Session 1.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS
DATE: THURSDAY, MARCH 18, 2021
TIME: 8:30 AM - 10:00 AM

Non-Audit Services and Knowledge Spillover: Evidence from Audit Hours and Billing Rates

Jaeyoon Yu
Erasmus University

Yongsuk Yun
Hannam University

ABSTRACT: This paper examines whether non-audit services (NAS) purchased from auditors generate knowledge spillover benefits using audit hour data of firms listed on the Korean Stock Exchange for 2003-2019. Our empirical results show that NAS purchases are negatively associated with audit hours, billing rates, and audit fees. Further analyses offer two important implications. First, we show that NAS purchases do not lead to lower audit quality. Second, NAS purchases are negatively associated with the chance of auditor change. Collectively, our results provide evidence that the joint provision of NAS and audit services generate knowledge spillover benefits as manifested in cost savings and better client-auditor relationships while not compromising auditor independence.

Session 1.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS
DATE: THURSDAY, MARCH 18, 2021
TIME: 8:30 AM - 10:00 AM

Rule of Law, Control of Corruption and Democracy Impact on Earnings Management

Fuzhao Zhou
State University of New York College at Brockport

ABSTRACT: This study examines AI algorithmic pathways capturing the relation between managers' perception of norms of governance (rule of law, control of corruption and democracy) and earnings management from a framing perspective across 102 countries. We find that managers' perception of better norms of governance at country-level can effectively mitigate earnings management. Furthermore, firms tend to have lower real earnings management while higher accrual-based earnings management in developed countries where the perception of rule of law and control of corruption are stronger. Perception of better democratic accountability in developed countries can mitigate both types of earnings management.

Session 1.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS
DATE: THURSDAY, MARCH 18, 2021
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The Potential for Biases in Resolving Loan Problems

Matias Sokolowski
University of New Mexico

Richard G. Brody
University of New Mexico

Reilly White
University of New Mexico

ABSTRACT: The purpose of this paper is to discuss how behavioral biases influence the resolution of loan problems. The violation of financial covenants in commercial loans requires the lender to make a subsequent judgment regarding borrower credit risk. The lender can act to protect from a potential increase in credit risk. However, the psychology literature suggests that behavioral biases are present in subsequent decision making and that individuals may justify the initial course of action to a greater extent than the facts of the situation warrant. We discuss the potential for lenders to fall prey to this bias, known as escalation of commitment, and how biases impair bank protection and affect financial statement reliability. We also discuss how lenders can mitigate overcommitment and remain objective in the resolution of covenant violations.

Session 1.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS
DATE: THURSDAY, MARCH 18, 2021
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Debits, credits, and yoga, oh my! Mindfulness and the anxious accountant

Linda Ann Bressler
Southeastern Oklahoma State University

Diana Pence
University of Houston-Downtown

Martin Bressler
Southeastern Oklahoma State University

ABSTRACT: Stress can be defined as a physical, mental, or emotional factor that causes bodily or mental tension. Individuals can be stressed because of internal factors (for example) worry about a future medical appointment/process. Many researchers define stress in the workplace as employees' perceived threat or challenge where they work which can affect individuals in many different ways including stuttering, stomach problems, blood pressure elevation, diabetes occurrence or worsening, workplace burnout, depression, and low self-esteem or the development of irritable bowel syndrome. Considerable research can be found on workplace stress, but limited research can be found in the literature regarding workplace stress in the accounting field, despite stress being more prevalent in the accounting profession.

Session 1.02: FINANCIAL ACCOUNTING AND REPORTING
DATE: THURSDAY, MARCH 18, 2021
TIME: 8:30 AM - 10:00 AM

Analyst Following and R&D Investment: Evidence from Reg FD

Jiao Li
Texas Tech University

Tao Ma
Texas Tech University

ABSTRACT: Exploiting an exogenous decrease in analyst information production generated by Reg FD, we show that firms with analyst following (test firms) experience a significant decrease in R&D investment relative to firms without analyst following (control firms) after Reg FD. The decrease in R&D investment concentrates in test firms followed by influential analysts, who are likely to obtain private information from managers prior to Reg FD. The results are also more pronounced for firms that are sensitive to near-term stock performance, as those firms likely suffer from severe agency conflicts of R&D. Our inferences remain robust to various tests addressing bias arising from possible systematic differences between test and control firms. Our results show an important role analysts play in transmitting information and enhancing R&D investment.

Session 1.02: FINANCIAL ACCOUNTING AND REPORTING
DATE: THURSDAY, MARCH 18, 2021
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A Safe Haven for Retail Investors: The Influence of Passive Institutional Ownership on Analyst Optimism

Jingxin Hu
Syracuse University

ABSTRACT: We investigate how passive institutional ownership affects analyst optimism. An increase in a firm's passive institutional ownership implies that some retail investors migrate to passive funds. As prior literature shows that retail investors are most responsive to analysts' forecasts, the migration means less audience responding to analysts' optimistic forecasts. We predict that analysts have less incentive to issue optimistic forecasts for firms with higher passive ownership. Using the Russell index setting to isolate exogenous shocks to passive ownership, we find that higher passive ownership is associated with a lower percentage of favorable recommendations and less optimistic consensus forecasts. We also document stronger market reactions to favorable recommendations. Further tests indicate that firms have lower income-increasing discretionary accruals and a lower likelihood of restatement after increases in passive ownership, suggesting that the reduced analyst optimism weakens the incentive to manage earnings upward.

