

Online Appendix to “Cross-Border Investments in Private Firms: The Benefits of Comparability for Foreign Investors”

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This online appendix is organized into the following sections:

- (1) Online Appendix OA1: BilMoG Reform Differences and Comparison with IFRS
- (2) Online Appendix Figures 1 to 4: (1) GDP of Austria and Germany from 2006-2013, (2) Inflation of Consumer Prices of Austria and Germany from 2006-2013, (3) Consumer Price Index (CPI) of Austria and Germany from 2006-2013, and (4) Industrial Sector Indicator of Austria and Germany from 2006-2013
- (3) Online Appendix OA2: Descriptive Statistics and Matching Methods and Table OA2: Descriptive Statistics and Matching Methods
- (4) Online Appendix OA3: New Foreign Equity Investors Analysis and Table OA3: Austrian Private Firms vs. German Private Firms, New Foreign Investors Only
- (5) Table OA4: Analyses of Firm Characteristics for Austrian Private Firms vs. German Private Firms
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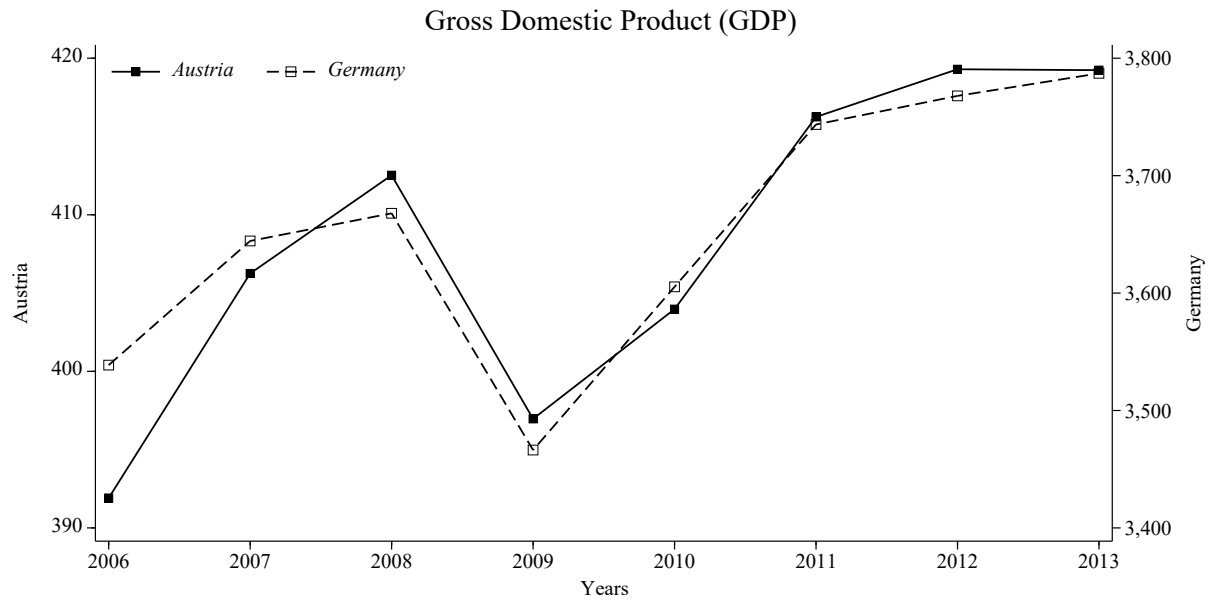
Online Appendix OA1: BilMoG Reform Differences and Comparison with IFRS

