Appendix

Experimental and Survey Materials
Experimental Materials
LEGEND:

HEADINGS INDICATING STAGE OF EXPERIMENT AND CONDITION RECEIVING THE SUBSEQUENT INFORMATION

**Bolded items contain additional information about flow of what participants see in the study**

{Bracketed items provide distinction for information in alternate conditions}
EXPERIENCE CHECK [ALL CONDITIONS]

Based on your academic and professional experience, how much accounting knowledge would you say you have?

- None
- Very little (I understand the absolute basics, like the difference between assets and liabilities)
- Some (I understand how basic transactions affect the financial statements)
- Quite a bit (I could write the journal entries for most transactions)
- A lot (I could prepare all journal entries and financial statements for my business)

Do you have either personal or professional experience reading through company financial statements?

- Yes
- No

*If participants selected ‘None’ or ‘Very little’ in response to question 1 or ‘No’ in response to question 2, they are taken to the following screen:*

Unfortunately, your skill set does not align with the requirements of this study. Thank you for your time!
KNOWLEDGE CHECK [ALL CONDITIONS]

Please demonstrate your knowledge by answering the two accounting questions below. **You will only have one chance to answer the questions correctly**, so make sure to check your work before advancing.

A company purchases machinery on 1/1/2016 for $20,000. The asset has a salvage value of $4,000 and a useful life of 10 years. The company uses straight line depreciation.

Assuming no impairment, what is the carrying value of this machinery on 1/1/2017?

- $1,600
- $2,000
- $18,000
- $18,400

The company sells the equipment on 1/1/2017 for $16,500. Which is the correct journal entry to record this sale?

A. Cash 16,500
   Equipment 16,500

B. Accumulated Depreciation - Equipment 1,600
   Cash 15,500
   Loss on Sale of Equipment 1,900
   Equipment 20,000

C. Cash 15,500
   Loss on Sale of Equipment 3,500
   Equipment 20,000

D. Cash 15,500
   Gain on Sale of Equipment 3,500
   Equipment 20,000

*If participants answer either of the above two question incorrectly, they are taken to the following screen:*

Unfortunately, your skill set does not align with the requirements of this study. Thank you for your time!
CONSENT FORM [ALL CONDITIONS]

INFORMED CONSENT

Study Title: Manager Judgment

Please read this consent document carefully before you decide to participate in this study.

Purpose of the research study:
The purpose of this study is to investigate manager decision making.

What you will be asked to do in the study:
If you agree to be in this study, you will be asked to evaluate a hypothetical company and answer several questions based on the information provided. You will also be asked to answer several demographic questions.

Time required:
The study should take about 10 minutes to complete.

Risks and benefits of being in the Study:
Risks to completing this study are not greater than those ordinarily encountered in daily life. While not a direct benefit to you, the study’s results will help accounting regulators, managers, and academics better understand manager judgments.

Compensation:
Your compensation for this study will adhere to the agreement you made when initially opting-in to be contacted with these types of online tasks.

Confidentiality:
Your identity will be kept confidential to the extent provided by law. Individual responses in this study will be kept anonymous. In any sort of report that might be published, no information will be included that will make it possible to identify you. Only the researcher will have access to the research records.

Voluntary participation:
Your participation in this study is completely voluntary. There is no penalty for not participating.

Right to withdraw from the study:
You have the right to withdraw from the study at any time without consequence.

Whom to contact if you have questions about the study:

Whom to contact about your rights as a research participant in the study:

I have read the procedure described above. By checking “I Agree” below, I voluntarily agree to participate in the procedure and understand that I can print a copy of this form for my records.

I Agree
INSTRUCTIONS [ALL CONDITIONS]

INSTRUCTIONS

In this study, you will be presented with summary financial information of a hypothetical large manufacturing firm – Radko Inc. Please assume you are a member of Radko Inc.’s executive team. Your task is to decide on the amount of impairment to recognize on some of Radko’s equipment. You will be provided with all the necessary information and instruction on how to approach this decision.

