

Empirical Accounting

Modul für den Diplomstudiengang und die Masterstudiengänge
der Fakultät für Wirtschaftswissenschaft der Ruhr-Universität Bochum
(kombiniertes Modul: 074 310 und 074 312)

Jürgen Ernstberger und Michael Stich

Wintersemester 2011/2012

Vorläufige und (noch) unvollständige Fassung (10. September 2011)

Für Fragen zu diesem Modul wenden Sie sich bitte (ab dem 20. September 2011)
an Michael Stich (michael.stich@rub.de).

Einführung und Hintergrund

Das Modul *Empirical Accounting* richtet sich an alle Studentinnen und Studenten des Diplomstudiengangs und der Masterstudiengänge der Fakultät für Wirtschaftswissenschaft, die sich intensiv mit **Fragestellungen der Rechnungslegungsforschung** und dem Beitrag **ökonomischer Methoden** zu deren Beantwortung auseinandersetzen wollen. Zentrale Fragestellungen (aber nicht die einzigen) des Moduls sind:

- Was ist „gute Rechnungslegung“ und wie kann man die „Qualität der Rechnungslegung“ von Unternehmen (objektiv) quantifizieren?
- Sind bestimmte Rechnungslegungssysteme (z.B. IFRS oder US GAAP) wirklich „besser“ als andere (z.B. HGB)?
- Wie kann man als Außenstehender ermitteln, ob das Management eines Unternehmens (ergebniserhöhende) Bilanzpolitik betrieben hat?
- Wie interpretiert, strukturiert und publiziert man wissenschaftliche Aufsätze?

Nach dem erfolgreichen Abschluss des Moduls sollen die Teilnehmerinnen und Teilnehmer in der Lage sein sich

- eigenständig Forschungsarbeiten zu aktuellen Problemen der Rechnungslegung zu erschließen und deren Methoden und Aussagen kritisch zu würdigen und
- selbst kleinere Forschungsprojekte zu konzipieren und durchzuführen.

Somit ist das Modul v.a. für Studentinnen und Studenten zu empfehlen, die die Erstellung ihrer Diplom- bzw. Masterarbeit zu einem empirischen Thema an den Rechnungslegungslehrstühlen planen.

Grundlagen

Das Modul *Empirical Accounting* ist ein **Wahlmodul** für die **Masterstudiengänge** (Abschluss: Master of Science) der Fakultät für Wirtschaftswissenschaft (Gewichtung des Moduls: **10 ECTS**). Das Modul kann auch von Diplomstudentinnen und -studenten besucht werden (Gewichtung des Moduls: **6 CP**). Das Modul umfasst ein Präsenzstudium von 60 Stunden und fordert ein Selbststudium von 240 Stunden.

Prüfungsleistungen

Die Gesamtnote des Moduls *Empirical Accounting* ergibt sich als gewichtetes arithmetisches Mittel aus den Einzelnoten der folgenden drei Prüfungsleistungen (wie im Modulhandbuch angegeben):

- **Präsentation** eines wissenschaftlichen Artikels (**30%** der Gesamtnote); die Präsentationen **aller** Teilnehmer sind (unabhängig vom Präsentationstermin) bis zum **25. November 2011** durch Email an michael.stich@rub.de abzugeben; Details werden noch bekannt gegeben
- Beteiligung an der **Diskussion** der Inhalte der Vorlesung und der im Rahmen des Seminars besprochenen wissenschaftlichen Artikel (**30%** der Gesamtnote); Details werden noch bekannt gegeben
- schriftliche Prüfungsleistungen (Hausarbeit): (1) Anfertigung einer ca. 1.000 Wörter langen kritischen **Zusammenfassung** eines wissenschaftlichen Artikels (der nicht der präsentierte Artikel ist) und (2) Anfertigung eines max. 500 Wörter langen **Wiki-Artikels** zu einem vorgegebenen Stichwort im Kontext der empirischen Rechnungslegungsforschung (**40%** der Gesamtnote); die Zusammenfassung ist bis zum **20. November 2011** und der Wiwi-Artikel bis zum **31. Januar 2012** durch Email an michael.stich@rub.de abzugeben; beide Prüfungsleistungen werden allen Kursteilnehmern zugänglich gemacht; Details werden noch bekannt gegeben

Hinweis: Am Ende des Moduls ist **keine Klausur** zu schreiben und **keine Hausarbeit i.e.S.** als Prüfungsleistung vorgesehen.

Teilnahmevoraussetzungen

Jede Interessentin bzw. jeder Interessent soll sich vor dem Beginn des Moduls (gerne auch durch Rücksprache mit den Dozenten und aus purem Eigeninteresse) vergewissern, dass sie bzw. er die inhaltlichen Teilnahmevoraussetzungen erfüllt. Wirkliches **Interesse** an den Fragestellungen des Moduls ist unbedingt erforderlich. Ein Rücktritt „wegen zu komplexer bzw. uninteressanter Inhalte“ ist in jedem Fall ausgeschlossen. Inhaltlich **vorausgesetzt** werden:

- Grundkenntnisse der Rechnungslegung nach HGB und IFRS
- Grundkenntnisse des institutionellen Rahmens in Europa und in den USA
- Basiswissen zu statistischen Verfahren (inkl. deskriptive und induktive statistische Methoden und Regressionsanalysen)

Hinweis: **nicht vorausgesetzt** werden (aber von großem Vorteil sind) erste praktische Erfahrungen bzgl. der Konzeption und Durchführung von empirischen Studien und Kenntnisse von gängigen Statistik-Programmen.