Major Accounting and Disclosure Differences	Pre-BilMoG	Post-BilMoG	IFRS
Capital Consolidation	Both the purchase method and pooling-of-interest method were allowed (§301 HGB and §302 HGB) with an option for the capitalization of acquired goodwill.	Requirement to use the purchase method and to capitalize goodwill from acquisition (§301 HGB).	Requirement to use the acquisition method (equivalent to purchase method) and to capitalize goodwill from acquisition (IFRS 3).
Contingent Liabilities	There was an option to disclose information about contingent liabilities in the notes section. However, the requirements were not strict, and liabilities were only disclosed if significant (§251 HGB).	Mandatory requirement to disclose significant contingent liabilities in the notes section with nature, timing, and expected financial impact information provided (§251 HGB).	Under IAS 37, contingent liabilities are to be disclosed in the notes section if the outflow of resources is possible.
Deferred Taxes	- P&L-based timing concept (§ 274 HGB). - No deferred tax assets/liabilities from tax loss carryforwards	- Financial-statement-based temporary-differences concept (§ 274 HGB) - Also deferred tax assets/liabilities from tax loss carryforwards (§ 274 HGB)	- Financial-statement-based temporary-differences concept (IAS 12.5) - Deferred tax assets/liabilities from tax loss carryforwards (IAS 12.34)
Internally Generated Intangible Assets and Goodwill	- Capitalization of internally created intangible assets was prohibited (§ 248 para. 2 HGB). - There was no specific rule regarding the amortization period. Companies applied conservative practices to minimize their risk exposure.	- Criteria for capitalization of intangible assets, particularly development costs (if the stages can be separated), were introduced, but companies still can have immediate tax deductions for costs (§248 HGB). - If the individual anticipated useful life of an intangible asset generated or goodwill acquired cannot be measured reliably, the cost of the asset is amortized over a period of 10 years (§253 HGB).	- Under IAS 38, there is a set of criteria that need to be satisfied for the capitalization of development costs. - Within IAS 38, if the useful life of an internally generated intangible asset cannot be estimated reliably, the asset is considered to have an indefinite useful life, which makes it subject to an annual impairment test. - Under IFRS 3, goodwill is not amortized but is subject to an annual impairment test.
Inventory Valuation Methods	A wide range of valuation methods was permitted: Hifo, Lifo, Fifo, and Weighted Average Cost (§256 HGB).	Only Weighted Average Cost, Fifo, and Lifo methods are permitted (§256 HGB).	IAS 2 permits the use of 2 methods: Fifo and Weighted Average Cost.
Offsetting of Assets against Liabilities	Offsetting of assets against liabilities was not permitted (§246 HGB).	Regarding covering liabilities arising from pension obligations, assets primarily serving to cover these liabilities should be used to offset assets against liabilities (§246 HGB).	There is no requirement under IFRS, but net presentation of plan assets and pension liabilities is allowed.

Major Accounting and Disclosure Differences (continued)	Pre-BilMoG	Post-BilMoG	IFRS
Pension Provisions	• No specific HGB rules on valuation of pensions provisions under defined benefit plans. • Measurement of pension provisions following tax law (§ 6a EStG) was permitted (i.e., discount rate of 6 %).	• Valuation at settlement amount and consideration of future events obligatory (§ 253 para. 1 HGB). • Measurement at present value using a market interest rate released by the German Central Bank (§ 253 para. 2 HGB).	• Pension provisions under defined benefit obligations are determined using the projected unit credit method (IAS 19).
Provisions (General)	• Six different categories of provisions in § 249 HGB; no other provisions were allowed to be capitalized (§253 HGB). • Companies were allowed to create discretionary provisions for anticipated expenses related to maintenance.	• Provisions must be recognized at the fulfillment amount needed to settle the obligation, including all future price and cost increases; they must be discounted to present value (§253 HGB). • Provisions for expenses in maintenance cannot be created if the maintenance would be carried out within one year (§249 HGB).	• IFRS mandates provisions to be measured at present value if the expected future outflows are anticipated and the discounted factor of the effect is material. • In IAS 37, provisions for anticipated expenses such as maintenance are not allowed unless there is a clear obligation.
Tax-induced amortization, depreciation, and impairment (“reverse authoritative principle”)	• Tax-induced amortization, depreciation, and impairment in line with tax accounting valuation is permitted (§ 254 HGB).	• Abolished	• Not applicable

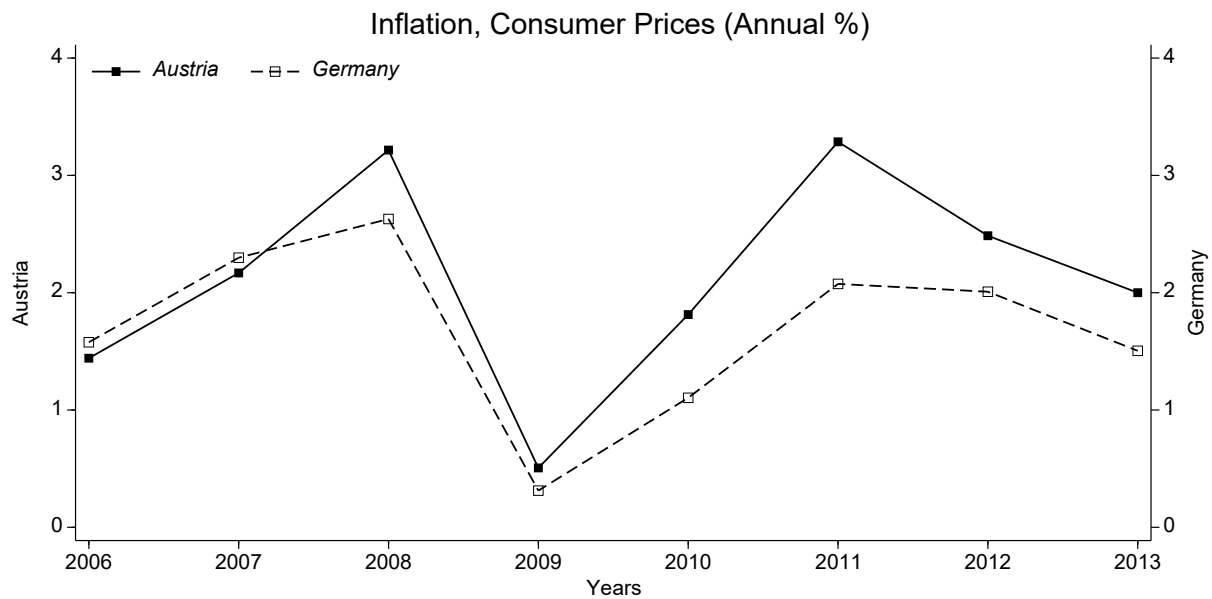
Online Appendix OA1 summarizes the major accounting and disclosure differences comparing pre-BilMoG to post-BilMoG and a comparison to IFRS based on Gross (2016) and PricewaterhouseCoopers (2010).