Please perform this task carefully, as if you were making these decisions as part of your professional responsibilities.
BACKGROUND INFORMATION [ALL CONDITIONS]

BACKGROUND

Radko Inc. is a large manufacturer of construction equipment and is followed by many analysts. Radko Inc. has recently been in the news regarding acquisitions of several new segments as well as improvements in production processes.

Since Radko Inc. has recently improved its production processes, some of its old equipment has lost significant value as it is being replaced by more modern technology. Total Plant, Property, and Equipment (PPE) must be written down to account for this impairment.

The firm has performed well within the past couple of years as shown below (numbers in millions):

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>Radko Inc.</th>
<th>Industry Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$ 248</td>
<td>$ 230</td>
</tr>
</tbody>
</table>
**TASK DESCRIPTION [GAAP NET INCOME ONLY CONDITION]**

**YOUR DECISION**

*Your task is to determine the equipment writedown to recognize for 2016.*

You have already determined that some company equipment listed on the balance sheet at book value must be written down to fair value and, therefore, the company must record an impairment loss. However, because the equipment is highly specialized, you must make several assumptions when calculating its fair value. As part of this process, you determine a range of potential write-down amounts and their associated impairment losses.

You calculate the following range of equipment writedowns:

\[
\text{\$5 million} \quad \text{\$10 million}
\]

It is now up to you to choose the writedown that Radko should recognize. You know that your auditor will be most satisfied with a larger writedown (that is, the \$10 million amount), but you have successfully negotiated smaller amounts in the past. You believe that under GAAP you can justify a writedown as high as \$10 million or one as low as \$5 million.

Note that Radko Inc. encourages financial statement users to focus on **Net Income**, stating that this measure best captures underlying firm operations. Radko calculates **Net Income** in accordance with Generally Accepted Accounting Principles (GAAP).

An equipment writedown reduces Net Income.
Your task is to determine the equipment writedown to recognize for 2016.

You have already determined that some company equipment listed on the balance sheet at book value must be written down to fair value and, therefore, the company must record an impairment loss. However, because the equipment is highly specialized, you must make several assumptions when calculating its fair value. As part of this process, you determine a range of potential write-down amounts and their associated impairment losses.

You calculate the following range of equipment writedowns:

\[
\begin{array}{c|c}
\$5\text{ million} & \$10\text{ million} \\
\end{array}
\]

It is now up to you to choose the writedown that Radko should recognize. You know that your auditor will be most satisfied with a larger writedown (that is, the $10 million amount), but you have successfully negotiated smaller amounts in the past. You believe that under GAAP you can justify a writedown as high as $10 million or one as low as $5 million.

Note that Radko Inc. encourages financial statement users to focus on Adjusted Net Income, stating that this measure best captures underlying firm operations. Radko calculates Adjusted Net Income by eliminating special items such as asset impairment losses (writedowns) and gains/losses from sales of disposed equipment from the Net Income calculated in accordance with Generally Accepted Accounting Principles (GAAP).

An equipment writedown reduces Net Income. Adjusted Net Income "adjusts" for that loss by adding it back to Net Income.
COMPREHENSION CHECK QUESTIONS [ALL CONDITIONS with reference material matching the respective GAAP NET INCOME ONLY and \{NON-GAAP EARNINGS\} conditions]

Before continuing on to your task, please answer the following question (for your reference, information from the previous screen is repeated below):

Radko encourages financial statement users to focus on ____:

- Revenue
- Gross Margin
- Net Income
- Adjusted Net Income

A writedown makes Net Income:

- Higher
- Lower
- No different

Your task is to determine the equipment writedown to recognize for 2016.

You have already determined that some company equipment listed on the balance sheet at book value must be written down to fair value and, therefore, the company must record an impairment loss. However, because the equipment is highly specialized, you must make several assumptions when calculating its fair value. As part of this process, you determine a range of potential write-down amounts and their associated impairment losses.

You calculate the following range of equipment writedowns:

\[
\begin{array}{c|c|c}
\text{Writedown} & \text{Impairment Loss} \\
\hline
$5\ million & \ \ \\
$10\ million & \ \ \\
\end{array}
\]

It is now up to you to choose the writedown that Radko should recognize. You know that your auditor will be most satisfied with a larger writedown (that is, the $10 million amount), but you have successfully negotiated smaller amounts in the past. You believe that under GAAP you can justify a writedown as high as $10 million or one as low as $5 million.

