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Extension and Violations of the Statutory SEC Form 10-K Filing Requirements

by

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Mark E. Zmijewski

Working Paper No. 3461-92-EFA

MASSACHUSETTS
INSTITUTE OF TECHNOLOGY
50 MEMORIAL DRIVE
CAMBRIDGE, MASSACHUSETTS 02139

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Andrew W. Alford
Massachusetts Institute of Technology
Sloan School of Management
50 Memorial Drive
Cambridge, MA 02139
AALFORD@SLOAN.MIT.EDU

Jennifer J. Jones
University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, IL 60637

and

Mark E. Zmijewski
University of Chicago
Graduate School of Business
1101 East 58th Street
Chicago, IL 60637

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Abstract

In this study we present evidence that as many as 20 percent of the 10-K filings are filed with the SEC after the 90-day statutory due date. In addition to the fact that not all firms file timely 10-K reports, we document that firms that delay filing their 10-K report are not a random sample of firms; up to 25 percent of the firms that are experiencing unfavorable economic events, and 10 percent of the firms that are experiencing favorable economic events, delay their 10-K filing. On average, firms that delay their 10-K filing are small, have negative accounting rates of return, negative earnings changes, low liquidity, and high financial leverage; these firms also experience negative market adjusted stock returns during the fiscal year, the 90-day statutory filing period, and the delay period. These results suggest that verifying the public availability of non-earnings financial statement information is an important consideration in the experimental design of studies that use non-earnings financial statement information to predict economic events such as audit opinions, financial distress, bond rating changes, mergers, and stock returns.

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1. Introduction.

The 1934 Securities and Exchange Act requires every firm incorporated in the United States with publicly traded securities to file a Form 10-K with the United States Securities and Exchange Commission (SEC) within 90 calendar days of its fiscal yearend.[1] This 10-K filing requirement is widely known and often cited as the foundation for the assumption that the last date a firm's annual financial statement data become publicly available is 90 days after its fiscal yearend.[2] It is certainly the case, however, that not all firms will be able to meet this filing requirement. The SEC has procedures for a firm to notify the SEC of its inability to file a timely 10-K and to request an extension.[3] The purpose of this study is to document how frequently firms either extend or violate the 10-K filing requirements, and to describe the financial characteristics of these firms. The results of this study have implications for the design of empirical tests that use non-earnings financial statement data to predict economic events such as audit opinions, financial distress, bond rating changes, mergers, and stock returns.[4]

Specifically, we document the 10-K filing behavior for a sample of 38,775 10-K filings, and we describe the financial characteristics of this sample, partitioning the observations by the number of days between the 90-day statutory due date and the SEC 10-K receipt date (i.e., the filing delay). The results show that 20 percent of the 10-K filings are not filed by the statutory due date, and

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[1]We use the term "day" to refer to calendar days unless noted otherwise.

[2]For example, Holthausen and Larcker (1992, p. 5) state, "... we assume that the 68 ratios can be calculated for each firm three months after the fiscal yearend, since 10-K reports are due by that time."

[3]Specifically, the SEC requires a firm that does not have the ability to file a timely 10-K to notify the SEC by filing Form 12b-25, "Notification of Late Filing," within one business day after the 90-day statutory filing date. The initial Form 12b-25 filing typically provides the firm with an extension of the 90-day statutory filing requirement.

[4]See Watts and Zimmerman (1986) for a review of such studies.

approximately eleven (six) percent of the 10-K filings are delayed by at least six (18) days; surprisingly, in spite of the SEC's requirement that firms notify the SEC (via Form 12b-25) of an inability to file a timely 10-K, fewer than one-half of the firms filing a 10-K after the 90-day statutory filing date file a Form 12b-25.

To examine the conditions under which firms delay their 10-K filings, we collected a sample of 182 actual Form 12b-25 filings from the SEC. We document the reason stated by the firm for its inability to file a timely 10-K and if the firm expected a significant change in the results of its operations (required disclosures in Form 12b-25). Our analysis of this sample indicates that most firms delay their 10-K filing because of reasons related to financial distress.[5] Some firms with delayed 10-K filings, however, are not experiencing financial distress, but are involved in other activities such as acquisitions or mergers that cause a delay in the 10-K filing. Consistent with the majority of the firms experiencing financial distress, 31 percent of the firms stated that earnings for the current fiscal period were expected to be significantly less than earnings in the previous period, while only 10 percent stated that earnings for the current fiscal period were expected to be significantly greater that earnings in the previous period.

The sample of Form 12b-25 filings indicates that firms that delay their 10-K filings are not a random sample of firms. We examine this issue for the sample of 38,775 10-K filings in two ways. First, we partition the sample on the basis of market adjusted stock returns for the year immediately following the statutory due date, and we calculate the proportion of the firms in each of ten partitions that had a delayed 10-K filing. The results reveal that the two lowest stock return deciles, and the one highest return decile, have a higher proportion of delayed 10-K filings than the other deciles. To the extent that extreme stock returns signal economic events, these results indicate that many firms that experience unfavorable economic events, and some firms that experience favorable

[5]Lawrence (1983) documents financial reporting delays for bankrupt firms.

economic events, delay their 10-K filing and the release of their non-earnings financial statement data.

We also examine this issue by comparing the accounting characteristics and stock market performance across 10-K filing delay partitions. We document that the financial performance (as measured by accounting rates of return) deteriorates as the 10-K filing delay increases. We also document that the excess stock returns of firms that file 10-K reports after the 90-day statutory filing date are reliably less than zero during the fiscal year, the 90-day statutory filing period, and the delay period. Partitioning the sample into firms that filed/did not file a Form 12b-25 reveals that the financial performance of firms that filed a Form 12b-25 is reliably worse than the financial performance of firms that did not file a Form 12b-25. We observe these results for firms traded on the New York Stock Exchange (NYSE), the American Stock Exchange (ASE), and the National Association of Security Dealers Automated Quotations system (NASDAQ).

Finally, we examine the possibility that non-earnings financial statement data are released via alternative disclosures (e.g., annual report to shareholders (ARS), press releases). We document that firms filing a 10-K after the 90-day statutory filing period tend not to file an ARS with the SEC and, if they do, the ARS is typically filed after the 10-K. We also document, for a sub-sample of the firms, that firms that delay their 10-K filings do not issue a press release containing non-earnings financial statement data; further, we were able to ascertain if the financial statements were available by the date of the Form 12b-25 filing for many of the 182 Form 12b-25 filings that we collected from the SEC. We document that the financial statements are not typically available until after the 90-day statutory filing period for this sample of firms. These results suggest that it is unlikely that firms filing a 10-K after the 90-day statutory filing date provide similar information to the public before the firm files its 10-K with the SEC.

Outline of the paper. In section 2 we discuss the SEC's filing requirements for 10-K reports and notifications of late filing (Form 12b-25). In section 3 we describe the sample and present our descriptive analysis of the 10-K and Form 12b-25 reporting behavior, as well as the financial performance of firms that file a 10-K. We present our conclusions and implications for further research in section 4.

2. SEC 10-K Filing and Stock Exchange Financial Reporting Requirements.

All commercial and industrial firms that have registered securities under Section 12 of the 1934 Securities and Exchange Act and are required by Section 13 to file periodic reports, and firms that have registered securities under the 1933 Securities and Exchange Act and are required by Section 15(d) to file periodic reports, are required to file a Form 10-K with the SEC within 90 days after their fiscal yearend. The SEC considers a form as "filed" on the date it is received at the SEC's principal office in Washington, D. C.; Rule 03 of the 1934 Securities and Exchange Act defers a statutory filing date for SEC filings until the business day immediately following the statutory filing date if the statutory filing date is on a Saturday, Sunday, or holiday.