Online Appendix Figure 1: GDP of Austria and Germany from 2006-2013



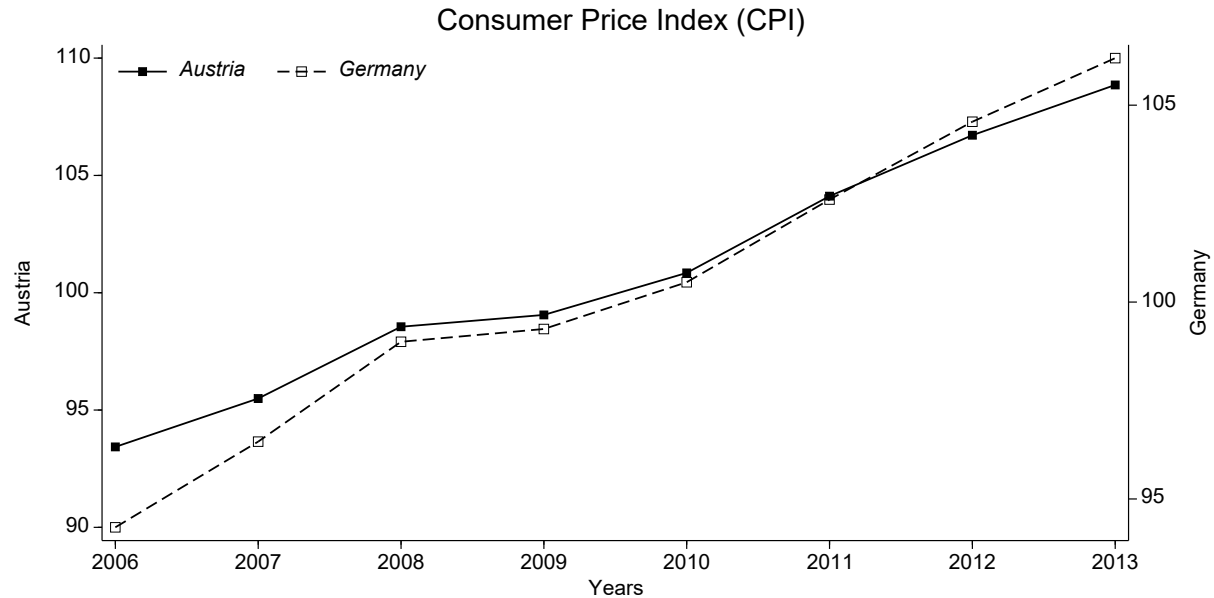
This figure displays the gross domestic product (GDP) (constant 2005 billion USD) of Austria and Germany for our sample period from 2006 to 2013. Source: World Bank (2017).

Online Appendix Figure 2: Inflation of Consumer Prices of Austria and Germany from 2006-2013