Note that Radko Inc. encourages financial statement users to focus on Net Income \{Adjusted Net\}
Income}, stating that this measure best captures underlying firm operations. Radko calculates Net Income \{Adjusted Net Income by eliminating special items such as asset impairment losses (writedowns) and gains/losses from sales of disposed equipment from the Net Income calculated\} in accordance with Generally Accepted Accounting Principles (GAAP).

An equipment writedown reduces Net Income. \{Adjusted Net Income "adjusts" for that loss by adding it back to Net Income.\}

If participants answer both of the above two question correctly, they are taken to the following screen:

Your answers are correct!

Radko encourages financial statement users to focus on Net Income and an equipment writedown makes Net Income lower.

If participants answer either of the above two question incorrectly, they are taken to the following screen:

You have answered at least one attention check question incorrectly and will be exited from the survey.
Recall that you calculated the following range of possible amounts of impairment loss: between $5 million and $10 million.

Below is a summary of how using the extreme ends of your calculated range of possible values would affect 2016 Net Income as well as how each would be presented to investors in the 2016 Income Statement.

### $5 million Writedown

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$983</td>
<td>$947</td>
</tr>
<tr>
<td>Expenses</td>
<td>(726)</td>
<td>(699)</td>
</tr>
<tr>
<td>Impairment Loss</td>
<td>(5)</td>
<td>-</td>
</tr>
<tr>
<td>Net Income¹</td>
<td>$252</td>
<td>$248</td>
</tr>
</tbody>
</table>

¹In accordance with U.S. Generally Accepted Accounting Principles (GAAP)

### $10 million Writedown

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>Impairment Loss</td>
<td>(10)</td>
<td>-</td>
</tr>
<tr>
<td>Net Income¹</td>
<td>$247</td>
<td>$248</td>
</tr>
</tbody>
</table>

¹In accordance with U.S. Generally Accepted Accounting Principles (GAAP)

The December 2016 analyst consensus net income forecast for Radko Inc. is $250 million.

<table>
<thead>
<tr>
<th>SUMMARY</th>
<th>$5 million Writedown</th>
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<tbody>
<tr>
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<td>$247 mil</td>
</tr>
</tbody>
</table>

Please choose the writedown (amount of impairment loss) that you will report in the 2016 Income Statement:
Writedown: ___________ million
Net Income: ___________ million

*Numbers associated with the location of the sliding scale appear as soon as participants move the scale.*
You selected:

\${e://Field/WD} million for the writedown.

Below, please briefly explain why you chose this amount:

________________________________________________________________________
Recall that you calculated the following range of possible amounts of impairment loss: between $5 million and $10 million.

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<tr>
<td>Impairment Loss</td>
<td>$(5)</td>
<td>-</td>
</tr>
<tr>
<td>Net Income(^1)</td>
<td>$252</td>
<td>$248</td>
</tr>
<tr>
<td>Adjusted Net Income</td>
<td>$257</td>
<td>$248</td>
</tr>
</tbody>
</table>

\(^1\)In accordance with U.S. Generally Accepted Accounting Principles (GAAP)

### $10 million Writedown

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Writedown: ___________ million
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*Numbers associated with the location of the sliding scale appear as soon as participants move the scale.*
You selected:

${\text{e://Field/WD}} \text{ million}$ for the writedown.

Below, please briefly explain why you chose this amount:
Recall that you calculated the following range of possible amounts of impairment loss: between $5 million and $10 million.

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</tr>
<tr>
<td>Impairment Loss</td>
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<td>-$5</td>
<td>-$</td>
<td></td>
</tr>
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*In accordance with U.S. Generally Accepted Accounting Principles (GAAP)*

### $10 million Writedown

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### SUMMARY

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Please choose the writedown (amount of impairment loss) that you will report in the 2016 Income Statement:
Writedown: ___________ million
Net Income: ___________ million

*Numbers associated with the location of the sliding scale appear as soon as participants move the scale.*
You selected:

$\{e://Field/WD\} \text{ million}$ for the writedown.

