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# CHIEF FINANCIAL OFFICER TENURE AND FINANCIAL STATEMENT COMPARABILITY: CONSIDERING THE EFFECT OF ENVIRONMENT UNCERTAINTY AND MARKET CONCENTRATION

**Tsai Yuan-Tang[1] and Wang Teng-Shih[2]***

*[1]Department of Accountancy, College of Business, National Taipei University, 151, University Rd., San Shia District, New Taipei City, Taiwan 23741*
*[2]Department of Accounting, College of Management, Providence University,200, Sec. 7, Taiwan Boulevard, Shalu District, Taichung City, Taiwan 43301*

*Corresponding author: tswang0617@pu.edu.tw

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## ABSTRACT

*This study examines the relationship between chief financial officer (CFO) tenure and financial statement comparability, addressing a gap in the existing literature regarding how CFO leadership stability affects financial reporting quality, particularly within China's unique institutional environment of capital markets. We find that longer CFO tenure significantly enhances financial statement comparability, utilising firm-level financial data from the Taiwan Economic Journal (TEJ) and CFO-specific data from the China Stock Market & Accounting Research Database (CSMAR) database covering the period from 2007 to 2018. Furthermore, our analysis reveals that CFO tenure moderates the adverse effects of environmental uncertainty on comparability, highlighting the role of experienced financial leadership in mitigating external risks. These findings contribute to the literature on executive characteristics and reporting quality by providing novel insights into the stabilising function of CFO tenure. From a policy perspective, our results underscore the importance of leadership continuity in corporate financial management, suggesting that regulators and corporate boards should recognise the value of retaining experienced CFOs to promote financial transparency and strengthen market confidence.*

**Keywords:** CFO tenure, financial statement comparability, environmental uncertainty, market concentration

## INTRODUCTION

Financial statement comparability refers to the quality of information that enables users to identify similarities and differences between two sets of economic data (De Franco et al., 2011). It enhances the information quality of financial reporting (De Franco et al., 2011; Kim, Kraft, et al., 2013; Kim, Li, et al., 2016; Chen et al., 2018) and facilitates a firm's resource allocation (Chircop et al., 2020; Kim, Li, et al., 2021). De Franco et al. (2011) developed the measurement of financial statement comparability, which has attracted much research focusing on its benefits and determinants. While prior studies have examined how corporate governance mechanisms such as audit committees or external auditors can improve financial reporting quality (Francis et al., 2014; Ege et al., 2020; Endrawes et al., 2020; Ahn & Sonu, 2021). They largely overlook the potential role of Chief Financial Officers (CFO) in preparing corporate financial reporting. Therefore, this study examines the effect of CFO tenure on the comparability of financial statements.

The CFO plays a crucial role in corporate governance and financial management, significantly impacting the quality of financial reporting. As the financial steward, the CFO is responsible for aligning corporate financial practices with both internal goals and external expectations. Research highlights that longer CFO tenure enhances the quality of financial reporting through accumulated expertise and a deeper understanding of the organisation's environment, which promotes conservative accounting practices and reduces financial risks (Muttakin et al., 2019; Liu et al., 2022). Moreover, CFOs with stable tenures tend to focus more on long-term strategies, thereby ensuring financial transparency and investor confidence (Ge et al., 2011; Beck & Mauldin, 2014). Despite their vital role, CFOs face pressures, especially in uncertain and competitive markets, underscoring the need for robust governance to safeguard their independence and ethical standards (Feng et al., 2011).

Environmental uncertainty poses significant challenges to financial reporting quality, as volatile and unpredictable conditions often compel firms to engage in earnings management to mitigate perceived risks. High levels of uncertainty are associated with increased manipulation of financial reports, which reduces transparency and potentially damages investor trust (Yung & Root, 2019; Jin et al., 2019). In such contexts, information asymmetry

intensifies as external stakeholders face difficulties assessing corporate financial health, while internal managers gain greater latitude to influence reporting outcomes (Cormier et al., 2013; Cui et al., 2021). These dynamics underscore the importance of strategic leadership from CFOs in navigating complex environments effectively and maintaining high-quality financial reporting (Barth et al., 2012).

Similarly, market competition as measured by market concentration exerts pressure on financial reporting integrity, as firms in highly competitive industries are incentivised to manipulate their earnings to maintain a strong market position, attract investors, and secure capital. Competition-driven earnings management often includes discretionary accruals and real activity manipulation, which can distort financial transparency and mislead stakeholders (Shi et al., 2018). Competitive pressures also encourage firms to obscure unfavorable performance through aggressive accounting strategies, compromising reporting quality (Markarian & Santalo', 2014; Healy et al., 2014). Such practices highlight the challenges firms face in balancing competitive demands with the need for ethical financial reporting.

Amid these challenges, CFOs play a key role in mitigating the adverse effects of uncertainty and competition on financial reporting. Their expertise and leadership are critical in upholding transparency and accountability, even under external pressures. Long-tenured CFOs are particularly well-equipped to implement conservative accounting practices and provide stability, ensuring that firms can navigate volatile and competitive environments without compromising the quality of their financial reporting (Muttakin et al., 2019; Liu et al., 2022). Furthermore, CFOs' ability to maintain ethical standards amidst external pressures is vital for fostering stakeholder trust and supporting long-term organisational success(Ge et al., 2011; Feng et al., 2011).

Prior studies have documented that China's capital market operates within an underdeveloped institutional framework, where weak regulatory enforcement and limited auditor independence impair the effectiveness of external monitoring (Ke et al., 2015). Although China has formally adopted International Financial Reporting Standards (IFRS) to enhance financial reporting quality, the convergence process has been linked to increased earnings management and reduced accounting conservatism, particularly in the absence of robust internal governance mechanisms (Hao et al., 2019).

In such an environment, internal actors, particularly CFOs, play a crucial role in shaping reporting outcomes. Liu et al. (2022) provide evidence that longer CFO tenure reduces classification shifting, suggesting that CFO-specific attributes can serve as an important internal governance mechanism in settings with limited institutional oversight.

Motivated by these insights, this study investigates the relation between CFO tenure and financial statement comparability in the Chinese capital market. Drawing on the premise that CFOs with longer tenure accumulate firm-specific knowledge, exercise greater influence over financial reporting policies, and are less susceptible to short-term performance pressures, we posit that CFO tenure enhances the comparability of financial statements. Furthermore, we examine whether this relation is moderated by environmental uncertainty and industry competition that may exacerbate managerial discretion in financial reporting. By doing so, we aim to shed light on how executive stability may serve as a mitigating force against information opacity in volatile or concentrated market environments.

We empirically test our hypotheses using a sample of 11,850 firm-year observations from Chinese listed companies over the period 2007 to 2018. The Chinese setting is particularly relevant given its rapid economic transformation, regulatory fluidity, and distinctive institutional features, including government intervention and the dominance of state-owned enterprises. These characteristics provide a unique context for examining how CFO attributes interact with institutional frictions to influence reporting outcomes. Consistent with our predictions, we find that longer CFO tenure is positively associated with financial statement comparability. This association remains robust across alternative specifications and multiple sensitivity analyses, reinforcing the stabilising role of CFO tenure in enhancing reporting quality in emerging market settings.

Further, Prior research argues that exogenous factors are essential in designing management control systems (Chenhall, 2003). Therefore, we also examine the role of CFO tenure in environments of environmental uncertainty and higher market concentration. The CFO tenure plays a moderate role in environmental uncertainty and financial statement comparability. This result suggests that an increase in CFO tenure can mitigate the negative impact of environmental uncertainty on comparability in financial reporting. It highlights the importance of CFO stability in the face of environmental uncertainty.

Our research has several significant contributions. First, we add to the literature on determinants of financial statement comparability by examining the effect of CFO tenure on financial statement comparability. Prior studies have focused on the prospects of the role of the auditor, similar auditor firms (Francis et al., 2014), joint signing auditors (Chen et al., 2020), and global auditor networks (Ege et al., 2020). Little research has examined the impact of top manager characteristics on the comparability of financial statements. Based on the upper echelons theory, organisational outcomes are partially predicted by the factors of top managers (Hambrick & Mason, 1984). Therefore, our study can fill the gap between top managers' characteristics and financial statement comparability.

Second, we extend the stream of research on the effects of corporate governance on financial statement comparability. Specifically, we focus on CFO stability, as proxied by CFO tenure, and its influence on the comparability of firms' financial statements. We found a positive relationship between CFO tenure and financial statement comparability after controlling for auditor characteristics, audit committee characteristics and CEO turnover. Unlike prior research, this study focuses on control mechanisms (e.g., auditor or audit committee characteristics) and their impact on the comparability of financial statements. In our study, we highlight the importance of top managers' factors.

