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Insights into Financial Restatements: How Things Have Changed and Improved Since SOX

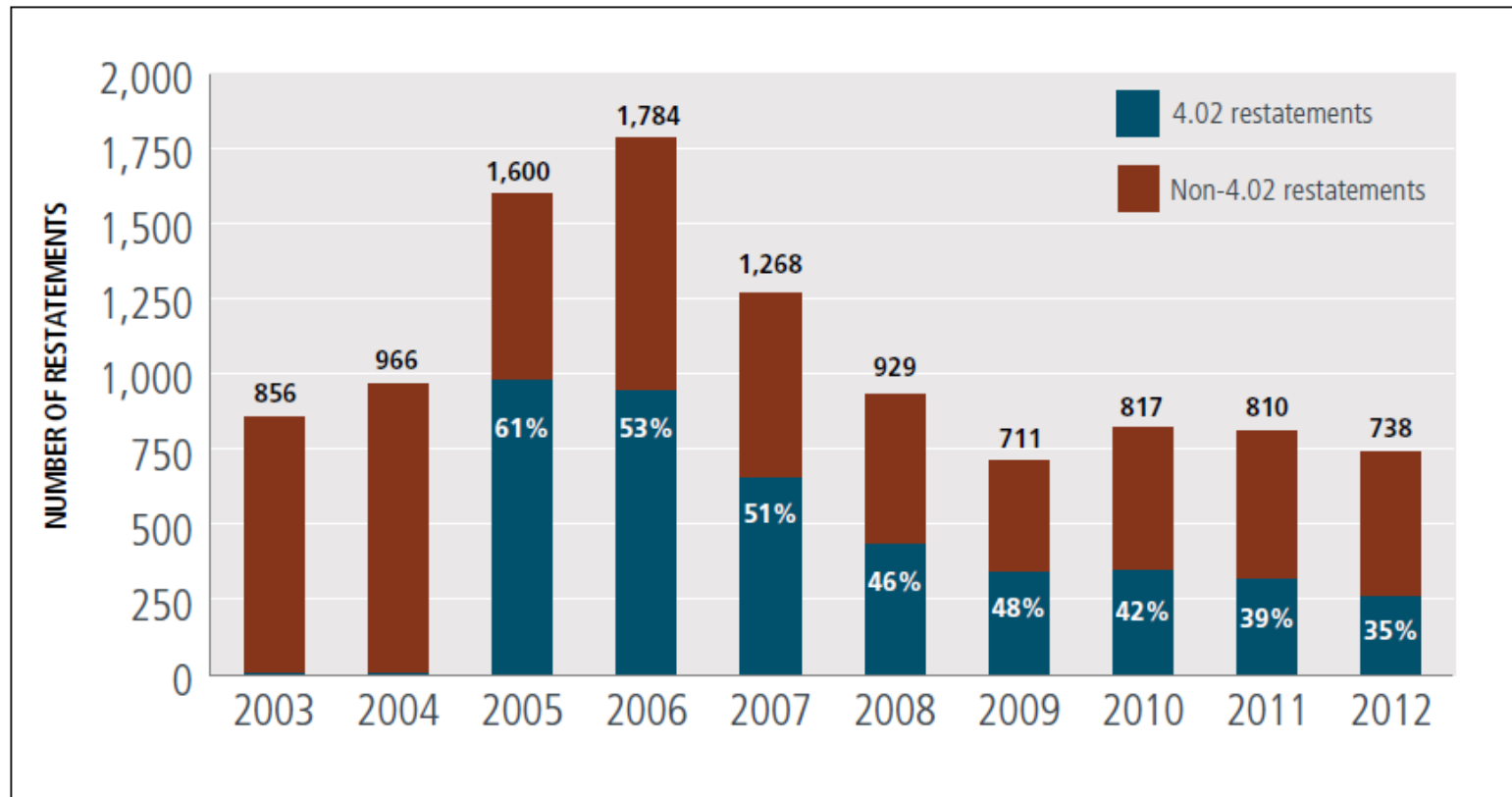
Moderator: Cindy Fornelli, CAQ

**Panelists: Mike Gaynor, KPMG LLP
Steve Meisel, PwC
Susan Scholz, University of Kansas
Chris Smith, BDO LLP**