If a firm is not able to file its 10-K without "unreasonable effort or expense," Rule 12b-25 of the 1934 Securities and Exchange Act requires the firm to notify the SEC by filing a Form 12b-25 within one business day of its 90-day statutory filing date.[6] The SEC considers a delayed 10-K filing to be filed by the statutory filing date (timely) if the firm files a timely Form 12b-25 and it files its 10-K within 15 days after the original 90-day statutory filing date.[7] Unless the SEC notifies the firm to the contrary, the firm is to consider the 15 day extension approved after filing the initial Form

[6]Rule 12b-25 requires a "Notification of Late Filing" (Form 12b-25) for other SEC filings as well, for example, Form 10-Q (quarterly financial reporting) and Form 8-K (current report of significant events).

[7]In the early 1970s the Form 12b-25 provided a 30 day extension of the original 90-day statutory filing date.

12b-25; however, firms must consider applications for extensions beyond the initial extension denied unless the SEC issues a specific order granting the additional extension.

Figure 1 depicts the sequence of information events for this study. The 90-day statutory 10-K filing period is the 90-day period after the fiscal yearend, although adjusting this period for Saturdays, Sundays, and holidays can extend it to 93 days. The statutory 10-K filing date is the last day of the statutory filing period. We define the delay period as the number of days between the 90-day statutory filing date and the SEC 10-K receipt date. The SEC requires a firm that is not able to file a timely 10-K to notify it by filing a Form 12b-25 within one business day after the firm's 90-day statutory filing date; thus, we expect that the initial Form 12b-25 would be filed close to, but no more than one business day after, a firm's 90-day statutory filing date. Although firms can file a subsequent Form 12b-25 for an additional extension, subsequent Form 12b-25 filings are rare.[8]

The SEC takes a strong public position that timely information disclosures are important to the securities markets:

> The disclosures required in reports filed with the Commission are essential to the preservation of free, fair and informed securities markets. It is of critical importance that such reports be furnished within the time they are required to be filed under the Commission's rules. Only the most compelling and unexpected circumstances justify a delay in the filing of a report and the dissemination to the public of factual information called for therein.[9]

Although the SEC does not have the authority to levy fines for a firm's failure to adhere to statutory disclosure requirements, the SEC can enforce its statutory filing requirements in numerous ways.

First, the SEC can prohibit a firm from issuing additional publicly traded securities (of any type) by not approving the firm's registration statement because of the firm's failure to file its required disclosures on a timely basis. Second, the SEC can institute a civil injunctive action in the

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[8]Our database contains only 67 observations with subsequent Form 12b-25 filings for the 2,669 initial Form 12b-25 filings.

[9]Securities and Exchange Act of 1934, Release No. 10707, March 29, 1974.

courts against the firm; a typical example is Ener-Mark Corporation. The SEC filed a Complaint for Permanent Injunction in the United States District Court for the District of Columbia against Ener-Mark Corporation in 1990.[10] Ener-Mark admitted that it failed to file a Form 10-K for 1988 and 1989, four Form 10-Q reports, one Form 8-K (relating to an auditor change), and 13 Notifications of Late Filing on Form 12b-25. Ener-Mark consented to the Final Judgment ordering it to file its delinquent reports, and enjoining it from future disclosure violations of the provisions of the 1934 Securities and Exchange Act. If the firm does not comply with this judgment, the SEC can file a Motion for Judgment of Civil Contempt and have the corporation and/or its officers fined for failure to comply with the judgment. The SEC filed such a motion against Unioil Corporation and its chief executive officer, William M. Mulderig.[11] Third, the SEC can suspend trading of the firm's stock. Howe and Schlarbaum (1986) examine stock price changes of firms for which the SEC suspended trading in the firms' stock. They indicate that the reason given by the SEC for some of these suspensions was the firms' failure to file required information with the SEC.

The stock exchanges also have financial reporting requirements which provide some additional incentives for firms to make timely financial disclosures. The NYSE, ASE, and NASDAQ all have a general disclosure requirement that a firm must issue a timely press release for all significant events that could result in a significant change in its stock price, and specific rules regarding the issuance of financial statements. The NYSE even has specific rules pertaining to a delay in the issuance of a firm's financial statements.[12] The NYSE requires firms to submit an

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[10]See, SEC v. Ener-Mark Corporation, Civil Action No. 90-1550-JHG, D.D.C., July 3, 1990, LR-12532.

[11]See SEC v. Unioil and William M. Mulderig, Civil Action No. 88-2803 TPJ (D.D.C.), SEC Litigation Release No. 12641.

[12]All three exchanges discuss the financial disclosure requirements in their manuals; see the *NYSE Listed Company Manual* (1992), the *ASE Company Guide* (1992), and the *NASD Manual* (1992).

annual report to the exchange within three months after the fiscal yearend, but at least 15 days before the annual shareholders meeting. The NYSE states that if the firm cannot meet these reporting requirements, it should notify the NYSE as soon as the firm becomes aware of its inability to submit a timely annual report. As a result of the delay, the NYSE may delay the annual shareholders meeting, and it requires the firm to issue a press release regarding the financial statements as soon as the firm is confident that the audited financial statements will not differ significantly from the financial statements currently available.

The above SEC and stock exchange enforcement actions result in economic costs to the firm. Firms incur direct costs such as litigation costs, but it may be that indirect costs from the potential signalling effect of an untimely filing are an even greater incentive for the firm to comply with the SEC financial reporting requirements.[13] The fact that some firms file a 10-K after the 90-day statutory filing period indicates that these firms cannot avoid (or choose to bear) these economic costs, and leads us to conjecture that firms that file a 10-K after the 90-day statutory filing period are not a random sample of firms. We examine this conjecture in the remainder of this study.

3. Descriptive Analysis.

Our sample of 10-K and Form 12b-25 filings is taken from the SEC filing date database developed at the University of Chicago. This database contains SEC filings for most firms traded on the NYSE, the ASE, and the NASDAQ system from the mid 1960s through the first few months

[13]The existence of indirect costs from a signalling effect has some indirect foundation given the results in studies that document a negative stock price reaction to firms that do not announce earnings by the expected announcement date (see, for example, Kross (1981a, 1981b), Chambers and Penman (1984), Kross and Schroeder (1984), Penman (1984), and Alford and Zmijewski (1992)).

of 1985.[14] We restrict our sample to 10-K filings after 1977 because 1978 is the first complete year that Form 12b-25 filings were entered into the SEC's Work Load History file.[15] The database contains the date the SEC received the document (receipt date) and the date the SEC entered the document into its publicly accessible computer database (onfile date). A total of 38,775 10-K filings meet our selection criteria and 2,669 Form 12b-25 filings.[16]

The 10-K filings are distributed evenly across years (between 4,952 and 5,780 10-K filings per year), except that the database contains fewer 10-K filings in 1985 (1,627 10-K filings) since the database only covers the first part of 1985. This sample contains 7,887 unique firms in the sample which have from one to eight 10-K filings. Depending on a firm's fiscal yearend and whether it changed fiscal yearend during the sample period, a firm that exists in the database for every year in the sample period can have seven or eight 10-K filings; 42 percent of the firms in the sample (representing 62 percent of the 10-K filings) have either seven or eight 10-K filings.

A. Form 10-K and Form 12b-25 Filing Behavior.

In Table 1 we present the distribution of the number of days in the delay period (number of days between the 90-day statutory filing date and the actual filing date); negative/0/positive numbers indicate that the 10-K was filed before/on/after the 90-day statutory filing date. We measure the 90-day statutory filing date as the first business day on or after 90 days after the fiscal yearend, which adjusts the statutory filing date for Saturdays, Sundays, and holidays; thus, the 90-day

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[14]This database contains SEC filing dates for numerous SEC forms. It begins in the mid 1960s when the SEC began collecting this information for a subset of firms and ends in early, 1985; it is based on the SEC Work Load History file (September, 1985 version). The database is available from the Institute of Professional Accounting, University of Chicago, Graduate School of Business.