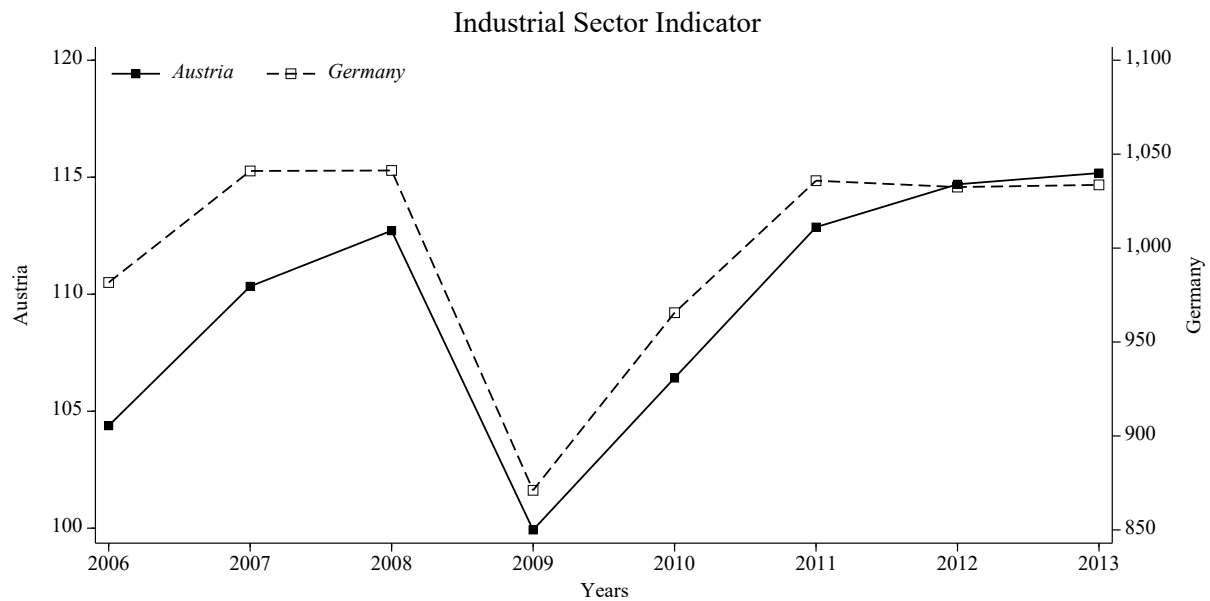
This figure displays the inflation of consumer prices (annual %) in Austria and Germany for our sample period from 2006 to 2013. Source: World Bank (2017).

Online Appendix Figure 3: Consumer Price Index (CPI) of Austria and Germany from 2006-2013



This figure displays the consumer price (CPI) index in Austria and Germany for our sample period from 2006 to 2013. Source: World Bank (2017).

Online Appendix Figure 4: Industrial Sector Indicator of Austria and Germany from 2006-2013



This figure displays the Industrial Sector Indicator (constant 2005 billion USD) in Austria and Germany for our sample period from 2006 to 2013. Source: World Bank (2017).

Online Appendix OA2: Descriptive Statistics and Matching Methods

We use four matching approaches to mitigate the concern for functional form misspecification and differences in pre-reform observable covariates (Shipman et al. 2017) between our treatment group of German private firms and the control group of Austrian private firms as well as German private and German public firms. For all matching procedures, we match the treatment and control firms based on the SIC1-digit industry classification and the average values for *SIZE*, *LEVERAGE*, *DSALES*, and *ROA* for the pre-BilMoG years, that is, pre-treatment covariates (Iacus et al. 2012). Table OA2, Panel A, and Panel B show the pre-treatment values of *SIZE*, *LEVERAGE*, *DSALES*, and *ROA*, as well as our control variables for the treatment and control groups.

First, we use entropy balancing (Panel C and D), a statistical reweighting method for re-weighting treatment and control groups in terms of observable covariates. Entropy balancing adjusts the weights of units in a dataset to match specified moments (Hainmueller 2012). We employ entropy balancing to weight all covariates on the mean of pre-treatment values of *SIZE*, *LEVERAGE*, *DSALES*, and *ROA*.

Second, we employ coarsened exact matching (Panel E and F), a data statistical method that groups data into coarsened bins (or strata) based on observable covariates and then matches units within these bins (Iacus et al. 2012). We balance our samples by coarsened exact matching using unwinsorized pretreatment covariates and 10 strata for each continuous variable.

Third, we use propensity score matching (Panel G and H), a statistical method that pairs treated and control units with similar propensity scores, which estimates the probability of treatment given observed covariates (Rosenbaum and Rubin 1983). Specifically, we employ a one-to-one propensity score matching without replacement for the comparison between German

private and Austrian private firms and with replacement for the comparison between German private and German public firms, a caliper of 0.3, and require common support of the propensity scores between the treatment and control group.

Fourth, we combine entropy balancing and propensity scores to ensure sufficient distributional overlap for the covariate weights of the entropy balancing method (Panel I and J). Specifically, McMullin and Schonberger (2022) discuss and show that entropy balancing offers several advantages compared to other matching methods for researchers. However, a potential drawback is outliers due to large observational weights. They suggest limiting the influence of large observational weights by estimating a local average treatment effect for a sample of treatment and control observations with more substantial distributional overlap (i.e., entropy balancing of a sample with common support of the propensity scores).