Number of restatements declined and restatement severity decreased

FIGURE 1: NUMBER OF RESTATEMENTS ANNOUNCED PER YEAR





Fewer multiple issue restatements and fewer core earnings restatements

FIGURE 4: NUMBER OF ACCOUNTING ISSUES PER RESTATEMENT

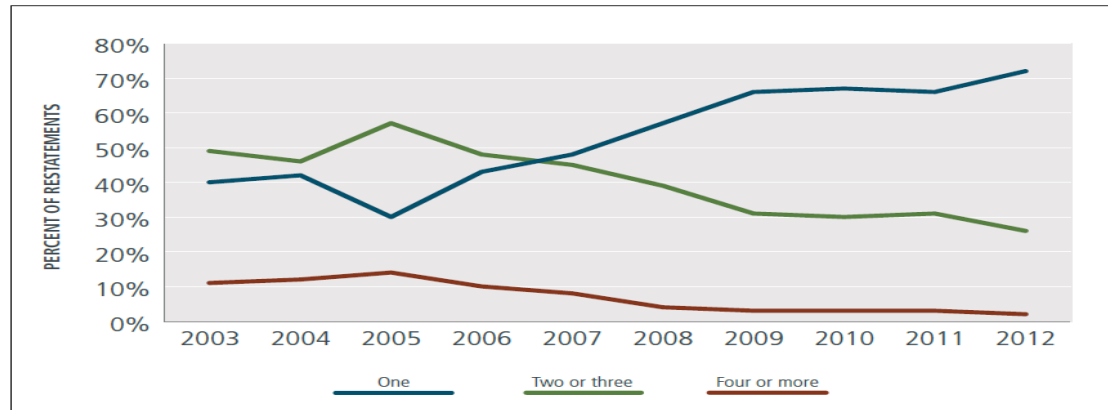
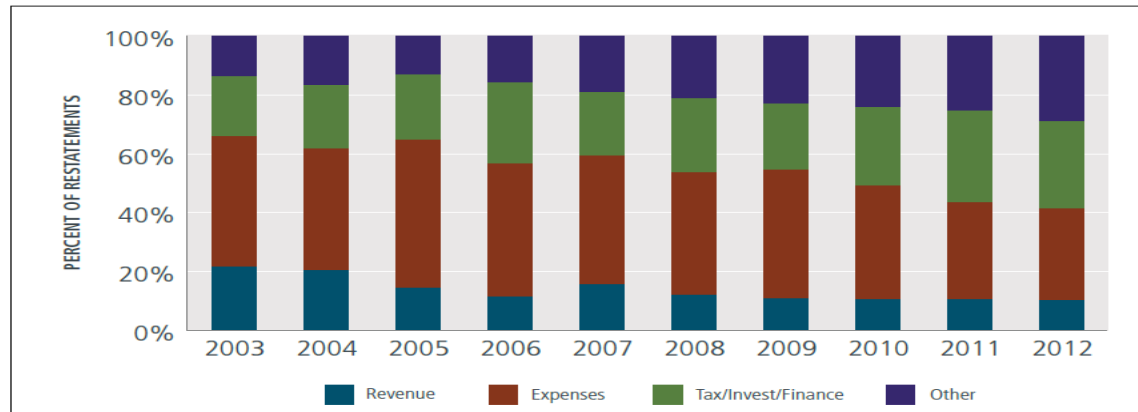