Bewerbung und Beschränkung der Teilnehmerzahl

Die Vorlesung, die integrierten Übungen und das Seminar des Moduls „Empirical Accounting“ sind interaktiv konzipiert und die Beteiligung der Studentinnen und Studenten an der gemeinsamen Erarbeitung von Inhalten und an Diskussionen geht in die Modulnote ein.

Daher ist eine **Beschränkung der Teilnehmerzahl auf 20 Studentinnen und Studenten** unbedingt erforderlich. Um jeder Interessentin und jedem Interessenten die gleiche Chance auf eine Teilnahme an diesem Modul zu ermöglichen wird wie folgt vorgegangen:

- jede Interessentin und jeder Interessent muss sich bis zum **10. Oktober 2011, 12.00 Uhr** (mittags) durch eine kurze Email an Michael Stich (michael.stich@rub.de) für die Teilnahme an diesem Modul mit dem vorgesehenen **Formular** bewerben; kein *first-come-first-serve*-Prinzip
- sollte die Anzahl der interessierten Studentinnen und Studenten höher sein als 20, so werden die zur Verfügung stehenden 20 Plätze unter den Bewerberinnen und Bewerbern gem. der aus den eingegangenen Bewerbungen erkennbaren Qualifikation verteilt; alle Interessentinnen und Interessenten werden am **11. Oktober 2011** per Email über die Vergabe der Plätze informiert

Bitte beachten: mit der Bewerbung erklärt die Studentin bzw. der Student **verbindlich** die Absicht an dem Modul teilzunehmen. Ein späterer Rücktritt ist **ausgeschlossen** und führt zu einer Bewertung des Moduls mit der Note 5,0.

Vorläufige Terminplanung

Das Modul „Empirical Accounting“ besteht aus einer Vorlesung inkl. Übung (Phase I) und einem Seminar (Phase II). Beide Phasen können nur zusammen belegt werden. In den ersten Wochen (Oktober und November) findet die Vorlesung inkl. Übung statt. Erst im Anschluss das Seminar (November und Dezember).

Phase I: Vorlesung mit Übung

1	13. Oktober 2011 (Do) 14.15-15.45 Uhr GBCF 04/411	Kapitel 1: Einführung	---
		Kapitel 2: Rechnungslegungsforschung und wissenschaftliches Publizieren	---
2	15. Oktober 2011 (Sa) 09.00-12.00 Uhr 13.00-16.00 Uhr GBCF 04/611	Kapitel 3: Grundlagen der empirischen Rechnungslegungsforschung	---
		Kapitel 4: Bedeutende Analyse- und Messkonzepte	---
3	12. November 2011 (Sa) 09.00-12.00 Uhr 13.00-16.00 Uhr GBCF 04/611	Kapitel 5: Rechnungslegungsqualität und Bilanzpolitik	Basu (1997) Dechow und Dichev (2002) Jones (1991)
		Kapitel 6: Unternehmenspublizität und Corporate Governance	---
		Exkurs 1: Diskussion aktueller Forschungsarbeiten	Armstrong <i>et al.</i> (2010)
		Exkurs 2: Teilnahme an einer Befragungsstudie	Curtis <i>et al.</i> (2011)

Ergänzungen zu Phase I: Research Paper Workshop

4	n/a	Exkurs 3: Research Paper Workshop mit Prof. Dr. Sellhorn	n/a
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Phase II: Seminar

5	26. November 2011 (Sa) 09.00-19.00 Uhr GBCF 04/611	Bedeutung von Finanzinformationen und deren Darstellung	09.00-10.30 Uhr	Ball und Shivakumar (2008) Al Jifri und Citron (2009)
		Pause		
		Rechnungslegungsinformationen und Kapitalkosten	10.45-12.15 Uhr	Francis <i>et al.</i> (2004) Leuz und Schrand (2009)
		Mittagspause		
		Bedeutung des institutionellen Umfelds für die Qualität der Rechnungslegung	14.00-15.30 Uhr	Ball <i>et al.</i> (2000) Leuz <i>et al.</i> (2003)
		Pause		
		Einführung der IFRS in Deutschland	15.45-17.15 Uhr	Leuz und Verrecchia (2000) Gassen und Sellhorn (2006)
		Pause		
		Weltweite Einführung der IFRS	17.30-19.00 Uhr	Christensen <i>et al.</i> (2007) Daske <i>et al.</i> (2008)

Phase II: Seminar (Fortsetzung)

