Chapter 36

The Empirical Structure of Accounting Bias

The preceding chapters developed the measurement framework, constructed the empirical panel, and specified the statistical strategy. This chapter presents the first set of results.

The objective is structural rather than causal.

Before asking whether Accounting Bias proxies are associated with reported profitability, it is necessary to understand what kind of empirical objects these variables actually are.

Do they vary primarily across industries?

Are they persistent within firms?

Do they change substantially from year to year?

Do proxies assigned to the same theoretical dimensions move together?

Can their variation be summarized by a common statistical factor?

These questions are central to the theory because Accounting Bias may arise from fundamentally different sources. Some mechanisms may be embedded in the persistent economic structure of the firm, while others may fluctuate considerably across reporting periods.

The evidence reported below strongly supports this distinction.

The principal conclusion is:

Accounting Bias exposure is multidimensional and predominantly structural.

At the same time, the degree of structural persistence differs substantially across accounting mechanisms.

Recognition and Measurement are particularly persistent.

Accrual-based Timing is considerably more dynamic.

The evidence therefore does not support a simple interpretation in which all Accounting Bias proxies are interchangeable manifestations of one common scalar quantity.

36.1 The Empirical Sample

The structural analysis uses the firm-year panel constructed in Chapter 34.

The complete analysis panel contains

$$50$$

firms observed over fiscal years

$$2021\text{–}2025,$$

for a total of

$$N = 250$$

firm-year observations.

The five core accounting variables required for the basic panel construction—total assets, equity, revenue, net income, and operating cash flow—are available for all 250 observations.

Coverage of the Accounting Bias proxies is less uniform.

This is expected because the proxies correspond to accounting quantities whose economic importance and disclosure patterns differ across firms and industries.

The six core Accounting Bias proxies have the following coverage:

$$RDINT: \quad 152/250 = 60.8\%,$$

$$GWINT: \quad 239/250 = 95.6\%,$$

$$PPEINT: \quad 218/250 = 87.2\%,$$

$$ACCDEPINT: \quad 182/250 = 72.8\%,$$

$$ACCRUALINT: \quad 250/250 = 100\%,$$

and

$$DTINT: \quad 210/250 = 84.0\%.$$

The complete coverage table is reported in Table 36.1.

Table 36.1: Accounting Bias Proxy Coverage

Proxy	Dimension	Status	Coverage
R&D intensity	Recognition	Core	152 (60.8%)
Goodwill intensity	Recognition	Core	239 (95.6%)
PPE intensity	Measurement	Core	218 (87.2%)
Accumulated depreciation intensity	Measurement	Core	182 (72.8%)
Accrual intensity	Timing	Core	250 (100.0%)
Deferred-tax intensity	Timing	Core	210 (84.0%)
Identifiable intangible intensity	Recognition	Extended	147 (58.8%)
PPE age	Measurement	Extended	132 (52.8%)
Allowance intensity	Estimation	Exploratory	30 (12.0%)
Provision intensity	Estimation	Exploratory	52 (20.8%)

The pattern of missingness is itself economically informative.

Research and development intensity is available for nearly all observations in industries where R&D is central to the business model, but is much less common in industries where research expenditure is not separately disclosed or economically central.

Thus, complete-case requirements can alter the composition of the empirical sample.

This becomes particularly important when several proxies are analyzed jointly.

36.2 Descriptive Characteristics

Table 36.2 reports descriptive statistics for the core Accounting Bias proxies.

Table 36.2: Descriptive Statistics for Core Accounting Bias Proxies

Proxy	N	Mean	Median	SD	Min	Max
R&D intensity	152	0.063	0.054	0.051	0.000	0.283
Goodwill intensity	239	0.168	0.123	0.146	0.000	0.484
PPE intensity	218	0.261	0.150	0.236	0.006	0.817
Accumulated depreciation intensity	182	0.467	0.481	0.135	0.187	0.804
Accrual intensity	250	0.044	0.034	0.039	0.001	0.321
Deferred-tax intensity	210	0.057	0.049	0.031	0.002	0.154

The average values are economically plausible.

Research and development intensity averages approximately

$$RDINT \approx 0.063,$$

indicating that reported R&D expenditure corresponds to roughly 6.3% of the relevant asset base for the observations in which the variable is available.

