Financial Statement Comparability and the Role of Accounting Regulation: Evidence from Swedish Private Firms

Abstract

This paper investigates the relationship between financial statement comparability and private firms' financing outcomes, with a focus on how accounting regulation shapes this association. While prior research has debated the role of financial reporting quality in private firms' credit access, we examine whether the structure and presentation of financial statements influence financing costs and availability. Using a sample of Swedish private firms from 2010 to 2019, we measure comparability through the presence of typical and atypical financial statement line items and assess its impact on cost of debt, access to bank debt, and trade credit. We find that greater comparability based on typical items is associated with increased credit access; but banks also consider information provided via atypical items. Furthermore, we highlight how accounting regulation may shape the relationship between financial statement comparability and credit financing outcomes. Our findings highlight the critical role of structured financial reporting in credit markets.

I. INTRODUCTION

We examine the links between financial statement comparability and private firm financing outcomes, and how accounting regulation shapes this relationship. Prior research provides mixed results on these topics, questioning whether and how private firm stakeholders use the financial information in annual reports (Ball and Shivakumar, 2005; Cassar et al., 2015; Minnis and Schroff, 2017; Breuer, 2021; Hellman et al., 2022) and what properties may be more valuable to which stakeholders, understanding trade-offs exits amongst properties,[1] and that information needs diverge amongst users (e.g., Cascino et al. 2014). Likewise, views on whether to mandate reporting and its benefits for private firm remain varied (e.g., Minnis et al., 2024). For instance, in the US, the costs of financial reporting for private firms are often perceived to outweigh the benefits, leading to limited reporting requirements and a declining proportion of US firms preparing financial statements. In contrast, many European countries mandate financial reporting for at least some private firms, recognizing the potential benefits of public disclosure, such as improved access to credit and lower borrowing costs, which appear to outweigh the costs of reporting (Minnis and Shroff, 2017).

Compliance with regulation is costly, and standard-setters must carefully assess the costs and benefits of any specific requirements applicable to private firms. Traditionally, regulation has focused on the rules or principles that firms must follow in the financial reporting generation process, defining key properties of reported figures.[2] However, recent research examining listed firms increasingly acknowledges that the informativeness of financial statement information is

1 Such as between relevance and reliability, or between high quality specific firm information and comparability.

[2] For private firms, this resulted in the development of international reporting standards, in the firms of IFRS for SMEs, the revisions of the national reporting regulation (such as K3 in Sweden; Estonian GAAP in Estonia; Irish GAAP in Ireland; all of which are based on IFRS for SMEs), or the as-is adoption of IFRS for SMEs (primarily in countries that have not previously had reporting principles for private firms (Kaya & Koch, 2015)).

influenced not only by the reported values but also by the specific line items disclosed and their disaggregation levels (Chen et al. (2015) as well as the degree of financial statement structure similarity between a firm's financial statements and those of its industry peers (e.g., Hoitash et al., 2023; Brown et al., 2023). Overall, this stream of research finds that information processing costs rise when firms present dissimilar financial statements. The importance of financial statements presentation structure is also recognized by standard-setters. As recently as in 2024, the International Accounting Standards Boards (IASB) has issued the presentation-oriented reporting standard IFRS 18 – *Presentation and Disclosure in Financial Statements* – with a goal of ensuring higher financial statement comparability.

We focus on private firms due to their significant role in the economy and the relative scarcity of research on them, as highlighted by Beuselinck et al. (2023). We view comparability as a particularly salient property for private firm reporting, likely of greater importance than for public firms. Private firms operate under higher information asymmetry and their financial information is also less sophisticated. In addition, private firms are more likely to be subjected to standardized screening by loan officers and other creditors, who often use underwriting software packages that provide loan recommendations on the basis of financial information provided by the firm (Bureau of Labor Statistics, 2024). Therefore, the structure and format of financial statements may substantially impact information usefulness, and firms presenting dissimilar statements compared to their peers may be penalized. However, current regulatory frameworks do not directly address this issue.[3] Extant research so far has also not explored the role of the financial reporting structure in private firms' bank financing and trade credit, even though they constitute the main

[3] Indirectly, financial statement comparability may be improved via specific financial requirements that, if applied consistently, may result in the same reported line items.

sources of external funding for private firms (Elemes & Filip, 2022; García-Teruel, Martínez-Solano, & Sánchez-Ballesta, 2014; Hope & Vyas, 2017). In this paper, we address this gap by investigating how financial reporting comparability relates to private firms access to credit financing and cost of bank debt, and whether changes in comparability constitute a channel *via* which accounting harmonization efforts can improve firm-level outcomes.

We explore these questions using a sample of Swedish private groups during 2010-2019. To measure changes in accounting harmonization we examine the adoption of a new accounting standard (K3) that took place in 2014. To measure comparability we build on the growing literature on the informational value of financial statement similarity (Brown et al., 2023; Hoitash et al., 2023; Colas and Garcia Osma, 2025) and develop two measures that capture the absence of typical items (MS_{ft}) and the presence of atypical items ($ATYP_{ft}$) relative to industry peers. These two measures capture distinct dimensions of comparability which may convey important information about the firm, particularly in a private firm context, where alternative sources of information are limited. To align with prior literature investigating the associations between accruals quality and firm-level outcomes, we consider also accruals quality that we proxy for using a modified Jones accruals model (Dechow et al. 1995).

Our main empirical results are as follows. We document strong positive associations between our financial statement comparability measures based on typical items (MS_{ft}) and access to credit financing, but no association for the cost of it.[4] In contrast, the presence of atypical line items ($ATYP_{ft}$) is associated with higher debt,[5] and it is not associated with trade credit. For

[4] One standard deviation increase in comparability measured using typical item reporting is associated with 5.0 % increase in leverage and 2.6 % increase in trade credit relative to their sample means.
[5] One standard deviation increase in comparability measured using atypical item reporting is associated with 2.78 % reduction relative to the sample mean.

comparison, our results also suggest that accruals quality is related to financing outcomes but with much more modest economic significances.[6] Thus, our evidence suggests that comparability is an important dimension of accounting quality in the context of financing outcomes, and in particular in access to financing; but that additional information is also considered by sophisticated users of financial statements, such as banks.

We then study the interplay between accounting harmonization, financial reporting properties, and credit financing outcomes. We first test whether financial statement comparability improves as a result of accounting harmonization, but do not find evidence for such developments, likely because accounting regulation does not specifically prescribe presentation formats. Our results suggest that comparability plays a crucial role in securing bank financing in less transparent accounting environments. However, after harmonization, its influence diminishes as other financial reporting properties gain importance. In contrast, for trade financing, financial statement comparability based on typical reported items (MS_{ft}) is positively associated with trade credit levels both before and after K3, while atypical item reporting ($ATYP_{ft}$) has no impact on trade credit either before or after harmonization. This suggests that trade creditors primarily rely on standard financial statement items, reinforcing the idea that they are less sophisticated financial statement users.

Overall, our results indicate that financial statement comparability, particularly through typical item reporting, is significantly associated with access to external financing regardless of accounting transparency, whereas accruals quality is primarily related to financing outcomes in a harmonized environment. This underscores the importance of not only harmonized accounting

[6] One standard-deviation increase in accruals quality can reduce the cost of debt by up to 0.92 %, and increase the level of trade credit by up to 0.44 % relative to their sample means.

systems but also standardized reporting structures for private firms, as comparability affects both credit access and pricing under different transparency levels. That is, accounting harmonization may improve the external holders' capital efficiency as, absent regulation, firms aim to optimize their reporting outcomes individually (thus reaching local optimum), but fail to coordinate on the Pareto dominant reporting choice (thus failing to reach global optimum) (Corona et al., 2024).

In additional analysis, we provide some and document analysis-based insights on the comparability developments observed in our empirical tests. We propose that the reporting guidance issued by the Association of Certified Auditors (FAR), due to its specific and level of detail *de facto* serves as a presentation standard for private firms and shapes the comparability levels observed in our main analysis. This channel highlights the importance of specific financial statement presentation guidance to private firms in ensuring financial statement comparability.

