

RESPONSES TO REVIEWER A

Firstly, we would like to thank you for the time taken to review the paper and for the many helpful comments you provided. We have tried our best to fully implement improvements as suggested.

Please refer to our responses in blue below.

Recommendation: I recommend revisions to this article and then a re-submission.

1. Is the research question clear and concise?

The author/s do not highlight the research question but does state the purpose of the study, I do however have a number of concerns (refer to point 4a).

2. Is the research method appropriate to address the research question?

Linking the prospect theory with the study is well presented and the research method is appropriate. Refer to point 4a.

3. Essentially, is this article suitable for publication in an ISI accredited journal?

Not in its current format.

4. Please, elaborate by providing feedback on the following points.

a. If it is not suitable, are the necessary adjustments extensive or minor? What are those adjustments?

- The title of the paper is on earnings management through loss avoidance. The author does not clearly define loss avoidance and earnings management (earnings management is defined later in the study). √

- *The definition of earnings management has been included in the introduction section, page 2 paragraph 3.*
- *The definition of loss avoidance has been included in the introduction section, page 4 paragraph 2.*

- Furthermore, the definition of small losses (as mentioned in the abstract) and the link between earnings management and small losses is missing. The logical flow of the study is missing. √

- *The definition of small loss has been included in the introduction section, page 4 paragraph 2.*
- *The link between earnings management and small losses is addressed in the introduction section, page 4 paragraph 2.*

- The researcher should formulate the research question and link the introduction with each element of the question. √

- *The research question has been formulated and included in the introduction section, page 6 paragraph 1.*

- It is also suggested that the author include the core audience in the introduction and not only in the concluding section. √

- *The core audience has been included in the introduction section, page 2 paragraph 2.*

- The above points should assist in an improved motivation for the study which is currently not strong enough. ✓ *Refer to above corrections*
- Do not include the findings of the study in your introduction (page 5, last sentence). ✓
 - *The findings of the study have been removed from the introduction.*
- Page 3, second paragraph: the previous studies cited are old sources. This in itself is not a problem – but then you have to provide context – why are you referring to these old sources, have no research been done since then? ✓
 - *Additional (current) sources have been included, page 2 paragraph 2.*
- In the third paragraph of your introduction you mention 4 broad categories and then limit the study to the fourth category. However the fourth category only has two references whilst the literature review has numerous references to other studies. It is not clear how you link the fourth category with the rest of the references. Please guide your reader more clearly. ✓
 - *The additional references have been included for the fourth category, which is now in line with the literature review, page 3 paragraph 2.*
- The third paragraph of your introduction – the third category – no reference to research on this topic is made – include source/s. ✓
 - *Sources have been included on page 3 paragraph 2.*
- The paper should provide practical recommendations based on the findings – i.e. this should answer the “so what” question. ✓
 - *Practical recommendations have been included, page 22 paragraph 2 and 3.*
- b. If so, do you have any suggestions for improvement or shortening? What are those suggestions?
 - The abstract should be re-written to incorporate the suggested changes. Also, the abstract mentions South Africa as a developing economy – however this is only very briefly mentioned on page 10. Consider to highlight this earlier in the study. ✓
 - *The abstract has been re-written, incorporating the suggested changes.*
 - *The developing economy contribution as has been included on page 6.*
 - Change the word “stock” to “share”. ✓
 - *The word “stock” has been changed to “share”. Except where it is used as a name for a stock exchange, e.g. New York Stock Exchange, or if it is included as a title of a paper referenced in the study.*
- Page 3, 2nd paragraph: Burgstahler and Dichev, 1997b – the first reference should be made to 1997a ✓
 - *The references have been corrected accordingly throughout the paper.*
- Page 3, 2nd paragraph: Miller and Modigliani – 1961 or 1966? ✓
 - *1961, corrected on page 2 paragraph 2.*
- Page 7, first paragraph: “while the strings are ongoing” – what does the “strings” refer to. ✓
 - *The sentence has been adjusted accordingly. It now reads “for as long as EPS continues to increase”, page 8 paragraph 1.*

- Page 7, 1st paragraph: Kasznik and McNichols – 2000 or 2002? ✓
 - *2002, corrected on page 8 paragraph 1.*
- Page 10, first paragraph: Last few sentences – include references. ✓
 - *Sources have been included, page 11 paragraph 2.*
- Reference to previous studies is made in present tense instead of referring to the studies made in past tense. The studies have been conducted so therefore refer to it in past tense. ✓
 - *The tense has been corrected throughout the paper.*
- Page 14, section 4.1. Reference is made to Equation (2)? ✓
 - *Corrected to Equation (1), page 15 paragraph 2.*
- Page 15, move the discussion of Table 2 to where Table 2 is presented or vice versa – it is confusing to read about Table 2 and it is only presented two pages later. ✓
 - *Presentation of tables and figures has been rearranged in line with the applicable discussion.*
- Page 16 – reference is made to Figure 4 – again this is presented two pages later. A discussion of a Figure / Table should be performed where such a Figure / Table is presented. ✓
 - *Presentation of tables and figures has been rearranged in line with the applicable discussion.*
- The conclusion includes a discussion on issues that have not been presented earlier in the study – including the aims of earnings management (page 22, 2nd paragraph). ✓
 - *The aims of earnings management have now been included in the introduction as well, page 2 paragraph 3.*
- Expand on the sentence that the JSE and SAICA will find the information useful – be specific. Remember that this study is also aimed at an international audience and they are not familiar with SAICA. ✓
 - *Discussion has been included in the conclusion section.*
- Include in your conclusion the limitations of the study. ✓
 - *Limitations have been included in the conclusion section*
- The paper should be language edited. A number of errors (page 5, 1st paragraph: earningsS number not earning number; page 13, 2nd last paragraph, last sentence - ?). ✓
 - *Page 5, error has been corrected: earning correct to earnings.*
 - *Page 13, error has been corrected: For the purpose of this study, all the data available on McGregor BFA for companies listed on the JSE for the financial periods 2003 to 2011 were selected, therefore this process excludes selection bias.*
- A number of reference errors were found – ensure that the in-text references correspond to the Reference list. ✓
 - *References have been checked and corrected accordingly.*

Regards

Authors 2015/07/29