6	10. Dezember 2011 (Sa) 09.00-19.00 Uhr GBCF 04/611	Finanzkrise	09.00-10.30 Uhr	Bischof <i>et al.</i> (2010) Fiechter und Novotny-F. (2011)
		Pause		
		Finanzanalysten	10.45-12.15 Uhr	Bea <i>et al.</i> (2008) Ramnath (2002)
		Mittagspause		
		Informationspolitik durch Sachverhaltsgestaltung	14.00-15.30 Uhr	Cohen <i>et al.</i> (2008) Roychowdhury (2006)
		Pause		
		Governance Reforms	15.45-17.15 Uhr	Ernstberger <i>et al.</i> (2011b) Zhang (2007)
		Pause		
		Fehlerbekanntmachungen im Rahmen von Enforcement-Verfahren	17.30-19.00 Uhr	Ernstberger <i>et al.</i> (2011a) Palmrose <i>et al.</i> (2004)

Pflichtliteratur

Die nachfolgenden Artikel werden entweder im Rahmen der Vorlesung thematisiert bzw. im Rahmen des Seminars vorgestellt und diskutiert. Für eine (bitte beachten Sie das nicht unerhebliche Gewicht der „Mitarbeitsnote“) erfolgreiche Teilnahme an diesem Modul ist die (sehr) gewissenhafte Vorbereitung der entsprechenden Artikel unabdingbar (bzgl. der Seminarartikel wird nicht erwartet, dass jede Teilnehmerin und jeder Teilnehmer sämtliche Artikel im Detail vorbereitet und sämtliche Aspekte hinterfragt; bedeutender ist, dass jede Teilnehmerin und jeder Teilnehmer sich vor dem jeweiligen Seminartermin fundiert Gedanken zur Forschungsfrage, dem grundsätzlichen Forschungsdesign und zur Aussage des Artikels bzw. zur Bedeutung der gewonnenen Erkenntnisse macht).

Artikel für die Vorlesung

Armstrong, C. S., Barth, M. E., Jagolinzer, A. D. und Riedl, E. J. (2010): Market reactions to the adoption of IFRS in Europe, in: *The Accounting Review*, 85. Jahrgang, 1. Heft, S. 31-61.

Basu, S. (1997): The conservatism principle and the asymmetric timeliness of earnings, in: *Journal of Accounting and Economics*, 24. Jahrgang, 1. Heft, S. 3-37.

Curtis, M., Conover, T. und Chui, L. (2011): The role of justice, power distance, and gender on the influence of national culture on ethical decision-making, *Unpublished Working Paper* (nicht zum Download verfügbar).

Dechow, P. M. und Dichev, I. D. (2002): The quality of accruals and earnings: The role of accrual estimation errors, in: *The Accounting Review*, 77. Jahrgang (Sonderheft), S. 35-59.

Jones, J. J. (1991): Earnings management during import relief investigations, in: *Journal of Accounting Research*, 29. Jahrgang, 2. Heft, 193-228.

Artikel für das Seminar

Al Jifri, K. und Citron, D. (2009): The value-relevance of financial statement recognition versus note disclosure: Evidence from goodwill accounting, in: *European Accounting Review*, 18. Jahrgang, 1. Heft, S. 123-140.

Bae, K.-H., Tan, H. und Welker, M. (2008): International GAAP differences: The impact on foreign analysts, in: *The Accounting Review*, 83. Jahrgang, 3. Heft, S. 593-628.

Ball, R., Kothari, S. P. und Robin, A. (2000): The effect of international institutional factors on properties of accounting earnings, in: *Journal of Accounting and Economics*, 29. Jahrgang, S. 1-59.

Ball, R. und Shivakumar, L. (2008): How much new information is there in earnings?, in: *Journal of Accounting Research*, 46. Jahrgang, 5. Heft, S. 975-1016.

Bischof, J., Brüggemann, U. und Daske, H. (2010): Relaxation of Fair Value Rules in Times of Crisis: An Analysis of Economic Benefits and Costs of the Amendment to IAS 39, *Working Paper*.