Session 1.02: FINANCIAL ACCOUNTING AND REPORTING
DATE: THURSDAY, MARCH 18, 2021
TIME: 8:30 AM - 10:00 AM

Bank Stress Tests and Accounting Discretion

Dimitrios Gounopoulos
University of Bath

Nikolaos Papanikolaou
Newcastle University

Arthur Kraft
City University, London

Constantine Zopounidis
Technical University of Crete

ABSTRACT: We examine stress tests through the lenses of an implicit, underlying incentives mechanism for bank managers to exercise accounting discretion. Our research aim and the relevant components are examined in defined steps by reference to Propensity Score Matching analysis, which is paired with a Difference-in-Difference approach, and a fixed effects regression model. Our findings show that larger banks with an asset portfolio of relatively low quality, reduced profitability, and higher exposure to market-based activities are more likely to be stress tested. Stress tests exacerbate the effort of tested banks to recapitalise their balance sheet and improve their risk profiles. However, they do not significantly affect the key tools that bank managers use to apply accounting discretion. In this vein, tested banks are highly engaged in accounting discretion over loan loss provisions to manage both income and capital figures. Banks with low capital adequacy are found to apply discretionary practices to a greater extent. Moreover, the banks that participated in early stress tests appear to engage in accounting discretion to a higher degree compared to those participated in some later exercise, which reveals an upward movement on the regulatory learning curve. Our results also show that stricter regulatory rules, more robust supervisory regimes, and more transparent economies mitigate the impact that stress tests have on the incentives of the managers of tested banks to exercise accounting discretion even though the relevant incentives cannot be eliminated.

Session 1.02: FINANCIAL ACCOUNTING AND REPORTING
DATE: THURSDAY, MARCH 18, 2021
TIME: 8:30 AM - 10:00 AM

CEO Deception Evidence By Financial Reporting

Jose Vega
Stephen F. Austin State University

Mary Fischer
University of Texas at Tyler

Dennis M Lopez
University of Texas-San Antonio

ABSTRACT: This study uses discretionary accruals and earnings management methods to identify financial reporting chief executive officer deception measures. Using models similar to early studies, this investigation finds that firms with a higher rank of discretionary accruals are associated with lower earning persistence regarding accrual earnings. However, negative association with rank real earnings management variables related to cash earnings are not found. A positive association is found with rank real earnings management in the sensitivity analysis. Suggesting, overall, earnings are less persistent when associated with higher rank discretionary accruals.

Session 2.01: MISCELLANEOUS ACCOUNTING TOPICS
DATE: THURSDAY, MARCH 18, 2021
TIME: 10:15 AM - 11:45 AM

AI Algorithmic Pathways Depicting Norms of Governance Representing Rule of Law, Control of Corruption and Democracy Impact on Earnings Management

Fuzhao Zhou
State University of New York College at Brockport

ABSTRACT: This study examines AI algorithmic pathways capturing the relation between managers' perception of norms of governance (rule of law, control of corruption and democracy) and earnings management from a framing perspective across 102 countries. We find that managers' perception of better norms of governance at country-level can effectively mitigate earnings management. Furthermore, firms tend to have lower real earnings management while higher accrual-based earnings management in developed countries where the perception of rule of law and control of corruption are stronger. Perception of better democratic accountability in developed countries can mitigate both types of earnings management.

Session 2.01: MISCELLANEOUS ACCOUNTING TOPICS
DATE: THURSDAY, MARCH 18, 2021
TIME: 10:15 AM - 11:45 AM

Do Board Interlocks Deter Sound Internal Controls

Lucy Uche Diala
California State University, Fresno

ABSTRACT: This study investigates internal controls over financial reporting using SOX 404 auditor's opinions and examines how companies with governance structures utilizing board interlocks impact effective internal controls. Results show that companies that have board interlocks have a high likelihood of an adverse SOX section 404 auditor's internal control opinion. The implication is a lack of sufficient external board oversight, allowing companies to exercise more discretion over their internal control decisions, potentially undermining the intention of SOX in its regulation requiring more external board monitoring for better financial information quality.