Goodwill intensity averages approximately

$$GWINT \approx 0.168.$$

Thus, goodwill represents on average approximately 16.8% of reported assets among observations with available goodwill data.

Property, plant and equipment intensity averages approximately

$$PPEINT \approx 0.261,$$

while accumulated depreciation intensity averages approximately

$$ACCDEPINT \approx 0.467.$$

Accrual intensity is considerably smaller in scale:

$$ACCRUALINT \approx 0.0445.$$

This implies that the absolute difference between net income and operating cash flow averages approximately 4.5% of average assets.

Deferred-tax intensity averages approximately

$$DTINT \approx 0.0566.$$

The extended PPE-age measure has an average value of approximately

8.4

years where the required depreciation concepts are sufficiently compatible.

Its observed range is economically plausible and does not suggest systematic construction problems.

The descriptive statistics therefore provide no evidence that the main empirical relationships are driven by obviously nonsensical proxy values.

36.3 Data-Quality Diagnostics

The proxy-construction stage also generated explicit plausibility flags.

Among the 250 firm-year observations, only two observations triggered a specific Accounting Bias proxy flag.

Both involved unusually high allowance-to-receivables ratios for one firm and relate to the exploratory Estimation dimension rather than the six-variable core specification.

The main Recognition, Measurement, and Timing proxies therefore show no broad pattern of accounting identities being violated or ratios taking mechanically impossible values.

This result is important because the empirical variables were constructed directly from reported XBRL facts rather than obtained as pre-cleaned commercial ratios.

The absence of widespread plausibility problems provides additional confidence that the harmonization procedure described in Chapter 34 generated economically coherent firm-year variables.

36.4 Industry Heterogeneity

The first major structural result concerns differences across industries.

For each of the six core proxies, the null hypothesis that the industry effects are jointly zero is rejected at conventional significance levels.

Thus,

$$\boxed{6/6}$$

core Accounting Bias proxies exhibit statistically significant industry heterogeneity.

This provides strong support for Hypothesis 1.

The result can be summarized as

H1: Accounting Bias exposure differs systematically across industries.

The finding is theoretically important.

If Accounting Bias were primarily the result of random firm-specific reporting noise, systematic differences across broad economic sectors would be difficult to explain.

Instead, the evidence is consistent with the mechanism

$$\begin{aligned}\text{business model} &\rightarrow \text{asset and transaction structure} \\ &\rightarrow \text{exposure to accounting rules.}\end{aligned}$$

A research-intensive firm interacts differently with recognition rules than a capital-intensive firm.

A company with extensive acquisition activity may carry substantial goodwill.

A utility with a large tangible infrastructure base interacts intensively with historical-cost measurement, depreciation, and long-lived asset accounting.

Industry is therefore not merely a control variable.

It is part of the economic explanation of Accounting Bias exposure.

Figure 36.1 illustrates the standardized industry profiles of the core proxies.

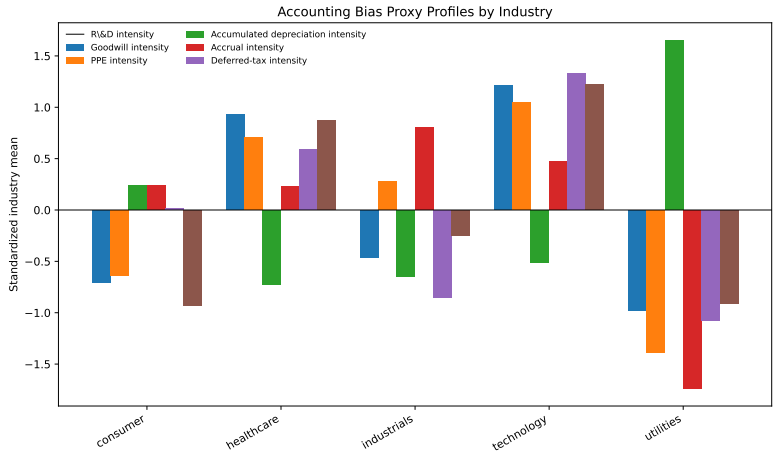

Figure 36.1: Accounting Bias proxy profiles by industry.

The figure reinforces the central result: industries do not simply differ in the *amount* of one common Accounting Bias factor.

They differ in the *composition* of their exposure profiles.

This observation already argues against premature construction of a universal additive Accounting Bias index.

36.5 Persistence

The second major result concerns persistence.