We offer the following contributions. First, we contribute to the open debate on whether financial statements matter for credit financing of private firms (e.g., Minnis et al., 2023). We show that the atypicality of the financial statements, and their structure, are significantly related to credit financing outcomes. Questions about financial statements' presentation and resulting informational properties have been gaining traction in the listed firm reporting literature, but so far have been overlooked in private firms. Second, we contribute to the literature on accounting harmonization. We find that accounting harmonization modifies the role of accruals quality for firm financing outcomes, a result that is consistent with harmonization primarily focusing on the properties of the financial figures. However, accounting regulation only indirectly affects financial statement comparability, a property that that is important in a context of high information asymmetry (e.g., for private firms). Our findings suggest that direct guidance on the structure of

financial statements, similar in principle to IFRS 18, may also benefit private firms in gaining access to credit financing.

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Prior literature on private firm reporting and financing outcomes

A fundamental question is whether financial reporting is necessary for private firms. Prior literature suggests that private firms are more likely to rely on relationship lending given their close ties with local capital markets. This raises a second, interrelated, question of whether specific stakeholders use private firm financial statements at all in their decision making. Minnis et al. (2023) document the declining demand of GAAP financial statements due to the increasing availability of alternative information and financing channels among U.S. private firms, highlighting the growing importance of alternative information channels. In contrast, the overview of private firm reporting in Europe by Minnis & Shroff (2017) suggest that even though private firms perceive the costs of mandatory reporting to exceed the benefits, they still prefer a system with mandatory public reporting; that is, the (perceived) positive externalities of mandatory public reporting appear to outweigh associated costs.[7] Consistent with this view, Breuer (2021), utilizing reporting threshold variations in Europe, finds that broader private firm reporting mandates facilitate broader ownership dispersion among listed firms and encourage competition in product markets. Hellman et al. (2022) show that accounting harmonization, in the form of a new reporting standard for private firms, is associated with declining cost of debt. That is, these studies highlight the benefits of financial reporting, particularly under broad financial reporting mandates. However, evidence also exists that access to bank financing is either shaped via alternative (i.e. not financial

[7] Minnis & Shroff (2017) also report that standard setters perceive the benefits of public disclosure requirements to outweigh the costs, as could be expected.

reporting-based) channels, or that earnings management enhances the possibilities of obtaining bank debt. We review these studies in more detail below.

Access to bank lending

The seminal study by Ball and Shivakumar (2005) finds that private firms in the U.K. disclose less (conditionally) conservative earnings than public firms. They conclude that private debt financiers – the main source of financing for private firms – demand less conservatism in the reporting of earnings since they have access to alternative sources of information. This view is supported by some subsequent studies. Bharath et al. (2008) show that firms with lower accounting quality choose bank financing (as opposed to publicly traded bonds), arguably because banks have direct access to firm information, reducing information asymmetries. Cassar et al. (2015) document that accrual accounting can be useful for private firms in obtaining bank financing, but similar outcomes can also be achieved via ongoing banking relationships and by using credit scores.

Private firms also use earnings management and reporting flexibility to achieve better debt financing outcomes. Using a sample of private firms in Italy, Portugal, and Spain, Mafrolla and D'Amico (2017) find that earnings management is positively related to borrowing capacity as well as, to some extent, to cost of debt. They suggest that such effects are driven by Basel II regulation that requires banks to assess the risk of their portfolios; and that upwards biased earnings figures, due to their positive effect on bank portfolio risk assessment, increase the borrowing capacity of firms managing their earnings. Mattei et al. (2023) demonstrate how temporarily suspended amortization and depreciation requirements during the COVID-19 pandemic increased the borrowing capacity of Italian firms, even though the underlying economics of these businesses remained unchanged. Evidence also exists that bank monitoring reduces earnings management after the new debt is obtained (Ahn and Choi 2009).

Access to trade credit

An important source of financing for private firms is trade credit (see Hope & Vyas (2017) for a review). The dominant view is that this type of financing is based on relationship lending. This may be because trade credit is akin to short-term lending, rendering the financial position of the borrower less relevant. In addition, trade creditors are not financial institutions, and thus performing formal assessment of a borrower is not their primary business activity (Hope & Vyas, 2017). However, some evidence exists that trade credit in private firms also depends on borrower's reporting properties. Garcia-Teruel et al. (2014), using a sample of Spanish SMEs, demonstrate that firms with lower earnings variability, more pronounced earnings smoothing and predictability, and higher accruals quality have access to more trade credit from suppliers. Hope et al. (2017) show that accruals quality is positively related to the presence of trade credit in a large sample of U.S. private firms. Using a sample of private firms from the five largest economies in Europe, Elemes and Filip (2022) also show that high-quality financial reporting is associated with higher trade credit; and this association is stronger when information asymmetries are higher. These insights suggest that reporting quality matters also to the supplier financing outcomes; but it can also be substituted by different types of relationships, when, or if, the accounting quality is not perceived as relevant or reliable.

Which are the relevant financial reporting properties?

A notable feature of prior research is that such investigations either explore reporting thresholds or focus on properties of financial statement figures (e.g., accruals quality, conditional conservatism), but not the structure of the financial statements. However, extant literature increasingly acknowledges that the informativeness of financial statement information is influenced not only by the reported values of line items but also by the specific items disclosed.

For instance, Chen et al. (2015) demonstrate that greater disaggregation in financial statements of publicly listed firms is positively associated with analyst forecast accuracy and negatively associated with bid-ask spreads and the cost of equity. More recent studies (e.g., Hoitash et al., 2023; Brown et al., 2023; Colas and García Osma, 2025) further emphasize that, beyond the disclosure of specific line items, the degree of similarity between a firm's financial statements and those of its industry peers is also critical. These studies find that information processing costs rise when firms present dissimilar financial statements, as reduced comparability complicates the benchmarking of a given firm against its industry counterparts.

These insights arise from research on listed firms, since the literature on line-item reporting in the context of private firms is virtually non-existent. A plausible explanation for this gap is the absence of a regulatory framework in many institutional settings, allowing firms to disclose information at their discretion, rendering standardized measures inapplicable. Additionally, no studies have examined the impact of comparability at the firm level, as the commonly used comparability measure developed by De Franco et al. (2011) relies on stock returns—an input that is inherently unavailable for private firms. Private firms, due to their relatively narrow stakeholder base and limited disclosure requirements, operate in a relatively opaque information environment. In such environments, comparability may benefit firms at least as much, or potentially even more, than in private firms. This is because comparable information would improve the potential outcomes in standardized credit assessment processes, and also would be more understandable, and therefore more useful for the less-sophisticated users of such financial statements.

Does regulation improve comparability?

Several studies shed light on the usefulness of financial statement information using changes in regulation and enforcement as natural experiments. Breuer et al. (2018) show that the enforcement

of the financial statement disclosure requirements in Germany in 2006 improved private firms' banking conditions as these firms could move from the relationship-based banking to more transactional-based banking, increasing their creditor base. Enforcement of the existing reporting rules is a significant factor in ensuring the benefits of financial reporting. Using the 2014 reporting regulation change in Sweden that harmonized the reporting rules for private firms, Hellman et al. (2022) show that the cost of debt financing declined for Swedish firms relative to their Norwegian peers. They thus provide some initial evidence on the positive effects of the reporting harmonization in terms of cost of financing in a private firm setting.

Evidence of the positive effects of harmonization can also be found in a listed firm setting. For instance, Naranjo et al. (2022) demonstrate that the mandatory adoption of IFRS reduces the information asymmetry among listed firms and their investors, improving firms' access to capital and investment opportunities. Barth et al. (2018) highlight the importance of market-level comparability as they show that capital market benefits of voluntary IFRS adoption are stronger when the proportion of IFRS adopters in a specific market is higher, and when the comparability of the new adopters is higher. However, these studies do not investigate firm-level comparability with its industry peers, but rather focus on the change in the reporting environment that presumably improves overall comparability at the market level.

Hypothesis development

Drawing on prior literature showing that broader financial reporting mandates increase the role of financial reporting properties, we expect that in a setting where private firms are subject to mandatory financial reporting, financial reporting properties are significantly related to financing outcomes. Prior evidence that supports such proposition for accruals-based measures exists also in a private setting (Emeles & Filip, 2022; Hope & Vyas, 2017; Mafrolla & D'Amico, 2017).

