

Article

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# Accounting Comparability and Cash Holdings of Japanese firms

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## Abstract

I examine how accounting comparability affects the cash holdings of Japanese firms in this study. Using a sample of 16,542 observations during 2008-2019, I find that accounting comparability is negatively related to the cash holdings. This result indicates that financial statement comparability reduces managers' precautionary and agency motives for cash holdings. My findings suggest that financial statement comparability plays an important role in decreasing information asymmetry and facilitating external monitoring of corporate resource allocation. Overall, the results of this study provide investors and regulators with useful implications on the importance of comparability in the capital market.

**Keywords:** accounting comparability; cash holdings; external monitoring; information asymmetry

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