For each proxy X, the empirical model is

$$X_{it} = \alpha + \beta X_{i,t-1} + \delta_t + \varepsilon_{it}.$$

The estimated lag coefficient β measures the extent to which the current accounting exposure is related to the firm's own prior-year

exposure.

Table 36.3 reports the results.

Table 36.3: Persistence of Core Accounting Bias Proxies

Proxy	Lag coefficient	SE	p-value	N
R&D intensity	0.934***	0.051	< 0.001	121
Goodwill intensity	1.004***	0.010	< 0.001	191
PPE intensity	0.962***	0.042	< 0.001	169
Accumulated depreciation intensity	0.999***	0.014	< 0.001	141
Accrual intensity	0.288*	0.150	0.055	200
Deferred-tax intensity	0.928***	0.031	< 0.001	167

Notes: Each model regresses the current proxy on its one-year lag and fiscal-year fixed effects. Standard errors are clustered by firm. $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.10$.

Five of the six core proxies display statistically significant persistence. Thus,

$$\boxed{5/6}$$

persistence tests support Hypothesis 2.

The estimates are particularly large for the Recognition and Measurement variables.

For research and development intensity,

$$\hat{\beta}_{RDINT} = 0.934.$$

For goodwill intensity,

$$\hat{\beta}_{GWINT} = 1.004.$$

For PPE intensity,

$$\hat{\beta}_{PPEINT} = 0.962.$$

For accumulated depreciation intensity,

$$\hat{\beta}_{ACCDEPINT} = 0.999.$$

Deferred-tax intensity is also highly persistent:

$$\hat{\beta}_{DTINT} = 0.928.$$

These estimates imply that much of the cross-sectional ordering of firms remains stable from one fiscal year to the next.

A firm with relatively high goodwill intensity in one year tends to remain a high-goodwill firm in subsequent years.

Likewise, a firm with a large tangible asset base typically remains capital intensive.

These patterns are consistent with the idea that Accounting Bias exposure is closely connected to persistent characteristics of the firm's economic architecture.

36.6 Accrual Intensity as a Dynamic Exception

Accrual intensity behaves differently.

Its persistence coefficient is approximately

$$\hat{\beta}_{ACCRUALINT} = 0.288,$$

with

$$p \approx 0.055.$$

The estimate is positive but substantially smaller than those of the other core proxies and narrowly misses the conventional 5% significance threshold.

This difference is theoretically informative.

Accrual intensity is constructed as

$$ACCRUALINT_{it} = \frac{|NI_{it} - CFO_{it}|}{\overline{TA}_{it}}.$$

Unlike goodwill, PPE intensity, or the broad asset structure of the firm, the difference between accounting earnings and operating cash flow can change materially from one reporting period to another.

Working-capital movements, non-cash expenses, revenue recognition, expense timing, restructuring, and other temporary accounting differences can produce substantial annual variation.

The evidence therefore suggests a distinction between

$$\boxed{\text{persistent accounting exposure}}$$

and

$$\boxed{\text{time-varying accounting realization.}}$$

Recognition and Measurement appear predominantly in the first category.

Accrual-based Timing contains a much larger second component.

Figure 36.2 summarizes the estimated persistence coefficients.

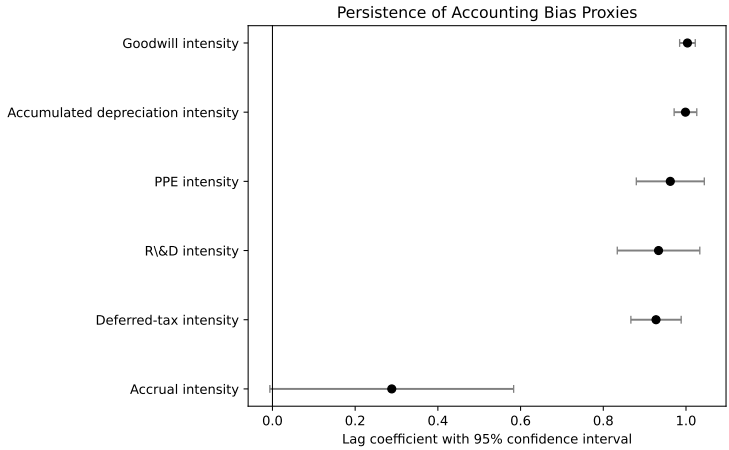

Figure 36.2: Persistence of the core Accounting Bias proxies.