Finally, we test and demonstrate the moderating effect of CFO tenure on the relationship between environmental uncertainty and financial reporting comparability. This result suggests that CFO stability is crucial in mitigating the negative impact of environmental uncertainty on financial statement comparability.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Financial Statement Comparability

Financial statement comparability has attracted much attention from accounting researchers. They focus on the benefits and determinants of financial statement comparability and find it can enhance the quantity and quality of information available to capital market participants (De Franco et al., 2011; Kim, Kraft, et al., 2013; Kim, Li, et al., 2016; Chen et al.,

2018) and facilitate a firm's resource allocation (Chircop et al., 2020; Kim, Li, et al., 2021). For example, De Franco et al. (2011) document that comparability lowers the cost of acquiring information and increases the overall quantity and quality of information available to analysts about the firm, thus benefiting sell-side analysts. Kim, Kraft, et al. (2013) show that financial statement comparability reduces debt market participants' uncertainty about firms' credit risk. Kim, Li, et al. (2016) find that financial statement comparability reduces ex-ante crash risk. Kim, Li, et al. (2021) observe that financial statement comparability leads to lower under- and over-investment, thereby facilitating more effective resource allocation. Additionally, Chen et al. (2018) provide alternative evidence demonstrating that financial statement comparability can benefit capital participants. They find that acquirers make more profitable acquisition decisions when target firms' financial statements are comparable.

Barth et al. (2012) indicate that financial reports result from a complex interaction between the features of the financial reporting system. Thus, prior studies on the determinants of financial statement comparability focus on the auditor's role (Francis et al., 2014; Ege et al., 2020; Ahn & Sonu, 2021) and corporate governance mechanisms (Endrawes et al., 2020). Francis et al. (2014) find that two companies audited by the same Big 4 auditors are likelier to have comparable earnings. Similarly, Ege et al. (2020) demonstrate that firms from different countries exhibit more comparable accruals when local audit firms audit them from the same global network. Endrawes et al. (2020) observe that a firm's audit committee size and financial expertise positively affect comparability. Specifically, financial information tends to be more comparable among industry peers when audit committees are more prominent and more members have financial and accounting expertise.

In recent years, scholars have begun to study the relationship between the characteristics of corporate managers and financial statement comparability. For example, Wang et al. (2023) found that female CFOs tend to have better financial statement comparability compared to male CFOs. Yan et al. (2023) obtained similar findings, with their empirical results indicating that female executives can improve financial statement comparability. In addition, Ding et al. (2022) demonstrated that CEOs with foreign experience can improve financial statement comparability. These studies confirm that the characteristics of corporate managers influence the comparability of financial statements.

## The Importance of CFO Tenure

Based on upper echelons theory, organisational outcomes, such as strategy choices and firm performance, are influenced by top managers' characteristics (e.g., cognitive base, value, career experiences, education and age) (Hambrick & Mason, 1984). CFOs are deemed to supervise the recording and reporting in a firm's financial reporting process and play an important role in financial reporting decisions and ensuring internal control quality (Aier et al., 2005; Geiger & North, 2006; Ge et al., 2011; Bedard et al., 2014). In the US, following the enactment of the Sarbanes-Oxley Act of 2002, which requires CEOs and CFOs to certify the material accuracy and completeness of financial information and disclosures, CFOs have assumed a heightened level of legal responsibility for the accuracy and completeness of financial information.

Prior studies conclude that the CFO has an impact on financial reporting quality and accounting policy choice. For example, Aier et al. (2005) investigate whether the characteristics of CFOs are associated with accounting restatements and find that accounting restatements are negatively related to the CFO's financial expertise. Ge et al. (2011) present the CFO characteristics on accounting choice and demonstrate that CFO-specific characteristics are a statistically significant determinant of accounting choices. Bedard et al. (2014) examine the influence of CFO board membership on the quality of financial reporting. Their results show that companies with CFOs on the board have more effective internal control over financial reporting, higher accruals quality, and a lower likelihood of restatements.

However, does CFO tenure have a positive or negative impact on financial reporting quality? Prior studies suggest that replacing the CFO can have a positive impact on financial reporting quality (Geiger & North, 2006; Feldmann et al., 2009). Specifically, Geiger and North (2006) document a significant decline in discretionary accruals following the appointment of a new CFO, highlighting concerns about earnings management around CFO transitions. Feldmann et al. (2009) also argue that changing the CFO can benefit financial restatement firms by lowering audit fees. Nevertheless, some researchers interpret that more extended CFO accounting experience can enhance the CFO's ability to resist CEO pressure on accounting decisions (Bishop et al., 2017). Liu et al. (2022) demonstrate that firms with longer-tenured CFOs are less likely to engage in classification shifting, suggesting

that CFO tenure serves as an internal governance mechanism that constrains earnings management, particularly in environments characterised by weak institutional oversight.

Simsek (2007) points out that a longer tenure reflects how an individual is integrated into networks of critical stakeholders and obtains the resources and coalitions needed to "orchestrate, nurture and support" their initiatives. Beck and Mauldin (2014) suggest that long tenure enhances firm-specific expert knowledge, which is necessary for effective bargaining and developing networks of key stakeholders. Bishop et al. (2017) find that an improved CFO accounting experience reflects greater expert power related to complex financial reporting judgements, which enables the CFO to resist pressure more effectively.

Although prior studies frequently associate CFO tenure with general improvements in financial reporting quality, its relation to financial statement comparability remains rare. Comparability refers to the consistency with which firms translate economic events into accounting outcomes and is regarded as a qualitative characteristic that enhances the quality of financial reporting. Longer CFO tenure may improve comparability by fostering greater consistency in the application of accounting policies, reducing disruptions arising from managerial turnover, and enhancing resistance to opportunistic earnings management. In addition, long-tenured CFOs are more likely to institutionalise internal reporting practices, thereby promoting more consistent financial statement preparation over time. Accordingly, we expect CFO tenure to be positively associated with financial statement comparability and thus specify the following hypothesis:

H1: Firms with longer CFO tenure have higher comparable financial information.

## The Role of CFO under Environmental Uncertainty and Market Concentration

Previous studies have found that environmental uncertainty and market concentration are closely related to the quality of accounting information. For example, Ghosh and Olsen (2009) discovered that firms operating in highly uncertain environments are more likely to use discretionary accruals to manipulate accounting numbers. Cormier et al. (2013) also found similar

results, indicating that increased environmental complexity and uncertainty lead firms to engage in earnings management. Lee and Jeong (2024) noted that economic policy uncertainty is linked to audit quality and earnings manipulation.

On the other hand, regarding market concentration, higher industry concentration, as a proxy for weak product market competition, has been shown to diminish the quality and transparency of financial reporting. In more concentrated industries, firms face fewer competitive pressures, weaker external monitoring and reduced peer benchmarking, which collectively heighten managerial discretion over accounting choices. Prior studies provide consistent evidence that high industry concentration is associated with increased earnings manipulation and lower reporting quality (Cheng et al., 2013; Laksmana & Yang, 2014; Liao & Lin, 2016; Majeed & Zhang, 2016; El Diri et al., 2020). These effects are driven by firms' incentives to obscure performance in less scrutinised environments, particularly to avoid adverse market reactions or regulatory attention. Notably, the decline in earnings quality observed in concentrated markets reflects not only greater reporting bias but also reduced comparability across firms. The inconsistent application of accounting policies and firm-specific manipulation behaviours weaken users' ability to compare financial statements across peer firms or periods.

We propose that CFO tenure moderates the adverse effects of external contextual factors (specifically, environmental uncertainty and industry concentration) on financial statement comparability. Longer-tenured CFOs are more likely to accumulate firm-specific knowledge, build reputational capital and exercise greater influence over financial reporting policy. These attributes promote consistency and reduce opportunism in accounting practices. As a result, even in settings characterised by high uncertainty or weak market competition, experienced CFOs can institutionalise internal reporting discipline that enhances comparability. Accordingly, we expect CFO tenure to mitigate the negative association between environmental uncertainty and industry concentration, as well as with financial statement comparability. That is, while high uncertainty and concentrated market structures typically impair comparability, these effects are weaker in firms led by long-tenured CFOs.

H2: CFO tenure moderates the relationship between environmental uncertainty and financial statement comparability.

H3: CFO tenure moderates the relationship between market concentration and financial statement comparability.

## RESEARCH DESIGN

### Estimation Model

We employ ordinary least squares (OLS) regression to investigate the relationship between CFO tenure and financial statement comparability.[1] Specifically, we estimate the following model:

$$Comp_{it} = \alpha_0 + \beta_1 CFOTEN_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 MTB_{it} + \beta_6 BIGN_{it} + \beta_7 BHOLD_{it} + \beta_8 INDR_{it} + \beta_9 BSIZE_{it} + \beta_{10} TOP_{it} + \beta_{11} STATE_{it} + IND + YEAR + \varepsilon_{it} \quad (1)$$

where $Comp_{it}$ is the financial statement comparability of firm $i$ in period $t$, $CFOTEN_{it}$ is the CFO tenure of firm $i$ in period $t$. Based on our hypothesis, the coefficient $\beta_1$ on $CFOTEN$ is expected to be positive, indicating that a longer CFO tenure is associated with higher financial statement comparability.

