Since ST withdrawal applicants in the second rule phase tend to report an underestimated level of non-recurring gains (*NRI_D*), so if *NRI_D* is used as the dependent variable, the regression results of models (1) and (2) would indicate a more significantly positive but might be biased effect of institutional change.

¹⁸ An alternative setting of experimental variables could involve simultaneously introducing a dummy variable for the regulator's decision (*APPROV*), a dummy variable for the rule phase (*PHASE*), and the interaction item *APPROV*PHASE* in the model. However, this setting introduces serious multicollinearity problems.

¹⁹ Descriptive statistics (not tabulated) show that 53 out of 71 observations (74.6 per cent) have the *RESTRUC* value coded 1.

5.3 Regression Results

Table 5 presents regression results of models (1) and (2). Model F-statistics are 6.110 and 10.082 for models (1) and (2) respectively (both significant at the 0.01 level). Values of adjusted R^2 are 26.7 per cent and 38.1 per cent respectively. Maximum VIF values are 2.1 and 1.5 for models (1) and (2), respectively. There is thus no serious multicollinearity for the models.

Regression results of model (1) show that the coefficient signs of both of the two experimental variables are negative. The coefficient of *APPROV_PHASE2* is -2.884 and significant at the 0.01 level, but the coefficient of *APPROV_PHASE1* is not significant. This suggests that the magnitude of non-recurring gains associated with approved firms is generally lower than that associated with rejected firms, and the level of non-recurring gains associated with approved firms in the second rule phase is the lowest. Regression results of model (2) show that the coefficient of *PHASE* is -1.901 and significant at the 0.01 level, which further corroborates the result of model (1) that the magnitude of non-recurring gains associated with approved firms in the second rule phase is significantly smaller than that associated with approved firms in the first rule phase.

As to the control variables, coefficients of *LTA* from both models are negative as expected but not significant. Coefficients of *LEV* from both models are significantly positive (at the 0.05 or 0.1 levels), suggesting that highly leveraged firms tend to recognise a greater magnitude of non-recurring gains. Coefficients of *RESTRUC* from both models are negative as expected, and the one from model (1) is significant at the 0.01 level, suggesting that the applicants initiating major reforms or restructurings are less likely to rely on non-recurring gains.

In general, results of multivariate analysis shown in Table 5 are consistent with expectations. In other words, after controlling for some firm-specific characteristics, the regulator's decision-making towards recognition of non-recurring gains tend to be significantly more stringent after the institutionalisation of the profitability requirement.

VI. SUBSEQUENT FINANCIAL PERFORMANCE: COMPARISON BEFORE AND AFTER THE INSTITUTIONALISATION

This section is intended to examine financial performance subsequent to the application and before and after the institutional change. Due to data availability, the observation window subsequent to application covers periods $t + 1$ and $t + 2$, given that period t is the year of the ST withdrawal application. Similar to the design mentioned in Section 5.2, 71 observations in the sample are categorised into three sub-groups: (I) 21 approved observations in the first rule phase with *APPROV_PHASE1* coded 1; (II) 39 approved observations in the second rule phase with *APPROV_PHASE2* coded 1; and (III) 11 rejected observations in both phases.

Panel A of Table 6 describes an averaged return (net income) on assets ($SROA_{mean}$) and an averaged core return (Operating Profits – Profit from Other Business) on assets ($SCOREROA_{mean}$) for periods $t + 1$ and $t + 2$. ANOVA tests (Panel C) indicate

Table 5 Magnitude of Non-Recurring Gains Associated with Regulatory Decisions in Different Rule Phases: Multivariate Analysis

Dependent variable: <i>NRI_E</i>	Expected Sign	Model (1): Pooled sample with both approved and rejected applicants		Model (2): Only approved applicants in regression		
		Coeff.	t statistic	p value	Coeff.	t statistic
Experimental Variables						
<i>APPROV_PHASE1</i>	-	-0.914	-1.086	0.281		
<i>APPROV_PHASE2</i>	-	-2.884	-3.736***	0.000	-1.901	-6.016***
<i>PHASE</i>	-					0.000
Control Variables						
<i>LTA</i>	-	-0.497	-1.426	0.159	-0.228	-1.197
<i>LEV</i>	+	3.191	2.013**	0.048	1.686	1.880*
<i>RESTRUC</i>	-	-1.880	-2.785***	0.007	-0.499	-1.277
(Constant)	?	8.570	2.215**	0.030	4.323	2.013**
Model F-statistic			6.110***			10.082***
Adj. R ²			0.267			0.381
n			71			60

*, **, and *** denote 10 per cent, 5 per cent, and 1 per cent significance levels, respectively.