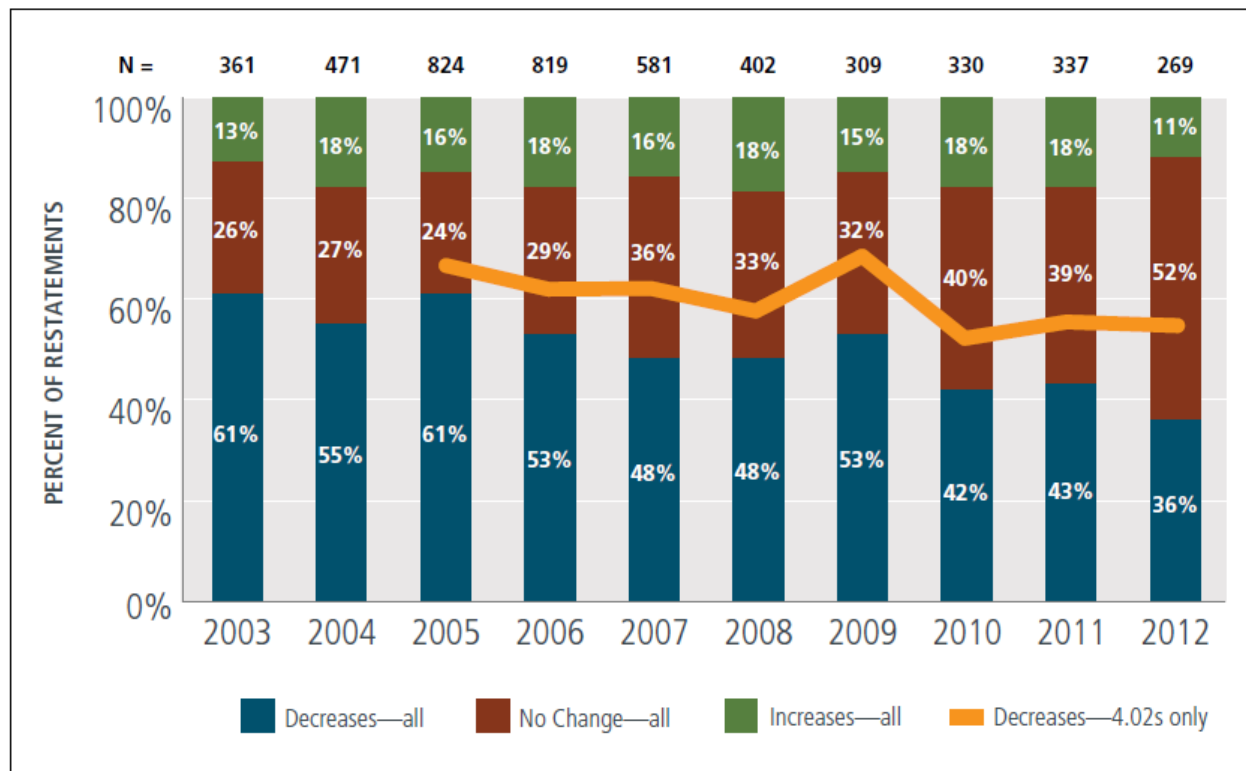
FIGURE 8: PROPORTION OF RESTATEMENTS IN ACCOUNTING ISSUE SEVERITY GROUPS
Panel A: All restatements (N=10,479)





Fewer restatements decrease reported income

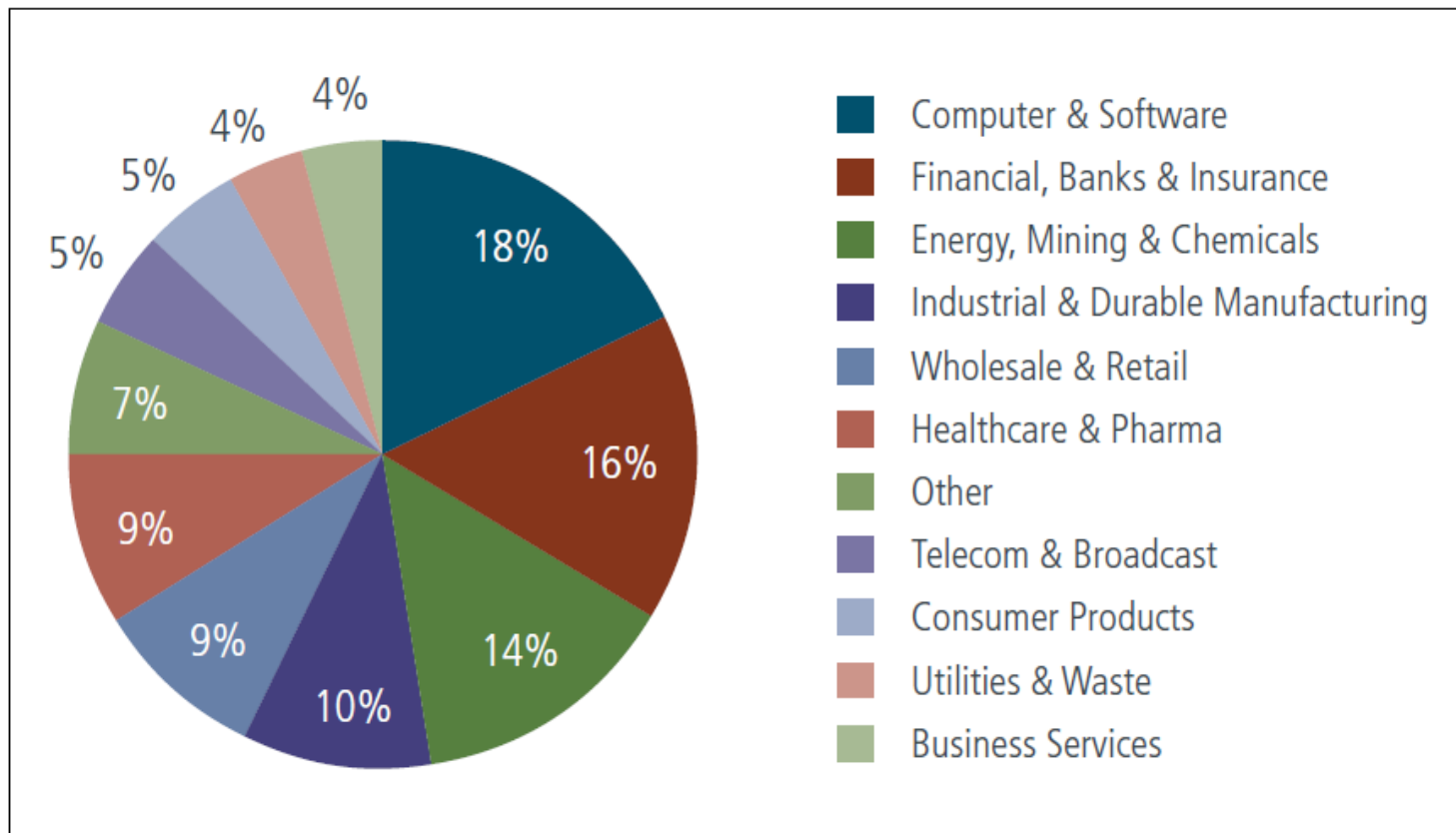
FIGURE 9: EFFECT OF RESTATEMENT ON PREVIOUSLY REPORTED INCOME FOR THE SUBSET OF 4,703 RESTATEMENTS WITH AVAILABLE INCOME EFFECT DATA