Table OA2: Descriptive Statistics and Matching Methods

Panel A: Descriptive Statistics for Austrian Private Firms and German Private Firms, No Matching						
	Austrian Private Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1)	(2)	(3)	(4)		
	Mean	Std. Dev.	Mean	Std. Dev.		
Pre-reform SIZE	16.773	1.315	16.843	1.561	0.070***	(3.863)
Pre-reform LEV	0.067	0.141	0.158	0.209	0.091***	(38.685)
Pre-reform DSALES	0.073	0.281	0.079	0.272	0.006*	(1.869)
Pre-reform ROA	0.059	0.089	0.066	0.101	0.007***	(5.940)
SIZE	16.869	1.300	16.974	1.545	0.105***	(5.866)
LEVERAGE	0.064	0.159	0.148	0.255	0.084***	(29.617)
DSALES	0.083	0.403	0.081	0.372	-0.002	(-0.339)
ROA	0.064	0.115	0.069	0.127	0.005***	(3.632)

Panel B: Descriptive Statistics for German Public Firms and German Private Firms, No Matching						
	German Public Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1)	(2)	(3)	(4)		
	Mean	Std. Dev.	Mean	Std. Dev.		
Pre-reform SIZE	18.884	1.641	16.843	1.561	-2.041***	(-38.778)
Pre-reform LEV	0.169	0.163	0.158	0.209	-0.011	(-1.541)
Pre-reform DSALES	0.152	0.421	0.079	0.272	-0.073***	(-7.800)
Pre-reform ROA	0.043	0.094	0.066	0.101	0.023***	(6.628)
SIZE	18.919	1.638	16.974	1.545	-1.945***	(-37.632)
LEVERAGE	0.171	0.181	0.148	0.255	-0.023***	(-2.763)
DSALES	0.136	0.472	0.081	0.372	-0.055***	(-4.384)
ROA	0.046	0.112	0.069	0.127	0.023***	(5.384)

Panel C: Descriptive Statistics for Austrian Private Firms and German Private Firms, Entropy Balancing (EB)

	Austrian Private Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1)	(2)	(3)	(4)		
	Mean	Std. Dev.	Mean	Std. Dev.		
Pre-reform SIZE	16.843	1.561	16.843	1.561	0.000	(0.001)
Pre-reform LEV	0.158	0.209	0.158	0.209	0.000	(0.014)
Pre-reform DSALES	0.079	0.273	0.079	0.272	-0.000	(-0.065)
Pre-reform ROA	0.066	0.101	0.066	0.101	-0.000	(-0.030)
SIZE	16.990	1.511	16.980	1.539	-0.010	(-0.638)
LEVERAGE	0.137	0.231	0.147	0.254	0.010***	(4.323)
DSALES	0.087	0.413	0.079	0.363	-0.008**	(-2.088)
ROA	0.069	0.126	0.069	0.127	0.000	(0.143)

Panel D: Descriptive Statistics for German Public Firms and German Private Firms, Entropy Balancing (EB)

	German Public Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1)	(2)	(3)	(4)		
	Mean	Std. Dev.	Mean	Std. Dev.		
Pre-reform SIZE	16.843	0.649	16.843	1.561	0.000	(-0.005)
Pre-reform LEV	0.158	0.188	0.158	0.209	0.000	(0.000)
Pre-reform DSALES	0.079	0.157	0.079	0.272	0.000	(-0.001)
Pre-reform ROA	0.066	0.102	0.066	0.101	0.000	(-0.001)
SIZE	16.948	0.671	16.980	1.539	0.032**	(2.384)
LEVERAGE	0.155	0.171	0.147	0.254	-0.008***	(-3.132)
DSALES	0.081	0.224	0.079	0.363	-0.002	(-0.594)
ROA	0.076	0.118	0.069	0.127	-0.007***	(-4.923)

Panel E: Descriptive Statistics for Austrian Private Firms and German Private Firms, Coarsened Exact Matching

	Austrian Private Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1)	(2)	(3)	(4)		
	Mean	Std. Dev.	Mean	Std. Dev.		
Pre-reform SIZE	16.788	1.294	16.852	1.497	0.064***	(3.624)
Pre-reform LEV	0.067	0.141	0.159	0.209	0.092***	(38.667)
Pre-reform DSALES	0.073	0.282	0.081	0.274	0.008**	(2.270)
Pre-reform ROA	0.060	0.089	0.067	0.102	0.007***	(6.283)
SIZE	16.879	1.286	16.970	1.499	0.091***	(5.235)
LEVERAGE	0.065	0.159	0.147	0.253	0.082***	(29.043)
DSALES	0.081	0.398	0.081	0.368	0.000	(-0.182)
ROA	0.064	0.116	0.070	0.127	0.006***	(3.733)