We follow prior studies and control for other determinants of financial statement comparability (Lang et al., 2010; Francis et al., 2014; Endrawes et al., 2020). We control for firm-specific characteristics and corporate governance variables. The firm-specific factors include $SIZE_{it,}$ which is measured by the natural log of total assets of firm $i$ in period $t$. $LEV_{it}$ is the debt ratio measured by total debt divided by total assets of firm $i$ in period $t$. $ROA_{it}$ is the return on assets of firm $i$ in period $t$, and $MTB_{it}$ is the market-to-book ratio of firm $i$ in period $t$. The corporate governance variables include $BIGN_{it}$, a dummy variable that takes a value of 1 if a firm's auditor is a Big 4 firm in period $t$, and 0 otherwise. $BHOLD_{it}$ is the stock ownership of board directors of firm $i$ in period $t$. $INDR_{it}$ is the ratio of independent directors of firm $i$ in period $t$. $BSIZE_{it}$ is the board size of

firm *i* in period *t*. $TOP10_{it}$ is the stock ownership of top 10 shareholders of firm *i* in period *t*, and $STATE_{it}$ is a dummy variable that takes a value of 1 if a firm is state-owned in period *t*, and 0 otherwise. We also include both industry and year-fixed effects. All variable definitions are summarised in the Appendix. To mitigate the impact of serial dependence in the residuals, we follow prior studies using robust standard errors clustered by the firm (Petersen, 2009).

## Financial Statement Comparability

Financial statement comparability is the closeness between two firms' accounting systems in mapping similar economic events into financial statements. We measure financial statement comparability in three steps based on the model of De Franco et al. (2011). In step one, we estimate the following time-series regression for each firm-year by using 16 quarters of earnings and stock returns.

$$Earnings_{jt} = \alpha_{jt} + \beta_{jt} Return_{jt} + \varepsilon_{jt} \quad (2)$$

where $Earnings_{jt}$ is the quarterly net income before extraordinary items divided by the beginning-of-period market value of equity of firm *j* in period *t*. $Return_{jt}$ is the quarterly stock return of firm *j* in period *t*. We use the estimated coefficients of $\alpha_{jt}$ and $\beta_{jt}$ to proxy for the accounting function of firm *j* in period *t* that maps economic events into financial statements. Similarly, we use the estimated coefficients of $\alpha_{it}$ and $\beta_{it}$ to proxy for the accounting function of firm *i* in period *t* in the same industry.

In the second step, we measure the closeness of the functions between firms *j* and *i* by assuming that each firm has a similar economic event and estimating the expected earnings using each firm's accounting system parameters as follows:

$$E(Earnings)_{jjt} = \hat{a}_j + \hat{\beta}_j Return_{jt} \quad (3)$$

$$E(Earnings)_{jit} = \hat{a}_i + \hat{\beta}_i Return_{jt} \quad (4)$$

Where $E(Earnings)_{jjt}$ represents the predicted earnings of firm *j* given firm *j*'s stock returns in period *t*, and $E(Earnings)_{jit}$ reveals the expected earnings of firm *i* given firm *j*'s stock returns in period *t*. Finally, in step three, we

calculate the comparability between firm *j* and firm *i* below as negative one times the average absolute value of the difference in predicted earnings between firm *j* and firm *i*.

$$Comp_{jit} = -\frac{1}{16} \times \sum_{t-15}^{t} \left| E(Earnings_{jjt}) - E(Earnings_{jit}) \right| \quad (5)$$

We use the average method to measure to proxy for a firm level of comparability. *CompT4* is the average of the firm *j*'s top four highest comparability during year *t*. The average of the firm *j*'s top 10 highest comparability during year *t* is defined as *CompT10*. Finally, the mean value of the firm *j*'s comparability is *CompIND*.

## Environment Uncertainty and Market Concentration

We follow the prior study, which implies the combination of the following three metrics to measure environmental uncertainty (Gordon et al., 2009):

1. Market: Coefficient of variation of sales.
2. Technology: Coefficient of variation of the sum of R&D and capital expenditure divided by total asset.
3. Income: Coefficient of variation of net income before taxes.

The measurement of environmental uncertainty and the individual coefficients are as follows:

$$EU_{it} = Log\left( \sum_{k=1}^{3} cv(x_k) \right) \quad (6)$$

$$CV(X_k) = \frac{\sqrt{\sum_{t=1}^{5} (z_{k,t} - \overline{z_k})^2 / 5}}{\left| \overline{z_k} \right|} \quad (7)$$

Where, $EU_{it}$ is the environment uncertainty of a firm in period *t*, $Z_{kt} = (X_{kt} - X_{k,t-1})$ , $X_{K,t}$ is the uncertainty *k* in year *t*, and $CV(X_k)$ is the coefficient of variation of uncertainty *k*. *k* = 1, 2, 3 presents the market, technology and income uncertainty, respectively. Finally, we denote higher environment uncertainty (EUD) as a dummy variable that takes a value of 1 if a firm's environment uncertainty is higher than the industry-year median in period *t*, and 0 otherwise.

We also use the Herfindahl-Hirschman Index (hereafter, HHI), based on industry categories, to measure market concentration (Ali et al., 2014; Chen et al., 2015). We denote higher market concentration (HIC) as a dummy variable that takes a value of 1 if the HHI is above 0.25; otherwise, it takes a value of 0.

## Data and Sample

We draw upon firm-level financial data from the *Taiwan Economic Journal* (TEJ) database, which is highly regarded in academic research for its comprehensive coverage and proven reliability in providing detailed financial information. In addition, data about CFO characteristics are sourced from the CSMAR database, a well-established and extensively utilised resource for executive-level and corporate governance information in empirical studies focused on China's capital markets. Using these reputable databases ensures the credibility and robustness of our empirical analysis. Panel A of Table 1 presents the sample selection process. Our initial sample consists of 25,431 firm-year observations. We remove observations without variables related to financial statement comparability and CFO tenure, as well as observations with missing values in control variables. The final sample used in the analysis comprises 11,850 firm-year observations spanning the period from 2007 to 2018. Panel B of Table 1 displays the sample distribution by year, indicating that the sample size increases over time.

Panel C of Table 1 presents the industry distribution of the final sample. The majority of firm-year observations originate from the manufacturing sector ($n$ = 7,274; 61.38%), reflecting the industrial composition of China's listed firms and the capital-intensive nature of manufacturing enterprises. Other substantial representations include real estate ($n$ = 932; 7.86%), wholesale and retail trade ($n$ = 855; 7.22%), information transmission and software ($n$ = 739; 6.24%), and electricity, heat, gas and water supply ($n$ = 478; 4.03%). These industries, together, account for over 85% of the sample and represent sectors where financial reporting practices and CFO discretion are particularly significant. Notably, we retain a small number of observations from the financial industry ($n$ = 99; 0.84%). While financial firms are often excluded due to their sector-specific regulations and distinct reporting structures, our inclusion is motivated by two considerations. First, these firms in our sample conform to the same accounting disclosure

standards and financial statement comparability metrics as non-financial entities. Second, the role of the CFO in financial institutions has become increasingly prominent, particularly in light of evolving corporate governance demands and regulatory scrutiny. To ensure robustness, we conduct sensitivity analyses excluding financial firms and confirm that our main results remain qualitatively unchanged.[2]

**TABLE 1**
*Sample selection procedure and sample distribution*

| **Panel A: Sample selection** | | | |
|---|---|---|---|
| Total firm-year observations in the initial sample | | | 25,431 |
| Less observations for firms: | | | |
| without financial statement comparability variables | | | (9,910) |
| without CFO tenure | | | (3,620) |
| with missing values in control variables | | | (51) |
| Total firm-year observations in the final sample | | | 11,850 |
| **Panel B: Sample distribution by year** | | | |
| Year | Frequency | Percent | Cumulative (%) |
| 2007 | 389 | 3.28 | 3.28 |
| 2008 | 445 | 3.76 | 7.04 |
| 2009 | 562 | 4.74 | 11.78 |
| 2010 | 637 | 5.38 | 17.16 |
| 2011 | 676 | 5.70 | 22.86 |
| 2012 | 793 | 6.69 | 29.55 |
| 2013 | 808 | 6.82 | 36.37 |
| 2014 | 1,081 | 9.12 | 45.49 |
| 2015 | 1,393 | 11.76 | 57.25 |
| 2016 | 1,624 | 13.70 | 70.95 |
| 2017 | 1,729 | 14.59 | 85.54 |
| 2018 | 1,713 | 14.46 | 100.00 |
| **Panel C: Sample distribution by industry** | | | |
| Industry | Frequency | Percent | Cumulative (%) |
| Agriculture, Forestry, Animal Husbandry and Fishery | 39 | 0.33 | 0.33 |
| Mining | 249 | 2.10 | 2.43 |
| Manufacturing | 7,274 | 61.38 | 63.81 |

(*Continued on next page*)

