

# Financial Reporting Regulation and the Reporting of Pro Forma Earnings

Gary M. Entwistle, Associate Professor; Glenn D. Feltham; Chima Mbagwu

+ Author & Article Information

*Accounting Horizons* (2006) 20 (1): 39-55.

<https://doi.org/10.2308/acch.2006.20.1.39>

Share ▾

Tools ▾

Cite ▾

A primary objective of the Sarbanes-Oxley Act is to bolster public confidence in the U.S. capital markets. The SEC aims to achieve this objective in part by regulating the use of alternate earnings measures (colloquially referred to as “pro forma” earnings) that differ from generally accepted accounting principles. This paper examines whether firms change their reporting practice in response to pro forma regulation. Specifically, it examines whether the use, calculation, and presentation of pro forma measures by S&P 500 companies changes between 2001 and 2003. We document three significant shifts in pro forma reporting in this period. First, the proportion of firms reporting pro forma earnings declines from 77 to 54 percent. Second, by 2003, pro forma is used in a less biased manner. Not only is the proportion of firms using pro forma earnings to increase reported income smaller than in 2001, but also the magnitudes of these increases are reduced. Third, in 2003, firms present pro formas in press releases in a much less prominent and less potentially misleading manner. These results suggest a strong impact of the recent regulation of pro forma reporting and provide important empirical evidence for policy makers.

This content is only available via PDF.

American Accounting Association

You do not currently have access to this content.

**Sign in**

Don't already have an account? [Register](#)

**Member Login**

[Skip to Main Content](#)

[Log in](#)

Pay-Per-View Access  
\$25.00

**AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.**

 [Buy This Article](#)



[View Metrics](#)

### Citing Articles Via

Google Scholar

CrossRef (89)

### Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert



**American  
Accounting  
Association**  
Thought Leaders in  
Accounting

[Skip to Main Content](#)

**Print ISSN:** 0888-7993 **Online ISSN:** 1558-7975

[Information for Authors](#)

[Authorship Policy](#)

[Plagiarism Policy](#)

[Data Integrity Policy](#)

[Citing Corrected Articles Policy](#)

[Minimizing Overlapping Decision Rights Policy](#)

[Prior Publication Policy](#)



---

[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.