- Christensen, H. B., Lee, E. und Walker, M. (2007): Cross-sectional variation in the economic consequences of international accounting harmonization: The case of mandatory IFRS adoption in the UK, in: *The International Journal of Accounting*, 42. Jahrgang, S. 341-379.
- Cohen, D. A., Dey, A. und Lys, T. Z. (2008): Real and accrual-based earnings management in the pre- and post-Sarbanes-Oxley periods, in: *The Accounting Review*, 83. Jahrgang, 3. Heft, S. 757-787.
- Daske, H., Hail, L., Leuz, C. und Verdi, R. (2008): Mandatory IFRS Reporting Around the World: Early Evidence on the Economic Consequences, in: *Journal of Accounting Research*, 46. Jahrgang, S. 1085-1142.
- Ernstberger, J., Hitz, J.-M. und Stich, M. (2011a): Enforcement of Accounting Standards in Europe: Empirical evidence for the two-tier mechanism in Germany, *Working Paper*.
- Ernstberger, J., Stich, M. und Volger, O. (2011b): Economic Consequences of Accounting Enforcement Reforms: The Case of Germany, erscheint in: *European Accounting Review*.
- Fiechter, P. und Novotny-Farkas, Z. (2011): Pricing of Fair Values during the Financial Crisis: International Evidence, *Working Paper*.
- Francis, J., LaFond, R., Olsson, P. und Schipper, K. (2004): Costs of Equity and Earnings Attributes, in: *The Accounting Review*, 79. Jahrgang, S. 967-1010.
- Gassen, J. and Sellhorn, T. (2006): Applying IFRS in Germany – determinants and consequences, in: *Betriebswirtschaftliche Forschung und Praxis*, 58. Jahrgang, 4. Heft, S. 365-386.
- Leuz, C., Nanda, D. und Wysocki, P. D. (2003) Earnings management and investor protection: an international comparison, in: *Journal of Financial Economics*, 69. Jahrgang, S. 505-527.
- Leuz, C. und Schrand, C. (2009): Disclosure and the cost of capital: Evidence from firms' responses to the Enron shock, *Working Paper*.
- Leuz, C. and Verrecchia, R. (2000): The Economic Consequences of Increased Disclosure, in: *Journal of Accounting Research*, 38. Jahrgang, S. 91-124.
- Palmrose, Z. V., Richardson, V. J. und Scholz, S. (2004): Determinants of market reactions to restatement announcements, in: *Journal of Accounting and Economics*, S. 59-89.
- Ramnath, S. (2002): Investor and Analyst Reactions to Earnings Announcements of Related Firms: An Empirical, in: *Journal of Accounting Research*, 40. Jahrgang, 5. Heft, S. 1351-1376.
- Roychowdhury, S. (2006): Earnings management through real activities manipulations, in: *Journal of Accounting and Economics*, 42. Jahrgang, S. 335-370.
- Zhang, I. (2007): Economic consequences of the SOX of 2002, in: *Journal of Accounting and Economics*.

Begleitliteratur

Die folgenden Artikel bzw. Lehrbücher werden im Rahmen der Vorlesung und des Seminars nicht explizit behandelt bzw. diskutiert. Dennoch sind sie ggf. für ein strukturiertes Erschließen von Forschungsfragen hilfreich.

Cochrane, J. H. (2005): Writing tips for PhD students.

http://faculty.chicagobooth.edu/john.cochrane/research/papers/phd_paper_writing.pdf

García Lara, J. M., Garcia Osma, B. und Gill-de-Albornoz, B. (2006): Effects of database choice on international accounting research, in: *Abacus*, 42. Jahrgang, 3. Heft, S 426-454.

Gassen, J. (2006): Empirische Rechnungslegungsforschung, in: Köhler, R., Küpper, H.-U. und Pfingsten, A. (2006): Handwörterbuch der Betriebswirtschaftslehre, S. 358-366.

Kinney, W. R. Jr. (1986): Empirical accounting research design for Ph.D. students, in: *The Accounting Review*, 66. Jahrgang, 2. Heft, S. 338-350.

Kothari, S. P. (2001): Capital markets research in accounting, in: *Journal of Accounting and Economics*, 31. Jahrgang, S. 105-231.

Wagenhofer, A. und Ewert, R. (2007): Externe Unternehmensrechnung, 2. Auflage.

Abstracts der Artikel für die Vorlesung

Armstrong et al. (2010): Market reactions to the adoption of IFRS in Europe

This study examines European stock market reactions to 16 events associated with the adoption of International Financial Reporting Standards (IFRS) in Europe. European IFRS adoption represented a major milestone toward financial reporting convergence yet spurred controversy reaching the highest levels of government. We find an incrementally positive reaction for firms with lower quality pre-adoption information, which is more pronounced for banks, and with higher pre-adoption information asymmetry, consistent with investors expecting net information quality benefits from IFRS adoption. We find an incrementally negative reaction for firms domiciled in code law countries, consistent with investors' concerns over enforcement of IFRS in those countries. Finally, we find a positive reaction to IFRS adoption events for firms with high-quality pre-adoption information, consistent with investors expecting net convergence benefits from IFRS adoption.

Basu (1997): The conservatism principle and the asymmetric timeliness of earnings

I interpret conservatism as resulting in earnings reflecting 'bad news' more quickly than 'good news'. This interpretation implies systematic differences between bad news and good news periods in the timeliness and persistence of earnings. Using firms' stock returns to measure news, the contemporaneous sensitivity of earnings to negative returns is two to six times that of earnings to positive returns. I also predict and find that negative earnings changes are less persistent than positive earnings changes. Earnings response coefficients (ERCs) are higher for positive earnings changes than for negative earnings changes, consistent with this asymmetric persistence.

Dechow und Dichev (2002): The quality of accruals and earnings: The role of accrual estimation errors

This paper suggests a new measure of one aspect of the quality of working capital accruals and earnings. One role of accruals is to shift or adjust the recognition of cash flows over time so that the adjusted numbers (earnings) better measure firm performance. However, accruals require assumptions and estimates of future cash flows. We argue that the quality of accruals and earnings is decreasing in the magnitude of estimation error in accruals. We derive an empirical measure of accrual quality as the residuals from firm-specific regressions of changes in working capital on past, present, and future operating cash flows. We document that observable firm characteristics can be used as instruments for accruals quality (e.g., volatility of accruals and volatility of earnings). Finally, we show that our measure of accrual quality is positively related to earnings persistence.