**TABLE 1** (*Continued*)

| **Panel C: Sample distribution by industry** | | | |
|---|---|---|---|
| Industry | Frequency | Percent | Cumulative (%) |
| Electricity, Heat, Gas and Water Supply | 478 | 4.03 | 67.85 |
| Construction | 271 | 2.29 | 70.14 |
| Wholesale and Retail Trade | 855 | 7.22 | 77.35 |
| Transportation, Storage and Postal Services | 289 | 2.44 | 79.79 |
| Information Transmission and Software | 739 | 6.24 | 86.03 |
| Financial Industry | 99 | 0.84 | 86.86 |
| **Panel C: Sample distribution by industry** | | | |
| Industry | Frequency | Percent | Cumulative (%) |
| Real Estate Industry | 932 | 7.86 | 94.73 |
| Leasing and Business Services | 214 | 1.81 | 96.53 |
| Scientific Research and Technical Services | 21 | 0.18 | 96.71 |
| Water Conservancy, Environment and Public Facilities | 136 | 1.15 | 97.86 |
| Health and Social Work | 17 | 0.14 | 98.00 |
| Culture, Sports and Entertainment | 92 | 0.78 | 98.78 |
| Other | 145 | 1.22 | 100.00 |
| Total | 11,850 | 100.00 | |

## EMPIRICAL RESULTS

### Descriptive Statistics and Correlations

Table 2 presents the descriptive statistics for variables used in our estimation model. The mean and median of CompT4 are –0.361 and –0.147, respectively. The mean and median of CompIND are –1.286 and –0.969, respectively. These are similar to prior research in financial comparability (Cheng & Wu, 2018). The average error in quarterly earnings for benchmark firms to firm *j* is 1.286% and 0.361% of market value. The mean length for CFO tenure is about 3.9, respectively.

Additionally, the mean value of financial leverage LEV is 48%, suggesting

that the external financing from debt is 48% and the remaining 52% is from equity among our sample firms. Finally, the mean of BIGN is 0.058, which suggests a low frequency of Big 4 audits in the China capital market and is consistent with other China studies (e.g., Lennox et al., 2014). To mitigate the potential impact of outliers, we winsorise all the continuous variables at the 1st and 99th percentile.

**TABLE 2**
*Descriptive statistics (N = 11,850)*

| Variable | Mean | S.D. | P25 | P50 | P75 |
|---|---|---|---|---|---|
| $CompT4_{it}$ | –0.361 | 1.306 | –0.308 | –0.147 | –0.076 |
| $ComT10_{it}$ | –0.511 | 1.394 | –0.504 | –0.243 | –0.126 |
| $CompIND_{it}$ | –1.286 | 1.554 | –1.423 | –0.969 | –0.684 |
| $CFOTENURE_{it}$ | 3.914 | 2.765 | 2.000 | 3.000 | 6.000 |
| $SIZE_{it}$ | 15.329 | 1.272 | 14.482 | 15.235 | 16.075 |
| $LEV_{it}$ | 0.482 | 0.206 | 0.326 | 0.485 | 0.634 |
| $ROA_{it}$ | 0.030 | 0.065 | 0.011 | 0.030 | 0.057 |
| $MTB_{it}$ | 3.969 | 4.404 | 1.698 | 2.748 | 4.534 |
| $BIGN_{it}$ | 0.058 | 0.234 | 0.000 | 0.000 | 0.000 |
| $BHOLD_{it}$ | 0.058 | 0.125 | 0.000 | 0.000 | 0.025 |
| $INDR_{it}$ | 0.369 | 0.057 | 0.333 | 0.333 | 0.400 |
| $BSIZE_{it}$ | 9.053 | 1.950 | 8.000 | 9.000 | 9.000 |
| $TOP10_{it}$ | 0.536 | 0.153 | 0.426 | 0.535 | 0.642 |
| $STATE_{it}$ | 0.447 | 0.497 | 0.000 | 0.000 | 1.000 |

*Note*: Variables are defined in the Appendix.

Table 3 reports the Pearson correlations. The coefficient for the three financial statement comparability is highly correlated. Meanwhile, CFO tenure is significantly correlated with three proxies of financial statement comparability. This result implies that longer CFO tenure leads to higher financial statement comparability. Additionally, the coefficient for each independent variable is lower than 0.5, indicating no multi-collinearity problem among these variables.

**TABLE 3**

*Pearson correlations*

| Variable | $CompT4_{it}$ | $CompT10_{it}$ | $CompIND_{it}$ | $CFOTEN_{it}$ | $SIZE_{it}$ | $LEV_{it}$ | $ROA_{it}$ | $MTB_{it}$ | $BIGN_{it}$ | $BHOLD_{it}$ | $INDR_{it}$ | $BSIZE_{it}$ | $TOP10_{it}$ | $STATE_{it}$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $CompT4_{it}$ | 1.000 | | | | | | | | | | | | | |
| $CompT10_{it}$ | 0.991*** | 1.000 | | | | | | | | | | | | |
| | (0.000) | | | | | | | | | | | | | |
| $CompIND_{it}$ | 0.926*** | 0.941*** | 1.000 | | | | | | | | | | | |
| | (0.000) | (0.000) | | | | | | | | | | | | |
| $CFOTEN_{it}$ | 0.071*** | 0.084*** | 0.101*** | 1.000 | | | | | | | | | | |
| | (0.000) | (0.000) | (0.000) | | | | | | | | | | | |
| $SIZE_{it}$ | –0.022** | –0.027*** | –0.063*** | 0.065*** | 1.000 | | | | | | | | | |
| | (0.016) | (0.003) | (0.000) | (0.000) | | | | | | | | | | |
| $LEV_{it}$ | –0.145*** | –0.162*** | –0.221*** | –0.078*** | 0.337*** | 1.000 | | | | | | | | |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | | | | | | | | | |
| $ROA_{it}$ | –0.000 | 0.002 | 0.003 | 0.061*** | 0.110*** | –0.311*** | 1.000 | | | | | | | |
| | (0.959) | (0.837) | (0.738) | (0.000) | (0.000) | (0.000) | | | | | | | | |
| $MTB_{it}$ | –0.024*** | –0.029*** | –0.025*** | –0.064*** | –0.427*** | 0.073*** | –0.053*** | 1.000 | | | | | | |
| | (0.008) | (0.002) | (0.007) | (0.000) | (0.000) | (0.000) | (0.000) | | | | | | | |
| $BIGN_{it}$ | –0.010 | –0.015* | –0.036*** | –0.033*** | 0.301*** | 0.066*** | 0.063*** | –0.086*** | 1.000 | | | | | |
| | (0.291) | (0.096) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | | | | | | |
| $BHOLD_{it}$ | 0.077*** | 0.095*** | 0.140*** | 0.063*** | –0.086*** | –0.239*** | 0.055*** | 0.009 | –0.085*** | 1.000 | | | | |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.345) | (0.000) | | | | | |
| $INDR_{it}$ | 0.013 | 0.017* | 0.025*** | –0.015* | 0.008 | –0.023** | –0.021** | 0.020** | –0.001 | 0.083*** | 1.000 | | | |
| | (0.162) | (0.060) | (0.006) | (0.095) | (0.377) | (0.011) | (0.021) | (0.026) | (0.872) | (0.000) | | | | |
| $BSIZE_{it}$ | –0.013 | –0.018** | –0.024*** | –0.013 | 0.207*** | 0.135*** | 0.010 | –0.054*** | 0.128*** | –0.127*** | –0.321*** | 1.000 | | |
| | (0.153) | (0.046) | (0.008) | (0.161) | (0.000) | (0.000) | (0.296) | (0.000) | (0.000) | (0.000) | (0.000) | | | |
| $TOP10_{it}$ | –0.054*** | –0.059*** | –0.071*** | –0.027*** | 0.342*** | 0.011 | 0.179*** | –0.093*** | 0.183*** | 0.080*** | 0.006 | 0.078*** | 1.000 | |
| | (0.000) | (0.000) | (0.000) | (0.003) | (0.000) | (0.228) | (0.000) | (0.000) | (0.000) | (0.000) | (0.513) | (0.000) | | |
| $STATE_{it}$ | –0.034*** | –0.048*** | –0.089*** | –0.038*** | 0.206*** | 0.204*** | –0.021** | –0.119*** | 0.110*** | –0.398*** | –0.088*** | 0.203*** | 0.051*** | 1.000 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.019) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | |

*Notes*: a = Variables are defined in the Appendix; b = *p*-values in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

## Regression Results

### *CFO tenure and financial statement comparability*

Table 4 reports the regression results for Equation (1). The coefficient on CFO tenure reported in Column (1) of Table 4 is significantly positive (coefficient = 0.020, $p$ = 0.000). These results support our hypothesis that firms with longer CFO tenure tend to have higher financial statement comparability. Prior studies indicate that an increase in CFO tenure results in the CFO having higher firm-specific expert knowledge (Beck & Mauldin, 2014) and more ability to resist pressure from the CEO (Bishop et al., 2017), thus positively affecting financial reporting quality. Further, we also find similar results that use the alternative measurement of financial statement comparability in Columns (2) and (3) of the same table.