Panel F: Descriptive Statistics for German Public Firms and German Private Firms, Coarsened Exact Matching

	German Public Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1) Mean	(2) Std. Dev.	(3) Mean	(4) Std. Dev.		
Pre-reform SIZE	18.750	1.582	17.494	1.262	-1.256***	(-28.196)
Pre-reform LEV	0.173	0.166	0.127	0.177	-0.046***	(-7.435)
Pre-reform DSALES	0.154	0.426	0.101	0.308	-0.053***	(-4.792)
Pre-reform ROA	0.044	0.097	0.076	0.107	0.032***	(8.404)
SIZE	18.789	1.583	17.559	1.308	-1.230***	(-26.950)
LEVERAGE	0.174	0.184	0.116	0.214	-0.058***	(-7.834)
DSALES	0.133	0.462	0.090	0.392	-0.043***	(-3.126)
ROA	0.047	0.114	0.076	0.131	0.029***	(6.430)

Panel G: Descriptive Statistics for Austrian Private Firms and German Private Firms, Propensity Score Matching (PSM)

	Austrian Private Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1) Mean	(2) Std. Dev.	(3) Mean	(4) Std. Dev.		
Pre-reform SIZE	16.773	1.315	16.505	1.500	-0.268***	(-12.728)
Pre-reform LEV	0.067	0.141	0.008	0.019	-0.059***	(-39.187)
Pre-reform DSALES	0.073	0.281	0.084	0.326	0.011**	(2.542)
Pre-reform ROA	0.059	0.089	0.021	0.061	-0.038***	(-33.140)
SIZE	16.879	1.302	16.686	1.431	-0.193***	(-9.423)
LEVERAGE	0.065	0.158	0.041	0.151	-0.024***	(-10.310)
DSALES	0.081	0.399	0.087	0.402	0.006	(0.960)
ROA	0.063	0.114	0.039	0.106	-0.024***	(-14.779)

Panel H: Descriptive Statistics for German Public Firms and German Private Firms, Propensity Score Matching (PSM)

	German Public Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1) Mean	(2) Std. Dev.	(3) Mean	(4) Std. Dev.		
Pre-reform SIZE	18.884	1.641	17.297	1.262	-1.587***	(-36.803)
Pre-reform LEV	0.169	0.163	0.148	0.199	-0.021***	(-3.125)
Pre-reform DSALES	0.152	0.421	0.089	0.289	-0.063***	(-6.293)
Pre-reform ROA	0.043	0.094	0.063	0.094	0.020***	(6.194)
SIZE	18.943	1.636	17.388	1.287	-1.555***	(-35.417)
LEVERAGE	0.170	0.176	0.134	0.235	-0.036***	(-4.535)
DSALES	0.121	0.437	0.083	0.374	-0.038***	(-3.031)
ROA	0.046	0.110	0.066	0.121	0.020***	(4.850)

Panel I: Descriptive Statistics for Austrian Private Firms and German Private Firms, EB & PSM

	Austrian Private Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1) Mean	(2) Std. Dev.	(3) Mean	(4) Std. Dev.		
Pre-reform Size	16.505	1.500	16.505	1.500	0.000	(0.000)
Pre-reform Lev	0.008	0.019	0.008	0.019	0.000	(-0.002)
Pre-reform DSales	0.084	0.326	0.084	0.326	0.000	(-0.000)
Pre-reform ROA	0.021	0.061	0.021	0.061	0.000	(-0.000)
Size	16.679	1.399	16.686	1.431	0.007	(0.356)
Leverage	0.016	0.066	0.041	0.151	0.025***	(13.857)
DSales	0.095	0.451	0.087	0.402	-0.008	(-1.315)
ROA	0.038	0.101	0.039	0.106	0.000	(0.113)

Panel J: Descriptive Statistics for German Public Firms and German Private Firms, EB & PSM

	German Public Firms		German Private Firms		Difference (3) – (1)	(t-statistic)
	(1) Mean	(2) Std. Dev.	(3) Mean	(4) Std. Dev.		
Pre-reform SIZE	17.297	0.929	17.297	1.262	0.000	(-0.016)
Pre-reform LEV	0.148	0.169	0.148	0.199	0.000	(-0.001)
Pre-reform DSALES	0.089	0.196	0.089	0.289	0.000	(-0.001)
Pre-reform ROA	0.063	0.103	0.063	0.094	0.000	(-0.002)
SIZE	17.390	0.946	17.388	1.287	-0.002	(-0.191)
LEVERAGE	0.148	0.166	0.134	0.235	-0.014***	(-5.515)
DSALES	0.084	0.257	0.083	0.374	-0.001	(-0.381)
ROA	0.066	0.118	0.066	0.121	0.000	(0.162)

Table OA2 reports descriptive statistics for German private firms versus Austrian private firms and German public firms based on different matching procedures. Variables are defined as in Appendix A.