Jones (1991): Earnings management during import relief investigations (introduction)

This study tests whether firms that would benefit from import relief (e.g., tariff increases and quota reductions) attempt to decrease earnings through earnings management during import relief investigations by the United States International Trade Commission (ITC). The import relief determination made by the ITC is based on several factors that are specified in the federal trade acts, including the profitability of the industry. Explicit use of accounting numbers in import relief regulation provides incentives for managers to manage earnings in order to increase the likelihood of obtaining import relief and/or increase the amount of relief granted.

While studies of earnings management typically examine situations in which all contracting parties have incentives to “perfectly” monitor (adjust) accounting numbers for such manipulation, import relief investigations provide a specific motive for earnings management that is not provided in other earnings management studies. Import relief is a wealth transfer from a group of diffuse losers {consumers} to a group of concentrated winners (all other contracting parties of domestic producers receiving import relief). I argue that consumers do not monitor earnings management as effectively as losers examined in other studies because the loss to each consumer is smaller, and their interests more diverse, than for the contracting parties examined in these studies. Regulators have less incentive to adjust for managers' earnings manipulations since their ultimate payoff for such adjustment is less direct than in other situations previously studied (e.g., union contract negotiations). Furthermore, interviews of ITC regulators indicate that the ITC does not adjust financial data for accounting procedures used or for accrual decisions made by firms.

This study documents the use of accounting numbers in a federal government program as a basis for wealth transfers (i.e., import relief). An estimate of the discretionary component of total accruals is used as the measure of earnings management rather than the discretionary component of a single accrual. The discretionary component of total accruals is more appropriate in this context because the ITC is interested in earnings before taxes, which includes the effects of all accrual accounts, and, as such, managers are likely to use several accruals to reduce reported earnings. Firm specific expectations models are developed to estimate normal (nondiscretionary) accruals. The expectation models control for the effects of economic conditions on the level of accruals. I conduct a cross-sectional analysis to test whether estimated discretionary accruals (i.e., residuals from the estimated expectations models) tend to be income-decreasing during the import relief investigation period. The methodology developed in this study extends the methodology used in other earnings management studies; specifically, time-series models are developed to estimate total nondiscretionary accruals and cross-sectional tests of the earnings management hypothesis are applied. The results of these tests are consistent with the hypothesis that managers decrease earnings through earnings management during import relief investigations. This evidence is of particular importance in the light of the current interest in import protection.

Abstracts der Artikel für das Seminar

Bedeutung von Finanzinformationen und deren Darstellung

Ball und Shivakumar (2008): How much new information is there in earnings?

We quantify the relative importance of earnings announcements in providing new information to the share market, using the R^2 in a regression of securities' calendar-year returns on their four quarterly earnings-announcement "window" returns. The R^2 , which averages approximately 5% to 9%, measures the proportion of total information incorporated in share prices annually that is associated with earnings announcements. We conclude that the average quarterly announcement is associated with approximately 1% to 2% of total annual information, thus providing a modest but not overwhelming amount of incremental information to the market. The results are consistent with the view that the primary economic role of reported earnings is not to provide timely new information to the share market. By inference, that role lies elsewhere, for example, in settling debt and compensation contracts and in disciplining prior information, including more timely managerial disclosures of information originating in the firm's accounting system. The relative informativeness of earnings announcements is a concave function of size. Increased information during earnings-announcement windows in recent years is due only in part to increased concurrent releases of management forecasts. There is no evidence of abnormal information arrival in the weeks surrounding earnings announcements. Substantial information is released in management forecasts and in analyst forecast revisions prior (but not subsequent) to earnings announcements.

Al Jifri und Citron (2009): The value-relevance of financial statement recognition versus note disclosure: Evidence from goodwill accounting

The relative significance of financial statement recognition and note disclosure is an important issue for accounting regulators, preparers and auditors. While standard-setters prioritise financial recognition over disclosure, the empirical evidence on the value-relevance of note disclosures is mixed. This is partly due to the severe methodological problems inherent in comparing the two modes of presentation. This paper examines this issue in a new context by exploiting the UK regulatory environment where old pre-FRS10 goodwill continues to be disclosed in the notes to the accounts at the same time as new post-FRS 10 goodwill is capitalized. It thus uses a within firm research method to examine the relative significance of the two goodwill amounts. The analysis is based on a sample of 243 non-financial firms containing amounts of both recognised and disclosed goodwill in their 2002 financial statements. Both variables are significantly associated with share price. In addition, for firms engaging in R&D, there is no significant difference between the contributions of disclosed and recognised goodwill in explaining market value, a result consistent with the markets efficiently incorporating goodwill information irrespective of where it appears in the annual report.