**TABLE 4**
*CFO tenure and financial statement comparability*

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| $CFOTEN_{it}$ | 0.020*** | 0.022*** | 0.025*** |
| | (0.000) | (0.000) | (0.000) |
| $SIZE_{it}$ | 0.069 | 0.065 | 0.040 |
| | (0.290) | (0.329) | (0.552) |
| $LEV_{it}$ | –1.035*** | –1.153*** | –1.188*** |
| | (0.001) | (0.000) | (0.000) |
| $ROA_{it}$ | –1.107 | –1.205 | –1.303* |
| | (0.135) | (0.107) | (0.085) |
| $MTB_{it}$ | 0.005 | 0.003 | –0.002 |
| | (0.603) | (0.730) | (0.834) |
| $BIGN_{it}$ | –0.001 | –0.013 | –0.031 |
| | (0.992) | (0.866) | (0.722) |
| $BHOLD_{it}$ | 0.440*** | 0.523*** | 0.767*** |
| | (0.000) | (0.000) | (0.000) |
| $INDR_{it}$ | 0.189 | 0.248 | 0.345 |
| | (0.466) | (0.389) | (0.281) |

(*Continued on next page*)

**TABLE 4** (*Continued*)

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| $BSIZE_{it}$ | 0.008 | 0.011 | 0.017* |
| | (0.298) | (0.200) | (0.068) |
| $TOP10_{it}$ | –0.497*** | –0.539*** | –0.591*** |
| | (0.001) | (0.001) | (0.000) |
| $STATE_{it}$ | 0.065 | 0.072 | 0.056 |
| | (0.153) | (0.143) | (0.295) |
| Constant | –1.078 | –1.274 | –1.918** |
| | (0.199) | (0.138) | (0.029) |
| Industry fixed effects | Included | Included | Included |
| Year fixed effect | Included | Included | Included |
| Obs. | 11,850 | 11,850 | 11,850 |
| $R^2$ | 0.061 | 0.094 | 0.161 |
| Adj. $R^2$ | 0.055 | 0.088 | 0.156 |
| F | 10.187 | 13.329 | 26.536 |

*Notes*: a = Variables are defined in the Appendix; b = *p*-values in parentheses derived from t-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

## *Non-linear test*

Huang and Hilary (2018) observe that top manager tenure exhibits an inverted U-shaped relation with firm value and accounting performance. To evaluate whether a non-linear relationship exists between CFO tenure and financial comparability, we follow Huang and Hilary (2018) and include a square term of CFO tenure to test for the non-linear relationship. We present the results in Table 5.

**TABLE 5**

*CFO tenure and financial statement comparability (Non Linear Model)*

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| $CFOTEN_{it}$ | 0.044** | 0.048** | 0.052** |
| | (0.023) | (0.015) | (0.013) |
| $CFOTEN\_SEQ_{it}$ | –0.002 | –0.003 | –0.003 |
| | (0.137) | (0.119) | (0.140) |
| $SIZE_{it}$ | 0.069 | 0.065 | 0.040 |
| | (0.290) | (0.329) | (0.552) |
| $LEV_{it}$ | –1.030*** | –1.148*** | –1.183*** |
| | (0.001) | (0.000) | (0.000) |
| $ROA_{it}$ | –1.110 | –1.208 | –1.306* |
| | (0.134) | (0.107) | (0.085) |
| $MTB_{it}$ | 0.005 | 0.003 | –0.002 |
| | (0.602) | (0.729) | (0.835) |
| $BIGN_{it}$ | –0.001 | –0.013 | –0.031 |
| | (0.989) | (0.864) | (0.720) |
| $BHOLD_{it}$ | 0.429*** | 0.511*** | 0.755*** |
| | (0.000) | (0.000) | (0.000) |
| $INDR_{it}$ | 0.191 | 0.251 | 0.348 |
| | (0.460) | (0.384) | (0.277) |
| $BSIZE_{it}$ | 0.008 | 0.011 | 0.017* |
| | (0.295) | (0.199) | (0.067) |
| $TOP10_{it}$ | –0.499*** | –0.542*** | –0.594*** |
| | (0.000) | (0.000) | (0.000) |
| $STATE_{it}$ | 0.065 | 0.072 | 0.056 |
| | (0.153) | (0.143) | (0.295) |
| Constant | –1.115 | –1.315 | –1.959** |
| | (0.194) | (0.135) | (0.029) |
| Industry fixed effects | Included | Included | Included |
| Year fixed effect | Included | Included | Included |
| Obs. | 11,850 | 11,850 | 11,850 |
| $R^2$ | 0.061 | 0.094 | 0.161 |
| Adj. $R^2$ | 0.055 | 0.088 | 0.156 |
| F | 9.905 | 12.865 | 25.546 |

*Notes*: a = Variables are defined in the Appendix; b = *p*-values in parentheses derived from t-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

As we can observe from Column (1) of Table 5, CFO tenure is positively and significantly associated with financial statement comparability (coefficient = 0.044, $p$ = 0.023). However, the square term of CFO tenure is negative but not statistically significant (coefficient = –0.002, $p$ = 0.137). The results suggest that the CFO tenure is linearly related to financial statement comparability.

### *Alternative measure of comparability*

We also follow a prior study to calculate the median value of financial comparability for all firms in the same industry as firm $j$ during period $t$ (Imhof et al., 2017). The results presented in Table 6 indicate that our main results are robust even when we employ an alternative measure of financial statement comparability.

**TABLE 6**
*CFO tenure and financial statement comparability: Alternative measure of financial statement comparability*

| Variable | Median of CompT4 (1) | Median of CompT10 (2) | Median of CompIND (3) |
|---|---|---|---|
| $CFOTEN_{it}$ | 0.020*** | 0.022*** | 0.026*** |
| | (0.000) | (0.000) | (0.000) |
| $SIZE_{it}$ | 0.071 | 0.065 | 0.046 |
| | (0.280) | (0.329) | (0.504) |
| $LEV_{it}$ | –1.064*** | –1.202*** | –1.307*** |
| | (0.000) | (0.000) | (0.000) |
| $ROA_{it}$ | –1.126 | –1.233 | –1.256 |
| | (0.129) | (0.101) | (0.100) |
| $MTB_{it}$ | 0.005 | 0.003 | –0.002 |
| | (0.586) | (0.762) | (0.846) |
| $BIGN_{it}$ | –0.003 | –0.014 | –0.058 |
| | (0.965) | (0.857) | (0.529) |
| $BHOLD_{it}$ | 0.456*** | 0.547*** | 0.752*** |
| | (0.000) | (0.000) | (0.000) |
| $INDR_{it}$ | 0.185 | 0.230 | 0.296 |
| | (0.478) | (0.434) | (0.362) |

(*Continued on next page*)

**TABLE 6** (*Continued*)

| Variable | Median of CompT4 (1) | Median of CompT10 (2) | Median of CompIND (3) |
|---|---|---|---|
| $BSIZE_{it}$ | 0.008 | 0.012 | 0.017* |
| | (0.298) | (0.177) | (0.078) |
| $TOP10_{it}$ | –0.509*** | –0.582*** | –0.623*** |
| | (0.000) | (0.000) | (0.000) |
| $STATE_{it}$ | 0.067 | 0.069 | 0.054 |
| | (0.149) | (0.173) | (0.325) |
| Constant | –1.106 | –1.234 | –1.505* |
| | (0.190) | (0.155) | (0.094) |
| Industry fixed effects | Included | Included | Included |
| Year fixed effect | Included | Included | Included |
| Obs. | 11,850 | 11,850 | 11,850 |
| $R^2$ | 0.063 | 0.087 | 0.109 |
| Adj. $R^2$ | 0.057 | 0.082 | 0.104 |
| F | 10.259 | 12.907 | 17.402 |

*Notes*: Variables are defined in the Appendix; *p*-values in parentheses derived from *t*-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

## *Short vs. long tenure*

Prior research argues that managers prefer to focus on short-term earnings performance or myopic thinking in their earlier tenure stage (Davidson et al., 2007; Lee & Chang, 2014). Following Pan et al. (2015), we denote the first and second years of CFO tenure as the earlier tenure stage (short tenure) and above four years of CFO tenure as the long tenure. Further, we also use the median length of CFO tenure to partition our sample. The results are presented in Table 7.