Proportion of restatements by industry are consistent across years

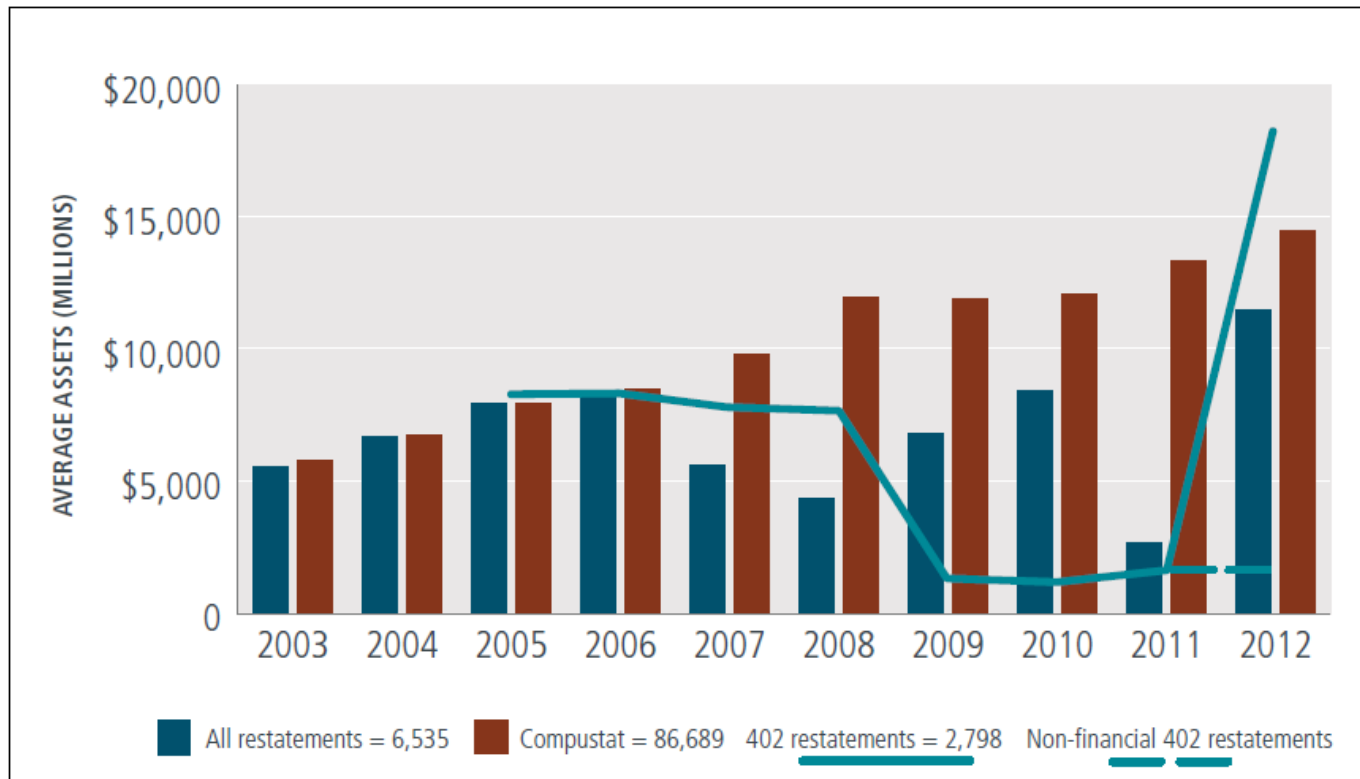
FIGURE 11: PROPORTION OF RESTATEMENTS BY INDUSTRY (N=10,479)