However, no evidence exists for comparability. Building on the above discussion and following prior literature that identifies credit institutions and trade creditors as primary capital providers, we postulate the first hypothesis as follows:

H1: *Financial statement comparability is not associated with credit financing outcomes.*

We next turn to the role of accounting harmonization. Prior literature offers evidence that accounting regulation changes, in the form of IFRS (or IFRS for SMEs – based standards) adoption, increase accounting quality both in a private and listed firm setting (Hellman et al., 2022, Naranjo et al., 2022). However, it is not clear whether accounting harmonization that focuses on the properties of the reported figures would directly shape the structure of the financial statements. Alternatively, even though accounting regulation does not explicitly prescribe the structure of financial statements, firm-level incentives to provide high-level reporting may still result in improvements in financial statement-based comparability.[8] We therefore propose the following hypothesis in a null form:

H2: *Accounting harmonization is not associated with improving financial statement comparability.*

Finally, we investigate whether financial reporting properties generally, and comparability in particular, are used differently under non-harmonized and harmonized accounting regimes. Breuer et al. (2018) demonstrate that enforcement of a broader accounting mandate improved private firms' access to bank financing as the industry moved from relationship-based to transactional banking structures. Barth et al. (2018), in a listed firm setting, show that IFRS adoption benefits

[8] Hellman et al. (2022) provide some initial evidence that the introduction of K3 has resulted in improved financial statement comparability, but do not discuss specific dimensions of comparability improvements, and channels via which such developments occur.

are stronger when the adoption rates are higher. Similarly, Hellman et al. (2022) demonstrate that a harmonized reporting environment is associated with improved cost of debt outcomes at the market level. Drawing on these studies, we expect that harmonized financial reporting under a broad reporting mandate may increase the role of the financial reporting properties in access to credit financing. On the other hand, as discussed before, accounting harmonization focuses only on the properties of the reported figures, but not the structure of the financial statements. It therefore is possible that accounting harmonization modifies the role of the accruals-based properties, but not the role of the financial statement comparability. We formally state the third hypothesis in a null form:

> **H3:** *The association between financial reporting properties and credit financing outcomes does not change with accounting harmonization.*

III. SAMPLE SELECTION AND RESEARCH DESIGN

Sample selection

We obtain financial statement data for Swedish private groups that prepare consolidated financial statements from the database Serrano. Table 1 provides sample construction details. Our sample spans the 2010-2019 period. This allows us avoid the potential effects of the financial crisis in 2008-2009, and the biases arising from the COVID-19 pandemic effects. We exclude firms that adopt IFRS or have their financial instruments listed any time before 2019 to ensure that our sample firms are subject to the same set of reporting requirements. We constrain our sample to only firms that have all required financial data available, and to those for which we can estimate comparability and accruals quality measures. The base sample consists of 6,692 firms preparing consolidated financial statements (37,589 firm-years).

Key variable descriptions

External financing outcomes

We focus on bank and trade credit financing as the two main sources of external financing available to private firms. We measure bank financing outcomes in two ways. First, for firms with non-zero external bank debt, we use the cost of debt (COD_{ft}), measured following Minnis (2011). COD_{ft} is calculated as a ratio of financial expenses scaled by average total debt to external credit institutions, truncated at 5% and 95%. Second, we use leverage (LEV_{ft}), calculated as interest-bearing bank debt scaled by total assets. To capture trade financing, we use trade credit, measured as accounts payable scaled by total assets ($TRADE_{ft}$). LEV_{ft} and $TRADE_{ft}$ are winsorized at 1% and 99%.

Financial statement comparability

Following the emerging literature that focuses on the financial statement presentation as an important dimension of information provided to the external users of those statements (e.g., Chen et al., 2015, Brown et al., 2023), we follow Colas and Garcia-Osma (2025) and construct two measures of financial statement comparability based on line item atypicality.

To do so, we first identify the balance sheet and income statement-related line items reported in Serrano. We identify 72 line-items related to the balance sheet positions, and 36 line-items related to the income statement positions. These positions include both the line-items reported in the respective accounts, and the disaggregated line-items reported in the notes. We then determine whether a disclosed item is material or not. Next we calculate materiality thresholds based on industry-years for balance sheet and income statement items respectively. In this step, each income statement and balance sheet item is weighted against sales (income statement items) and assets (balance sheet items). An item is regarded as material if its weight is higher than the

estimated materiality threshold for that industry-year. We estimate a materiality threshold to be the median value of the specific (weighted) variable in every industry-year combination. Second, we assess whether this item is typically disclosed by its industry peers. We classify an item as "typical" if it is disclosed by more than 50 percent of the firms in a given industry-year.[9]

Then, for each firm-year, an item disclosed by a firm is regarded as atypical when (1) it is not industry typical (i.e. disclosed less than 50% of the time by industry peers) and (2) is material. We classify items as missing typical items in cases when (1) an item is not disclosed by a firm but is industry-typical (i.e., disclosed more than 50% by its industry peers) and (2) is material. In this case, since the item is missing, we obtain the industry-year median weight of this item and compare it against the materiality threshold in order to assess its materiality.

Finally, we count the number of disclosed atypical and missing (i.e. typical and material, but not disclosed) items for each firm-year observation. We calculate $ATYP_{ft}$ (MS_{ft}) as a natural logarithm of the sum of atypical (missing) items, plus one and multiplied by minus one. The interpretation of these measures is as follows. $ATYP_{ft}$ captures the extent to which a firm discloses items that are not typically disclosed by its peers. Higher values of $ATYP_{ft}$ indicates lower extent of such reporting choices, indicating higher comparability. Similarly, MS_{ft} captures the extent to which a firm reports typical items; higher values of MS_{ft} indicate that the firm is more similar to its peers in typical line item reporting choices, suggesting higher comparability.

[9] An important issue here is whether Serrano accurately differentiates between reported zero-values and missing line-items. We manually check a random sample of the positions where Serrano provides a zero or a missing value and observe that this coding accurately matches the information provided in the financial statements. Therefore, a value of 0 is reported as disclosed.

Accruals quality

We measure accruals quality using the abnormal accruals calculated as residuals from the modified Jones model (Dechow et al., 1995) separately estimated for each industry-year combination. We use Serrano 10-industry classification in these estimations. We presume that significant deviations from the expected accruals values indicates lower accruals quality; thus, following Hope et al. (2017), we use the absolute values of these residuals that we multiply by (-1) and winsorize at 1% and 99%. The resulting variable is coded as MD_{ft} (accruals quality based on Dechow et al., 1995). Higher values of MD_{ft} higher accruals quality.

Model design

The link between financial statement comparability and external financing outcomes

To test our first hypothesis on the association between the financial statement comparability and external financing, we estimate the following model:

$$OUTCOME_{ft} = \alpha + \beta_1 MS_{ft-1} + \beta_2 ATYP_{ft-1} + \beta_3 MD_{ft-1} + \sum CONTROLS_{ft-1} + \sum FIRM\ FE + \sum YEAR\ FE + \varepsilon \quad (1)$$

where $OUTCOME_{ft}$ is COD_{ft}, LEV_{ft}, or $TRADE_{ft}$. We use lagged measures of independent variables to ensure that the financial reporting properties are observable to the users of the financial statements during the larger part of the year for which we measure the financing outcomes, and that they are not endogenously determined with the outcome variables. In all specifications, we control for various firm-level characteristics that determine the demand for the external financing, and the level of access to that type of financing. We also include firm-fixed effects to account for time invariant firm-level characteristics, and year fixed effects of account for various financing

developments over time. Standard errors are clustered by firm. All control variables included in the models are described in the notes accompanying the results tables.

The coefficients of interest in this specification are as follows. β_1 captures the association between financial statement comparability, based on material typical items (*MS*), and financing outcomes; β_2 captures the association between financing outcomes and financial statement comparability based on the reporting of atypical items ($ATYP_{ft}$). β_3 captures the role of accruals quality (*MD*) in shaping financing outcomes.[10]

Accounting harmonization and changes in comparability

To investigate the role of harmonization in shaping financial statement comparability, we focus on the period surrounding the mandatory adoption of a new reporting standard K3 applicable to all private Swedish groups and large legal entities. The K3 standard was issued in late 2012, with mandatory adoption for financial years starting on or after 1st of January 2014. The goal of the standards was to reduce the cherry-picking that was possible due to more flexible standards being available to firms before this regulation change. As such, the main aim of K3 was to harmonize the reporting practices of private firms. K3 is based on IFRS for SMEs (2008 edition) and as such, it focuses on the financial statement contents rather than presentation structure.