[15]It was not until the 1970s that the SEC provided a specific format for Form 12b-25 notifications, although Rule 12b-25 requiring notification of untimely filings was instituted before the 1970s.

[16]We assume that 10-K filings with the following characteristics are data errors, and we eliminate them from the database: incomplete or apparently incorrect dates in the database; a filing date after the 10-Q or 10-K filing date for a subsequent fiscal period (if available); or a filing date after the SEC "onfile" date (the date the SEC indicates that the filing is publicly available).

statutory filing date can be between 90 and 93 days after the fiscal yearend. We define the filing date as the date the SEC indicates that it received the 10-K filing (receipt date). This date is typically a few days before a 10-K filing is available to the public in the reading room at the SEC. The median lag between the filing date and the date the SEC enters the 10-K into its publicly accessible database (the onfile date) is three days (the mean is 5.1 days).[17]

In Table 1 we partition the sample by the length of the 10-K filing delay. The median 10-K filing delay is 0 days, and the 25th and 75th percentiles are -3 and 0 days (we do not report these statistics in the table); thus, while most (80 percent) 10-K filings are filed by the 90-day statutory filing date, 20 percent of the 10-K reports are filed after that date.[18] It is interesting to note that 38 percent of the 10-K fillings are on the 90-day statutory due date, and 51 percent are within one day of statutory due date. We present the six to 17 day delay partition because the SEC will, under most circumstances, grant a 15 day extension automatically, and we conjecture that the SEC does not monitor 10-K filings delayed only a few (five) days;[19] five percent of the 10-K filings are delayed between six and 17 days. The remaining six percent of the 10-K filings are delayed more than 17 days; 2 percent are delayed between 18 and 30 days, 2 percent between 31 and 60 days, and 2 percent more than 60 days. Table 1 also presents these results for the NYSE/ASE and NASDAQ separately. This partitioning indicates that the NYSE/ASE has fewer occurrences of delayed 10-K

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[17]See Easton and Zmijewski (1992) for a discussion of 10-K reporting lags.

[18]Although it is not the focus of our study, it is interesting to note that not many 10-K reports are filed very early; only fourteen percent of the 10-K filings are filed more than five days before the 90-day statutory filing date.

[19]The 15 day extension can extend to 17 days if it ends on a weekend or holiday

filings than NASDAQ (14 percent vs. 25 percent).[20]

The SEC requires a firm to notify the SEC of its inability to file a timely 10-K by filing a "Notification of Late Filing" (Form 12b-25) with the SEC within one business day of the 90-day statutory filing date. Given this disclosure requirement, firms that file a delayed 10-K filing should first file a Form 12b-25; thus, partitioning the distribution in Table 1 by firms filing/not filing a Form 12b-25 should partition the firms at approximately zero days delayed. The first three rows in Panel A of Table 2 show that, as expected, firms that file a timely 10-K do not file a Form 12b-25; surprisingly, not all firms that file a delayed 10-K notify the SEC by filing a Form 12b-25. In fact, the majority (68 percent) of these firms do not file a Form 12b-25 with the SEC. Very few (4 percent) firms that delay a 10-K report fewer than six days file a Form 12b-25, possibly because, as a practical matter, the SEC may view 10-K reports filed within five days of the 90-day statutory filing date as timely filings.

For firms that delay a 10-K filing between 6 and 17 days, 66 percent file a Form 12b-25; 51 percent of the firms with a 10-K filing delay between 18 and 30 days, 47 percent of the firms with a 10-K filing delay between 31 and 60 days, and 33 percent of the firms with a 10-K filing delay more than 60 days, file a Form 12b-25. The results in Table 2 indicate that numerous 10-K filings are filed by firms that violate the 10-K disclosure requirements by either filing a delayed 10-K and not filing a Form 12b-25, or by filing a Form 12b-25 but delaying the 10-K filing beyond the extension period granted by the Form 12b-25. The reason a firm would not file a Form 12b-25 is unclear since the disclosure requirements for this form do not appear to be difficult to satisfy. It may be that firms

[20]We examined the delay distribution by year, and we compared the delay distribution of December fiscal yearend firms to non-December fiscal yearend firms; the distributions are similar across year and fiscal yearend partitions. This is not the case, however, for the number of days between the date the SEC receives the 10-K filing (receipt date) and the date the 10-K is entered into its computer system (onfile date). There is a longer lag between the receipt and onfile dates for December fiscal yearend filings (see Easton and Zmijewski (1992) for a discussion of the lag between the receipt and onfile dates).

that delay a 10-K filing well beyond the extension granted by the Form 12b-25 do not file a Form 12b-25 because these firms expect to violate the SEC filing requirements even if they do file a notification of late filing with the SEC. These results are similar for both NYSE/ASE and NASDAQ firms.

The results in Panel B of Table 2 show the number of firms with delayed 10-K filings that complied with the SEC's 10-K filing requirements. Recall that a firm delaying its 10-K filing must file a Form 12b-25 within one day of its 90-day statutory filing date, and then file the delayed 10-K within the extension period granted by filing the Form 12b-25 (between 15 and 17 days). Only 1,274 of the 2,669 Form 12b-25 filings (48 percent) comply with the 10-K filing requirements. Although the primary purpose of this study is to examine the characteristics of firms that extend or violate the 10-K filing requirements and not the decision process firms use to decide whether to comply with SEC disclosure requirements, we provide some empirical evidence on the differences between firms that filed/did not file a Form 12b-25 prior to filing a delayed 10-K to gain some insights on this decision process.

The implication for practitioners and researchers who develop and backtest models that use non-earnings accounting data to predict economic events is that not all 10-K filings are available within three months of the fiscal yearend; therefore, such models assume data are available for firms that did not release this information within the three month period. The importance of this stylized fact increases if firms that delay their 10-K filing are experiencing the economic events that such models are attempting to predict. We examine the characteristics of firms that delay their 10-K filing next.

B. Information Disclosed on Form 12b-25.

The first source of information regarding the characteristics of firms that delay their 10-K filing is the Form 12b-25. We collected a sample of 182 Form 12b-25 filings from the SEC, and we summarized the information disclosed in them. Rule 12b-25 requires a firm to disclose (on Form 12b-25) why it could not file its 10-K by the 90-day statutory filing date and if the firm anticipates "any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report."[21] If the firm anticipates that it will report a significant change in the results of its operations, the firm must provide a description of the anticipated change. We summarize the information in the 182 Form 12b-25 filings in Table 3. Many firms provide more than one reason for their inability to file a 10-K within the 90-day statutory filing period; in the first two columns of Table 3 we present the distribution of primary reasons provided by these firms for the delayed 10-K filings, and in the third column we present the distribution of additional reasons. The last four columns present a summary of the firms' disclosures about the results of operations for the fiscal year of the delayed 10-K filing.[22]

We group the reasons given by firms for their inability to file a Form 10-K by the 90-day statutory filing date into four major categories: financial distress, accounting and auditing issues, asset acquisitions and dispositions, and other. The financial distress category includes reasons relating to debt negotiations, debt restructuring, bankruptcy, reorganizations, and poor financial condition. The accounting and auditing issues category includes accounting issues or problems, delays in obtaining information from within the firm or from a third party, audit related delays, and investigations of financial statement information. We include any changes in the type or scale of operations such as dispositions or acquisitions of businesses and assets and business combinations and liquidations in the asset acquisitions and dispositions category; finally, we include all reasons that

[21]Securities and Exchange Act of 1934, Release No. 10707, March 29, 1974.

[22]To the extent that management has incentives to not reveal the true reasons for the delayed 10-K filing, the results in this table may not provide an accurate description of the true reasons for the delayed 10-K filing.

are not related to any of the first three categories in the other category.