Restatement companies are relatively small in recent years

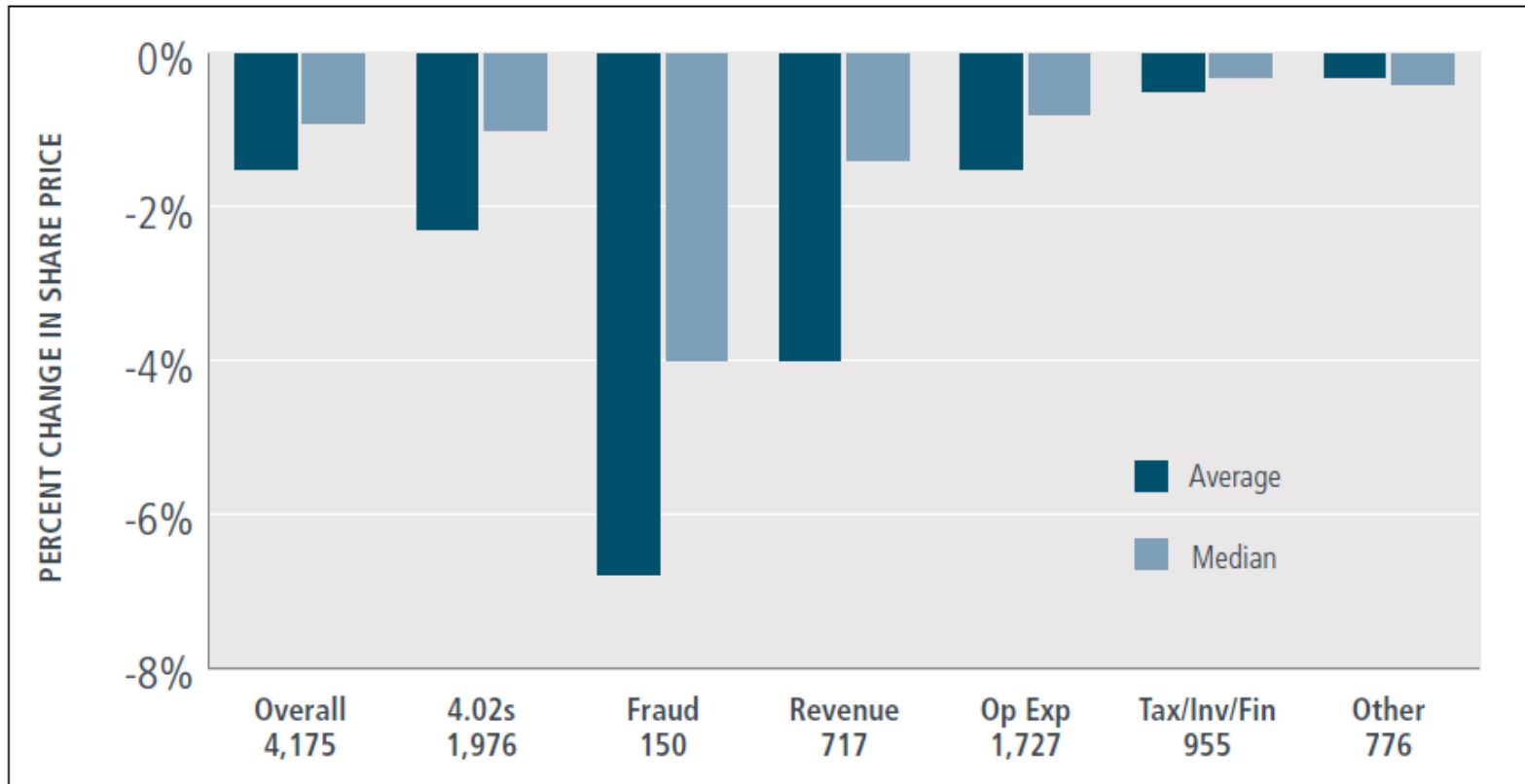
FIGURE 16: COMPUSTAT AND RESTATEMENT COMPANY AVERAGE ASSETS (MILLIONS)
(N=6,535)





