Definition: an accounting practice of reporting revenues, expenses, gains, and losses on income statement in places other than their designated places under Generally Accepted Accounting Principles (GAAP)

Types: (1) expenses misclassification: misclassify core expenses as special items (McVay, 2006); (2) revenue misclassification: misclassify non-operating income as operating income (Malikov et al., 2018; 2019)

Characteristics: (1) does not change net income but only core earnings; (2) does not affect future earnings; (3) less likely to be under the close watch of regulators and/or external auditors

Therefore, considered as a less risky and costly tool to achieve certain goals, and has become a global phenomenon (Behn et al., 2013; Fan and Liu, 2017; Zalata and Roberts, 2017)

RESEARCH QUESTION: Whether firms with female CEOs engage in classification shifting differently from those with male CEOs?

H1a: Firms with female CEOs engage in more revenue classification shifting than those with male CEOs (Risk aversion effect)

H1b: Firms with female CEOs engage in less revenue classification shifting than those with male CEOs (Ethical sensitivity effect).

H2a: Firms with female CEOs switch to revenue classification shifting in the post-SOX period (Risk aversion effect)

H2b: Firms with female CEOs engage in less revenue classification shifting in the post-SOX period than those with male CEOs (Ethical sensitivity effect).

H3: The impact of female CEOs on revenue classification shifting is contingent upon a firm's perceived earnings management status (Earnings suspect firm hypothesis).

Sample: 36,427 US firm-year observations from 1993-2019

Main findings: (1) female CEO-led earnings management suspect firms engage in less revenue classification shifting than those with male CEOs in the pre-SOX period but increase revenue classification shifting after SOX; (2) further analyses indicate that these firms substitute revenue classification shifting for real earnings management under a stringent monitoring environment after SOX; (3) the results are robust to endogeneity tests, sample selection bias, and additional control variables.

Conclusion: female CEOs are more risk-averse but not necessarily more ethical in selecting an earnings management tool.