Session 2.01: MISCELLANEOUS ACCOUNTING TOPICS
DATE: THURSDAY, MARCH 18, 2021
TIME: 10:15 AM - 11:45 AM

The Influence of Corporate Social Responsibility on Firm Buybacks

Lois Mahoney
Eastern Michigan University

Danield Brickner
Eastern Michigan University

William LaGore
Eastern Michigan University

ABSTRACT: Purpose - This paper examines the effects of CSR disclosures on a firm's decision to purchase back their own shares of stocks. Additionally, we examine whether the effect of CSR disclosures is stronger than the effect of CSR performance on the decision to repurchase shares. Design/methodology/approach - Archival data was collected for the time-period of 2013 through 2018 and regression analysis was used to examine the impact of CSR disclosures on stock buybacks. Findings - We find that CSR disclosures is significantly positive related to the number of shares that a firm buys back for Total CSR disclosures and all CSR dimensions of Social, Environmental and Governance. Additionally, we find that the effects of CSR disclosures are stronger for Total and the CSR dimensions of Social and Environmental than for CSR performance. For the environmental dimension of CSR, both disclosure and performance scores are significant. Originality/Value -This study is one of the first to examine the impact of CSR disclosures on the decision to buy back stock for U.S. companies.

Session 2.02: STUDENT TRACK: ACCOUNTING AND COVID-19
DATE: THURSDAY, MARCH 18, 2021
TIME: 10:15 AM - 11:45 AM

Financial Accounting Reporting: Covid-19 Effects

Rachel Pieper
The University of Texas at Tyler

ABSTRACT: This paper reviews the impact of Covid-19 on the 2020 financial accounting reports and the quality of the information contained in the reports. Selected disclosures are addressed with issues that address full disclosure to the stockholders. The advantages and disadvantages of the disclosures are discussed. Full disclosure is required for stockholders to retains confidence in their investments.

Session 2.02: STUDENT TRACK: ACCOUNTING AND COVID-19
DATE: THURSDAY, MARCH 18, 2021
TIME: 10:15 AM - 11:45 AM

How Do Firms Learn? Evidence from Corporate Cash Holdings During Covid-19 Pandemic

Bishal BC
Grand Valley State University - Grand Rapids

Thuy Simpson
Grand Valley State University

ABSTRACT: Amid the storm of Covid-19 that has had an irreversible effect on the health of hundreds of economies and millions of individuals globally, we examine the impact of this pandemic on U.S. corporate cash holdings. Our findings suggest that greater pandemic exposure is associated with higher corporate cash. In particular, a one-standard-deviation increase in Covid-19 exposure is associated with a 5.31 percentage point or $62.4 million increase in cash holdings. While it is hardly questionable that the pandemic influences cash policy, it is less clear whether prior experiences such as prior SARS/H1N1 epidemic exposure, financial constraints during the 2008 credit crisis and political connections lead firms to increase or decrease their cash hoard systematically. Our results indicate that firms indeed learn from prior experiences as they manage corporate cash policy. More specifically, the level of cash hoard in politically-connected firms and firms with prior SARS/H1N1 exposure is significantly lower than their politically-inactive counterparts and in firms with no prior epidemic experience. In contrast, firms that experienced severe financial constraints during the 2008 credit crisis tend to increase their cash positions. Overall, our findings support the learning behavior of cash and contribute to corporate cash holdings literature by providing insights on the extent to which firms learn from prior experiences to manage their liquidity.

Session 2.02: STUDENT TRACK: ACCOUNTING AND COVID-19
DATE: THURSDAY, MARCH 18, 2021
TIME: 10:15 AM - 11:45 AM

The Coronavirus and Accounting Implications

Allison Guevara
Texas A&M University- Central Texas

ABSTRACT: Abstract: Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) is the official name for the virus that is responsible for the global pandemic still happening in the United States and all over the world. In simpler terms Coronavirus (Covid-19) started in China and spread all over the world in a matter of months. It hit the United stated as early as December 2019. In March 2020, a law called the Coronavirus Aid, relief, and Economic Security Act (CARES Act) was passed to try and help people and business get through this pandemic taking place. There are many sections in the CARES Act but three that are particularly important to the economy of the United Sates are the Keeping American Workers Paid and Employed Act, Assistance for American Workers, Families, and Coronavirus Relief Funds. Key Words: Coronavirus; United States; CARES Act; PPP Loans; stimulus check; tax law; Keeping American Workers Paid and Employed Act; Assistance for American Workers; Business Provisions; Coronavirus Relief Funds.

Session 2.02: STUDENT TRACK: ACCOUNTING AND COVID-19
DATE: THURSDAY, MARCH 18, 2021
TIME: 10:15 AM - 11:45 AM

Oil and Gas Financial Reporting: Covid 19 Impact

David Frank
The University of Texas at Tyler

ABSTRACT: This paper reports a quantitative analysis of financial data for selected large, medium, and small oil and gas producers for three 2020 quarters. Only publicly traded companies are examined as representatives of the sector. The analyses finds small, capitalized companies reported inconsistent performance in the third quarter of 2020 whereas medium capitalized firms continued their financial decline. Large, capitalized firms recovered from their earlier declines Socioeconomic and recovery concerns also discussed