**TABLE 7**
*Short vs. long CFO tenure*

| Variable | CFO Beg = CFOs tenure < 3 | | | CFO Lon = CFOs tenure > 4 | | | CFO tenure > Median | | |
|---|---|---|---|---|---|---|---|---|---|
| | CompT4 (1) | CompT10 (2) | CompIND (3) | CompT4 (1) | CompT10 (2) | CompIND (3) | CompT4 (1) | CompT10 (2) | CompIND (3) |
| $CFO\_D_{it}$ | –0.078*** | –0.086*** | –0.100*** | 0.135*** | 0.151*** | 0.176*** | 0.120*** | 0.133*** | 0.149*** |
| | (0.006) | (0.004) | (0.002) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| $SIZE_{it}$ | 0.070 | 0.066 | 0.042 | 0.069 | 0.065 | 0.040 | 0.069 | 0.065 | 0.041 |
| | (0.282) | (0.319) | (0.536) | (0.291) | (0.331) | (0.554) | (0.287) | (0.325) | (0.545) |
| $LEV_{it}$ | –1.036*** | –1.154*** | –1.189*** | –1.031*** | –1.148*** | –1.182*** | –1.031*** | –1.149*** | –1.184*** |
| | (0.001) | (0.000) | (0.000) | (0.001) | (0.000) | (0.000) | (0.001) | (0.000) | (0.000) |
| $ROA_{it}$ | –1.088 | –1.184 | –1.278* | –1.101 | –1.198 | –1.295* | –1.108 | –1.206 | –1.302* |
| | (0.142) | (0.114) | (0.091) | (0.136) | (0.108) | (0.086) | (0.135) | (0.107) | (0.085) |
| $MTB_{it}$ | 0.005 | 0.003 | –0.002 | 0.005 | 0.003 | -0.002 | 0.005 | 0.003 | –0.002 |
| | (0.617) | (0.747) | (0.815) | (0.612) | (0.741) | (0.820) | (0.603) | (0.730) | (0.833) |
| $BIGN_{it}$ | –0.005 | –0.018 | –0.037 | –0.001 | –0.013 | –0.031 | -0.003 | –0.015 | –0.034 |
| | (0.941) | (0.815) | (0.671) | (0.991) | (0.866) | (0.721) | (0.969) | (0.843) | (0.697) |
| $BHOLD_{it}$ | 0.436*** | 0.517*** | 0.761*** | 0.432*** | 0.514*** | 0.757*** | 0.431*** | 0.512*** | 0.756*** |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| $INDR_{it}$ | 0.175 | 0.232 | 0.327 | 0.195 | 0.254 | 0.353 | 0.183 | 0.242 | 0.336 |
| | (0.498) | (0.419) | (0.307) | (0.454) | (0.378) | (0.272) | (0.479) | (0.401) | (0.293) |

(*Continued on next page*)

**TABLE 7** (*Continued*)

| Variable | CFO Beg = CFOs tenure < 3 | | | CFO Lon = CFOs tenure > 4 | | | CFO tenure > Median | | |
|---|---|---|---|---|---|---|---|---|---|
| | CompT4 (1) | CompT10 (2) | CompIND (3) | CompT4 (1) | CompT10 (2) | CompIND (3) | CompT4 (1) | CompT10 (2) | CompIND (3) |
| $BSIZE_{it}$ | 0.008 | 0.010 | 0.016* | 0.008 | 0.010 | 0.016* | 0.008 | 0.010 | 0.016* |
| | (0.318) | (0.217) | (0.076) | (0.302) | (0.204) | (0.069) | (0.313) | (0.212) | (0.073) |
| $TOP10_{it}$ | –0.508*** | –0.552*** | –0.606*** | –0.499*** | –0.542*** | –0.594*** | –0.500*** | –0.543*** | –0.596*** |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.001) | (0.000) | (0.000) |
| $STATE_{it}$ | 0.065 | 0.072 | 0.056 | 0.066 | 0.073 | 0.057 | 0.066 | 0.072 | 0.057 |
| | (0.153) | (0.143) | (0.296) | (0.147) | (0.138) | (0.284) | (0.149) | (0.139) | (0.287) |
| Constant | –0.966 | –1.152 | –1.775** | –1.043 | –1.236 | –1.872** | –1.046 | –1.240 | –1.877** |
| | (0.236) | (0.168) | (0.038) | (0.211) | (0.149) | (0.032) | (0.210) | (0.147) | (0.032) |
| Industry fixed effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 |
| $R^2$ | 0.060 | 0.093 | 0.160 | 0.062 | 0.095 | 0.162 | 0.061 | 0.094 | 0.161 |
| Adj. $R^2$ | 0.054 | 0.087 | 0.155 | 0.056 | 0.089 | 0.157 | 0.055 | 0.089 | 0.156 |
| F | 10.270 | 13.376 | 26.419 | 10.286 | 13.459 | 26.984 | 10.344 | 13.548 | 26.996 |

*Notes*: Variables are defined in the Appendix; *p*-values in parentheses derived from *t*-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Three columns on the left-hand side and middle of Table 7 are the results of the effect of CFO tenure on financial statement comparability based on short or long-term CFO tenure, respectively. We expect the sign for CFO tenure to differ between short and long CFO tenure. The coefficient on CFO tenure is negatively and significantly associated with financial statement comparability under the scenario of short CFO tenure (coefficient = –0.078, $p$ = 0.006) (Column 1 of left-hand side in Table 7). By contrast, the coefficient on CFO tenure is positively and significantly associated with financial statement comparability under the scenario of long CFO tenure (coefficient = 0.135, $p$ = 0.000) (Column 1 of middle in Table 7). This result means that financial statement quality may be lower during the earlier stage of CFO, and this finding is consistent with prior research. Three columns on the right-hand side of Table 7 report the short/long CFO tenure results on the financial statement comparability based on the median of CFO tenure. CFO tenure is positively associated with financial statement comparability (coefficient = 0.120, $p$ = 0.000) in firms with CFO tenure higher than the median length of CFO tenure. This result is consistent with Column 1 of the middle in Table 7.

In addition, we also found similar results after implementing the 10 highest comparability scores and the mean value of the comparability score as the dependent variable. Overall, based on the short and long-tenure results, we demonstrate that the short tenure of the CFO has lower financial statement comparability. This result implies that CFOs with shorter tenures have not yet accumulated sufficient firm-specific knowledge (Beck & Mauldin, 2014), thus lowering the comparability of financial statements.

### *Control CEO turnover, auditor firm tenure and audit committee tenure effect*

Prior studies argue that CEOs, auditor firms and audit committees are important in financial reporting (Feng et al., 2011; Francis et al., 2014; Endrawes et al., 2020). Feng et al. (2011) investigate why CFOs are involved in material accounting manipulation. They argue that powerful CEOs have higher equity incentives, leading to the CFOs succumbing to the pressure of the CEOs and being involved in material accounting manipulation. Dao et al. (2014) also show that due to SEC investigations, firms are more likely to repeat financial statements and engage in aggressive accrual-based earnings management after changing new management. Therefore, we include CEO turnover as the control variable. Prior studies have addressed that Big N

auditors play an important role in financial statement comparability (Francis et al., 2014; Chen et al., 2020; Ege et al., 2020; Endrawes et al., 2020). For example, Francis et al. (2014) assert that each Big 4 audit firm has its own unique set of internal working rules that guide and standardise the auditor's application of auditing and accounting standards, thus positively affecting financial comparability. Extending this line of research, Ege et al. (2020) find that each of the Big 6 audit firms has a unique global network, including global knowledge management databases and common industry-specific work programs and training, which can enhance financial statement comparability. In addition, Endrawes et al. (2020) argue that the audit committee impacts financial statement comparability. Therefore, we also include audit firm and committee tenure as the control variables—the results are in Table 8.

**TABLE 8**
*Control CEO, auditor firm tenure and audit committee tenure effect*

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| $CFOTEN_{it}$ | 0.014*** | 0.016*** | 0.021*** |
| | (0.000) | (0.000) | (0.000) |
| $SIZE_{it}$ | 0.058 | 0.052 | 0.024 |
| | (0.404) | (0.466) | (0.736) |
| $LEV_{it}$ | –0.976*** | –1.083*** | –1.099*** |
| | (0.003) | (0.001) | (0.001) |
| $ROA_{it}$ | –1.108 | –1.197 | –1.238 |
| | (0.188) | (0.158) | (0.147) |
| $MTB_{it}$ | 0.007 | 0.005 | –0.001 |
| | (0.545) | (0.653) | (0.954) |
| $BIGN_{it}$ | 0.035 | 0.024 | 0.007 |
| | (0.607) | (0.753) | (0.935) |
| $BHOLD_{it}$ | 0.451*** | 0.534*** | 0.759*** |
| | (0.000) | (0.000) | (0.000) |
| $INDR_{it}$ | 0.172 | 0.212 | 0.263 |
| | (0.531) | (0.486) | (0.440) |

(*Continued on next page*)

**TABLE 8** (*Continued*)

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| $BSIZE_{it}$ | 0.010 | 0.012 | 0.018* |
| | (0.228) | (0.163) | (0.061) |
| $TOP10_{it}$ | –0.439*** | –0.475*** | –0.523*** |
| | (0.008) | (0.007) | (0.006) |
| $STATE_{it}$ | 0.063 | 0.070 | 0.051 |
| | (0.218) | (0.196) | (0.387) |
| $CEOTURN_{it}$ | –0.114 | –0.126 | -0.131 |
| | (0.262) | (0.223) | (0.212) |
| $AUDFTEN_{it}$ | 0.010*** | 0.011*** | 0.012*** |
| | (0.000) | (0.000) | (0.000) |
| $AUDCTEN_{it}$ | 0.019*** | 0.022*** | 0.020** |
| | (0.010) | (0.006) | (0.023) |
| Constant | –1.170 | –1.357 | –1.942** |
| | (0.201) | (0.146) | (0.040) |
| Industry fixed effects | Included | Included | Included |
| Year fixed effect | Included | Included | Included |
| Obs. | 10,834 | 10,834 | 10,834 |
| $R^2$ | 0.064 | 0.094 | 0.161 |
| Adj. $R^2$ | 0.057 | 0.087 | 0.155 |
| F | 8.690 | 11.422 | 21.869 |