36.7 Within-Firm and Between-Firm Variation

The persistence results are reinforced by the within-between decomposition.

For each variable,

$$X_{it} = \bar{X}_i + \left(X_{it} - \bar{X}_i\right).$$

The ratio

$$WTR_j = \frac{\sigma_{Within,j}}{\sigma_{Total,j}}$$

indicates how much of the total dispersion of proxy j is associated with within-firm movement.

The results show striking differences across variables.

For goodwill intensity,

$$WTR_{GWINT} \approx 0.126.$$

Only a relatively small fraction of the overall variation in goodwill intensity therefore reflects annual changes within the same company.

Most of its dispersion is associated with persistent differences between firms.

This is exactly what would be expected if goodwill intensity primarily reflects acquisition history and long-lived structural characteristics.

By contrast, accrual intensity has

$$WTR_{ACCRUALINT} \approx 0.734.$$

Thus, accrual intensity contains substantially more within-firm variation.

The contrast is economically meaningful:

$$0.126 \quad \text{versus} \quad 0.734.$$

Accounting Bias mechanisms therefore differ not only in average magnitude but also in their temporal structure.

Figure 36.3 summarizes this decomposition across the core variables.

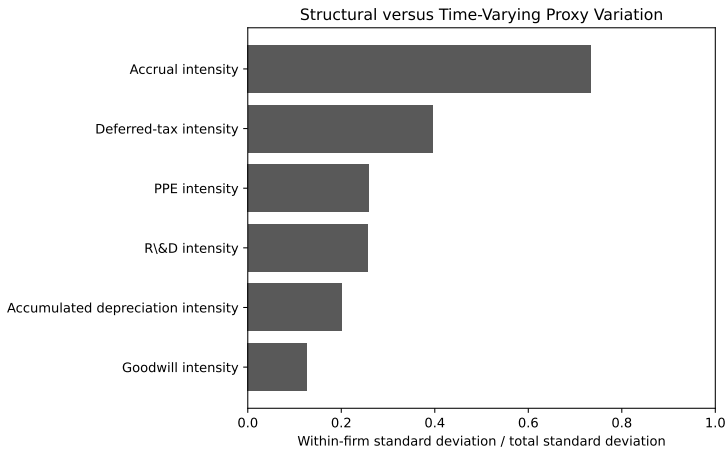

Figure 36.3: Within-firm versus total variation in Accounting Bias proxies.

The structural interpretation is again strongest for Recognition and Measurement.

Research intensity, goodwill, PPE intensity, accumulated depreciation

intensity, and the extended PPE-age measure exhibit considerably more stability than accrual intensity.

36.8 A Structural–Dynamic Decomposition

The combined evidence suggests a useful conceptual decomposition:

$$X_{it} = S_i + D_{it},$$

where

$$S_i$$

represents a persistent structural component and

$$D_{it}$$

a time-varying component.

The relative importance of the two components differs by accounting mechanism.

Recognition exposure can be written approximately as

$$R_{it} \approx S_i^R + D_{it}^R,$$

with

$$Var(S_i^R) \gg Var(D_{it}^R)$$

for variables such as goodwill intensity.

Similarly, much of Measurement exposure appears structural:

$$Var(S_i^M) > Var(D_{it}^M).$$

Accrual-based Timing displays a different pattern:

$$Var(D_{it}^T)$$

is relatively large.

Accounting Bias should therefore not be modeled conceptually as a single homogeneous process.

A more appropriate representation is

$$\boxed{\begin{aligned}\text{Accounting Bias}_{it} = \text{Structural Exposure}_i \\ + \text{Dynamic Realization}_{it}.\end{aligned}}$$

The weights on these two components depend on the accounting mechanism under consideration.

36.9 Pairwise Relationships

The pairwise correlations provide further evidence that the proxies should not be treated as interchangeable.

One of the strongest observed relationships is between goodwill intensity and PPE intensity:

$$Corr(GWINT, PPEINT) \approx -0.577.$$

Firms with high goodwill intensity tend, on average, to have lower tangible asset intensity.

This is consistent with broad differences in economic structure.

Acquisition-intensive, intangible-oriented companies may carry substantial goodwill but relatively fewer tangible assets.

Capital-intensive firms may display the opposite pattern.