For this analysis, we create a constrained sample that only includes firms that prepared consolidated financial statements every year during 2012-2015, and constrain the sample to 2010-2017, i.e. 4 years before and 4 years after the K3 introduction. We impose these constrains to

[10] We include MD_{ft} in all our specifications for two main reasons. First, it allows us to compare and contrast our results to prior research that investigates accruals quality and financing outcomes. Second, since financial reporting quality and financial statement comparability are different facets of reporting quality, such approach allows us to isolate the incremental role of financial statement comparability.

ensure that we can trace the reporting choice developments that can be reasonably attributed to the K3-related changes. Using this sample, we estimate the following model:

$$OUTCOME_{ft} = \alpha + \beta_1 POST_t + \sum FIRM\ FE + \varepsilon, \quad (2)$$

Where $OUTCOME_{ft}$ is MS_{ft} or $ATYP_{ft}$, and $POST_t$ is an indicator variable set to 1 for years on and after 2014. We estimate this model with firm-fixed effects only to capture unconditional firm-level developments in reporting comparability. All standard errors are clustered by firm. For consistency, we also estimate this model for MD_{ft} as an outcome variable. If K3 adoption significantly shapes financial statement structures, we expect to observe significant coefficients for $POST_t$[11].

Accounting harmonization effects on the link between the financial reporting properties and financing outcomes

We test hypothesis 3, we use the constrained sample and estimate the following model:

$$\begin{aligned} OUTCOME_{ft} = {} & \alpha + \beta_1 (MS)_{ft-1} + \beta_2 (MS)_{ft-1} \times POST_t + \beta_3 ATYP_{ft-1} \quad (2) \\ & + \beta_4 ATYP_{ft-1} \times POST_t + \beta_5 MD_{ft-1} + \beta_6 MD_{ft-1} \times POST_t \\ & + \sum CONTROLS_{ft-1} + \sum FIRM\ FE + \sum YEAR\ FE + \varepsilon \end{aligned}$$

Where $OUTCOME_{ft}$ is COD_{ft}, LEV_{ft}, or $TRADE_{ft}$, and all variables are as described before. We use the same controls and clustering as in model (1). The coefficients of interest in this specification are as follows. β_1 , β_3, β_5 and capture the effect between of MS_{ft-1} (typical item reporting-based comparability), $ATYP_{ft-1}$ (atypical item reporting-based comparability), and MD_{ft-1} (accruals quality) on financing outcomes under the non-harmonized reporting regime; β_2, β_4, and β_6 capture the changes in the effects of these respective financial properties on financing outcomes

[11] To capture nuances in the timing of any potential developments, we also estimate an alternative version of this model where we replace $POST_t$ with time indicators, using 2013 as a base year.

after the reporting regime is harmonized. By design, this model captures changes in the relevance of the reporting properties, but not the effects of the changes of those properties. If the relevance of the financial reporting properties changes following the adoption of K3, we should observe significant $\beta_{2,}$ β_4, and β_6 coefficients in our estimations.

IV. EMPIRICAL RESULTS

Descriptive statistics

We present the summary statistics and the correlation tables for the variables used in subsequent analyses in Table 2. In Panel A , we document that an average firm in the sample has about 20.9% of the assets financed with interest bearing bank debt (LEV_{ft} of 0.209). About 10.6% of the assets are financed via trade credit ($TRADE_{ft}$ of 0.109), illustrating the importance of this financing source. The average cost of bank debt (COD_{ft})for firms with such debt is 6.1%. In Panel B, we report univariate correlations. Accruals quality (MD_{ft}) is positively correlated with typical item-based comparability (MS_{ft}) as well as atypical item-based comparability ($ATYP_{ft}$); however, these correlations are relatively low (0.14 and 0.04, respectively), confirming that these measures capture distinct facets of financial reporting properties. MS_{ft} is negatively correlated with $ATYP_{ft}$ (-0.21), which is expected as firms with more reported line items are likely to score higher on MS_{ft} but lower on $ATYP_{ft}$ (correlations with NB_ITEMS_{ft} are 0.16 and -0.08, respectively).

Comparability and financing outcomes

The results of estimating model (1) are reported in Table 3. In Panel A, we report the results of estimating the associations between cost of debt (COD_{ft}) and financial statement comparability. We do not observe any significant associations for either MS_{ft-1} or $ATYP_{ft-1}$,. On the other hand, and consistent with prior literature, we observe negative and significant association between MD_{ft-1} and

COD_{ft} suggesting that higher accruals quality is on average associated with lower cost of debt. In economic terms, one standard deviation increase in MD_{ft-1} is associated with 0.92 % reduction in COD_{ft} relative to its sample mean. The loadings of the control variables are consistent with prior literature.

In Panel B, we report the results for leverage (LEV_{ft}) and find that it is significantly positively related to MS_{ft-1}. This suggest that credit institutions favour firms with higher comparability, as proxy by less missing typical items. On the contrary, ($ATYP_{ft-1}$) is negatively associated with financial leverage. This suggests that sophisticated users, like credit institutions, do not view the reporting of atypical items as bad reporting quality. The positive coefficient on (NB_ITEMS_{ft-1}) also indicate a preference for more disaggregated financial statements. The economic effect of these associations is also substantial: one standard deviation increase in MS_{ft-1} ($ATYP_{ft-1}$) is associated with 5.0% (2.75%) increase (decline) in leverage relative to its sample mean. MD_{ft-1} is weakly negatively associated with leverage; one standard deviation increase in MD_{ft-1} is associated with up to 0.49% decrease in leverage relative to its sample mean. This result, though not statistically significant at conventional levels, is consistent with prior studies that suggest a positive association between earnings management (i.e., lower values of MD_{ft}) and access to bank credit. Combined, the results reported in Panels A and B suggest that financial statement structure matters in obtaining bank financing, but does not impact its cost, presumably because debt pricing decisions are made once the first threshold (the financing decision) is passed, and a closer assessment of the financial figures is made.

In Panel C of Table 3, we report the results for the model (3) with trade credit ($TRADE_{ft}$) as an outcome variable. We observe significant positive associations between comparability measure based on typical item reporting (MS_{ft-1}) and trade credit; this association is also economically

significant as one standard deviation increase in MS_{ft-1} is associated with 2.62% increase in $TRADE_{ft}$. Atypical item reporting choices are not significantly related to trade financing. We also observe positive associations between MD_{ft-1} and trade credit. On average, one standard deviation increase in MD_{ft-1} is associated with 0.44% increase in $TRADE_{ft}$, indicating that in economic terms, financial statement comparability is more important than accruals quality.

Comparability changes around K3 adoption

In Table 4, we report the results of estimating model (2) with MS_{ft}, $ATYP_{ft}$, and MD_{ft} as outcome variables. At an aggregate level, we do not see any significant change in MS_{ft} though there appear to be some improvements in comparability in $ATYP_{ft}$ (i.e. less atypical item reporting), and MD_{ft} (lower discretionary accruals after the introduction of K3). In Figure 1, we present visual representations of the lead-lag analysis for these developments. We observe several patterns. First, typical item reporting-based comparability (MS_{ft}) takes a U-like shape, with the lowest levels in 2013 and 2014, and then picking up again in 2015 and onwards. That is, post-K3 improvements did not emerge immediately upon K3 adoption, and there were certain declines ahead of K3 adoption. Thus, while we do observe comparability changes around K3, the new reporting standard did not automatically improve financial statement comparability.[12] In Panel B of Figure 1, we document the developments of $ATYP_{ft}$. We observe that the relative frequency of reporting atypical items was lowest in 2013-2015. That is, such reporting choices appeared relatively constrained around the introduction of K3. Combined, these results suggest some uncertainty about required reporting structures under a new accounting standard. We offer some potential explanations for these patterns in Section 0.

[12] A likely reason for such developments may guidance issues by the Association of Certified Auditors (FAR). We explore this explanation in Section 5.

In Panel C, we report the developments of MD_{ft}. We observe a gradual increase in accruals quality before the adoption of K3, and stable levels after 2014. Overall, these results are consistent with the constraining role of accounting regulation in terms of discretionary accounting choices.