Online Appendix OA3: New Foreign Equity Investors Analysis

We perform an analysis based on the main results of our paper where we exclude German private firms with any foreign ownership share before the accounting reform. Table OA3 shows that we find the average change in ownership for new foreign investors in German private firms is between 48% and 56%, i.e., it is usually a change in control of the firm. These results are in line with the new Figure 2. Furthermore, the results hold in Panel B of Table OA3, where the comparison is between German private firms and German public firms. The results suggest that new foreign investors are the ones who benefit from increased accounting comparability.

Table OA3: Austrian Private Firms vs. German Private Firms, New Foreign Equity Investors only

Panel A: Austrian Private Firms vs. German Private Firms, New Foreign Equity Investors only

Dependent Variable: Foreign Ownership Share (<i>FOR_SHARE</i>)						
	(1)	(2)	(3)	(4)	(5)	(6)
	Base Regression	Controls and Industry FE	Entropy balancing (EB)	Coarsened Exact Matching	Propensity Score Matching (PSM)	EB & PSM
DE-Private	-74.802*** (-70.548)	-73.598*** (-66.950)	-72.776*** (-51.956)	-74.277*** (-64.367)	-74.234*** (-70.522)	-74.112*** (-67.422)
Post	2.610** (3.210)	2.310** (3.387)	0.259 (0.214)	2.231** (3.156)	1.979** (3.126)	1.164 (1.717)
DE-Private × Post	54.552*** (8.966)	54.633*** (9.031)	49.636*** (7.449)	54.232*** (8.732)	48.866*** (7.213)	49.564*** (7.300)
Constant	76.357*** (80.062)	80.102*** (12.224)	74.937*** (9.971)	81.801*** (11.772)	76.879*** (10.425)	74.722*** (10.141)
Controls	No	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	14,266	14,266	13,279	13,670	12,774	12,774
Adjusted R2	0.363	0.366	0.419	0.370	0.376	0.432

Panel B: German Public Firms vs. German Private Firms, New Foreign Equity Investors only

Dependent Variable: Foreign Ownership Share (<i>FOR_SHARE</i>)						
	(1)	(2)	(3)	(4)	(5)	(6)
	Base Regression	Controls and Industry FE	Entropy balancing (EB)	Coarsened Exact Matching	Propensity Score Matching (PSM)	EB & PSM
DE-Private	-22.737*** (-9.277)	-21.355*** (-7.875)	-11.361*** (-3.697)	-19.482*** (-7.014)	-21.309*** (-7.786)	-17.450*** (-5.890)
Post	1.195 (0.917)	1.327 (0.900)	-6.143 (-1.363)	2.870*** (4.161)	1.479 (1.009)	-0.991 (-0.445)
DE-Private × Post	56.121*** (8.249)	55.623*** (8.204)	56.049*** (6.878)	50.045*** (7.617)	47.949*** (6.512)	50.058*** (7.045)
Constant	22.745*** (9.322)	18.882** (2.383)	12.375 (1.253)	14.410 (1.173)	11.363 (0.957)	-21.449 (-1.243)
Controls	No	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	6,128	6,128	5,262	3,466	3,993	3,993
Adjusted R2	0.375	0.378	0.375	0.340	0.324	0.291

Table OA3 reports results for equation (1) but excluding German private firms with foreign equity investors before the accounting reform. Panel A reports results with Austrian private firms as the control group and Panel B with German public firms as the control group. ***, **, and * represent statistical significance at the 1%, 5%, and 10% level, respectively, with t-statistics in parentheses. Variables are defined as in Appendix A.

Table OA4: Analyses of Firm Characteristics for Austrian Private Firms vs. German Private Firms