The most prevalent reason stated for filing delays is debt negotiations and restructuring (19 percent of the primary reasons). The financial distress category has the largest percentage of primary reasons (31 percent), followed by the accounting and auditing issues category (27 percent). The percent of firms experiencing financial distress, however, could be understated because several of the non-financial distress reasons could be indirectly related to financial distress and, as such, the financial distress category may be understated; for example, the audit related delays category could be due to the increased scope of audit procedures necessary as a result of financial distress.[23] Although most of the reasons provided by firms for the delayed 10-K filing in the Form 12b-25 suggest that the firms are experiencing some type of financial difficulty, this may not be the situation for all firms; for example, in 5 percent of the Form 12b-25 filings the firms indicate acquisitions of businesses or assets as the reason for the delayed 10-K filing which may not reflect financial distress, and, in fact, could even indicate the opposite.

In the remaining columns, Table 3 presents the expected change in earnings from the prior fiscal period as reported on Form 12b-25. Across all observations, 31 percent report an expected negative change, 36 percent report no expected change, 10 percent report an expected positive change, and 23 percent do not report the expected change (due to an inability to estimate the change or the absence of a response). These results indicate that a small proportion of the sample expect to report improved earnings. For both the financial distress and accounting and auditing issues categories, most of the filings disclosing an expected change in earnings report an expected decline. Only 12 percent of the financial distress category and 10 percent of the accounting and auditing issues category report an expected increase in earnings. In summary, the stated reasons for delays

[23]Note that 100 percent of the Form 12b-25 filings indicating audit-related delays as the reason for the delayed 10-K filing reported an expected significant negative earnings change.

in filing the 10-K reports and the expected changes in earnings reported on Form 12b-25 suggest that there are two types of firms; most firms are performing poorly, but a small percentage of these firms may be performing very well.

C. Proportion of Delayed 10-K Filings of Portfolios Based on Stock Returns.

In this section of the paper we use annual market adjusted stock returns to proxy for the existence of economic events, and we compare the proportion of 10-K filings delayed by more than five days across portfolios based on the magnitude of the annual market adjusted stock return. The intuition underlying this analysis is that the economic events for which practitioners and researchers develop models result in changes in the market value of the common equity of the firm. This statement is exactly true for models that attempt to predict stock returns.

For each firm in our sample we calculate the annual market adjusted stock return for the period beginning the day after the statutory due date; we measure the annual market adjusted return as the difference between the annual return for the firm and the annual return on the equally weighted market index. The daily stock return file developed by the Center for Research in Security Prices (CRSP) at the University of Chicago is our data source of stock returns. For each calendar year, we rank firms on the basis of their annual market adjusted return and form ten portfolios (portfolio 1 is equal to the firms with the lowest market adjusted return). We calculate the proportion of 10-K filings that are delayed by more than five days for each portfolio. Given the reasons for the delayed 10-K stated in the Form 12b-25 filings, we expect a higher proportion of delayed 10-K filings in the extreme portfolios, especially the poorly performing portfolios.

We present the proportion of 10-K filings that are delayed by more than five days for each portfolio in Figure 2. The shape of the graph in Figure 2 is the mirror image of the letter J, as expected. The portfolio with the highest proportion (26 percent) of delayed 10-K filings is portfolio 1 (firms with the lowest annual market adjusted return), and the portfolio with the second highest proportion (12 percent) is portfolio 2. This proportion declines for each of the next five portfolios, and reaches its lowest value (5 percent) for portfolio 7. It then increases for each of the three remaining portfolios, with the proportion increasing to 10 percent for portfolio 10 (highest annual market adjusted return portfolio). We observe similar results for both the NYSE/ASE and NASDAQ (see Figure 2). These results suggest that the likelihood of a firm delaying its 10-K filing is higher if the firm is experiencing economic events that are reflected by market adjusted stock returns, especially if the firm is experiencing unfavorable economic events.

D. Financial Characteristics of Firms with Delayed 10-K Filings.

In this section we examine the various financial characteristics of firms in the sample, partitioning the firms by their 10-K filing delay. The Compustat annual history file, constructed by CRSP, is our data source for calculating all accounting based financial characteristics; this file contains all firms on all of Compustat's current and research files for their entire history on Compustat. The financial characteristics we examine are the market value of common equity, accounting rate of return on common equity, change in earnings per share scaled by price, total debt to total assets, and current assets to current liabilities, all measured for the fiscal year of the delayed 10-K filing.[24] We calculate the mean by first calculating the median financial characteristic in each calendar year (1978-1985), and we present the mean of the eight time series medians.[25] In Table 4 we present the results for all observations (Panel A), delayed 10-K filings without a Form 12b-25 (Panel B), and delayed 10-K filings with a Form 12b-25 (Panel C).

The results in Table 4 indicate that firms that delay their 10-K filing tend to be small, have

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[24]An examination of the accounting rate of return on assets and rate of return on sales provide qualitatively equivalent results to the rate of return on common equity results we present in the paper.

[25]We delete observations with negative denominators when calculating the accounting rates of return.

negative rates of return on equity, negative changes in earnings, higher financial leverage, and lower liquidity. Firm size and rate of return on equity monotonically decrease across the partitions in Table 4. The rank correlations between the 10-K filing delay and firm size, rate of return on equity, change in earnings (scaled by price), and liquidity (current assets to current liabilities) are reliably less than zero, and the rank correlation between the 10-K filing delay and financial leverage is reliably greater than zero.

Although this study does not focus on the decision process that firms use to decide to file/not file a Form 12b-25 for delayed 10-K filings, it is interesting to partition the sample on this basis. We present such results in Panels B and C of Table 4; Panel B presents results for firms that did not file a Form 12b-25 and Panel C presents results for firms that did file a Form 12b-25. The results in Panels B and C are similar in that they both indicate a negative relation between the 10-K filing delay and firm size, return on equity, change in earnings, and liquidity, and a positive relation between the 10-K filing delay and financial leverage. Panels B and C differ, however, in that firms that file a Form 12b-25 tend to be larger and have worse accounting performance than firms that do not file a Form 12b-25.

E. Market Adjusted Stock Returns of Firms with Delayed 10-K Filings.

In this section we examine the market adjusted stock returns of firms in the sample over various return holding periods, partitioning the firms by their 10-K filing delay as in Table 4. We examine five return holding periods. The first return holding period is the fiscal year of the delayed 10-K filing, and the second period is the 90-day statutory filing period. The third period is the annual period beginning the day after the 90-day statutory due date. The stock return in this period is often "predicted" in stock return prediction models.[26] The fourth and fifth periods partition the

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[26]See, for example, Zmijewski (1983), Ou and Penman (1989), Holthausen and Larcker (1992), and Lev and Thiagarajan (1991)

third period into the 10-K filing delay period and the remainder of the third period (i.e., the period beginning the day after the 10-K receipt date to the 90-day statutory due date for the next fiscal year).

We measure a firm's mean daily market adjusted return for a period as the difference between the mean daily return for the firm during that period less the mean daily return on the equally weighted market index during that period. We calculate a portfolio's mean daily market adjusted return by first calculating the mean daily market adjusted return for all firms in a calendar year (1978-1985), and we present the mean of the eight time series means in the table; we calculate t-statistics using the eight time series means.[27] In Table 5 we present the results for all observations (Panel A), delayed 10-K filings without a Form 12b-25 (Panel B), delayed 10-K filings with a Form 12b-25 (Panel C), and Form 12b-25 filings that did not have 10-K filings for that fiscal year (Panel D).

The results in Table 5 indicate that firms that delay a 10-K filing have, on average, negative market adjusted returns during the fiscal year and during the 90-day statutory filing period; further, the results indicate that the longer a 10-K filing is delayed, the more negative is the mean market adjusted stock return during these holding periods. The results are quite striking for firms that delay a 10-K filing more than 60 days. These firms have a mean daily market adjusted return of -0.27 percent during the fiscal year and during the 90-day statutory filing period.