*Notes:* Variables are defined in the Appendix; *p*-values in parentheses derived from *t*-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

We show that CFO tenure is positively and significantly associated with the financial statement comparability (coefficient = 0.014, $p = 0.000$) after we control CEO turnover, audit firm tenure and audit committee tenure. This result implies that the CFO plays an essential role in the comparability of financial reporting. In addition, we also show that auditor firm tenure (ADFTEN) and audit committee tenure (ADCTEN) are positively and significantly associated with financial statement comparability (coefficient = 0.010, $p = 0.000$; coefficient = 0.019, $p = 0.000$). Therefore, we believe that increased auditor tenure/audit committee tenure positively affects client-specific knowledge, thus enhancing audit quality (Johnson et al., 2002; Ghosh & Moon, 2005; Chen et al., 2008). Overall, our results remain robust after controlling for various variables.

### *Change model*

We specify a change model to investigate the effect of the change of CFO tenure on the change of financial statement comparability. Table 9 presents the results of the change model. Column (1) of Table 9 shows that the change in CFO tenure is positively and significantly associated with the change in financial statement comparability (coefficient = 0.004, $p$ = 0.074). This result supports our hypothesis. Further, our results remain qualitatively unchanged when we use alternative measures of financial statement comparability.

**TABLE 9**
*CFO tenure and financial statement comparability: The Change Model*

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| D.CFOTEN | 0.004* | 0.005** | 0.006** |
| | (0.074) | (0.044) | (0.043) |
| D.SIZE | 0.108** | 0.121*** | 0.147*** |
| | (0.011) | (0.006) | (0.001) |
| D.LEV | –0.175* | –0.236** | –0.344*** |
| | (0.056) | (0.015) | (0.002) |
| D.ROA | –0.893*** | –1.077*** | –1.307*** |
| | (0.000) | (0.000) | (0.000) |
| D.MTB | 0.001 | 0.001 | –0.001 |
| | (0.768) | (0.793) | (0.828) |
| D. BIGN | –0.005 | 0.014 | –0.031 |
| | (0.970) | (0.916) | (0.815) |
| D.BHOLD | 0.203 | 0.247 | 0.243 |
| | (0.176) | (0.118) | (0.144) |
| D.INDR | –0.120 | –0.112 | –0.155 |
| | (0.220) | (0.297) | (0.235) |
| D. BSIZE | –0.003 | -0.004 | -0.003 |
| | (0.569) | (0.546) | (0.632) |
| D.TOP10 | –0.406*** | –0.459*** | –0.522*** |
| | (0.005) | (0.003) | (0.003) |

(*Continued on next page*)

**TABLE 9** (*Continued*)

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| D.STATE | 0.054 | 0.061 | 0.059 |
| | (0.221) | (0.186) | (0.397) |
| Constant | 0.009 | 0.037 | –0.004 |
| | (0.662) | (0.110) | (0.905) |
| Industry fixed effects | Included | Included | Included |
| Year fixed effect | Included | Included | Included |
| Obs. | 8,869 | 8,869 | 8,869 |
| $R^2$ | 0.023 | 0.030 | 0.055 |
| Adj. $R^2$ | 0.015 | 0.022 | 0.048 |
| F | 2.633 | 3.723 | 11.260 |

*Notes:* Variables are defined in the Appendix; *p*-values in parentheses derived from *t*-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

## The Role of the CFO under the Exogenous Factor

Prior research argues that exogenous factors (e.g., environmental uncertainty and market concentration) play an essential role in the design of management control systems (Chenhall, 2003). Regarding environmental uncertainty, Ghosh and Olsen (2009) are the first studies to investigate the relationship between environmental uncertainty and earnings management. They argue that environmental uncertainty plays a critical external constraint that leads to managers having fundamental differences in firm management. Furthermore, they document that managers prefer to use discretionary accruals to mitigate earnings variability in environments with higher uncertainty. Habib et al. (2011) argue that managers are incentivised to smooth income numbers under environmental uncertainty to lower earnings variability.

There have been inconclusive results in the relationship between market concentration and financial disclosure decisions. Bagnoli and Watts (2010) and Ali et al. (2014) argue that higher concentrated markets have lower corporate disclosure policy information. However, some research papers (e.g., Datta et al., 2013) document that higher concentrated markets lack

a competitive environment, thus lowering the need to engage in earnings management. Therefore, we consider environmental uncertainty and market concentration as exogenous factors and examine the role of CFO tenure.

### *Environmental uncertainty*

Table 10 shows the CFO tenure results on financial reporting comparability under higher environmental uncertainty. Similar to earlier results, we offer that CFO tenure is positively and significantly associated with financial statement comparability. Furthermore, higher environmental uncertainty is negatively and significantly associated with financial statement comparability. These results suggest that firms with higher environmental uncertainty exhibit lower comparability in their financial reporting. Prior studies argue that managers prefer to engage in earnings management to lower the impact of environmental uncertainty on earnings variability (Ghosh & Olsen, 2009; Habib et al., 2011), thus leading to lower financial statement comparability. However, we show that the interactive terms of CFO tenure and environment uncertainty are positively and significantly associated with financial statement comparability. It means that CFO tenure positively moderates the negative effect of environmental uncertainty on financial statement comparability, thereby providing empirical support for H2.

**TABLE 10**
*The moderate role of CFO between environment uncertainty and financial reporting comparability*

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| CFO_TEN | 0.007** | 0.008* | 0.011** |
| | (0.036) | (0.053) | (0.029) |
| EUD | –0.194*** | –0.230*** | –0.258*** |
| | (0.000) | (0.000) | (0.000) |
| CFOTEN_EUD | 0.021** | 0.024*** | 0.025*** |
| | (0.011) | (0.005) | (0.007) |
| SIZE | 0.064 | 0.057 | 0.031 |
| | (0.328) | (0.386) | (0.651) |
| LEV | –0.999*** | –1.116*** | –1.154*** |
| | (0.001) | (0.000) | (0.000) |

(*Continued on next page*)

**TABLE 10** (*Continued*)

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| ROA | –1.227 | –1.351* | –1.479* |
| | (0.111) | (0.082) | (0.060) |
| MTB | 0.006 | 0.004 | –0.002 |
| | (0.562) | (0.690) | (0.886) |
| BIGN | –0.022 | –0.035 | –0.053 |
| | (0.724) | (0.617) | (0.513) |
| BHOLD | 0.370*** | 0.441*** | 0.677*** |
| | (0.000) | (0.000) | (0.000) |
| INDR | 0.065 | 0.123 | 0.238 |
| | (0.780) | (0.640) | (0.421) |
| BSIZE | 0.007 | 0.010 | 0.016* |
| | (0.336) | (0.219) | (0.076) |
| TOP10 | –0.406*** | –0.448*** | –0.501*** |
| | (0.000) | (0.000) | (0.000) |
| STATE | 0.043 | 0.048 | 0.029 |
| | (0.255) | (0.243) | (0.517) |
| Constant | –0.897 | –1.039 | –1.644* |
| | (0.270) | (0.212) | (0.054) |
| IND | Yes | Yes | Yes |
| YEAR | Yes | Yes | Yes |
| Observations | 11,737 | 11,737 | 11,737 |
| $R^2$ | 0.064 | 0.101 | 0.170 |
| Adjusted $R^2$ | 0.058 | 0.095 | 0.165 |
| F | 10.432 | 13.821 | 26.698 |

*Notes:* Variables are defined in the Appendix; *p*-values in parentheses derived from *t*-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

### *Market concentration*

Table 11 shows that CFO tenure is still positively and significantly associated with financial reporting comparability. However, the higher market concentration variable (HIC) is negatively and significantly related to financial reporting comparability. Prior studies (Bagnoli & Watts, 2010; Ali et al., 2014) document that higher concentrated markets have lower

informativeness of corporate disclosure policy, therefore, our analysis results support this argument.

Furthermore, we also demonstrate that higher market concentration results in lower financial comparability. However, the interactive terms of CFO tenure and higher market concentration are positive but not significantly associated with financial reporting comparability. This result suggests that market concentration does not affect the impact of CFO tenure on financial statement comparability, thereby providing no empirical support for H3.