Rechnungslegungsinformationen und Kapitalkosten

Francis et al. (2004): Costs of equity and earnings attributes

We examine the relation between the cost of equity capital and seven attributes of earnings: accrual quality, persistence, predictability, smoothness, value relevance, timeliness, and conservatism. We characterize the first four attributes as accounting-based because they are typically measured using accounting information only. We characterize the last three attributes as market-based because proxies for these constructs are typically based on relations between market data and accounting data. Based on theoretical models predicting a positive association between information quality and cost of equity, we test for and find that firms with the least favorable values of each attribute, considered individually, generally experience larger costs of equity than firms with the most favorable values. The largest cost of equity effects are observed for the accounting-based attributes, in particular, accrual quality. These findings are robust to controls for innate determinants of the earnings attributes (firm size, cash flow and sales volatility, incidence of loss, operating cycle, intangibles use/intensity, and capital intensity), as well as to alternative proxies for the cost of equity capital.

Leuz und Schrand (2009): Disclosure and the cost of capital: Evidence from firms' responses to the Enron shock

This paper examines the link between disclosure and the cost of capital. We exploit an exogenous cost of capital shock created by the Enron scandal in Fall 2001 and analyze firms' disclosure responses to this shock. These tests are opposite to the typical research design that analyzes cost of capital responses to disclosure changes. In reversing the tests and using an exogenous shock, we mitigate concerns about omitted variables in traditional cross-sectional disclosure studies. We estimate shocks to firms' betas around the Enron events and the ensuing transparency crisis. Our analysis shows that these beta shocks are associated with increased disclosure. Firms expand the number of pages of their annual 10-K filings, notably the sections containing the financial statements and footnotes. The increase in disclosure is particularly pronounced for firms that have positive cost of capital shocks and larger financing needs. We also find that firms respond with additional interim disclosures (e.g., 8-K filings) and that these disclosures are complementary to the 10-K disclosures. Finally, we show that firms' disclosure responses reduce firms' costs of capital and hence the impact of the transparency crisis.

Bedeutung des institutionellen Umfelds für die Qualität der Rechnungslegung

Ball et al. (2000): The effect of international institutional factors on properties of accounting earnings

International differences in the demand for accounting income predictably affect the way it incorporates economic income (change in market value) over time. We characterize the “shareholder” and “stakeholder” corporate governance models of common and code law countries respectively as resolving information asymmetry by public disclosure and private communication. Also, code law directly links accounting income to current payouts (to employees, managers, shareholders and governments). Consequently, code law accounting income is less timely, particularly in incorporating economic losses. Regulation, taxation and litigation cause variation among common law countries. The results have implications for security analysts, standard-setters, regulators, and corporate governance.

Leuz et al. (2003): Earnings management and investor protection: An international comparison

This paper examines systematic differences in earnings management across 31 countries. We propose an explanation for these differences based on the notion that insiders, in an attempt to protect their private control benefits, use earnings management to conceal firm performance from outsiders. Thus, earnings management is expected to decrease in investor protection because strong protection limits insiders’ ability to acquire private control benefits, which reduces their incentives to mask firm performance. Our findings are consistent with this prediction and suggest an endogenous link between corporate governance and the quality of reported earnings.

Einführung der IFRS in Deutschland

Gassen und Sellhorn (2006): Applying IFRS in Germany – Determinants and consequences

We address three research questions motivated by the recent ascent of International Financial Reporting Standards (IFRS) in Europe. First, analyzing the determinants of voluntary IFRS adoption by publicly traded German firms during the period 1998-2004, we find that size, international exposure, dispersion of ownership, and recent IPOs are important drivers. Second, using the results from this determinant model to construct propensity score-matched samples of IFRS and German-GAAP (HGB) firms, we document significant differences in terms of earnings quality: IFRS firms have more persistent, less predictable and more conditionally conservative earnings. Third, analyzing information asymmetry differences between IFRS and HGB firms, we show that IFRS adopters experience a decline in bid-ask spread of 70 base points and an average of 17 more days with price changes per year. On the other hand, IFRS adopter's stock prices seem to be more volatile. In the light of some important limitations of our study, we discuss IFRS-related research opportunities in post-2005 Europe.

Leuz und Verrecchia (2000): The economic consequences of increased disclosure

Economic theory suggests that a commitment by a firm to increased levels of disclosure should lower the information asymmetry component of the firm's cost of capital. But while the theory is compelling, so far empirical results relating increased levels of disclosure to measurable economic benefits have been mixed. One explanation for the mixed results among studies using data from firms publicly registered in the United States is that, under current U.S. reporting standards, the disclosure environment is already rich. In this paper, we study German firms that have switched from the German to an international reporting regime (IAS or U.S. GAAP), thereby committing themselves to increased levels of disclosure. We show that proxies for the information asymmetry component of the cost of capital for the switching firms—namely, the bid-ask spread and trading volume—behave in the predicted direction compared to firms employing the German reporting regime.

Weltweite Einführung der IFRS

Christensen *et al.* (2007): Cross-sectional variation in the economic consequences of international accounting harmonization: The case of mandatory IFRS adoption in the UK

This study examines the economic consequences for UK firms of the European Union's decision to impose mandatory IFRS. We hypothesize that the impact varies across firms and is conditional on the perceived benefit. We estimate a counter-factual proxy for a UK firm's willingness to adopt IFRS from the prior GAAP choices of German firms. We show that this proxy predicts cross-sectional variations in both the short-run market reactions and the long-run changes in cost of equity that are associated with the decision. This implies that mandatory IFRS adoption does not benefit all firms in a uniform way but results in relative winners and losers.