The effects of accounting regulation

We report the results of estimating model (3) in Table 5. An overall observation is that the links between financial reporting properties (MS_{ft-1}, $ATYP_{ft-1}$, and MD_{ft-1}), and financing outcomes change around the introduction of K3, suggesting that accounting harmonization shapes the use and/or usefulness of different financial reporting properties.

We observe significant differences in the role of accruals quality (MD_{ft}) under the different accounting regimes. Under K3, MD_{ft-1} is significantly negatively related to cost of debt, is no longer negatively related to the access to bank lending, and is positively related to trade credit. These developments are consistent with the general goals of accounting harmonization, which is to improve information transparency and more efficient capital allocation (Corona et al., 2024; Zhang et al, 2013). That is, accounting harmonization constrains accounting discretion and potential benefits of opportunistic reporting, leveling access to capital between different types of reporters.[13]

[13] A potential alternative explanation of this result is that banks have changed their credit assessment procedures around K3.To explore whether that may be the case, we have interviewed several members of the Swedish Accountings Standards Board (BFN) and analyzed the surrounding publicly available documentation. Before the development of the K3 standard, BFN has reached out to the Swedish Banker's Association (SBA) for their input, but SBA at the time was not interested in this standard. BFN reported to the Ministry of Finance regarding the need for having the creditor perspective represented on the BFN Board. In 2013, the Swedish government formally appointed a new member of the BFN Board, representing the SBA. The new member remained on the BFN Board and became Vice Chairman; but represents since 2015 another organization, the Confederation of Swedish Enterprise (Svenskt Näringsliv). Accordingly, a new Board member representing the SBA was appointed in 2015. In recent years, SBA has been increasingly active in BFN and has filed referral responses on accounting issues related to tenant-owner associations, emphasizing, for example, the need for cash flow statements. The focus of BFN on creditor perspective in their standard-setting work, and subsequently increasing SBA's role in the BFN's work suggests increasing alignment between the bank credit assessment processes and financial reporting regulation over time. In light of the timing of formal SBA's involvement in the BFN work, it is likely that K3 was developed to align with the credit assess processes

However, and central to our study, we also observe changes in the relations between the comparability measures and financing outcomes. In Panel A of Table 5, we observe that the association between MS_{ft-1} and COD_{ft} significantly changes following the introduction of K3; while the association between the two measures is not significant post-K3 (insignificant sum of coefficients for $MS_{ft-1}+MS_{ft-1}*POST_t$), it suggests a development where financial reporting comparability may eventually reduce the cost of financing.[14]

Our analysis of bank credit financing suggests a more nuanced relationship for the association between comparability and credit outcomes. In Panel B of Table 5, we observe that pre-harmonization, MS_{ft-1} is positively, and $ATYP_{ft-1}$ is negatively significantly associated to bank credit, suggesting that banks prefer detailed typical information, but also incorporate firm-specific atypical information in their decision making. That is, under opaque accounting environment, accounting comparability facilitates access to bank lending. These associations, however, are moderated post-harmonization. These results suggest that when the accounting system is harmonized, the relative importance of financial properties other than accruals quality in obtaining bank financing is lower.[15] In other words, under non-transparent financial reporting systems when the accounting quality is relatively low, credit providers rely on a different set of financial reporting properties in their decision making than under harmonized accounting regime.

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that banks employed at the time. Such adjustment would explain the changing relevance of accruals quality in access to credit as BFN, having expressed their need for creditor representation, have focused on the credit assessment role of the financial statements. Our interviewees have not provided any indications that banks changed their credit assessment processes due to K3 introduction, though explicit responses to certain accounting matters suggest that over time such developments may eventually also occur if they have not yet done so.

[14] In Panel A of Table 3, we document significant negative associations between MS_{ft-1} and COD_{ft}. In untabulated tests, we find that this association primarily emerges during 2015-2019.

[15] It is possible that under the harmonized accounting system overall reporting structure transparency is higher, allowing firms better access to bank credit, similar to Breuer et al (2018). The financial structure comparability then plays more role in credit pricing decisions, explaining our results that MS_{ft} is more negatively related to the cost of debt after the introduction of K3.

In Panel C of Table 5, we report the results for trade credit. We observe that the financial statement comparability based on the reported item typicality (MS_{fi}) is significantly positively related to the level of trade credit before K3, and this relationship does not significantly change post-K3. On the other hand, atypical item reporting ($ATYP_{fi-1}$) is not related to trade credit levels either before or after the accounting harmonization. That is, trade creditors appear to rely on the typical items reported; but, potentially due to the short-term nature of trade credit financing, they do not focus on information provided by reported atypical items.

Overall, we find that financial statement comparability, measured in the form of typical item reporting, is significantly related to access to external financing both when accounting environment is transparent as well as when it is not. This contrasts the findings concerning accruals quality, which are primarily positively (or non-negatively) related to financing outcomes in a harmonized reporting environment. We also observe that comparability measures are differentially related to credit access and pricing of that credit under different levels of transparency, potentially because of firms' differing ability to obtain bank credit financing. These results highlight the importance of not only harmonized accounting system, but also harmonized reporting structures for private firms.

V. DO EXTERNAL STAKEHOLDERS SHAPE FINANCIAL REPORTING STRUCTURE?

In this section, we report the results of the document analysis that sheds light on the mechanisms shaping financial statement comparability around accounting harmonization. An important feature of both K3 and the Swedish GAAP that preceded K3 is that they were financial reporting standards but not presentation standards. In that sense, they are similar to the IFRS and IFRS-for-SMEs standards that prescribe accounting treatments but not specific presentation formats. In Sweden, guidance on the financial statement presentation is prepared by FAR. FAR regularly develops and reviews recommendations on a number of accounting issues. The goal of these recommendations is to help the parties engaged with the preparation of the financial statements (i.e., the preparers and the auditors) to comply with the law and the accounting principles specified in the law. A specific part of these recommendations (called RedR1, dealing specifically with the preparation of annual reports) provide a financial statement presentation format together with the specific guidance, in the form of comments, for the accounting of specific line-items; and the specific disclosures required for those line items. Via this structure FAR's recommendations serve the function of a presentation standard.

The RedR1 that applied before the introduction of K3 was issued in December 2012 (Association of Certified Auditors, 2012). In this version, the recommendations referred to old Swedish GAAP, relevant laws, and provided recommendations where no other guidance was not available. Once K3 was introduced, FAR has not immediately updated RedR1. The RedR1 that explicitly took into account the K3 reporting requirements was issued in January 2015 with application in the same year (Association of Certified Auditors, 2015). Thus, for the years 2013-2014, the K3 accounting standard was already available, but the relevant presentation guidance

was not in place. This timeline explains the development of comparability figures that we document in Figure 1 and discuss in Section 0. That is, the dip in the typical item reporting-based comparability (MS_{ft}) and the decline in atypical item reporting (captured as increase in $ATYP_{ft}$) can be explained by the lack of specific reporting guidance on the new accounting standard, resulting in varying reporting outcomes among firms. This development therefore highlights the importance of the explicit presentation guidance in ensuring financial statement comparability based on line-item reporting.

We also explore the differences between the two RedR1 to explore whether the lack of relevant guidance is a reasonable explanation for the dip in MS and increase in ATYP around the K3 introduction. We provide the summary descriptives of these versions' structure and length in Table 6. Several observations emerge from this analysis. First, the post-K3 guidance increased in the detail and specifics of outlined requirements. Second, the updated guidance consolidated around K3 rather than multiple sources of earlier regulatory guidance. Such developments have likely enhanced the clarity and coherence of presentation guidance. These developments also illustrate the interconnectedness between quality of the accounting standards and disclosure standards as they show that the development of high-quality presentation standards is a function on high-quality accounting standards. Overall, this is in line with the view expressed in the IFRS Conceptual Framework that comparability is a characteristic that enhances the usefulness of the financial statements.

VI. CONCLUSION

This paper examines the relationship between financial statement comparability and private firms' financing outcomes, with a particular focus on the role of accounting regulation in shaping this relationship. Given the high information asymmetry faced by private firms, financial

statement structure may play a critical role in credit markets, influencing access to and the cost of financing. Our study contributes to the ongoing debate on whether and how financial reporting matters for private firms by introducing novel measures of comparability that account for both the reporting of typical and atypical financial statement items. We further explore how accounting harmonization, through the adoption of Sweden's K3 standard, affects these relationships.