Dependent Variable: Foreign Ownership Share (<i>FOR_SHARE</i>)								
	SIZE		ROA		DSALES		STD ASSETS	
	Low	High	Low	High	Low	High	Low	High
DE-PRIVATE	-10.457*** (-7.446)	-4.384** (-2.962)	-3.394* (-2.259)	-11.973*** (-8.043)	-10.725*** (-7.550)	-4.128** (-2.849)	-10.054*** (-6.991)	-4.874** (-3.241)
POST	2.008** (2.392)	2.518** (2.806)	3.825*** (4.580)	-0.052 (-0.054)	1.512** (2.563)	3.260** (2.981)	1.178 (1.552)	3.034** (3.104)
DE-PRIVATE × POST	5.136*** (7.104)	0.591 (0.755)	1.167 (1.246)	4.673*** (6.093)	4.369*** (6.636)	0.621 (0.693)	3.981*** (4.838)	1.369 (1.805)
Constant	68.000*** (20.007)	66.654*** (17.026)	39.464*** (4.410)	60.816*** (7.004)	49.063*** (5.037)	51.591*** (5.805)	37.370** (2.975)	48.739*** (4.230)
Difference (Interaction)	-4.545***		3.507**		-3.749**		-2.611*	
T-Statistic	(-4.101)		(2.464)		(-3.117)		(-2.141)	
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	20,439	20,425	20,436	20,428	20,437	20,427	20,366	20,350
Adjusted R ²	0.045	0.027	0.040	0.038	0.038	0.036	0.049	0.028

Table OA4 reports the results for sub-sample splits of high and low firm characteristics of Austrian private and German private firms. Sub-samples are based on the mean values per firm of SIZE, ROA, DSALES, or STD ASSETS, where the variable high equals one for firms above the median number of the distribution of mean values, and zero otherwise (low). ***, **, and * represent statistical significance at the 1%, 5%, and 10% level, respectively, with t-statistics in parentheses. Variables are defined as in Appendix A.

Table OA5: Accounting Comparability and Proprietary Costs

Dependent Variable: Foreign Ownership Share (<i>FOR_SHARE</i>)				
	(1)	(2)	(3)	(4)
Control Group	Austrian Private	German Public	Austrian Private	German Public
Pre-Reform Proprietary Costs Proxy	HHI		Firm_Age	
DE-PRIVATE	-11.485*** (-7.023)	49.947*** (9.226)	-9.160*** (-8.188)	47.015*** (19.122)
POST	-0.806 (-0.875)	1.044 (0.558)	2.292** (3.411)	1.339 (0.974)
PROP_COSTS	31.963*** (3.702)	-0.600 (-0.053)	-0.116* (-2.346)	0.067 (0.985)
DE-PRIVATE × POST	5.823*** (6.505)	3.903* (2.073)	2.203*** (3.720)	3.046** (2.576)
DE-PRIVATE × PROP_COSTS	2.261 (0.208)	35.557** (2.731)	0.118* (2.126)	-0.060 (-0.829)
POST × PROP_COSTS	-17.592** (-2.699)	-0.617 (-0.273)	0.069** (2.475)	-0.059** (-3.172)
DE-PRIVATE × POST × PROP_COSTS	24.106** (3.310)	6.975* (2.322)	-0.009 (-0.306)	0.118*** (5.847)
Controls	Yes	Yes	Yes	Yes
N	39,877	31,860	34,019	27,991
Adjusted R2	0.025	0.052	0.020	0.051

Table OA5 reports results for equation (1) that further includes pre-reform proprietary costs as a moderating variable based on two different proxies (HHI and Firm_Age) for German private firms against the control group of Austrian private firms (columns 1 and 3) and the control group of German public firms (columns 2 and 4). ***, **, and * represent statistical significance at the 1%, 5%, and 10% level, respectively, with t-statistics in parentheses. Variables are defined as in Appendix A.

Table OA6: Pseudo-Post Analysis

Dependent Variable: Foreign Ownership Share (<i>FOR_SHARE</i>)		
	(1)	(2)
	German Private vs Austrian Private	German Private vs German Public
DE-PRIVATE	-7.759*** (-6.028)	46.764*** (15.763)
PSEUDO-POST	-1.065 (-1.271)	-2.412 (-1.444)
DE-PRIVATE × PSEUDO-POST	0.246 (0.254)	1.637 (0.945)
SIZE	1.621*** (4.991)	2.061*** (5.881)
LEVERAGE	-10.867*** (-6.888)	-9.496*** (-5.835)
DSALES	3.017*** (3.424)	3.062*** (3.048)
ROA	-2.171 (-0.589)	-4.966 (-1.174)
NEG_DSALES	2.729*** (3.213)	2.193** (2.272)
NEG_ROA	1.999 (1.632)	2.161 (1.597)
Constant	48.925*** (8.963)	-13.399* (-1.883)
Industry FE	Yes	Yes
N	19,950	15,894
Adjusted R2	0.037	0.056

Table OA6 reports results for equation (1) for German private firms against the control group of Austrian private firms for years before the accounting reform. The PSEUDO-POST dummy variable is one for the years 2008 and 2009 and zero for the years 2006 and 2007. ***, **, and * represent statistical significance at the 1%, 5%, and 10% level, respectively, with t-statistics in parentheses. Variables are defined as in Appendix A.

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