Daske *et al.* (2008): Mandatory IFRS reporting around the world: Early evidence on the economic consequences

This paper examines the economic consequences of mandatory International Financial Reporting Standards (IFRS) reporting around the world. We analyze the effects on market liquidity, cost of capital, and Tobin's q in 26 countries using a large sample of firms that are mandated to adopt IFRS. We find that, on average, market liquidity increases around the time of the introduction of IFRS. We also document a decrease in firms' cost of capital and an increase in equity valuations, but only if we account for the possibility that the effects occur prior to the official adoption date. Partitioning our sample, we find that the capital-market benefits occur only in countries where firms have incentives to be transparent and where legal enforcement is strong, underscoring the central importance of firms' reporting incentives and countries' enforcement regimes for the quality of financial reporting. Comparing mandatory and voluntary adopters, we find that the capital market effects are most pronounced for firms that voluntarily switch to IFRS, both in the year when they switch and again later, when IFRS become mandatory. While the former result is likely due to self-selection, the latter result cautions us to attribute the capital-market effects for mandatory adopters solely or even primarily to the IFRS mandate. Many adopting countries make concurrent efforts to improve enforcement and governance regimes, which likely play into our findings. Consistent with this interpretation, the estimated liquidity improvements are smaller in magnitude when we analyze them on a monthly basis, which is more likely to isolate IFRS reporting effects.

Finanzkrise

Bischof et al. (2010): Relaxation of fair value rules in times of crisis: An analysis of economic benefits and costs of the amendment to IAS 39

At the peak of the financial crisis in October 2008, the IASB was put under strong political pressure and granted companies the option to abandon fair value accounting for selected financial assets. Using a comprehensive global sample of 302 publicly listed IFRS banks, we examine the economic consequences of this amendment to IAS 39. We show that banks used the reclassification option to forgo the recognition of fair value losses and ultimately, due to the link between fair value accounting and regulatory capital, regulatory costs from supervisory interventions. The amendment has therefore served to provide relief for international banks with severe financial difficulties rather than to reduce competitive disadvantages vis-à-vis U.S. competitors as it has been politically proclaimed. Analyses of stock market reactions suggest that a small number of the most troubled banks benefited from reclassifications. However, analyses of accompanying footnote disclosures reveal that two thirds of the reclassifying banks do not fully comply with the IFRS 7 requirements. These banks experience a significant long-term increase in information asymmetry among investors.

Fiechter und Novotny-Farkas (2011): Pricing of fair values during the financial crisis: International evidence

In the course of the financial crisis, fair value accounting has been subject to intense debate among practitioners and academics. In particular, fair value measures have been deemed to be unreliable, as markets for certain positions became illiquid. This paper investigates whether the value relevance of fair values changes during the crisis. Furthermore, we examine whether institutional factors influence the market valuation of fair values. Using a global sample of 322 banks that apply IFRS, we hand-collect data on recognized fair values for the years 2006, 2007, and 2008. Applying a modified Ohlson (1995) model, we expect and find that (1) fair values are value relevant; (2) the pricing of fair values differs across firm-specific and institutional factors; and (3) fair values experience a substantial discount during the financial crisis. Overall, our findings raise concerns about the general reliability of fair values and support certain arguments provided by opponents of fair value accounting.

Finanzanalysten

Bae et al. (2008): International GAAP differences: The impact on foreign analysts

This paper investigates the relation between differences in accounting standards across countries and foreign analyst following and forecast accuracy. We develop two measures of differences in generally accepted accounting principles (GAAP) for 1,176 country-pairs. We then examine the impact of these measures of accounting differences on foreign analysts. In so doing, we utilize a unique database that identifies the location of financial analysts around the world, creating a sample that covers 6,888 foreign analysts making a total of 43,968 forecasts for 6,169 firms from 49 countries during 1998–2004. We find that the extent to which GAAP differs between two countries is negatively related to both foreign analyst following and forecast accuracy. Our results suggest that GAAP differences are associated with economic costs for financial analysts.

Ramnath (2002): Investor and analyst reactions to earnings announcements of related firms: An empirical analysis

In this article I examine the response of investors and analysts of non-announcing firms to the earnings report of the first announcers in the industry. The error in the earnings forecast of the first announcer is found to be informative about the errors in the contemporaneous earnings forecasts of subsequent announcers in the industry. However, investors and analysts do not appear to fully incorporate the information from the first announcers' news in their revised earnings expectations for subsequent announcers. This apparent under-reaction to the first announcers' news leads to predictable stock returns for subsequent announcers in the days following the first announcement. Results of this study can be seen as further evidence of investor and analyst under-reaction to publicly available information.