Our results suggest that financial statement comparability is a significant determinant of private firms' access to credit. Firms that report financial statements more similar to their industry peers benefit from increased leverage and trade credit. Then, we examine how accounting harmonization through K3 impact these relationships. Interestingly, we find that the role of financial statement comparability in obtaining credit financing diminishes post-harmonization, implying that in a more standardized environment, other reporting properties, such as accruals quality, may gain greater prominence in credit assessments.

Our findings open up new avenues for research on the interplay between financial reporting regulation, comparability, and credit financing. In particular, future studies could build on the audit regulation provided by the Association of Certified Auditors (FAR) to study how those requirements may enhance comparability by ensuring greater adherence to standard reporting practices, thereby reducing information processing costs for lenders. Furthermore, the role of industry-specific presentation guidance, such as that provided by professional accounting associations, warrants further exploration, as such guidance may complement formal accounting standards in improving financial statement consistency. Understanding these dynamics is essential for policymakers and regulators seeking to enhance financial reporting effectiveness in private firm settings.

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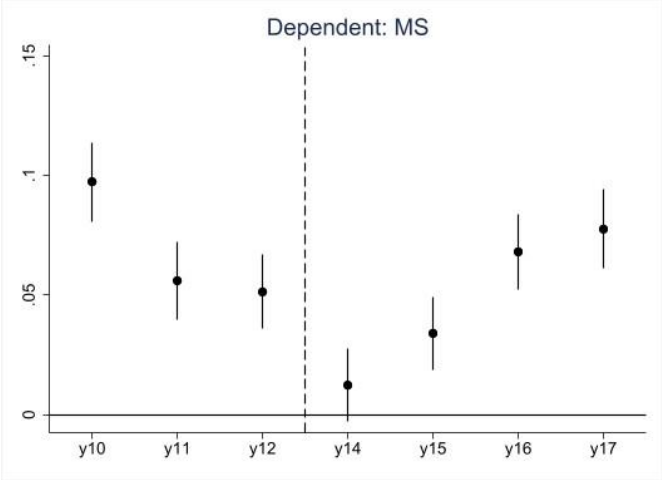
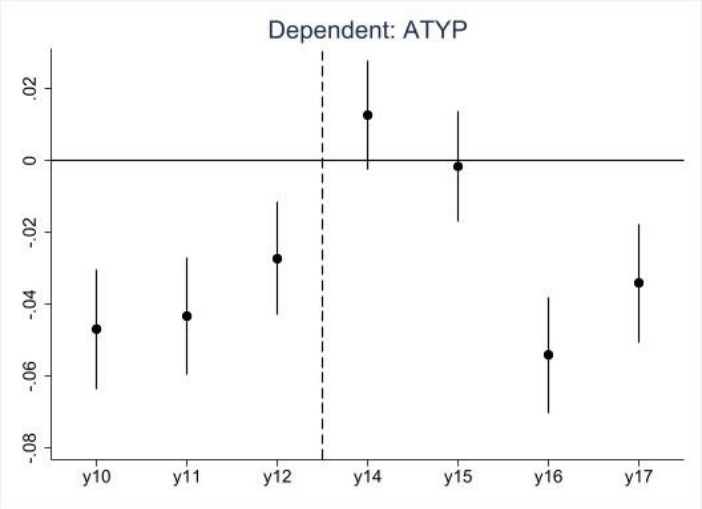
FIGURES

Figure 1: Development of the financial reporting properties around the K3 introduction

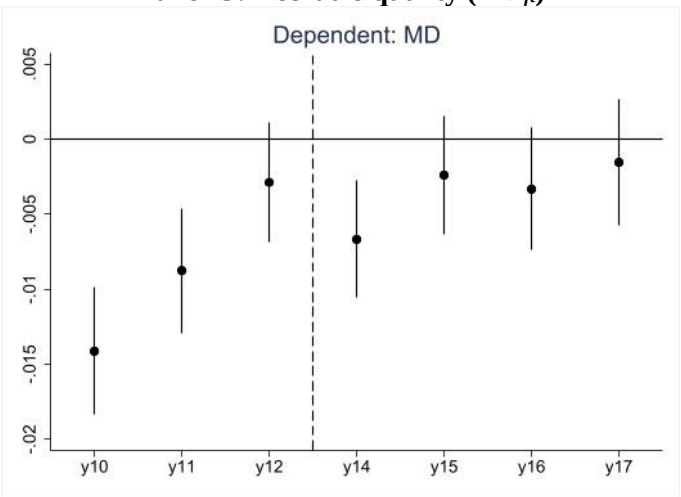
Panel A: Comparability based on typical item reporting (MS_{ft})



Panel B: Comparability based on atypical item reporting ($ATYP_{ft}$)



Panel C: Accruals quality (MD_{ft})



TABLES

TABLE 1: Sample Construction

Sample construction process	firms	Firm-year observations
Entities with consolidated accounts, 2010-2019	12,774	64,211
- less IFRS adopters	-526	-3,277
- less firm-year observations with missing industry classification, total assets, revenue, and asset structure information	-2,713	-15,177
-		
Sample used for the estimation of comparability measures and accruals quality	9,535	45,757
- less firms without lagged size, capital structure, asset structure, profitability, and sales growth information	-2,843	-8,168
Base sample	**6,692**	**37,589**
- of which firms with non-zero bank debt	4,579	26,592
Regulation effects subsample (2012-2015 reporters, sample 2010-2017)	**3,446**	**22,802**
- of which firms with non-zero bank debt	**2,539**	**15,387**

Notes: This table presents the base sample construction process. The financial information is from SERRANO database. IFRS adoption information is manually collected from the annual reports. The base sample consists of private groups with consolidated financial statements. Subsidiaries and stand-alone legal entities are excluded from the sample.

TABLE 2: Descriptive statistics

Panel A: Summary statistics

	N	Mean	SD	Min	p25	Median	p75	Max
COD_{ft}	24,760	.061	0.056	.009	.029	.043	.07	.374
LEV_{ft}	37,589	.209	0.229	0	0	.138	.345	1
$TRADE_{ft}$	37,589	.106	0.103	0	.029	.077	.151	.508
MD_{ft}	37,589	-.09	0.094	-.639	-.114	-.06	-.029	0
MS_{ft}	37,589	-.874	0.695	-3.367	-1.386	-1.099	0	0
$ATYP_{ft}$	37,589	-1.101	0.574	-2.639	-1.609	-1.099	-.693	0
NB_ITEMS_{ft}	37,589	4.508	0.133	0	4.511	4.522	4.533	4.615
$SIZE_{ft}$	37,589	18.738	1.483	14.819	17.789	18.552	19.596	23.274
$INTANGRATIO_{ft}$	37,589	.053	0.129	0	0	0	.028	.728
$PPERATIO_{ft}$	37,589	.318	0.305	0	.044	.22	.525	.977
$SALESGR_{ft}$	37,589	1.093	0.459	.17	.957	1.042	1.147	5.704
ROA_{ft}	37,589	.07	0.158	-.56	.007	.053	.129	.683
$DEBT\_COVERAGE_{ft}$	37,589	.98	5.079	-7.231	0	.059	.364	46.849

Panel B: Correlation table

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) COD_{ft}	1.00												
(2) LEV_{ft}	-0.32	1.00											
(3) $TRADE_{ft}$	0.15	-0.16	1.00										
(4) MD_{ft}	-0.12	0.13	-0.09	1.00									
(5) MS_{ft}	-0.13	0.32	0.08	0.14	1.00								
(6) $ATYP_{ft}$	-0.04	-0.10	0.03	0.04	-0.21	1.00							
(7) NB_ITEMS_{ft}	0.04	-0.08	0.12	0.04	0.16	-0.08	1.00						
(8) $SIZE_{ft}$	-0.17	0.22	-0.24	0.15	0.15	-0.11	0.02	1.00					
(9) $INTANGRATIO_{ft}$	0.20	-0.06	0.01	-0.09	0.04	-0.26	0.02	0.03	1.00				
(10) $PPERATIO_{ft}$	-0.30	0.62	-0.34	0.23	0.24	-0.04	0.00	0.36	-0.28	1.00			
(11) $SALESGR_{ft}$	0.02	-0.01	0.01	-0.13	0.01	-0.02	-0.02	0.06	0.07	-0.01	1.00		
(12) ROA_{ft}	-0.06	-0.21	-0.06	0.00	-0.07	0.20	-0.02	-0.01	-0.24	-0.14	0.05	1.00	
(13) $DEBT\_COVERAGE_{ft}$	0.15	-0.15	0.02	0.01	0.00	0.08	0.01	0.02	-0.06	-0.09	0.01	0.23	1.00