NRI_E = The proportion of independently estimated non-recurring items to Total Profit before Tax, where the independently estimated non-recurring items comprise four individual income statement items, namely Investment Gains, Extraordinary Gains (net of Extraordinary Losses), Subsidy Gains, and Profit from Other Business.

APPROV_PHASE1 = 1, if an observation occurs during the first rule phase and its application for ST withdrawal is approved by the regulator; 0, otherwise.

APPROV_PHASE2 = 1, if an observation occurs during the second rule phase and its application for ST withdrawal is approved by the regulator; 0, otherwise.

PHASE = 0, if an observation occurs during the first rule phase, which is from 1999 to 2001; 1, if an observation occurs during the second rule phase, which is from 2002 to 2004.

LTA = The natural logarithm of total assets as of the end of the year of the ST withdrawal application.

LEV = Total liabilities divided by total assets; both assets and liabilities are as of the end of the year of the ST withdrawal application.
RESTRUC = 1, if the applicant, during or before the year of the ST withdrawal application, initiates a change in either its controlling shareholder or main business, or initiates major restructuring transactions with the incumbent controlling shareholder; 0, otherwise.

Table 6 Comparison of Financial Performance Subsequent to Application

	<i>APPROV_PHASE1</i> = 1	<i>APPROV_PHASE2</i> = 1	<i>APPROV</i> = 0	
	Group (I)	Group (II)	Group (III)	
Panel A: Financial performance subsequent to application				
	Mean [Median]	Mean [Median]	Mean [Median]	
<i>SROA</i> _{mean}	1.18% [2.62%]	1.57% [2.35%]	-18.41% [-4.30%]	
<i>SCOREROA</i> _{mean}	-0.08% [-0.10%]	1.77% [2.40%]	-22.25% [-7.34%]	
n	21	39	11	
Panel B: Frequency of reporting loss subsequent to application				
Period <i>t</i> + 1 or <i>t</i> + 2	Observations [Per cent]	Observations [Per cent]	Observations [Per cent]	
<i>ROA</i> < 0	4 [19.0%]	7 [17.9%]	6 [54.5%]	
<i>COREROA</i> < 0	12 [57.1%]	13 [33.3%]	8 [72.7%]	
Panel C: ANOVA tests				
	F statistic	Scheffe test		
		(I) vs. (II)	(I) vs. (III)	(II) vs. (III)
<i>SROA</i> _{mean}	4.779**	Insignificant	Significant at 0.05 level	Significant at 0.05 level
<i>SCOREROA</i> _{mean}	4.953***	Insignificant	Significant at 0.05 level	Significant at 0.05 level

*, **, and *** denote 10 per cent, 5 per cent, and 1 per cent significance levels, respectively.

APPROV_PHASE1 = 1, if an observation occurs during the first rule phase and its application for ST withdrawal is approved by the regulator; 0, otherwise.

APPROV_PHASE2 = 1, if an observation occurs during the second rule phase and its application for ST withdrawal is approved by the regulator; 0, otherwise.

APPROV = 1, if an observation's application for ST withdrawal is approved by the regulator; 0, otherwise.

$SROA_{mean} = 0.5 * (ROA_{t+1} + ROA_{t+2})$.

$SCOREROA_{mean} = 0.5 * (COREROA_{t+1} + COREROA_{t+2})$.

ROA = Net Income divided by Total Assets.

COREROA = (Operating Profits – Profit from Other Business) / Total Assets.

t = The year of the ST withdrawal application

that there are significant differences among three sub-groups in respect of $SROA_{mean}$ or $SCOREROA_{mean}$. However, significant differences exist between Groups (I) and (III), or between Groups (II) and (III), while there is no significant difference between Groups (I) and (II). Panel B shows that 19.0 per cent (17.9 per cent) of Group (I) (Group (II)) observations report negative net income for period $t + 1$ or $t + 2$, and 57.1 per cent (33.3 per cent) of Group (I) (Group (II)) observations report negative core earnings. The Pearson Chi-Square test indicates a difference at a 0.10 significance level between Group (I) and Group (II) in respect of the probability of reporting negative core earnings after the ST withdrawal application.