Below, please briefly explain why you chose this amount:

________________________________________________________________________
You noted a recent article in the Wall Street Journal: “SEC Cracks Down on Novel Earnings Measures That Boost Profits (WSJ 4/28/2016), which noted that:

“The Securities and Exchange Commission is stepping up its scrutiny of companies’ homegrown earnings measures, signaling its plans to target firms that…employ customized metrics that stray too far from accounting rules. ‘The point is, now the company has created a measure that no longer reflects its business model. We’re going to take exception to that practice,’ said Mark Kronforst, chief accountant of the SEC’s corporate finance division, referring to companies' customized measures that don't comply with generally accepted accounting principles, or GAAP.”

One of the ways that the SEC has tried to ensure that investors and others are not misled by the use of adjusted financial measures was to pass Regulation G. Regulation G requires that any adjusted numbers presented by companies be reconciled with their most directly comparable financial numbers prepared in accordance with GAAP. The SEC anticipates that this reconciliation will help users better evaluate the adjusted numbers presented.

The SEC's task force is scrutinizing:

- Adjusted financial measures
- GAAP earnings ("net income")

Regulation G protects investors from being misled by adjusted earnings by:

- Not allowing firms to issue adjusted earnings.
- Requiring that those numbers be clearly reconciled to GAAP earnings ("net income").

If participants answer both of the above two question correctly, they are taken to the following screen:

Your answers are correct!

The SEC task force is scrutinizing companies' adjusted financial measures and requiring that they be clearly reconciled to net income.

If participants answer either of the above two question incorrectly, they are taken to the following screen:

At least one of your answers is incorrect!

The SEC task force is scrutinizing companies' adjusted financial measures and requiring that they be clearly reconciled to net income.

Press the "next" button to try the questions again.
**ADDITIONAL QUESTION [ALL CONDITIONS]**

In this scenario, how much attention do you expect investors would pay to the amount of the writedown recorded by Radko?

<table>
<thead>
<tr>
<th>Very Significant</th>
<th>Significant</th>
<th>Some</th>
<th>Little</th>
<th>Very Little</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

22
DEMOGRAPHIC QUESTIONS [ALL CONDITIONS]

1. What is your age (in years)?
   __________

2. What is your gender?
   ☐ Male
   ☐ Female

3. How many years of full time work experience do you have?
   __________

4. What is your general area of work?
   ☐ Accounting
   ☐ Finance
   ☐ Management
   ☐ Marketing
   ☐ Other (please specify):

5. Has your firm ever issued disclosures with adjusted or customized measures?
   ☐ Yes
   ☐ No
   ☐ Unsure / Don't know

6. Have you been involved in accounting decisions regarding asset impairment (writedowns)?
   ☐ Yes
   ☐ No
Survey Materials
Screen 1

Please verify your eligibility for the survey by answering the questions below.

Do you have experience as a controller for a publicly-traded company in the United States?

☐ Yes
☐ No

Which agency is responsible for reviewing a company's annual report?

☐ The Financial Accounting Standards Board (FASB)
☐ The Securities and Exchange Commission (SEC)
☐ The Internal Revenue Service (IRS)
☐ The Public Company Accounting Oversight Board (PCAOB)

How long does a company have to file Form 10-K?

☐ 5 to 15 days
☐ 15 to 30 days
☐ 40 to 45 days
☐ It depends. Different companies have different timelines.
Screen 2

Research Consent Form

You are being asked to be a volunteer in a research study.

Purpose:
The purpose of this study is to investigate manager decision making. We expect to enroll up to 50 people in this study.

Exclusion/Inclusion Criteria:
Participants in this study are expected to be 18 years old or older, have some past managerial experience, have an average level of accounting knowledge in order to understand and complete the study materials, and cannot be in a European Union (EU) country at the time of taking this survey.

Procedures:

• If you agree to be in this study, you will be asked to evaluate a couple hypothetical scenarios and answer several questions based on your prior experience and the information provided. You will also be asked to answer several demographic questions.
• The study should take about 10 minutes to complete.