Session 3.01: PANEL: TEACHING DURING COVID-19 AND BEYOND
DATE: THURSDAY, MARCH 18, 2021
TIME: 1:00 PM - 2:30 PM

An Experiential Diary of the Change to Teaching Accounting Online During Covid-19

Pamela Baker
Texas Woman's University

ABSTRACT: Accounting is a difficult discipline to teach and to learn. Teaching accounting classes online during Covid-19 quarantine creates new and unique problems. This paper discusses experiences in teaching accounting classes that had to move from face-to-face to online environments during the spring 2020 semester, the advent of Covid-19. Anonymous discussions by students, as well as communication with other accounting professors indicate massive and rapid flexibility required of faculty, rampant increases in cheating, high stress for both students and faculty, simplification of class materials to reach students, student rebellion against online proctoring tools, constant problems with technology, and a decrease in class participation—regardless of extensive efforts made by the professors.

Session 3.01: PANEL: TEACHING DURING COVID-19 AND BEYOND
DATE: THURSDAY, MARCH 18, 2021
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Exploring Testing Options in a COVID Environment and Beyond

Kelly G Noe
Stephen F. Austin State University

Stephanie Ross
University of Texas-San Antonio

Nikki Shoemaker
Stephen F. Austin State University

Marie Kelly
Stephen F. Austin State University

ABSTRACT: NA

Session 3.02: STUDENT TRACK: ACCOUNTING ISSUES
DATE: THURSDAY, MARCH 18, 2021
TIME: 1:00 PM - 2:30 PM

Automation and Its Affect on Accounting Professions

Stephen Gaspard
student

ABSTRACT: How does automation affect the different levels of Accounting Professions

Session 3.02: STUDENT TRACK: ACCOUNTING ISSUES
DATE: THURSDAY, MARCH 18, 2021
TIME: 1:00 PM - 2:30 PM

Evolving Accounting Education for the CPA Evolution

Marianne M Rexer
Wilkes University

ABSTRACT: Accounting Education is in a flux with the continuing need to measure outcomes while dealing with: changes to the educational requirements to sit for the CPA exam, the declining enrollment in both Master of Accountancy and MBA programs, and the joint effort joint effort of the National Association of State Boards of Accountancy (NASBA) and the AICPA seeking to align the CPA licensure model with the changing landscape of the accounting profession. Add to that the need to educate accounting majors on their future industry in an educational market that is shifting towards skills based learning over credit based degrees. But there are ways to manage it all and there are ways to design classes and outcomes to be easily be adapted to the profession's evolution. This illustration will provide an understanding of various approaches that match outcomes to flexible learning modules that can be rearranged as courses & outcomes change. Using a module approach to prepare students for CPA evolution and beyond.

Session 3.02: STUDENT TRACK: ACCOUNTING ISSUES
DATE: THURSDAY, MARCH 18, 2021
TIME: 1:00 PM - 2:30 PM

Financial Restatements: Audit Issues and Reasons for Change 1995—2020

David K. Shamburger
The University of Texas at Tyler

ABSTRACT: This paper examines restatement data gathered from Audit Analytics and highlights major spikes and peaks that occurred between 1995 and 2020. The research initially examines the overall trend of restatements which indicates that a single major spike and peak occurred in 2005 and 2006, respectively. Deeper examination reveals that numerous spikes and peaks, associated with four broad categories of audit issues, are concealed beneath the overall trend. Per each category of audit issue, industry culprits are determined, and consistent financial restatement issues across all industry culprits are identified. General assertions are then made to determine the specific causes of restatements for the major spikes and peaks associated with each category of audit issues. The final conclusion predicts that the current pandemic-climate caused by COVID-19 will lead to a surge in restatements as businesses deal with the unforeseen global economic contraction.

Session 3.02: STUDENT TRACK: ACCOUNTING ISSUES
DATE: THURSDAY, MARCH 18, 2021
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The Use of Batching to Reduce Fraud

Chad Grimes
Texas A&M University- Central Texas

Lamar Brooks
Texas A&M University- Central Texas

Manoj Khadka
Texas A&M University- Central Texas

Amanda J Koiner
Texas A&M University- Central Texas

ABSTRACT: The use of batching, online batching, and real -time batching are effective processes at deterring and reducing fraud. This paper explains how each type of batching system operates and demonstrated how the accounting process can be safer in each of these systems. Through batching processes, a business can feel safer knowing that with proper internal controls, utilizing batching will help secure themselves from fraud.

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DATE: THURSDAY, MARCH 18, 2021
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Forensic Accountants: Evolution, Services and Contributions

Elvia Torres
The University of Texas at Tyler

ABSTRACT: Forensic accounting is a dynamic field as evident by both the number of professionals and its significance. The prominence of technological advancements around the world have had a direct effect on forensic accounting and its growth. Its two main services are investigative and litigation services. In identifying the role of the forensic accountant, the differences in roles between forensic accountants, transactional accountants, and auditors are identified. Forensic accounting engagements all follow the four general phases of defining the engagement, discovering the evidence, analysis of the evidence, and communicating the results. Education and training differs among forensic accountants. In addition, there are a number of professional associations that offer specialized forensic certifications, continuing education, and networking opportunities. Educators have come across the issue of a lack of consensus as to the content and its delivery when teaching fraud and forensic accounting courses. Although, the specific nature of forensic accounting engagements should further encourage educators to properly prepare students with fundamental knowledge pertaining to the profession. This discussion identifies the role of forensic accounting in investigative and litigation services and the importance of this area of accounting.