Notes: These tables present the summary statistics (Panel A) and correlations (Panel B) for the variables used in empirical analysis. COD_{ft} is calculated as financial expense scaled by interest bearing debt (truncated at 5% and 95) and is set to missing for all firm-years with 0 or non-reported bank debt. LEV_{ft} is calculated as interest-bearing bank debt scaled by total assets. $TRADE_{ft}$ is accounts payable scaled by total assets. MS captures firm-level use of typical line items. Higher values indicate less missing typical items

(i.e., greater comparability). ATYP captures firm-level use of atypical line items, i.e. lower comparability. Higher values indicate less disclosure of atypical line items (i.e., greater comparability). *MD is* absolute discretionary accruals estimated using the modified Jones model, multiplied by -1. Higher values indicate lower discretionary accruals. These variables are as described in Section **Error! Reference source not found.**. NB_ITEMS_{ft} is a natural logarithm of total number of non-missing reported items. $SIZE_{ft}$ is c alculated as a natural logarithm of total assets in SEK. $INTANGRATIO_{ft}$ and $PPERATIO_{ft}$ are calculated as intangible assets and PP&E scaled by total assets, respectively. Sales growth $SALESGR_{ft}$ is calculated as total sales scaled by lagged sales. ROA_{ft} is calculated as profit before tax scaled by lagged total assets. $DEBT\_COVERAGE_{ft}$ is calculated as operating profit scaled by interest-bearing debt.

TABLE 3: Financial Reporting Properties and Financing Outcomes

Panel A: Cost of debt

	(1)	(2)	(3)	(4)
Dependent variable	COD_{ft}	COD_{ft}	COD_{ft}	COD_{ft}
MS_{ft-1}		-0.000		-0.000
		(-0.175)		(-0.165)
$ATYP_{ft-1}$			-0.001	-0.001
			(-0.867)	(-0.865)
MD_{-1}	-0.008**	-0.006**	-0.006*	-0.006*
	(-2.463)	(-1.976)	(-1.958)	(-1.955)
NB_ITEMS_{ft-1}	0.031**	0.028*	0.027*	0.027*
	(2.066)	(1.785)	(1.748)	(1.733)
$SIZE_{ft-1}$	-0.004***	-0.005***	-0.005***	-0.005***
	(-4.831)	(-5.491)	(-5.555)	(-5.505)
$INTANGRATIO_{ft-1}$	0.003	0.007	0.007	0.007
	(0.546)	(1.301)	(1.208)	(1.211)
$PPERATIO_{ft-1}$	0.003	0.003	0.003	0.003
	(0.921)	(0.785)	(0.767)	(0.775)
$SALESGR_{ft-1}$	-0.001*	-0.001	-0.001	-0.001
	(-1.871)	(-1.423)	(-1.409)	(-1.409)
ROA_{ft-1}	-0.027***	-0.026***	-0.026***	-0.026***
	(-10.037)	(-9.586)	(-9.558)	(-9.557)
LEV_{ft-1}	-0.067***	-0.066***	-0.066***	-0.066***
	(-23.253)	(-22.556)	(-22.610)	(-22.566)
$DEBT\_COVERAGE_{ft-1}$	0.002***	0.002***	0.002***	0.002***
	(18.051)	(18.030)	(18.085)	(18.051)
COD_{ft-1}	0.183***	0.182***	0.182***	0.182***
	(26.825)	(26.429)	(26.436)	(26.429)
Observations	24,760	24,760	24,760	24,760
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
R^2	0.60	0.60	0.60	0.60

Panel B: Financial Debt

	(1)	(2)	(3)	(4)
Dependent variable	LEV_{ft}	LEV_{ft}	LEV_{ft}	LEV_{ft}
$\boldsymbol{MS_{ft-1}}$		0.016***		0.016***
		(6.944)		(6.908)
$\boldsymbol{ATYP_{ft-1}}$			-0.009***	-0.008***
			(-3.775)	(-3.700)
$\boldsymbol{MD_{-1}}$	-0.009	-0.011	-0.010	-0.010
	(-1.389)	(-1.610)	(-1.433)	(-1.503)
NB_ITEMS_{ft-1}	0.051	-0.016	0.046	-0.025
	(1.299)	(-0.382)	(1.154)	(-0.606)
$SIZE_{ft-1}$	0.022***	0.022***	0.024***	0.022***
	(6.180)	(5.874)	(6.368)	(5.837)
$INTANGRATIO_{ft-1}$	0.002*	0.002	0.002*	0.002
	(1.823)	(1.492)	(1.661)	(1.533)
$PPERATIO_{ft-1}$	0.066***	0.057***	0.055***	0.050**
	(3.499)	(2.944)	(2.804)	(2.555)
$SALESGR_{ft-1}$	0.219***	0.211***	0.219***	0.210***
	(15.213)	(14.669)	(15.265)	(14.518)
ROA_{ft-1}	-0.070***	-0.068***	-0.069***	-0.067***
	(-11.145)	(-10.662)	(-10.812)	(-10.536)
$DEBT\_COVERAGE_{ft-1}$	-0.000***	-0.000***	-0.000***	-0.000***
	(-5.547)	(-6.083)	(-5.565)	(-5.887)
Observations	37,589	37,589	37,589	37,589
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
R^2	0.817	0.822	0.821	0.822

Panel C: Trade credit

	(1)	(2)	(3)	(4)
Dependent variable	$Trade_{ft}$	$Trade_{ft}$	$Trade_{ft}$	$Trade_{ft}$
MS_{ft-1}		0.004***		0.004***
		(4.851)		(4.855)
$ATYP_{ft-1}$			0.000	0.000
			(0.428)	(0.471)
MD_{ft-1}	0.004	0.005*	0.005*	0.005*
	(1.496)	(1.841)	(1.890)	(1.829)
NB_ITEMS_{ft-1}	-0.000	-0.017	0.001	-0.016
	(-0.032)	(-1.139)	(0.043)	(-1.111)
$SIZE_{ft-1}$	-0.014***	-0.015***	-0.014***	-0.015***
	(-16.101)	(-16.662)	(-16.237)	(-16.655)
$INTANGRATIO_{ft-1}$	0.002***	0.002***	0.002***	0.002***
	(5.068)	(4.589)	(4.660)	(4.583)
$PPERATIO_{ft-1}$	-0.029***	-0.029***	-0.027***	-0.028***
	(-6.023)	(-5.663)	(-5.351)	(-5.557)
$SALESGR_{ft-1}$	-0.039***	-0.041***	-0.040***	-0.041***
	(-11.442)	(-11.789)	(-11.399)	(-11.776)
ROA_{ft-1}	-0.032***	-0.031***	-0.031***	-0.031***
	(-13.439)	(-12.712)	(-12.807)	(-12.720)
LEV_{ft-1}	-0.002	-0.003	-0.001	-0.003
	(-0.815)	(-1.089)	(-0.452)	(-1.075)
Observations	37,589	37,589	37,589	37,589
Firm FE	Yes	Yes	Yes	Yes
Industry-Year FE	Yes	Yes	Yes	Yes
R^2	0.841	0.841	0.841	0.841

Notes: these tables report the results of estimating model (1). COD_{ft} is calculated as financial expense scaled by interest bearing debt (truncated at 5% and 95) and is set to missing for all firm-years with 0 or non-reported bank debt. LEV_{ft} is calculated as interest-bearing bank debt scaled by total assets. $TRADE_{ft}$ is accounts payable scaled by total assets. MS captures firm-level use of typical line items. Higher values indicate less missing typical items (i.e., greater comparability). ATYP captures firm-level use of atypical line items, i.e. lower comparability. Higher values indicate less disclosure of atypical line items (i.e., greater comparability). *MD is* absolute discretionary accruals estimated using the modified Jones model, multiplied by -1. Higher values indicate lower discretionary accruals. These variables are as described in Section **Error! Reference source not found.**. NB_ITEMS_{ft} is a n atural logarithm of total number of non-missing reported items. $SIZE_{ft}$ is calculated as a natural logarithm of total assets in SEK. $INTANGRATIO_{ft}$ and $PPERATIO_{ft}$ are calculated as intangible assets and PP&E scaled by total assets, respectively. Sales growth $SALESGR_{ft}$ is calculated as total sales scaled by lagged sales. ROA_{ft} is calculated as profit before tax scaled by lagged total assets. $DEBT\_COVERAGE_{ft}$ is calculated as operating profit scaled by interest-bearing debt. In Panel A, we only include firm-years with non-zero bank debt and non-zero cost of debt. T-statistics reported in parentheses. *,**, and *** indicate statistical significant at 10%, 5%, and 1%, respectively.