The more interesting results to practitioners and researchers who use non-earnings financial statement data to predict economic events are the mean market adjusted returns during the delay period. The results in Table 5 indicate that firms that delay their 10-K filings more than 17 days experience negative market returns during the delay period; the mean daily market adjusted returns

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[27]If the return holding period varies cross-sectionally (as it does, for example, in the delay period), we weight an observation by the number of days in the return holding period.

for firms with a 10-K filing delay between 18 and 30 days is -0.23 percent, between 31 and 60 days, -0.20 percent, and more than 60 days, -0.91 percent.[28] We also partition the sample of firms with delayed 10-K filings into firms that file/do not file a Form 12b-25, see Panels B and C of Table 5. Consistent with our observations from the analysis of the financial characteristics in Table 4, the results in Panels B and C in Table 5 are similar, but more negative for firms that file a Form 12b-25 (Panel C). Firms that file a Form 12b-25 but did not file a 10-K report for that year experience even more negative returns during the fiscal year, the statutory 10-K filing period, and in the year subsequent to the statutory 10-K filing period (see Panel D).

The results in the fourth column of Table 5 indicate that firms that delay their 10-K filing experience negative market excess returns even after the 10-K receipt date. The mean daily excess return for the period beginning the day after the 10-K receipt date and ending twelve months after the 90-day statutory due date for the delayed 10-K filing is reliable less than zero for firms that delay their 10-K filing more than 5 days. These results suggest that studies that develop models to predict stock returns should consider the timing of the 10-K filing as a potential predictor variable.

Taken together, the results in this section of the paper provide strong evidence that firms that extend or violate the 90-day statutory 10-K filing period on average experience unfavorable economic events, although some firms are also experiencing favorable economic events (see Figure 2). On average, however, these firms exhibit negative accounting rates of return for the fiscal year of the delayed filing and negative market adjusted stock returns during the delay period. These results have implications for practitioners and researchers who develop and backtest models that predict economic events. Not only do some firms release non-earnings financial statement data after the 90-day statutory filing date, but these firms tend to delay the release of such information when they

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[28]The t-statistics indicate that all of these mean market adjusted returns are reliably less than zero.

are experiencing significant economic events, especially unfavorable economic events.[29]

F. **Alternative Sources of Non-Earnings Financial Statement Information.**

In this section of the study we provide evidence that firms that delay their 10-K filing do not release similar information via some other means. The ARS (annual report to shareholders) is a competing source of information to 10-K filings. Firms are not required to file an ARS with the SEC unless the firm satisfies one or more of its 10-K disclosure requirements by citing the ARS. Approximately 70 percent of the firms, however, file an ARS with the SEC in addition to the Form 10-K; thus, we can provide some evidence on when financial statement information first becomes publicly available by examining firms that file an ARS with the SEC, assuming the date the SEC receives the ARS is also the date the information is disclosed publicly.

In the first two columns of Table 6 we present the distribution of 10-K filings that also have an ARS filed with the SEC for the same fiscal year and the percent of ARS filings that arrive before the 10-K filing. An ARS that is filed before the 10-K filing indicates that non-earnings financial statement information is released before the 10-K filing. The results in Table 6 indicate that firms that delay filing a 10-K are less likely to file an ARS with the SEC; further, conditional on filing an ARS with the SEC, firms that delay filing a 10-K are more likely to file the ARS on or after the 10-K filing date. Of the timely 10-K filings that also have an ARS filing, 32 percent have an ARS filed before the 10-K filing. This percentage, however, decreases for firms with delayed 10-K filings; for example, this percentage is only 13 percent for firms delaying a 10-K by more than 60 days.

The date a firm files an ARS with the SEC may not be the first date that non-earnings financial statement information is available publicly for at least two reasons. First, a firm may disclose the ARS publicly before it files the ARS with the SEC. Second, a firm may release

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[29]Although not reported in the tables, the results for separate analyses of NYSE/ASE and NASDAQ firms are consistent with the results in Tables 4 and 5; The results for the NYSE/ASE firms are not as negative as the results for the NASDAQ firms.

preliminary non-earnings information before the 10-K receipt date. Although there is some empirical evidence supporting these reasons in the literature for firms that, on average, file timely 10-K reports, there is no evidence for firms filing delayed 10-K reports.[30]

To address this issue, we also examined press releases for a sub-sample of firms to ascertain if the firms released non-earnings financial statement data in a press release before the 10-K receipt date. We searched the LEXIS/NEXIS company press release file for all firms that delayed their 10-K filings more than 17 days for fiscal yearends after 1982.[31] Although some of the firms released income statement data in press releases before the 10-K receipt date, none of the firms released non-earnings financial statement data. This analysis provides further evidence that firms that delay their 10-K filing do not release non-earnings financial statement data before the 10-K receipt date.

An even stronger test of the potential release of non-earnings financial statement data before the 10-K receipt date is to examine the frequency with which firms with delayed 10-K filings omit their preliminary earnings announcement. To provide some insights on the omission of preliminary earnings announcements we conducted the following test. First, we collected all available earnings announcements from the Compustat quarterly history file for a sample of 10-K filings. The Compustat quarterly history file, constructed by CRSP, contains all firms on all of Compustat's current and research files for their entire history on Compustat. For a 10-K filing for which there

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[30]Dodd et al. (1984) consider the postmark date of an ARS sent to the NYSE in addition to the 10-K receipt date as the first date that non-earnings financial statement information is publicly available. We compared their sample of NYSE postmark dates to the earlier of the SEC's 10-K and ARS dates and find that the NYSE postmark date is, on average, 6.0 days before the earlier of the SEC's 10-K and ARS dates. Wilson (1985) presents results from a questionnaire to firms in his sample to ascertain when firms release accounting accrual information; 13 percent of the firms responding to his questionnaire released preliminary balance sheets and six percent released fourth quarter financial statements before the release of the annual report to shareholders or the filing of the 10-K report. Neither of these samples, however, examine firms that delay their 10-K filings.

[31]This database begins in 1983.

was no earnings announcement, we examined the earnings announcements on Compustat for previous quarters for that firm to ascertain if the earnings announcement was omitted. If there was an earnings announcement on Compustat in either the quarter before, or four quarters before, the quarter of the delayed 10-K filing, we designated the missing earnings announcement as omitted by the firm;[32] then we calculated the percentage of the earnings announcements that were omitted for each of the partitions of the sample.

These results (see the last two columns of Table 6) indicate that firms that delay filing a 10-K are less likely to issue a preliminary earnings announcement; further, firms that delay filing a 10-K are more likely to omit the preliminary earnings announcement for the fiscal year. Of the timely 10-K filings, only 11 percent omit the earnings announcement. This percentage, however, increases for firms with delayed 10-K filings; for example, 72 percent of the firms delaying a 10-K by more than 60 days omit the preliminary earnings announcement.

Finally, we were able to document if a firm's financial statements were available by the date of the Form 12b-25 filing for many of the 182 Form 12b-25 filings we collected from the SEC. Table 7 provides information regarding the availability of non-earnings information at the date of the Form 12b-25 filing. We classified the information from each Form 12b-25 in one of three ways: the financial statements were available in some form by the 90-day statutory filing date, the financial statements were not available by that date, or the availability of the financial statements by that date could not be ascertained. The results in Table 7 show that only 3 percent of the sample had financial statements that were available by the Form 12b-25 filing date, whereas 45 percent of the sample indicated that the financial statements were not available.[33]

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[32]We verified that these earnings announcements were not available in the *Wall Street Journal Index* for a sub-sample of observations.

[33]We could not ascertain if the financial statements were available for 52 percent of the sample.