Informationspolitik durch Sachverhaltsgestaltung

Cohen et al. (2008): Real and accrual-based earnings management in the pre- and post-Sarbanes-Oxley periods

We document that accrual-based earnings management increased steadily from 1987 until the passage of the Sarbanes-Oxley Act (SOX) in 2002, followed by a significant decline after the passage of SOX. Conversely, the level of real earnings management activities declined prior to SOX and increased significantly after the passage of SOX, suggesting that firms switched from accrual-based to real earnings management methods after the passage of SOX. We also document that the accrual-based earnings management activities were particularly high in the period immediately preceding SOX. Consistent with these results, we find that firms that just achieved important earnings benchmarks used less accruals and more real earnings management after SOX when compared to similar firms before SOX. In addition, our analysis provides evidence that the increases in accrual-based earnings management in the period preceding SOX were concurrent with increases in equity-based compensation. Our results suggest that stock-option components provide a differential set of incentives with regard to accrual-based earnings management. We document that while new options granted during the current period are negatively associated with income increasing accrual-based earnings management, unexercised options are positively associated with income-increasing accrual-based earnings management.

Roychowdhury (2006): Earnings management through real activities manipulation

I find evidence consistent with managers manipulating real activities to avoid reporting annual losses. Specifically, I find evidence suggesting price discounts to temporarily increase sales, overproduction to report lower cost of goods sold, and reduction of discretionary expenditures to improve reported margins. Cross-sectional analysis reveals that these activities are less prevalent in the presence of sophisticated investors. Other factors that influence real activities manipulation include industry membership, the stock of inventories and receivables, and incentives to meet zero earnings. There is also some, though less robust, evidence of real activities manipulation to meet annual analyst forecasts.

Governance Reformen

Ernstberger et al. (2011b): Economic consequences of accounting enforcement reforms: The case of Germany

This study investigates recent reforms of financial reporting enforcement in Germany. The objective of these reforms was to promote a consistent and faithful application of accounting standards. Conducting multivariate analyses, we find a significant decrease in earnings management, a significant increase in stock liquidity, as well as limited evidence for an increase in market valuation for the companies that fall under the new enforcement regime. We document that companies that are characterized by an overall low level of enforcement through other internal and external mechanisms are particularly affected by these reforms. In our analyses, we carefully control for effects of the mandatory IFRS adoption in Europe as well as for various other effects arising from the application of different accounting principles. Our results hold for different research designs, including a difference-in-differences approach and a matched sample approach. We conclude that the enforcement reforms in Germany have leveled the playing field in the enforcement of financial reporting and have enhanced the trust in financial reports of the affected companies.

Zhang (2007): Economic consequences of the Sarbanes-Oxley Act of 2002

This paper investigates the economic consequences of the Sarbanes–Oxley Act (SOX) by examining market reactions to related legislative events. Using concurrent stock returns of non-U.S.-traded foreign firms to estimate normal U.S. returns, I find that U.S. firms experienced a statistically significant negative cumulative abnormal return around key SOX events. I then examine the cross-sectional variation of U.S. firms' returns around these events. Regression results are consistent with the non-audit services and governance provisions imposing net costs. Additional tests show that deferring the compliance of Section 404, which mandates an internal control test, resulted in significant cost savings for non-accelerated filers.

Fehlerbekanntmachungen im Rahmen von Enforcement-Verfahren

Ernstberger et al. (2011a): Enforcement of accounting standards in Europe: Empirical evidence for the two-tier mechanism in Germany

On the background of regulatory initiatives that mandate setting up comparable enforcement systems in EU jurisdictions to ascertain consistent and faithful application of IFRS, this paper investigates one specific institutional setup: the two-tier enforcement system in Germany. In operation since 2005, the German enforcement mechanism consists of a private body, the German Financial Reporting Enforcement Panel (FREP), which investigates compliance of financial statements published by publicly traded firms, and, upon error findings, involves the German securities regulator BaFin, which on a second level enforces disclosure of these findings. For a sample of all error findings published until end of 2008, we explore the characteristics of infringing firms based on comparison with a pair-wise matched sample of control firms. To draw inferences on the effectiveness of the adverse disclosure mechanism, we then investigate short-window and long-window capital market reactions upon disclosure of error statements. Consistent with our predictions, we find that infringing firms, on average, report poor profitability, are subject to earnings management incentives and exhibit relatively poor governance quality. Capital market reactions (abnormal returns, abnormal trading volumes, abnormal bid ask spreads) illustrate that error announcements represent new, negative information and suggest that, despite an enforcement environment that is categorized as weak in the extant literature, the activities of the FREP are effective in penalizing infringing firms and thus providing potential deterrence. At the same time, our results suggest that effectiveness is compromised by a lack of timely enforcement action. Taken together, these findings provide insights into the effectiveness of one special enforcement setup in a specific institutional environment, Germany, and add to the literature on new institutional accounting research.

Palmrose et al. (2004): Determinants of market reactions to restatement announcements

We examine the market reaction to a sample of 403 restatements announced from 1995 to 1999. We document an average abnormal return of about -9 percent over a 2-day announcement window. We find that more negative returns are associated with restatements involving fraud, affecting more accounts, decreasing reported income and attributed to auditors or management (but not the Securities and Exchange Commission). There appears to be an additional penalty for announcements that do not quantify the restatement. Finally, we provide evidence on the relation between restatement announcements and analyst earnings forecast dispersion, bid-ask spreads and subsequent revisions in analyst earnings forecasts.