Another strong relationship appears between PPE intensity and accumulated depreciation intensity:

$$Corr(PPEINT, ACCDEPINT) \approx -0.718.$$

The negative sign indicates that firms with higher net PPE relative to assets tend to have lower accumulated-depreciation intensity.

This relationship is analyzed more formally in the next chapter.

Research intensity and accrual intensity display a positive correlation of approximately

$$Corr(RDINT, ACCRUALINT) \approx 0.414.$$

By contrast, the two principal Timing proxies show only a weak relationship:

$$Corr(ACCRUALINT, DTINT) \approx 0.132.$$

This last result is especially important.

Both variables were classified theoretically within the broad Timing

dimension, yet they do not behave as closely related empirical substitutes.

Accrual timing and deferred-tax timing appear to represent distinct accounting mechanisms.

36.10 Recognition as a Structured but Heterogeneous Dimension

The Recognition dimension contains several observable manifestations.

The core proxies are

$$RDINT$$

and

$$GWINT,$$

while identifiable intangible intensity provides an extended indicator.

Complete observations across the Recognition variables are available for approximately

$$N_R = 114$$

firm-years in the dimension-specific structural analysis.

The data indicate that Recognition is clearly structured, but not in the sense that all indicators simply increase together.

This is economically reasonable.

Research and development intensity represents internally generated knowledge investment.

Goodwill primarily enters the accounting system following acquisition.

These correspond to two different pathways:

$$\text{internal generation}$$

and

$$\text{external acquisition.}$$

Accounting treats these pathways differently.

The empirical objective should therefore not be to force the Recognition variables into a common positive index.

Their relationship may itself provide evidence of the asymmetry described theoretically.

36.11 Measurement as a Structured Dimension

The Measurement dimension is represented principally by

$$PPEINT$$

and

$$ACCDEPINT,$$

with $PPEAGE$ as an extended indicator.

The dimension-specific complete-case sample contains approximately

$$N_M = 125$$

observations.

Measurement shows particularly strong empirical structure.

The negative relationship between PPE intensity and accumulated depreciation intensity suggests that firms with different tangible asset structures also differ systematically in the accounting age or depreciation state of those assets.

Importantly, this structure later survives the more demanding firm-fixed-effect specification.

Measurement therefore appears to contain both

$$\text{persistent cross-firm structure}$$

and

$$\text{meaningful within-firm dynamics.}$$

This differentiates it from Recognition, whose strongest relationships are primarily between firms.

36.12 Timing as a Heterogeneous Dimension

Timing has the largest dimension-specific complete-case sample:

$$N_T = 210.$$

This is largely because accrual intensity is available for every firm-year and deferred-tax intensity has relatively high coverage.

Nevertheless, the empirical relationship between the two variables is weak.

This suggests that the broad theoretical category of Timing contains at least two distinct processes.

The first is operating and accrual timing:

$$NI \neq CFO.$$

The second is tax-accounting timing:

$$\textit{Accounting Recognition} \neq \textit{Tax Recognition}.$$

Both are temporal transformations, but there is no theoretical requirement that they should move together within the same firm or year.

The empirical evidence therefore motivates a refinement:

$$\boxed{Timing = [Operating\ Timing, Tax\ Timing]}$$

rather than

$$Timing = \text{one homogeneous latent variable}.$$

36.13 The Estimation Dimension

The Estimation dimension remains empirically limited.

Allowances and provisions are theoretically direct examples of accounting quantities generated through uncertain expectations.

However, standardized XBRL coverage across the predetermined sample is sparse.

The combined complete-case sample for the exploratory Estimation variables is only approximately

$$N_S = 15.$$

This is too small to support inference comparable to the Recognition, Measurement, and Timing analyses.

The appropriate conclusion is not that Estimation is theoretically unimportant.

Rather,

$$\boxed{\text{theoretical importance} \neq \text{empirical observability}.}$$

The Estimation dimension therefore remains part of the conceptual Accounting Bias framework but is not used to support strong statistical conclusions in the present sample.

36.14 Principal Component Analysis

The next structural question is whether the observed proxies can be summarized by one dominant statistical factor.

A cross-dimensional PCA is estimated using

$$GWINT, \quad PPEINT, \quad ACCDEPINT,$$
$$ACCRUALINT, \quad DTINT.$$

Research intensity is excluded from this particular PCA because requiring $RDINT$ would produce substantial industry selection.

