**SBMT4000 SBM Undergraduate Honors Research Project**

| Code | Supervisor Name | Email |
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**Project Summary**

**Topic:**

Determinants and Consequences of Data Assets Capitalization

**Description:**

Data has rapidly emerged as one of the most valuable resources in the digital economy. At the firm level, it increasingly functions as a critical input into production, operations, and managerial decision-making. Firms leverage data to enhance efficiency, tailor products and services, forecast demand, and create new revenue streams. In China, more than 95 percent of listed firms explicitly identify data as both a key factor of production and a driver of firm value.

Despite its rising importance, prevailing financial reporting frameworks largely prohibit the capitalization of internally generated data-related investments. Under both International Financial Reporting Standards (IFRS) and U.S. GAAP, expenditures on data acquisition, software development, and analytics are typically recognized as one-time expenses on the income statement, even though they may generate sustained profits and cash flows over time. This accounting treatment creates a disconnect between firms' underlying economic value and the book value reported on the balance sheet, raising concerns that financial statements may fail to faithfully represent firms' true economic worth and thereby limit their usefulness for investors' decision-making.

China has become the first country to formally recognize data as a balance sheet asset. On August 21, 2023, the Ministry of Finance issued the *Interim Provisions on Accounting Treatment Relating to Enterprises' Data Resources*, requiring firms to classify qualifying data resources as either intangible assets or inventory. The regulation took effect on January 1, 2024, and applies to all listed firms. Against this backdrop, the proposed research seeks to examine the determinants and consequences of Chinese firms' adoption of this new accounting standard. Specifically, which firms elect to capitalize data assets on their balance sheets, and which continue to expense data-related investments on income statements? Moreover, for firms that capitalize data assets, do they experience tangible benefits, such as higher price premium and improved access to financial resources?

**Requirements for student**

1. The student has a strong interest in conducting research related to Chinese stock market, with particular emphasis on firms listed on mainland stock exchanges.
2. The student must have completed ACCT2010. Completion of ACCT3010, ACCT3020 or ACCT3030 is not required but will be considered an additional advantage.

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| 3. The student should be familiar with at least one statistical programming language, such as STATA, SAS, R and etc, to conduct preliminary regression analysis. |
| **Remarks** |
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