The following multiple regression models are designed to further examine subsequent financial performance among various groups.

$$SROA_{mean} = b_0 + b_1LTA_t + b_2LEV_t + b_3SROA_{industry} + b_4APPROV_PHASE1 + b_5APPROV_PHASE2 + \eta \quad (3)$$

$$SCOREROA_{mean} = b_0 + b_1LTA_t + b_2LEV_t + b_3SCOREROA_{industry} + b_4APPROV_PHASE1 + b_5APPROV_PHASE2 + \eta \quad (4)$$

For models (3) and (4), the dependent variable is $SROA_{mean}$ or $SCOREROA_{mean}$, which is a proxy for financial performance subsequent to application. Experimental variables are $APPROV_PHASE1$ and $APPROV_PHASE2$, and coded 1 if an approved observation occurs during the first and second rule phase respectively. Both variables are expected to have positive coefficient signs, and the coefficient of $APPROV_PHASE2$ is expected to be greater than that of $APPROV_PHASE1$. Control variables include: (1) firm size variable (LTA_t); (2) financial leverage (LEV_t); (3) industry profitability subsequent to application,²⁰ where $SROA_{mean}$ corresponds to $SROA_{industry}$ (= an average of median industry returns on assets for periods $t + 1$ and $t + 2$), and $SCOREROA_{mean}$ to $SCOREROA_{industry}$ (= an average of median industry core returns on assets for periods $t + 1$ and $t + 2$).

As indicated in Table 7, after controlling for such factors as firm size, financial leverage, and median industry performances for the corresponding periods, coefficients of the two experimental variables, $APPROV_PHASE1$ and $APPROV_PHASE2$, are both positive and significant at either the 0.01 or 0.05 levels, suggesting that approved applicants generally enjoy much better subsequent financial performance than rejected applicants. Meanwhile, from models (3) and (4), the coefficient of $APPROV_PHASE2$ is marginally greater than that of $APPROV_PHASE1$, indicating that the approved applicants in the second rule phase slightly outperform those in the first rule phase.²¹

²⁰ Industry classification complies with the standard established by the CSRC. Since the sample in this study covers the period from 1998 to 2003, median industry performances are examined using financial data from 1999 to 2005. Industry classification data are sourced from the CCER database.

²¹ If the regression model is run with only those approved observations, it will be directly found that there is no significant difference in subsequent financial performance between approved firms in the first and second rule phases.

Analyses based on Tables 6 and 7 generally indicate that although applicants approved after the institutionalisation marginally outperform those approved before the institutionalisation, the overall magnitude is not as significant as expected. A possible explanation is that operating performance for the year of application of approved applicants in the second rule phase has not improved as substantially as expected. On the one hand, a considerable number of applicants approved after the institutionalisation continue to explicitly or implicitly recognise material non-recurring gains, albeit at a smaller magnitude. On the other hand, the regulatory restraint of one specific type of earnings management (i.e., non-recurring gains) may precipitate the applicants into resorting to other more obscure approaches, including manipulating above-the-line (discretionary) accruals.²² In addition, the applicants could misclassify recurring expenses into non-recurring losses, in order to exaggerate the magnitude of recurring earnings.²³ These more hidden behaviours may mitigate the expected positive effect of the institutionalisation to some extent.

VII. CONCLUDING REMARKS

This paper attempts to provide evidence on the effect of the institutionalisation of a profitability requirement on earnings management and the regulator's performance. In the unique setting of China, where an important institutional change in the "Special Treatment" withdrawal regulation took place in mid-2001 which explicitly restrained non-recurring gains, I find supporting evidence in this respect. The institutional change makes a difference in the applicants' behaviours, such that earnings quality improves in the year of the ST withdrawal application. The institutional change also makes a difference in the regulator's performance; after controlling for some firm-specific factors, the magnitude of non-recurring gains associated with applicants approved after the institutionalisation is significantly smaller than that associated with applicants approved before the institutionalisation.