**TABLE 11**
*The moderate role of CFO between market competition and financial reporting comparability*

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| CFO_TEN | 0.018*** | 0.020*** | 0.025*** |
| | (0.000) | (0.000) | (0.000) |
| HIC | –0.130** | –0.197*** | –0.140* |
| | (0.043) | (0.005) | (0.065) |
| CFOTEN_HIC | 0.010 | 0.015 | 0.005 |
| | (0.261) | (0.152) | (0.654) |
| SIZE | 0.069 | 0.066 | 0.041 |
| | (0.286) | (0.324) | (0.547) |
| LEV | –1.033*** | –1.150*** | –1.185*** |
| | (0.001) | (0.000) | (0.000) |
| ROA | –1.117 | –1.220 | –1.316* |
| | (0.132) | (0.103) | (0.082) |
| MTB | 0.005 | 0.004 | –0.002 |
| | (0.598) | (0.723) | (0.838) |
| BIGN | 0.000 | –0.011 | –0.030 |
| | (0.995) | (0.884) | (0.732) |
| BHOLD | 0.447*** | 0.532*** | 0.775*** |
| | (0.000) | (0.000) | (0.000) |
| INDR | 0.181 | 0.236 | 0.336 |
| | (0.483) | (0.411) | (0.293) |

(*Continued on next page*)

**TABLE 11** (*Continued*)

| Variable | CompT4 (1) | CompT10 (2) | CompIND (3) |
|---|---|---|---|
| BSIZE | 0.008 | 0.011 | 0.017* |
| | (0.292) | (0.194) | (0.066) |
| TOP10 | –0.499*** | –0.544*** | –0.594*** |
| | (0.001) | (0.000) | (0.000) |
| STATE | 0.066 | 0.072 | 0.056 |
| | (0.149) | (0.138) | (0.291) |
| Constant | –1.048 | –1.230 | –1.884** |
| | (0.212) | (0.153) | (0.032) |
| IND | Yes | Yes | Yes |
| YEAR | Yes | Yes | Yes |
| Observations | 11,850 | 11,850 | 11,850 |
| $R^2$ | 0.061 | 0.094 | 0.162 |
| Adj. $R^2$ | 0.055 | 0.088 | 0.157 |
| F | 9.431 | 12.420 | 24.815 |

*Notes:* Variables are defined in the Appendix; *p*-values in parentheses derived from *t*-statistics based on robust standard errors clustered at the firm level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

## CONCLUSION

This article investigates the effect of CFO tenure on financial statement comparability. Drawing on data from the Chinese capital market, we find that CFO tenure is positively and significantly associated with financial statement comparability. These results are robust to a series of sensitivity analyses. Furthermore, our analysis reveals that CFO tenure moderates the adverse effects of environmental uncertainty on financial reporting comparability.

Our findings yield several important implications. First, they extend the literature on executive characteristics and financial reporting quality by providing empirical evidence that longer CFO tenure enhances financial statement comparability. Prolonged tenure enables CFOs to accumulate in-depth, firm-specific knowledge and tacit experience, contributing to more consistent and transparent financial reporting. This effect is particularly salient in China's capital markets, which are characterised by a

high prevalence of state-owned enterprises, evolving regulatory structures and concentrated ownership patterns, heightening the importance of executive stability in ensuring reporting quality. Second, our study sheds light on the moderating role of CFO tenure in mitigating the detrimental impact of environmental uncertainty on comparability. In markets such as China, where policy shifts and market dominance by a few large players exacerbate informational asymmetries, CFOs with extended tenure are better positioned to maintain reporting consistency and reduce uncertainty for market participants.

From a policy perspective, our findings underscore the value of leadership continuity in corporate financial management. Regulators and corporate boards should acknowledge the role of sustained CFO leadership in enhancing financial transparency and market stability. Policymakers might also consider developing initiatives that incentivise senior financial executives' retention and professional development, particularly in environments marked by high uncertainty and ownership concentration. Such measures could play a pivotal role in bolstering investor confidence, improving financial statement comparability and fostering the long-term resilience of the capital market.

Notwithstanding the above findings, a caveat is in order. We investigate the effect of CFO tenure on financial statement comparability through China's capital markets. Unlike the U.S. or the Taiwan capital markets, where the Big 4 audit firms dominate the auditing market, the China audit market is dominated by local audit firms. Therefore, readers must interpret our results with caution. Also, the auditor rotation policies may be different across countries. Our findings may not be valid for countries not yet implementing mandatory audit firm rotations.

Notwithstanding the robustness of our findings, several limitations warrant consideration. First, the study exclusively utilises data from China's capital markets, which exhibit distinct characteristics such as the predominance of local audit firms and unique corporate governance frameworks, potentially limiting the generalisability of the results to other institutional contexts. Second, the analysis does not differentiate between variations in CFO roles and responsibilities across industries. Such heterogeneity may shape the relationship between CFO tenure and accounting comparability, suggesting

an avenue for further investigation. Third, the study period concludes in 2018 due to data availability constraints, excluding the potential impact of more recent developments, including regulatory reforms and evolving market dynamics.

Future studies can extend this research in several ways. First, cross-country comparative analyses could explore whether the relationship between CFO tenure and financial statement comparability holds in different institutional and regulatory environments, such as markets with mandatory audit firm rotation or international audit firms. In addition, the impact of the COVID-19 pandemic may alter the role of CFO tenure. Exploring whether the relationship between the two changes in the post-pandemic era is also a feasible direction for future research. Lastly, experimental or qualitative approaches could further explore the mechanisms by which CFO-specific knowledge improves financial reporting comparability, offering deeper insights into the decision-making processes of long-tenured CFOs.

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## NOTES

1. We acknowledge that alternative estimation techniques, such as generalised least squares (GLS) or system generalised method of moments (S-GMM), are commonly employed in dynamic panel data analyses, particularly when the dependent variable demonstrates persistence or inertia over time (e.g., in studies of economic growth or firm performance). However, as this study primarily investigates the impact of CFO tenure on financial statement comparability (a construct that does not inherently exhibit temporal inertia), therefore the use of OLS regression is appropriate for our empirical setting.
2. In untabulated analyses, we exclude firms in the financial industry and re-estimate our models. The results remain robust, with CFO tenure exhibiting a significantly positive association with industry-level comparability measures. Specifically, CFO tenure is positively associated with the average

comparability of the top four firms, top ten firms and the full sample within each industry, with coefficients of 0.019, 0.021 and 0.024, respectively. The corresponding *t*-statistics are 4.65, 4.84 and 4.93.

3. To mitigate a potential time-invariant problem that can arise from correlated omitted variables. In untabulated results, we also re-estimate Equation (1) with firm fixed effects to control for unobserved firm characteristic effects and find the consistent results reported earlier in Table 4, suggesting that our results are unlikely to be driven by omitted correlated time-invariant variables.

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## APPENDIX

### Variable descriptions

| Variable | Description |
|---|---|
| **Financial Statement Comparability Measures** | |
| $CompT4_{it}$ | The average of firm *j*'s four highest comparability score of firm *i* in period *t* |
| $CompT10_{it}$ | The average of firm *j*'s 10 highest comparability score of firm *i* in period *t* |
| $CompIND_{it}$ | The mean vale of firm *j*'s comparability score of firm *i* in period *t* |
| **Main Variable and Control Variable** | |
| $CFOTEN_{it}$ | CFO tenure of firm *i* in period *t* |
| $CEOTURN_{it}$ | A dummy variable that takes a value of 1 if a firm has change CEO in period *t* and 0 otherwise |
| $ADFTEN_{it}$ | Auditing firm tenure of firm *i* in period *t* |

| Variable | Description |
|---|---|
| $ADCTEN_{it}$ | Auditing committee tenure of firm *i* in period *t* |
| $SIZE_{it}$ | The natural log of total assets of firm *i* in period *t* |
| $LEV_{it}$ | The debt ratio of firm *i* in period *t* |
| $ROA_{it}$ | The return on assets of firm *i* in period *t* |
| $MTB_{it}$ | The market to book ratio of firm *i* in period *t* |
| $BIGN_{it}$ | A dummy variable that takes a value of 1 if a firm has a Big 4 auditor in period *t* and 0 otherwise |
| $BHOLD_{it}$ | The stock ownership of board directors of firm *i* in period *t* |
| $INDR_{it}$ | The ratio of independent directors of firm *i* in period *t* |
| $BSIZE_{it}$ | The board size of firm *i* in period *t* |
| $TOP10_{it}$ | The stock ownership of top 10 shareholders of firm *i* in period *t* |
| $STATE_{it}$ | A dummy variable that takes a value of 1 if a firm is state-owned in period *t* and 0 otherwise |
| $EUD_{it}$ | A dummy variable that takes a value of 1 if environment uncertainty of a firm higher than environment uncertainty of industry-year median in period *t* and 0 otherwise |
| $HIC_{it}$ | A dummy variable that takes a value of 1 if Herfindahl-Hirschman index of a firm above 2500 in period *t* and 0 otherwise |
| $CFOTEN\_EUD_{it}$ | The interactive term of $CFOTEN_{it}$ with $EUD_{it}$ |
| $CFOTEN\_HIC_{it}$ | The interactive term of $CFOTEN_{it}$ with $HIC_{it}$ |