4. Conclusions and Implications.

In this study we present evidence that not all firms file 10-K reports within the 90-day statutory filing period; in fact, as many as 20 percent of the 10-K filings are filed after the 90-day statutory filing date. This result suggests that non-earnings financial statement information is not always available within the three month period following the fiscal yearend. Our investigation of alternative sources of this information suggests that firms that delay their 10-K filing do not release this information via other disclosures. In addition to the fact that not all firms file timely 10-K reports, we document that firms that delay their 10-K report are not a random sample of firms; up to 25 percent of the firms that are experiencing unfavorable economic events, and 10 percent of the firms that are experiencing favorable economic events, delay their 10-K filing. On average, firms that delay their 10-K filing are small, have negative accounting rates of return, negative earnings changes, low liquidity, and high financial leverage; these firms also experience negative market adjusted stock returns during the fiscal year, the 90-day statutory filing period, and the delay period.

The results in this study have implications for studies that examine the ability of non-earnings financial statement information to predict economic events such as audit opinions, financial distress, bond rating changes, mergers, and stock returns. For example, studies that predict stock returns typically assume that such information is available to stock market participants three months after a firm's fiscal yearend, and measure future stock returns as beginning three months after the fiscal yearend.[34] The negative financial performance of firms that delay a 10-K filing suggests that it is likely that trading strategies based on non-earnings financial statement information would classify these firms as firms to sell short on the basis of information that is not available to market

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[34]Examples of such studies are Zmijewski (1983), Ou and Penman (1989), Holthausen and Larcker (1992), and Lev and Thiagarajan (1991); notable exceptions are Fama and French (1991) who assume that non-earnings financial statement information is not available until six months after a firm's fiscal yearend, and Sloan (1992) who conducts robustness checks by examining alternative assumptions for the public availability date of non-earnings financial statement data.

participants. Our results suggest that verifying the public availability of non-earnings financial statement information is an important consideration in the experimental design of such studies.

We also document that firms do not always follow SEC disclosure regulations. Fewer than one-half of the firms that filed a delayed 10-K also filed the appropriate notification of late filing on Form 12b-25 with the SEC; interestingly, the sample of firms that filed a Form 12b-25 tend to be larger and have more negative financial performance than firms that did not file a Form 12b-25. An interesting direction for future research is to study the decision process firms use to decide whether to comply with SEC disclosure regulations.

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Figure 1

Time-Line for the SEC Form 10-K Statutory Filing Date

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 Fiscal                     Statutory                Actual      Fiscal                 Statutory
Yearend                    10-K Filing             10-K Filing  Yearend                10-K Filing
  (t)                        Date (t)                  (t)        (t+1)                 Date (t+1)

—>|<– 90 Day Filing Period –>|<————> ··· ———>|—> ··· —>|<– 90 Day Filing Period –>|—>

                              |<— Delay Period —>|<— Actual Filing to Next Due Date —>|

                              |<———————— Due Date to Next Due Date ——————————>|

                    |<– Initial –>|
                     12b-25 Filing
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Figure 2

Percentage of Delayed 10-K Filings for Portfolios Based on Annual Market Adjusted Returns

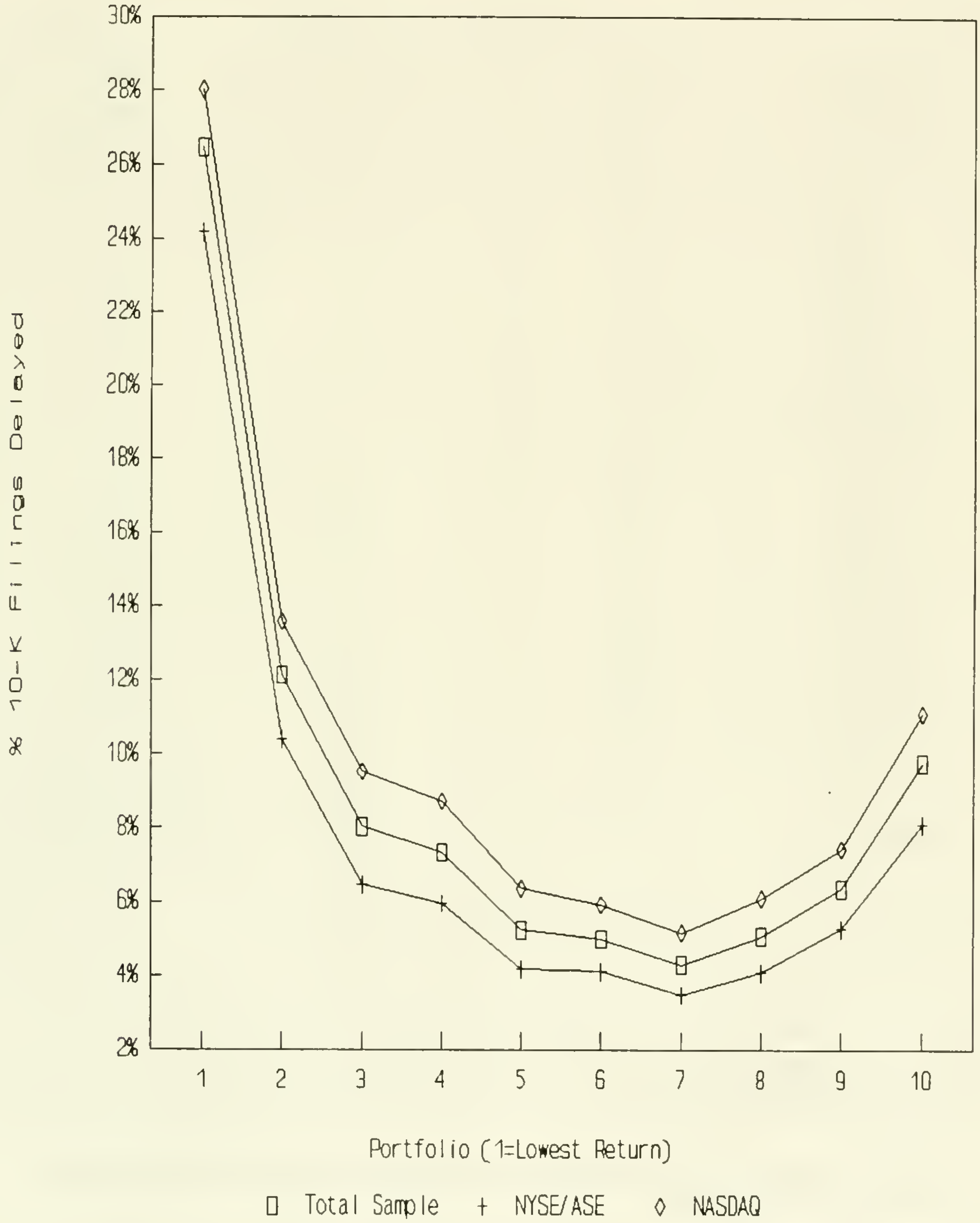

Table 1

Distribution of 10-K Filings by 10-K Filing Delay
Firms Partitioned by Stock Exchange

10-K Filing[1] Delay (DD)	Total Sample		NYSE/ASE[2]		NASDAQ[3]	
	Number of Filings	Percent of Total	Number of Filings	Percent of Total	Number of Filings	Percent of Total
DD <= -5	5,532	14	3,276	18	2,256	11
DD = -4	1,750	4	924	5	826	4
DD = -3	3,783	10	1,951	11	1,832	9
DD = -2	1,366	4	761	5	605	3
DD = -1	3,719	10	1,959	11	1,760	8
DD = 0	14,878	38	6,436	36	8,442	40
Timely Filings	31,028	80	15,307	86	15,721	75
DD = 1	1,300	4	448	3	852	4
DD = 2	531	1	176	1	355	2
DD = 3	866	2	309	2	557	3
DD = 4	481	1	197	1	284	1
DD = 5	202	1	80	0	122	0
5 < DD <= 17	2,160	5	622	4	1,538	7
17 < DD <= 30	677	2	164	1	513	2
30 < DD <= 60	755	2	184	1	571	3
60 < DD	775	2	259	1	516	3
Delayed Filings	7,747	20	2,249	14	5,308	25
Total	38,775	100	17,746	100	21,029	100

Notes to Table 1.