Risks or Discomforts:
The risks involved are no greater than those involved in daily activities such as reading an online article and answering online survey questions. While not a direct benefit to you, the study’s results will help accounting regulators, managers, and academics better understand manager judgments.

Compensation to You:
You will be compensated according to your panel membership. For example, if you joined as an airline customer, you will be rewarded in SkyMiles, if you joined as a retail customer you may be rewarded in points at your favorite retail outlet, or if you joined as a general consumer you may participate in return for cash or gift cards.
Screen 2, continued

Confidentiality:
The following procedures will be followed to keep your personal information confidential in this study: Your privacy will be protected to the extent required by law. To protect your privacy, your records will be kept under a code number rather than by name. Your records will be kept in locked files and unless you give specific consent otherwise, only study staff will be allowed to look at them. Your name and any other fact that might point to you will not appear when results of this study are presented or published, and/or the Office of Human Research Protections may look over study records during required reviews.

You should be aware that the experiment is not being run from a 'secure' https server of the kind typically used to handle credit card transactions, so there is a small possibility that responses could be viewed by unauthorized third parties such as computer hackers. In general, the web page software will log as header lines the IP address of the machine you use to access this page, e.g., 102.403.506.807, but otherwise no other information will be stored unless you explicitly enter it.

Costs to You:
There are no costs to you, other than your time, for being in this study.

Questions about the Study:
If you have questions about the study, you may contact.

Questions about Your Rights as a Research Participant:

- Your participation in this study is voluntary. You do not have to be in this study if you don’t want to be.
- You have the right to change your mind and leave the study at any time without giving any reason and without penalty.
- Any new information that may make you change your mind about being in this study will be given to you.
- You can save a copy of this consent form to keep.
- You do not waive any of your legal rights by agreeing to this consent form.

If you have any questions about your rights as a research participant, you may contact:

By checking "I Agree" below, you voluntarily agree to participate in the procedure and understand that you can print a copy of this form for your records.

I Agree
Screen 3

Thank you for agreeing to participate in our survey.

We are looking for your expert opinion on some hypothetical situations related to financial reporting. There are no right or wrong answers, but we hope that you'll devote your full attention to the task.

Thank you again for your insights.
Screen 4

All publicly-traded firms in the United States are required to report income statements that conform to Generally Accepted Accounting Principles (hereafter, “GAAP Net Income”).

In addition, some firms choose to report “Adjusted Net Income” numbers, by eliminating special items such as impairment losses (writedowns) and gains/losses from sales of disposed equipment from the GAAP Net Income.

GAAP Net Income and Adjusted Net Income may report numbers that are fairly similar (e.g., via a small number of adjustments of a small net magnitude) or they may report numbers that are very different (e.g., via a large number of adjustments and/or a small number of adjustments of a large net magnitude).

Assume a company provides the following disclosure:

<table>
<thead>
<tr>
<th>FISCAL YEAR (in millions)</th>
<th>2017 (As Reported)</th>
<th>2017 Adjustments</th>
<th>2017 (Adjusted)</th>
<th>2016 (As Reported)</th>
<th>2016 Adjustments</th>
<th>2016 (Adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
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<td>-</td>
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<td>10</td>
<td>-</td>
<td>$248</td>
<td>-</td>
<td>$248</td>
</tr>
<tr>
<td>Net Income</td>
<td>$247</td>
<td>10</td>
<td>$257</td>
<td>$248</td>
<td>-</td>
<td>$248</td>
</tr>
</tbody>
</table>

1. In accordance with U.S. Generally Accepted Accounting Principles (GAAP)

Based on the example above, what do you expect investors will weigh more heavily when evaluating the firm?

<table>
<thead>
<tr>
<th>GAAP Net Income</th>
<th>Adjusted Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3</td>
<td>-2</td>
</tr>
<tr>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Investors will weigh more heavily

Based on the example above, to what extent do you expect investors will consider the asset impairment loss when evaluating the firm?

<table>
<thead>
<tr>
<th>Very Little</th>
<th>Little</th>
<th>Some</th>
<th>Significantly</th>
<th>Very Significantly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Investors consider impairment loss
Screen 5

Managers describe that they feel pressures to report positive GAAP Net Income.