Session 4.01: MANAGEMENT ACCOUNTING
DATE: THURSDAY, MARCH 18, 2021
TIME: 2:45 PM - 4:15 PM

Executive Equity Compensation and Corporate Disclosure: Do Managers Protect their Compensation Payout?

Marina Y. Ruseva
Lamar University

Emrah Ekici
University of Wisconsin-Eau Claire

ABSTRACT: We examine the relation between executive equity compensation and firm disclosure activities. Specifically, we propose that differences in downside risk tolerance provide executives with distinct incentives to protect their compensation payout. Consistent with our expectation that earnings forecasts allow managers to influence firm stock price and thus maximize the realized value of their equity compensation, we find that riskier equity compensation is associated with greater likelihood to issue earnings forecasts as well as greater frequency. For a subsample of firms which offer contacts with higher downside risk protection, we document that the differential impact of riskier equity compensation is muted. Overall, these results support efficient contracting theory as they suggest that riskier compensation motivates managers to increase corporate disclosures.

Session 4.01: MANAGEMENT ACCOUNTING
DATE: THURSDAY, MARCH 18, 2021
TIME: 2:45 PM - 4:15 PM

Piercing the Echo Chamber: The Effect of a Strategy Map on Decisions to Share Knowledge

Brian Knox
Boise State University

ABSTRACT: In a behavioral experiment, I find evidence that middle managers are biased (1) against reporting subordinate knowledge to upper management when that knowledge disconfirms the firm's strategy (i.e. disconfirming specific knowledge). I also find evidence that middle managers are biased (2) toward giving less positive performance evaluations to subordinates who provide that disconfirming specific knowledge. This double-bias is likely to limit what disconfirming specific knowledge reaches upper management, thereby limiting upper management's ability to revise the firm's strategy accordingly. In short, it supports formation of an echo chamber full of "yes men" who primarily tell upper management good news about the firm's chosen strategy. I then find evidence that middle managers who receive a strategy map are less biased against reporting disconfirming specific knowledge to upper management. But I find no evidence of a strategy map effect on middle managers' tendency to give less positive performance evaluations to subordinates who provide disconfirming specific knowledge.

Session 4.01: MANAGEMENT ACCOUNTING
DATE: THURSDAY, MARCH 18, 2021
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The Role of Empathy in in-person Budget Reporting Behavior Prior to COVID-19 Versus Remote Budget Reporting Behavior During COVID-19

Heba Yousef M. Abdel-Rahim
University of Toledo

Jeremy Lill
University of Kansas

ABSTRACT: We examine whether employee budgetary reporting behavior changes when reporting in person prior to COVID-19 versus remotely during COVID-19. Using an experiment, we find that participants misreport less in remote sessions during COVID-19 versus in person session prior to COVID-19. Our findings appear to be driven by heighten empathy levels during the COVID-19 pandemic.

Session 4.01: MANAGEMENT ACCOUNTING
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To Tell or Not To Tell: The Incentive Effects of Disclosing Employer Assessments

Alexandra Lilge
Leibniz Universitat Hannover

Abhi Ramchandani
The University of Texas at Austin

ABSTRACT: Should employers disclose their assessments of their employees? Popular managerial advice suggests that telling an employee that she is assessed to have high potential leads to greater effort and engagement, boosting firm profits. However, some employers still choose to withhold employee assessments. What explains this observation? We show that if the internal accounting system is weak, telling an employee that she is assessed to have high potential increases her incentive to manipulate the accounting report instead of working harder, thereby decreasing firm profits. Thus, we explain why some employers withhold assessments.

Session 4.02: FINANCIAL ACCOUNTING AND REPORTING: EARNINGS
DATE: THURSDAY, MARCH 18, 2021
TIME: 2:45 PM - 4:15 PM

Accruals Quality, Shocks to Expected Volatility, and Investor Response to Earnings News

Carlo D'Augusta
Middle Tennessee State University

Annalisa Prencipe
Bocconi University

ABSTRACT: Prior research shows that Bayesian investors rationally place less weight on the earnings signal when they judge it as a noisier predictor of future outcomes, such as when accruals quality is low. Consequently, the market response to unexpected earnings is weaker when a firm's accruals quality is lower. We hypothesize that investors' behavior will change in an asymmetric way when macroeconomic shocks to expected volatility occur before the earnings announcement. Drawing on the ambiguity aversion literature, we argue that investors will not update beliefs in standard Bayesian fashion when unexpected events shake investors' confidence in how well they can judge the parameters of the distribution of future outcomes. Instead, investors will favor a `better safe than sorry' attitude, which leads them to react strongly (weakly) to bad (good) news regardless of accruals quality. Consistently, we find that larger shocks to expected volatility in the days before the announcement cause i) a stronger reaction to bad news for low-quality firms, ii) a weaker reaction to good news for high-quality firms, and iii) the difference between low- and high-quality firms' reactions to become insignificant whether the news is good or bad.