1 10-K Filing Delay (DD) is the number of days between the actual 10-K filing date and the 90 day statutory filing date.

2 NYSE/ASE indicates firms in sample listed on the New York Stock Exchange or American Stock Exchange.

3 NASDAQ indicates firms in sample that trade on the National Association of Security Dealers Automated Quotations System.

Table 2

Distribution of Form 12b-25 Filings by 10-K Filing Delay
Firms Partitioned by Stock Exchange

10-K Filing[1] Delay (DD)	Total Sample: Number of 12b-25 Filings	Total Sample: Percent of 10-K Filings[2]	NYSE/ASE[3]: Number of 12b-25 Filings	NYSE/ASE[3]: Percent of 10-K Filings	NASDAQ[4]: Number of 12b-25 Filings	NASDAQ[4]: Percent of 10-K Filings
Panel A: Distribution of 10-K Filing Delays for Firms that Filed a Form 12b-25						
DD <= -5	0	0	0	0	0	0
-5 < DD <= 0	16	0	4	0	12	0
Timely Filings	16	0	4	0	12	0
0 < DD <= 5	131	4	43	4	88	4
5 < DD <= 17	1,420	66	373	60	1,047	68
17 < DD <= 30	342	51	90	55	252	49
30 < DD <= 60	352	47	80	43	272	48
60 < DD	257	33	65	25	192	37
Delayed Filings	2,502	32	651	27	1,851	35
Total 12b-25[5] Filings w/ 10-K	2,518	6	655	4	1,863	9
12b-25 Filings[6] w/o 10-K	151		56		95	
Total 12b-25s	2,669		711		1,958	
Panel B: Firms with Delayed 10-K Filings that Complied with the 10-K Filing Requirements by Filing a Form 12b-25 within 1 Day of, and a 10-K within 17 Days of, the 90-Day Statutory Due Date						
Number of Filings	1,274		351		923	

Notes to Table 2.

1 10-K Filing Delay (DD) is the number of days between the actual 10-K filing date and the 90 day statutory filing date.

2 The percent of 10-K filings is equal to the number of 12b-25 filings divided by the number of 10-K filings for that partition in Table 1, multiplied by 100 percent.

3 NYSE/ASE indicates firms in sample listed on the New York Stock Exchange or American Stock Exchange.

4 NASDAQ indicates firms in sample that trade on the National Association of Security Dealers Automated Quotations System.

5 Total 12b-25 Filings w/ 10-K is the number of 12b-25 filings for which there was also a 10-K filed by the firm for the same fiscal year.

6 12b-25 Filings w/o 10-K is the number of 12b-25 filings for which there was no 10-K filed by the firm for the same fiscal year.

Table 3

Description of Information in SEC Form 12b-25 Filings

Stated Reason for the Untimely Filing[1]	Primary Reason Provided by Firm[2] # of Obs[5]	Primary Reason Provided by Firm[2] % of Obs[6]	Additional Reasons Provided[3] # of Obs	Significant Earnings Change for Current Year Indicated in Form 12b-25[4] Neg- Row %	None Row %	Pos+ Row %	N/R Row %
Panel A: Financial Distress							
Debt negotiations/restructuring	34	19	8	50	23	9	18
Bankruptcy/reorganization	16	9	1	25	31	13	31
Poor financial condition	6	3	1	17	50	33	0
Total Financial Distress	56	31	10	39	29	12	20
Panel B: Accounting/Auditing Issues							
Accounting issue/problems	17	9	19	29	35	24	12
Delay in obtaining information	14	8	2	36	43	0	21
Information needed from 3rd party	12	7	2	34	25	8	33
Audit related delay	4	2	16	100	0	0	0
Investigating numbers	2	1	1	0	50	0	50
Total Accounting/Auditing Issues	49	27	40	37	33	10	20
Panel C: Asset Acquisitions/Dispositions							
Dispositions of businesses/assets	16	9	3	13	50	6	31
Acquisitions of businesses/assets	9	5	3	11	45	11	33
Business combinations/liquidation	7	3	1	29	57	0	14
Total Asset Acquisitions/Dispositions	32	17	7	16	50	6	28
Panel D: Other							
Changes in top executives	9	5	1	33	22	0	45
Printing delays	9	5	0	22	56	0	22
Litigation/regulation related	7	4	3	43	14	14	29
Review/signature of officers/directors	6	3	6	17	50	33	0
Need registration statement approval	3	2	1	0	67	33	0
Labor/employee related	3	2	5	33	67	0	0
Staff reduction	0	0	10	0	0	0	0
Miscellaneous	8	4	2	12	38	12	38
Total Other	45	25	28	25	40	11	24
All Observations	182	100	85	31	36	10	23

Notes to Table 3.

1 We collected 182 Form 12b-25 filings from the SEC for firms that filed a Form 12b-25 for a delayed 10-K filing.

2 Primary Reason Provided by Firm is the primary reason the firm provided in the Form 12b-25 as to why the firm could not file a timely 10-K.

3 Additional Reasons Provided is any additional reasons the firm provided in the Form 12b-25 as to why the firm could not file a timely 10-K.

4 Neg-, None, Pos+, N/R, respectively, indicate that the firm stated in the Form 12b-25 that the firm's earnings would significantly decrease, not significantly change, significantly increase, or did not report any information relative to the previous year's earnings; we present the row percent (Row %) for each primary reason.

5 # of Obs is the number of observations providing each reason.

6 % of Obs is the percentage of all observations providing each reason.

Table 4

Financial Characteristic Means of Firms Filing 10-K Reports
Sample Partitioned by 10-K Filing Delay

10-K Filing[1] Delay (DD)	Market[2] Value of Common Equity	Return[3] on Common Equity	Change[4] in EPS by Price	Debt[5] to Total Assets	Current Assets to Current Liabilities
Panel A: All 10-K Filings					
DD <= -5	96.94	0.14	0.01	0.23	2.02
-5 < DD <= 0	36.72	0.12	0.01	0.24	2.08
0 < DD <= 5	11.54	0.10	0.01	0.24	2.10
5 < DD <= 17	7.94	0.00	-0.00	0.32	1.67
17 < DD <= 30	6.01	-0.03	0.00	0.31	1.54
30 < DD <= 60	5.76	-0.08	-0.01	0.36	1.42
60 < DD	4.91	-0.25	-0.07	0.45	1.15
Mean Correlation[6] Between Delay and Characteristic	-.35*	-0.20*	-0.06*	0.09*	-0.07*
Panel B: Delayed 10-K Filings without a Form 12b-25 Filing					
0 < DD <= 5	11.48	0.10	0.01	0.24	2.11
5 < DD <= 17	5.72	0.06	0.00	0.29	1.78
17 < DD <= 30	4.56	0.05	0.00	0.33	1.53
30 < DD <= 60	3.51	0.02	0.01	0.33	1.49
60 < DD	3.75	-0.26	-0.03	0.98	1.16
Panel C: Delayed 10-K Filings with a Form 12b-25 Filing					
0 < DD <= 5	16.07	0.04	-0.01	0.30	1.73
5 < DD <= 17	8.38	-0.04	-0.02	0.33	1.60
17 < DD <= 30	8.43	-0.11	-0.01	0.30	1.54
30 < DD <= 60	8.37	-0.16	-0.03	0.40	1.36
60 < DD	5.70	-0.42	-0.17	0.44	1.18

Notes to Table 4.

1 10-K Filing Delay (DD) is the number of days between the actual 10-K filing date and the 90 day statutory filing date.

2 Mean Market Value of Common Equity is presented in millions of dollars. We measure the market value of common equity as of the end of the fiscal year. For all of the means we present in this table, we first calculate the median for a partition across observations within a calendar year (which results in eight time series medians), and then we present the mean of the eight time series means.