Market reactions were most severe for fraud and revenue restatements

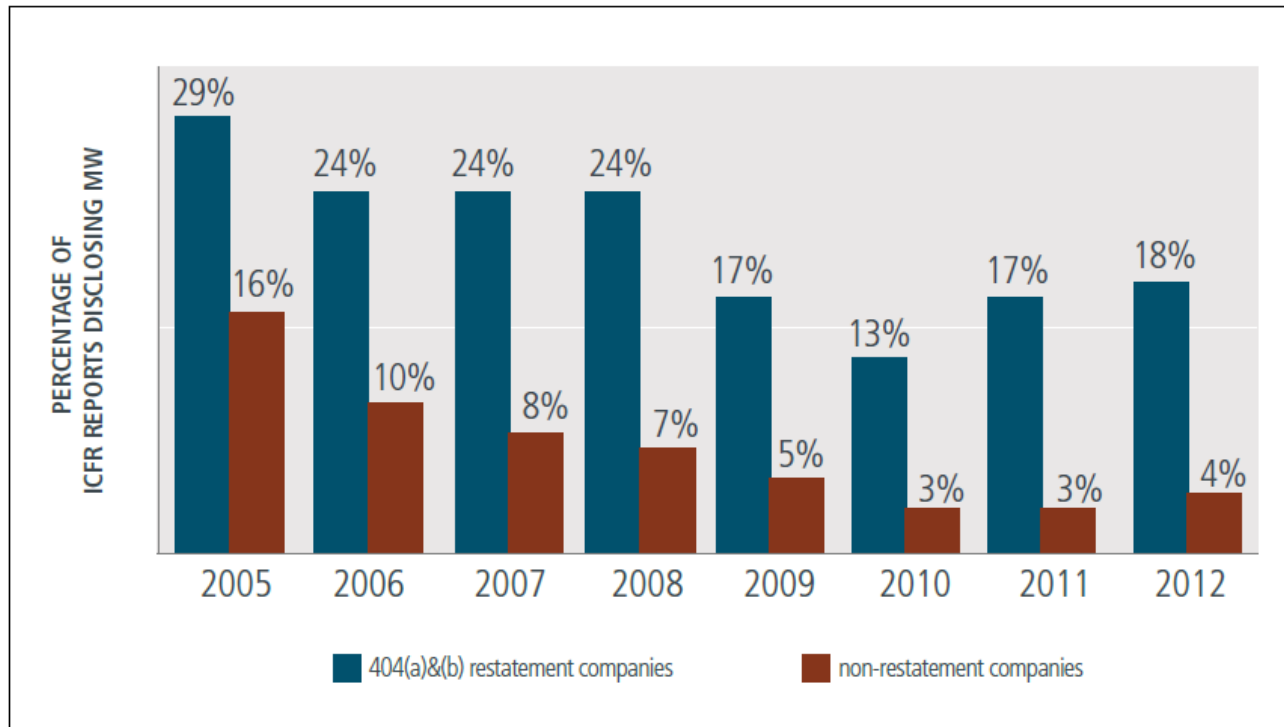
FIGURE 21: RETURNS BY RESTATEMENT CHARACTERISTICS





Restatement companies disclose ICFR material weaknesses much more frequently before restatements than do non-restatement companies

FIGURE 24: PERCENTAGE OF ICFR MATERIAL WEAKNESS DISCLOSURES IN THE PRIOR PERIOD FOR RESTATEMENT AND NON-RESTATEMENT 404(A)&(B) COMPANIES





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