Session 4.02: FINANCIAL ACCOUNTING AND REPORTING: EARNINGS
DATE: THURSDAY, MARCH 18, 2021
TIME: 2:45 PM - 4:15 PM

Audit Quality, Earnings Management and Cost of Equity Capital: Evidence from a Developing Market

Ben Le
University of Tennessee at Martin

Paula H. Moore
University of Tennessee at Martin

ABSTRACT: This paper examines the effect of audit quality on earnings management and the cost of equity capital, considering the impact of two owner types: government ownerships and foreign ownerships. We use a panel dataset of Vietnamese firms for the period 2007 to 2017. Unlike prior studies, we use the generalized linear model (GLM) with a logit link and the binomial family regression because the main dependent variables (the cost of equity capital and the absolute value of discretionary accruals) receive fractional values between zero and one. The paper uses numerous audit quality measures, including hiring Big 4 auditors or the industry-leading Big 4 auditor, changing from non-Big 4 auditors to Big 4 auditors or the industry-leading Big 4 auditor, and the length of Big 4 auditor tenure. We find a significantly negative relationship between audit quality and both the cost of equity capital and income-increasing discretionary accruals. The effects of audit quality on discretionary accruals and the cost of equity capital depend on the ownership levels of two important shareholders: the government and foreign investors. Keywords: Audit quality, cost of equity capital, earnings management, government ownership, foreign ownership, Vietnam JEL Classification: M40, M41, M42

Session 4.02: FINANCIAL ACCOUNTING AND REPORTING: EARNINGS
DATE: THURSDAY, MARCH 18, 2021
TIME: 2:45 PM - 4:15 PM

CFO Career Prospects and Earnings Quality

Dimitrios Gounopoulos
University of Bath

Giorgos Loukopoulos
Open University

Panagiotis Loukopoulos
Strathclyde University

Yu Zhang
University of Bath

ABSTRACT: In this study, we find strong evidence that newly public firms led by Chief Financial Officers (CFOs) with greater career prospects are less likely to engage in accrual-based and real earnings management and have a lower likelihood of misstatement in the offering year. Results from instrumental variables regression and entropy balancing approach further alleviate endogeneity concerns. We also document that the negative effect of CFOs career prospects on abnormal accruals is stronger among VC-backed firms and those firms with greater monitoring. Finally, we find that CFOs with high career prospects use Initial Public Offerings events to accelerate their career and be promoted in higher positions in either the same firm or in other public firms in the years following the IPO

Session 4.02: FINANCIAL ACCOUNTING AND REPORTING: EARNINGS
DATE: THURSDAY, MARCH 18, 2021
TIME: 2:45 PM - 4:15 PM

The Feedback Effect of Social Media on Corporate Investment: Evidence from Twitter Presence and Engagement

Atul Singh
Ball State University

Vicki Wei Tang
Georgetown University

ABSTRACT: Utilizing 352 million posts for 2,062 firms on Twitter, we examine whether social media presence and engagement have a feedback effect on corporate investment. We find that firms invest more efficiently after the initiation of Twitter presence. Furthermore, the more engaged the followers, the more efficient the investment decision. The effects are robust to the inclusion of information incorporated in stock prices and other information sources. As an identification strategy, we explore an exogenous shock to managerial attention to Twitter and find that the shock amplifies the difference in deviations from predicted investment levels between firms with and without Twitter presence. Cross-sectional and peer analyses provide corroborating evidence that managerial learning is one channel underlying the link between social media and corporate investment. The results suggest that managers learn additional insights about investment opportunities and demand shocks from followers and incorporate such information in investment decisions.

Session 5.01: TAXATION
DATE: FRIDAY, MARCH 19, 2021
TIME: 8:30 AM - 10:00 AM

Do Firms Change Their Tax Avoidance After the Tax Cuts and Jobs Act of 2017?

Tao Zeng
Wilfrid Laurier University

Yan Jin
University of Central Oklahoma

ABSTRACT: This paper aims to examine whether firms have decreased their tax avoidance practices after the Tax Cuts and Jobs Act (TCJA) was enacted. Using the listed companies for the time period around the implementation of the TCJA, this study finds that firms engaged in less tax avoidance activities after the TCJA, as evidenced by (1) a lower permanent book-tax difference; (2) a lower total book-tax difference; and (3) lower levels of current and future unrecognized tax benefits. Moreover, this study finds that the implementation of the TCJA increased corporate investments in 2019, which in turn increased firm revenue, pre-tax earnings, and, consequently, increased corporate tax payments. Collectively, evidence from this study highlights the impact of the TCJA on corporate taxes.