Companies reporting Adjusted Net Income in addition to GAAP Net Income may weaken or strengthen some of the pressures that managers face.

From the list below, please select all of the pressures, if any, that are affected (weakened or strengthened) by companies reporting Adjusted Net Income in addition to GAAP Net Income.

☐ Meeting analyst forecast expectations
☐ Ensuring that the most important factors of the firm’s performance are communicated to investors
☐ Maintaining compliance with securities laws and regulations
☐ Achieving a bonus plan, or other internal, targets
☐ Delivering a consistent earnings trend
☐ Other (Please specify):

☐ None of these; Allowing a company to report Adjusted Net Income does not change the pressure to report positive GAAP net income.
Screen 6

Author Note: Participant selections from the prior screen are presented to participants in the $\{lm://Field/1\}$ one at a time. Once the electronic instrument iterates through all of the selections made on the prior screen, the survey continues.

You responded that a company reporting Adjusted Net Income in addition to GAAP Net Income weakens or strengthens the pressure of:

$\{lm://Field/1\}$

How does a manager reporting Adjusted Net Income affect this pressure?

- Weakens Pressure ☐
- Strengthens Pressure ☐
Screen 7

Some have expressed concerns that firms report Adjusted Net Income opportunistically (e.g., by excluding items from GAAP Net Income that make performance look worse, or including additional items that make performance look better). Assume that regulators have publicly announced that they will target firms that employ customized metrics that stray too far from accounting rules and will impose additional scrutiny on Adjusted Net Income numbers.

Assume a company provides the following disclosure as regulators announce that they will impose additional scrutiny on Adjusted Net Income numbers:

<table>
<thead>
<tr>
<th>FISCAL YEAR (in millions)</th>
<th>2017 Income Adjustments</th>
<th>2017 (Adjusted)</th>
<th>2016 Income Adjustments</th>
<th>2016 (Adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$983</td>
<td>$983</td>
<td>$947</td>
<td>$947</td>
</tr>
<tr>
<td>Expenses</td>
<td>$(726)</td>
<td>$(726)</td>
<td>$(699)</td>
<td>$(699)</td>
</tr>
<tr>
<td>Impairment Loss</td>
<td>$(10)</td>
<td>$(10)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Income</td>
<td>$247</td>
<td>$257</td>
<td>$248</td>
<td>$248</td>
</tr>
</tbody>
</table>

\(^1\)In accordance with U.S. Generally Accepted Accounting Principles (GAAP)

Considering the announcement that regulators will impose additional scrutiny on Adjusted Net Income numbers, what do you expect investors will weigh more heavily when evaluating the firm?

<table>
<thead>
<tr>
<th>GAAP Net Income</th>
<th>Adjusted Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3</td>
<td>-2</td>
</tr>
<tr>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>-1</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Investors will weigh more heavily

With the announcement of increased regulatory scrutiny, to what extent do you expect investors will consider the asset impairment loss when evaluating the firm?

<table>
<thead>
<tr>
<th>Very Little</th>
<th>Little</th>
<th>Some</th>
<th>Significantly</th>
<th>Very Significantly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Investors consider impairment loss
Author Note: Participant selections from Screen 5 are presented to participants in the one at a time. Once the electronic instrument iterates through all of the selections made on Screen 6, the survey continues.

Previously, you responded that a company reporting Adjusted Net Income in addition to GAAP Net Income changes the pressure of:

$\text{Field/1}$

How would an announcement of increased regulatory scrutiny of Adjusted Net Income numbers change your previous response, if at all?

- Regulatory Scrutiny **weaks** the effect of reporting Adjusted Net Income on the pressure of $\text{Field/1}$
- Regulatory Scrutiny **does not change** the effect of reporting Adjusted Net Income on the pressure of $\text{Field/1}$
- Regulatory Scrutiny **strengthens** the effect of reporting Adjusted Net Income on the pressure of $\text{Field/1}$
Screen 9

Based on your experience, what considerations do firms make when deciding whether to present Adjusted Net Income to investors?
Screen 10

What is your age?

With which gender do you primarily identify?

- Male
- Female
- Other
- Do not wish to respond