Enforcement is a key mechanism of the capital market regulation (La Porta *et al.*, 1998). Effective regulatory enforcement should always abide by pragmatic principles rather than theoretical ideals, while the rule should be strictly implemented. Merely meeting the minimum requirements is inadequate. Evidence in this paper indicates that in an emerging capital market like China, it is not sufficient for the regulator to effectively restrain even very obvious earnings management at its sole discretion only, when the rule does not explicitly stipulate such a restraint. The evidence echoes the concerns expressed in prior theoretical literature about vague

²² When reading the application-year financial analyst's reports or audit reports of approved applicants in the second rule phase, I find that financial analysts or auditors frequently mention significant decreases in expenses or main operating costs. The applicants may even resort to recognising such implicit above-the-line items as fake revenue for manipulation.

²³ McVay (2006) provides evidence of classification-shifting behaviour in the US capital market. In Panel B of Table 4, there is one rejected case where the applicant misclassified recurring expenses into non-recurring losses, and the regulator identified the misreporting and required rectification.

Table 7 Financial Performance Subsequent to Application: Multivariate Analysis

	Expected Sign	Model (3): Dependent variable being $SROA_{median}$		Model (4): Dependent variable being $SCOREROA_{median}$			
		Coeff.	t statistic	p value	Coeff.	t statistic	p value
Experimental Variables							
$APPROV_PHASE1$	+	0.164	2.262**	0.027	0.222	2.737***	0.008
$APPROV_PHASE2$	+	0.227	3.396***	0.001	0.252	3.380***	0.001
Control Variables							
LTA_t	+	0.022	0.799	0.427	0.023	0.736	0.465
LEV_t	-	-0.240	-1.843*	0.070	-0.284	-1.909*	0.061
$SROA_{industry}$	+	6.435	1.845*	0.070	6.121	2.082**	0.041
$SCOREROA_{industry}$	+	-0.475	-1.515	0.135	-0.483	-1.420	0.160
(Constant)	?						
Model F-statistic			3.405***			3.850***	
Adj. R ²			0.147			0.169	
n			71			71	

*, **, and *** denote 10 per cent, 5 per cent, and 1 per cent significance levels, respectively.

$$SROA_{median} = 0.5 * (ROA_{t+1} + ROA_{t+2}).$$

$$SCOREROA_{median} = 0.5 * (COREROA_{t+1} + COREROA_{t+2}).$$

$APPROV_PHASE1 = 1$, if an observation occurs during the first rule phase and its application for ST withdrawal is approved by the regulator; 0, otherwise.

$APPROV_PHASE2 = 1$, if an observation occurs during the second rule phase and its application for ST withdrawal is approved by the regulator; 0, otherwise.

LTA = The natural logarithm of total assets.

LEV = Total Liabilities divided by Total Assets.

ROA = Net Income divided by Total Assets.

$COREROA$ = (Operating Profits - Profit from Other Business) / Total Assets.

$SROA_{industry}$ = The average of median industry returns on assets (ROA) for periods $t + 1$ and $t + 2$.

$SCOREROA_{industry,t}$ = The average of median industry core returns on assets ($COREROA$) for periods $t + 1$ and $t + 2$.

t = The year of ST withdrawal application.

standards and weak enforcement in an emerging market or transitional economy (Black and Kraakman, 1996; Hay *et al.*, 1996). Meanwhile, the evidence sets off the effect of the institutionalisation of a profitability requirement on regulatory enforcement.

It is worth noting that in view of the operating performance subsequent to the regulatory decision, although approved applicants significantly outperform rejected applicants, applicants approved after the institutionalisation only marginally outperform those approved before the institutionalisation, which is falling short of the expectation. This suggests the necessity to further study firm behaviours after the institutionalisation of the profitability requirement, and to further improve the relevant regulatory system. For example, it is required after the institutionalisation that net income after deduction of non-recurring items should be positive, which is equivalent to setting a 100 per cent materiality threshold for non-recurring gains (relative to net income). Such a specific bright line could only serve to prohibit the applicant from recognising *very* material non-recurring gains. Once the applicant recognises non-recurring gains with some materiality, say 80 per cent relative to net income, the 100 per cent bright line will not be formally applicable to the firm, and the regulator may exercise its sole discretion. Such inherent limitation of the bright-line regulation has already been discussed in prior literature (Hay *et al.*, 1996; Nelson, 2003). Therefore, future studies are justified to continue to explore the hidden features of earnings management that are potentially induced by a specific institutional change.

REFERENCES

Please refer to P.114–115