Session 5.01: TAXATION
DATE: FRIDAY, MARCH 19, 2021
TIME: 8:30 AM - 10:00 AM

Auditor Identity Disclosure and Corporate Tax Avoidance

Chenyong Liu
Texas Tech University

George Ryan Huston
Texas Tech University

ABSTRACT: This paper investigates the impact of the required audit partners' identity disclosure on their clients' corporate tax avoidance. In January 2017, the PCAOB enacted Rule 3211, which mandates all U.S.-registered public accounting firms to disclose the identity information such as personal name of the engagement partner for each audit report issued. We expect that the increased pressure caused by identity disclosure motivates auditors to be more conservative when dealing with tax avoidance issues. Our analysis shows a significant increase in effective tax rates during the post-Rule 3211 period among companies that had previously engaged in more tax avoidance. Furthermore, we find that companies not purchasing auditor-provided tax services generally exhibit less corporate tax avoidance after the enactment of Rule 3211.

Session 5.01: TAXATION
DATE: FRIDAY, MARCH 19, 2021
TIME: 8:30 AM - 10:00 AM

Firm's Geographic Location and Tax Avoidance: Urban Versus Non-urban firms

Fuzhao Zhou
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Yun Ke
University of Texas-El Paso

ABSTRACT: We examine the impact of geographic location on U.S. firms' tax avoidance behavior. We consider urban firms as those firms headquartered in top 10 metropolitan statistical areas (MSAs) based on the 2000 Census and the rest are non-urban firms. Using both GAAP and cash effective tax rates to proxy for tax avoidance, we show that non-urban firms have higher level of tax avoidance than urban firms do. Our results are robust to alternative measures of geographic location, to the inclusion of additional control variables, and to different regression specification. Cross-sectional results reveal that the effect is more pronounced in firms facing greater financial constraints, in firms receiving less IRS attention, and in firms with less analyst following. We also use a propensity score matched sample to mitigate endogeneity concern.

Session 5.01: TAXATION
DATE: FRIDAY, MARCH 19, 2021
TIME: 8:30 AM - 10:00 AM

The Effects of State Ownership and Tax Rate Cuts on Accounting Conservatism: An Emerging Market's Evidence

Ben Le
University of Tennessee at Martin

Paula H. Moore
University of Tennessee at Martin

ABSTRACT: This paper examines the effect of government ownership and tax cuts on accounting conservatism, considering the different levels of foreign ownership. We use a panel dataset of Vietnam firms for the period 2007 to 2019. The results show evidence of accounting conservatism in Vietnamese companies. Among the listed firms, state-owned enterprises (SOEs) adopt less conservative accounting than Non-SOEs; however, the evidence is only robust in firms with foreign ownership being lower than the foreign ownership median. The evidence implies the important impact of foreigners in helping improve corporate governance of local firms. We find that firms increase accounting conservatism during the year prior to the year that the tax rate cuts become effective. An SOE is a taxpayer; however, its controlling interest, the government, is also a tax collector. Interestingly, the increase in conservative accounting before the year of the tax rate cuts is more pronounced for Non-SOEs than for SOEs. This research is beneficial to policymakers and investors where the government is both the taxpayer and tax collector and in emerging markets where foreign investment is an important financing. Keywords: accounting conservatism, state-owned-enterprises, foreign ownership, tax rate cuts, Vietnam

Session 5.02: FINANCIAL ACCOUNTING AND REPORTING 2
DATE: FRIDAY, MARCH 19, 2021
TIME: 8:30 AM - 10:00 AM

Impact of Investor Relations on M&A Outcomes

Henry George Kirn
Oklahoma State University

ABSTRACT: Per Marston (1996, p. 477), investor relations (IR) is "the link between a company and the financial community, providing information to help the financial community and the investing public to evaluate a company." Through IR activities such as company presentations to and meetings with investors, firms provide information about their strategies, results, and prospects to their investor base. Research has identified that IR impacts positively a variety of dependent variables, including valuation, analyst coverage, and corporate reputation. However, IR has been less successful in impacting valuation in times when investor confidence is low. As the announcement of M&A activity may be associated with significant investor uncertainty in a company's updated prospects for the period following the deal, I examine whether (1) the quantity of IR activities prior to the announcement of a deal, (2) investor rankings of company IR quality, or (3) the presence or absence of a conference call with investors in conjunction with the announcement of a deal impact (a) the cumulative abnormal returns of acquiring companies' shares in the immediate period surrounding the announcement of the deal, or (b) the likelihood that the potential acquiring company is able to close the deal successfully. I find a positive relationship between a conference call after an acquisition announcement and the likelihood that a company would complete the deal but did not find a significant positive relationship between IR efforts and acquiring company stock returns surrounding an acquisition announcement.