The cross-dimensional PCA uses

$$N = 141$$

complete observations.

The first principal component explains

$$45.0\%$$

of total standardized variance.

The second explains

$$21.3\%,$$

and the third

$$17.3\%.$$

Thus,

$$PC1 + PC2 = 66.3\%,$$

while

$$PC1 + PC2 + PC3 = 83.5\%.$$

These results are reported in Table 36.4.

At first sight, the 45% variance share of the first component might appear to support the construction of a single Accounting Bias factor.

Table 36.4: Cross-Dimensional Principal Component Analysis

Proxy	PC1	PC2	PC3
Goodwill intensity	-0.811	-0.048	-0.065
PPE intensity	0.897	0.029	0.048
Accumulated depreciation intensity	-0.743	-0.423	-0.188
Accrual intensity	-0.207	0.825	-0.517
Deferred-tax intensity	-0.457	0.457	0.749
Variance explained PC1			45.0%
Variance explained PC2			21.3%
Variance explained PC3			17.3%

Notes: PCA uses GWINT, PPEINT, ACCDEPINT, ACCRUALINT and DTINT. RDINT is excluded because its missingness is strongly industry-dependent. PCA is interpreted as an exploratory structural diagnostic, not as validation of a single latent Accounting Bias factor.

The loadings, however, suggest a different interpretation.

36.15 Interpretation of the First Principal Component

The approximate PC1 loadings are

$$GWINT : -0.811,$$

$$PPEINT : +0.897,$$

$$ACCDEPINT : -0.743,$$

$$ACCRUALINT : -0.207,$$

and

$$DTINT : -0.457.$$

The component is therefore dominated by a contrast between

$$PPEINT$$

and variables such as

$$GWINT$$

and

$$ACCDEPINT.$$

This does not resemble a simple scale on which all Accounting Bias exposures move in the same direction.

Instead, PC1 appears to capture a broad structural axis separating different economic and accounting configurations.

One end is associated more strongly with tangible asset intensity.

The other is associated more strongly with goodwill and other balance-sheet structures.

The first component should therefore not be interpreted as

$$PC1 = \textit{Accounting Bias}.$$

A more defensible interpretation is

$$PC1 \approx \text{structural accounting/business-model configuration}.$$

This distinction is crucial.

PCA identifies statistical covariance.

It does not identify the economic meaning of a latent construct automatically.

36.16 Interpretation of the Second Principal Component

The second component has a substantially different structure.

Accrual intensity has a large positive loading of approximately

$$0.825,$$

while deferred-tax intensity also loads positively at approximately

$$0.457.$$

This component is therefore more closely associated with Timing-related accounting variation.

The result suggests that some commonality exists between timing

mechanisms, but that this commonality emerges as a secondary rather than dominant dimension of the full accounting structure.

In simplified form,

$$PC1 \approx Structural\ Asset\ Configuration,$$

while

$$PC2 \approx Timing\ Exposure.$$

This is much more consistent with a multidimensional interpretation than with a universal one-factor model.

36.17 Why the PCA Does Not Support a Mechanical Index

Suppose that Accounting Bias were a single latent factor F and all proxies were noisy measures of it:

$$X_j = \lambda_j F + \varepsilon_j.$$

In such a setting, one would expect a relatively coherent loading structure in which the proxies move in a consistent latent direction.

The observed data do not fit this simple pattern particularly well.

Some of the strongest loadings have opposite signs.

The first component appears closely related to business-model structure.

The Timing variables occupy a different component.

Recognition and Measurement behave differently in within-firm analysis.

Estimation cannot be measured reliably across the full sample.

Consequently, the evidence favors

$$\boxed{Accounting\ Bias = \text{multidimensional mechanism structure}}$$

over

$$\boxed{Accounting\ Bias = \text{one universal empirical factor.}}$$

This does not mean that aggregation can never be useful.

It means that a composite score would require explicit theoretical

assumptions regarding what is being aggregated and why.

PCA alone does not provide those assumptions.

36.18 The Importance of Sample Composition

The structural analysis also reveals why complete-case estimation must be interpreted carefully.

Requiring all six core proxies simultaneously produces only

$$103/250$$

complete firm-year observations.

More importantly, those observations are unevenly distributed across industries.