TABLE 4: Changes in financial reporting properties around the K3 adoption

	(1) MS_{ft}	(2) $ATYP_{ft}$	(3) MD_{ft}
$POST_t$	-0.002	0.010**	0.002*
	(-0.421)	(2.432)	(1.935)
Intercept	-0.862***	-1.101***	-0.089***
	(-289.681)	(-367.476)	(-116.640)
Observations	24,106	24,106	24,106
Firm FE	Yes	Yes	Yes
Adj. R2	0.787	0.687	0.241

Notes: This table reports the results of estimating model (2). All variables are as described in Section **Error! Reference source not found.**. T-statistics reported in parentheses. *,**, and *** indicate statistical significant at 10%, 5%, and 1%, respectively.

TABLE 5: Accounting harmonization effects on the link between financial reporting properties and financing outcomes

Panel A: Cost of debt

	(1)	(2)	(3)	(4)
Dependent variable	COD_{ft}	COD_{ft}	COD_{ft}	COD_{ft}
MS_{ft-1}		0.002		0.002
		(1.570)		(1.580)
MS_{ft-1}*POST		-0.002*		-0.002*
		(-1.709)		(-1.710)
Coeff sum for (MS_{ft-1}+MS_{ft-1}*POST)		0.000		0.000
		(0.059)		(0.058)
$ATYP_{ft-1}$			-0.000	-0.000
			(-0.279)	(-0.120)
$ATYP_{ft-1}$*POST			0.000	-0.000
			(0.050)	(-0.190)
Coeff sum for ($ATYP_{ft-1}$+$ATYP_{ft-1}$*POST)			-0.000	-0.000
			(-0.267)	(-0.364)
MD_{ft-1}	-0.000	-0.000	0.000	-0.000
	(-0.045)	(-0.065)	(0.048)	(-0.066)
MD_{ft-1}*POST	-0.011	-0.010	-0.012	-0.010
	(-1.361)	(-1.254)	(-1.405)	(-1.248)
Coeff sum for (MD_{ft-1}+ MD_{ft-1}*POST)	-0.012**	-0.011*	-0.011*	-0.011*
	(1.961)	(-1.822)	(-1.901)	(-1.800)
Observations	15,378	15,378	15,378	15,378
Time-varying controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes
Adj. R^2	0.602	0.605	0.605	0.605

Panel B: Leverage

	(1)	(2)	(3)	(4)
Dependent variable	LEV_{ft}	LEV_{ft}	LEV_{ft}	LEV_{ft}
MS_{ft-1}		0.018***		0.017***
		(4.992)		(4.695)
MS_{ft-1}*POST		-0.010***		-0.008***
		(-3.570)		(-3.014)
Coeff sum for (MS_{ft-1}+MS_{ft-1}*POST)		0.008**		0.008**
		(2.233)		(2.442)
$ATYP_{ft-1}$			-0.010***	-0.008**
			(-2.780)	(-2.228)
$ATYP_{ft-1}$*POST			0.008**	0.005
			(2.350)	(1.461)
Coeff sum for ($ATYP_{ft-1}$+$ATYP_{ft-1}$*POST)			-0.002	-0.003
			(-0.738)	(-0.994)
MD_{ft-1}	-0.028**	-0.033**	-0.027**	-0.031**
	(-2.276)	(-2.545)	(-2.123)	(-2.472)
MD_{ft-1}*POST	0.022	0.028	0.017	0.026
	(1.048)	(1.304)	(0.809)	(1.222)
Coeff sum for (MD_{ft-1}+ MD_{ft-1}*POST)	-0.007	-0.005	-0.010	-0.005
	(-0.423)	(-0.302)	(-0.620)	(-0.351)
Observations	22,879	22,879	22,879	22,879
Time-varying controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.824	0.828	0.828	0.828

Panel C: Trade credit

	(1)	(2)	(3)	(4)
Dependent variable	$TRADE_{ft}$	$TRADE_{ft}$	$TRADE_{ft}$	$TRADE_{ft}$
MS_{ft-1}			0.004**	0.004***
			(2.420)	(2.393)
MS_{ft-1}*POST			-0.000	-0.000
			(-0.440)	(-0.361)
Coeff sum for (MS_{ft-1}+MS_{ft-1}*POST)			0.003**	0.003**
			(2.143)	(0.170)
$ATYP_{ft-1}$				0.000	-0.000
				(0.259)	(0.185)
$ATYP_{ft-1}$*POST				-0.000	0.001
				(-0.030)	(-0.370)
Coeff sum for ($ATYP_{ft-1}$+$ATYP_{ft-1}$*POST)				0.000	0.000
				(0.224)	(0.189)
MD_{ft-1}		0.000	0.001	0.001	0.001
		(0.039)	(0.150)	(0.212)	(0.139)
MD_{ft-1}*POST		0.016*	0.015	0.015	0.015
		(1.715)	(1.614)	(1.589)	(1.632)
Coeff sum for (MD_{ft-1}+ MD_{ft-1}*POST)		0.016**	0.016**	0.016**	0.016**
		(2.193)	(2.192)	(2.149)	(2.173)
Observations	22,802	22,802	22,802		22,802
Time-varying controls	Yes	Yes	Yes		Yes
Firm FE	Yes	Yes	Yes		Yes
Year FE	Yes	Yes	Yes		Yes
Adj. R^2	0.849	0.848	0.848		0.848

Notes: These tables report the results of estimating model (3). All variables are as described in Section **Error! R eference source not found.**. The sample covers years 2010-2017 and only includes firms that have filed their financial statements every year during 2012-2015. In Panel A, we only include firm-years with non-zero bank debt and non-zero cost of debt. T-statistics reported in parentheses. *,**, and *** indicate statistical significant at 10%, 5%, and 1%, respectively.

TABLE 6: Changes in FAR recommendations around K3

	# of line items	# of summary measures	# of comments	# of characters in comments (each comment counted once)	# of paragraphs with required disclosure items	# of characters for required disclosures
RedR1 December 2012 (old Swedish GAAP)				**44,262**	**42**	**52,911**
Income statement - cost by function	17	4	15	15,850	11	20,654
Income statement - cost by nature	21	4	9	6,281	10	18,887
Balance sheet	32 assets, 25 liabilities, 4 pledged and contingent		47	22,131	21	13,370
RedR1 January 2015 (first K3)				**40,950**	**42**	**60,531**
Income statement - cost by function	17	4	16	10,732	7	9,187
Income statement - cost by nature	21	3	8	7,177	15	31,421
Balance sheet	33 Assets, 25 liabilities, 3 pledged and contingent		47	23,041	20	19,923

Notes: This paper presents the overview of the reporting guidance issued by the Association of Certified Auditors (FAR) for the preparation of the annual accounts (RedR1) in 2012 (last version before the adoption of K3) and in 2015 (the first version that is based on K3). Line items represent the specific line items identified in RedR1 for the income statements and balance sheets. Summary measures refer to explicitly referred to summations of those measures. Comments refer to the explanations of how the line items are to be generated. Disclosures refer to explicit information requirement for the specific line items. In income statement reporting, comments and disclosures for cost by function serves as basis also for cost by nature income statement. Cost by nature comments and disclosures, when present, replace or add to the reporting requirements outlined in the cost by function, i.e. they do not represent a comprehensive set of guidance for the cost by nature income statement but rather incremental differences relative to the cost by function structure.