3 Return on common equity is net income divided by common equity; firms with negative common equity were deleted from the sample.

4 Change in EPS by price is the change in earnings per share after extraordinary items divided by the stock price at the beginning of the fiscal year.

5 Debt to total assets is total debt divided by total assets.

6 Mean correlation between delay and characteristic is calculated by first calculating the rank order correlation between the 10-K filing delay and the financial characteristic in each of the eight calendar years, and then we present the mean of the eight time series means. We use the time series of eight correlations to calculate a t-statistic to test the null hypothesis that the mean correlation is equal to zero; "*" indicates that the null hypothesis can be rejected at five percent level of confidence.

Table 5

Mean Daily Market Adjusted Stock Returns of Firms Filing 10-K Reports
Sample Partitioned by 10-K Filing Delay

10-K Filing[1] Delay (DD)	Fiscal[2] Year of Delayed 10-K	90 Day[3] Statutory Filing Period	Delay[4] Period	Actual[5] Filing to Next Due Date	Due Date[6] to Next Due Date
Panel A: All 10-K Filings					
DD <= -5	0.0001	0.0002		-0.0001	-0.0002
-5 < DD <= 0	-0.0002	-0.0000		-0.0003	-0.0003
0 < DD <= 5	-0.0003	-0.0001	-0.0015	-0.0004	-0.0004
5 < DD <= 17	-0.0010*	-0.0010*	0.0005	-0.0016*	-0.0014*
17 < DD <= 30	-0.0013*	-0.0015*	-0.0023*	-0.0017*	-0.0018*
30 < DD <= 60	-0.0012*	-0.0016*	-0.0020*	-0.0022*	-0.0021*
60 < DD	-0.0027*	-0.0027*	-0.0091*	-0.0015*	-0.0025*
Panel B: Delayed 10-K Filings without a Form 12b-25 Filing					
0 < DD <= 5	-0.0003	-0.0001	-0.0009	-0.0003	-0.0004
5 < DD <= 17	-0.0009*	-0.0006	0.0006	-0.0006*	-0.0010*
17 < DD <= 30	-0.0013*	-0.0004	-0.0016	-0.0011*	-0.0013*
30 < DD <= 60	-0.0013	-0.0012	-0.0012	-0.0015*	-0.0015*
60 < DD	-0.0030*	-0.0028	-0.0030	-0.0000	-0.0008
Panel C: Delayed 10-K Filings with a Form 12b-25 Filing					
0 < DD <= 5	-0.0001	-0.0010	0.0005	-0.0008	-0.0008
5 < DD <= 17	-0.0012*	-0.0013*	-0.0011	-0.0018*	-0.0015*
17 < DD <= 30	-0.0013*	-0.0022*	-0.0032*	-0.0021*	-0.0022*
30 < DD <= 60	-0.0012*	-0.0016*	-0.0025*	-0.0026*	-0.0025*
60 < DD	-0.0023*	-0.0030*	-0.0101*	-0.0027*	-0.0035*
Panel D: Form 12b-25 Filings without a 10-K Filing[7]					
	-0.0025*	-0.0034*	N/R	N/R	-0.0058*

Notes to Table 5.

1 10-K Filing Delay (DD) is the number of days between the actual 10-K filing date and the 90 day statutory filing date.

2 Fiscal year of delayed 10-K is the mean daily market adjusted stock return during the fiscal year. For all of the means we present in this table, we first calculate the mean for a partition across observations within a calendar year (which results in eight time series means), and then we present the mean of the eight time series means. We use the time series of eight means to calculate a t-statistic to test the null hypothesis that the mean is equal to zero; "*" indicates that the null hypothesis can be rejected at five percent level of confidence.

3 90 day statutory filing period begins on the day after the fiscal yearend and ends at the 90 day statutory due date.

4 Delay period begins on the day after the 90 day statutory filing period and ends on the actual 10-K filing date. This return holding period varies across 10-K filings and does not exist for timely 10-K filings.

5 Actual filing to next due date period begins on the day after the actual filing date and ends on the 90 day statutory filing date for the next fiscal year. This return holding period is equal to one year (beginning three months after the fiscal yearend) less the delay period, which is equal to one year for timely 10-K filings.

6 Due date to next due date period begins on the day after the 90 day statutory filing date for the current fiscal year and ends on the 90 day statutory filing date for the next fiscal year. This return holding period is equal to one year (beginning three months after the fiscal yearend), which is equal to the sum of the return holding periods of the previous two columns.

7 There were 151 Form 12b-25 filings without 10-K filings for that fiscal year. N/R indicates that a the return holding period is not relevant for a particular partition.

Table 6

Frequency and Timing of Annual Reports to Shareholders and Preliminary Earnings Announcements

10-K Filing[1] Delay (DD)	Percent[2] of 10-K Filings w/ ARS	Percent[3] of ARS Filings Before 10-K	Percent[4] of 10-K Filings w/ EPS Release	Percent[5] of 10-K Filings w/ Omitted EPS Release
Panel A: Total Sample.				
DD <= -5	80	38	66	6
-5 < DD <= 0	76	31	55	12
Timely Filings	77	32	57	11
0 < DD <= 5	67	27	36	16
5 < DD <= 17	53	9	28	43
17 < DD <= 30	42	8	21	47
30 < DD <= 60	37	5	14	61
60 < DD	23	13	11	72
Delayed Filings	53	18	28	30
Total	72	30	51	13

Notes to Table 6.

1 10-K Filing Delay (DD) is the number of days between the actual 10-K filing date and the 90 day statutory filing date.

2 Percent of 10-K filings w/ ARS is the percentage of 10-K filings in the sample (see Table 1) that have an ARS filing with the SEC for the same fiscal year.

3 Percent of ARS filings before 10-K is number of ARS filings that precede the 10-K receipt date divided by the total number ARS filings for that partition (multiplied by 100 percent).

4 Percent of 10-K filings w/ EPS release is the percentage of 10-K filings in the sample (see Table 1) that have an earnings announcement available on Compustat.

5 Percent of 10-K filings w/ omitted EPS release is the percentage of 10-K filings that have an omitted preliminary earnings announcement.

Table 7

Financial Statement Availability Indicated in Form 12b-25 Filings

Stated Reason for the[1] Untimely Filing	Financial Statements[2] Available by Statutory Filing Date		
	Avail	Not Avail	N/R
	Row %	Row %	Row %
Panel A: Financial Distress			
Debt negotiations/restructuring	3	62	35
Bankruptcy/reorganization	0	37	63
Poor financial condition	0	17	83
Total Financial Distress	2	50	48
Panel B: Accounting/Auditing Issues			
Accounting issue/problems	0	53	47
Delay in obtaining information	0	43	57
Information needed from 3rd party	8	33	59
Audit related delay	0	25	75
Investigating numbers	0	50	50
Total Accounting/Auditing Issues	2	43	55
Panel C: Asset Acquisitions/Dispositions			
Dispositions of businesses/assets	0	75	25
Acquisitions of businesses/assets	11	33	56
Business combinations/liquidations	0	29	71
Total Asset Acquisitions/Dispositions	3	53	44
Panel D: Other			
Changes in top executives	0	22	78
Printing delays	0	44	56
Litigation/regulation related	0	86	14
Review/signature of officers/directors	0	0	100
Need registration statement approval	33	33	34
Labor/employee related	0	33	67
Miscellaneous	25	25	50
Total Other	7	35	58
All Observations	3	45	52

Notes to Table 7.

1 We collected 182 Form 12b-25 filings from the SEC for firms that filed a Form 12b-25 for a delayed 10-K filing.

2 Avail (Not Avail, N/R) indicates that the firm's financial statements were available (not available, did not report if available) by the Form 12b-25 filing date. We present the row percent for each reason.