The approximate complete-case counts are:

$$45/50$$

for Healthcare,

$$31/50$$

for Technology,

$$17/50$$

for Industrials,

$$10/50$$

for Consumer firms,
and

$$0/50$$

for Utilities.

A six-proxy complete-case analysis would therefore no longer represent the original predetermined industry-balanced panel.

Instead, it would disproportionately represent R&D-intensive and intangible-intensive industries.

This is why the baseline empirical strategy analyzes the dimensions separately and treats the all-proxy specification as a restricted-sample

robustness exercise.

The result illustrates a general principle:

Missingness can change the economic meaning of a sample.

36.19 A Revised Empirical Representation of Accounting Bias

The combined evidence suggests that the empirical representation introduced in Chapter 33 can now be refined.

Originally, the framework was written as

$$\widehat{\mathbf{B}}_{it} = \left[\mathbf{X}_{it}^{R}, \mathbf{X}_{it}^{M}, \mathbf{X}_{it}^{T}, \mathbf{X}_{it}^{S}\right].$$

The results indicate that each dimension should additionally be separated into structural and dynamic components:

$$\mathbf{X}_{it}^{d} = \mathbf{S}_{i}^{d} + \mathbf{D}_{it}^{d},$$

where d identifies the Accounting Bias dimension.

Thus,

$$\widehat{\mathbf{B}}_{it} = \left[\mathbf{S}_{i}^{R} + \mathbf{D}_{it}^{R},\ \mathbf{S}_{i}^{M} + \mathbf{D}_{it}^{M},\ \mathbf{S}_{i}^{T} + \mathbf{D}_{it}^{T},\ \mathbf{S}_{i}^{S} + \mathbf{D}_{it}^{S}\right].$$

The empirical weights differ substantially.

For Recognition,

$$\mathbf{S}^{R}$$

appears dominant.

For Measurement,

$$\mathbf{S}^{M}$$

is important, but meaningful within-firm dynamics also exist.

For accrual-based Timing,

$$\mathbf{D}^{T}$$

is considerably more important.

This represents an empirical refinement of the theoretical framework rather than a rejection of it.

36.20 Implications for the Concept of Accounting Bias

Three major conclusions emerge from the structural analysis.

First,

Accounting Bias exposure is systematically related to economic structure.

All six core proxies differ significantly across industries.

Second,

Most Accounting Bias exposures are persistent.

Recognition and Measurement variables in particular display very high year-to-year stability.

Third,

The dimensions do not behave as interchangeable indicators.

The PCA, correlation structure, and within-between decomposition all suggest that Recognition, Measurement, and Timing capture empirically different mechanisms.

This provides an important qualification to the theoretical notation

$$AB = A - E.$$

Although this equation defines Accounting Bias in the abstract, the mechanisms generating the divergence may operate at different frequencies and through different elements of the accounting system.

The empirical counterpart of Accounting Bias is therefore better represented as a structured vector than as a scalar index.

36.21 Summary of Structural Findings

The principal results of this chapter can be summarized as follows.

1. The full empirical panel contains 250 firm-year observations across 50 firms and five fiscal years.

2. Coverage differs meaningfully across Accounting Bias proxies, with

accrual intensity available for the full panel and R&D intensity considerably more industry-dependent.

3. All six core proxies exhibit statistically significant industry heterogeneity.
4. Five of the six core proxies exhibit statistically significant year-to-year persistence.
5. Recognition and Measurement indicators are particularly persistent.
6. Accrual intensity displays substantially greater within-firm variation and much weaker persistence.
7. Goodwill intensity is overwhelmingly dominated by between-firm variation.
8. The principal Timing indicators exhibit only weak pairwise association.
9. Cross-dimensional PCA does not reveal a convincing universal Accounting Bias factor.
10. The first principal component is more naturally interpreted as a structural accounting/business-model axis.
11. A second component is more strongly associated with Timing mechanisms.
12. Complete-case requirements materially alter the industry composition of the sample.

These findings support a multidimensional and mechanism-specific interpretation of Accounting Bias.

36.22 Conclusion

The first empirical evidence strongly supports the proposition that Accounting Bias is embedded in the economic and accounting architecture of firms.

Industry membership explains systematic variation across every core proxy.

Most Accounting Bias exposures are highly persistent.

Recognition and Measurement variables are dominated by stable differences between firms, while accrual-based Timing exhibits much greater variation within firms.