Session 5.02: FINANCIAL ACCOUNTING AND REPORTING 2
DATE: FRIDAY, MARCH 19, 2021
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Non-GAAP Disclosure and Classification Shifting

Kelly Ha
University of Oklahoma

ABSTRACT: I investigate two discretionary reporting strategies used by managers to highlight core performance – non-GAAP disclosure and classification shifting. Non-GAAP disclosures represent managers' voluntary disclosure of GAAP earnings that exclude certain non-recurring or non-cash expenses. Managers claim that non-GAAP disclosures better inform investors of underlying core performance. However, such disclosures have been heavily criticized by investors and regulators as an attempt by managers to opportunistically inflate performance. Classification shifting is a reporting strategy that represents managers' recognition of certain core expenses as special items. The literature provides mixed conclusions as to whether classification shifting reflects managers' opportunistic actions to inflate core performance or an informative signal of core expenses more likely to persist. I document that managers tend to use non-GAAP disclosures and classification shifting as a joint reporting strategy, especially when external monitoring from institutional investors, analysts, and auditors is high. In addition, firms engaging in both reporting strategies exhibit more persistent earnings, help analysts form less disperse and more accurate expectations, and show higher earnings response coefficient both around the earnings announcement and during the quarter. Collectively, the findings suggest that managers use both strategies jointly as an informative signal of performance rather than as an opportunistic strategy to overstate core performance.

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DATE: FRIDAY, MARCH 19, 2021
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Radiation Induced Cancers, a Potential Liability of U.S. Air Carriers

Sarah Shonka McCoy
University of New Mexico

ABSTRACT: Aircrew, particularly U.S. aircrew, are recognized as the highest exposed radiation workers in the world. U.S. aircrew are also known to have excess cancers, due in part to their radiation exposure. This study seeks to address the potential liability of U.S. Air Carriers for radiation induced cancers using the precedent from prior exposed populations (e.g., downwinders from the Nevada Test Site, atomic veterans, and Department of Energy workers) to establish estimates of compensation. These programs have created an important precedent for addressing compensation for cancer from radiation exposure, which unlike typical workman's compensation illnesses, can only be linked to the causes in a statistical manner. The proper accounting under U.S. Generally Accepted Accounting Principles (GAAP) is discussed and the potential financial and accounting implications to the four major U.S. Air Carriers are presented. While the annual recurring cost to airlines may be immaterial to the major carriers, the initial expense associated with these potential lawsuits could significantly impact their financial statements due to the backlog of retirees.

Session 5.02: FINANCIAL ACCOUNTING AND REPORTING 2
DATE: FRIDAY, MARCH 19, 2021
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The Influence of Operating Leases on Debt Contracting

Douglas O Cook
University of Alabama

Robert Kieschnick
University of Texas at Dallas

Rabih Moussawi
Villanova University

ABSTRACT: Prior research provides evidence that a firm's operating lease obligations influences the rating and pricing of some debt securities. What is missing from this evidence is whether a firm's operating lease obligations influences the design of its debt contracts, and thereby its pricing through its design. We provide evidence that firms' operating lease obligations influence the design of its debt and its rating, and thereby its initial pricing through its design. Altogether, our evidence points to the incorporation of information reported in the notes in debt contracting.

Session 6.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS: AUDITING
DATE: FRIDAY, MARCH 19, 2021
TIME: 10:15 AM - 11:45 AM

An Exploratory Study of the Role of Competitiveness in Auditor Whistleblowing

CHRISTIE Comunale
Stony Brook University

Thomas R Sexton
Stony Brook University

Stephen C Gara
Drake University

ABSTRACT: Whistleblowing is an extremely valuable mechanism in organizations because it can reduce the loss of company assets, reveal fraud, expose corruption, and protect public interests. Research shows certain personality characteristics are related to whistleblowing intention. However, competitiveness of the whistleblower has not been studied. In this study, we examine the role of individual competitiveness on intention to whistleblow. We collect data from 105 university students and find that while competitiveness is not associated with the likelihood to whistleblow, its two sub-components: enjoyment of competition and contentiousness, are significantly related to whistleblowing intention. Participants who enjoy competition are less likely to whistleblow than those who do not enjoy competition, whereas individuals who are more contentious are more likely to whistleblow than are those who are less contentious. Our paper contributes to whistleblowing research by introducing the components of competitiveness to the whistleblowing model. These findings hold practical and theoretical importance.

Session 6.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS: AUDITING
DATE: FRIDAY, MARCH 19, 2021
TIME: 10:15 AM - 11:45 AM

Auditing from Home: The Impact of the COVID-19 Pandemic on the Audit and Perceptions of Auditor Skepticism

Jaya Ryan
Trinity University

Matthew Shea
Trinity University

Ashley W Douglass
Trinity University

Amy Foshee Holmes
Trinity University

ABSTRACT: The COVID-19 pandemic caused unprecedented disruption in the world, with millions of professionals working from home and adapting to a virtual work environment for the first time. In this paper, we explore the impact of the pandemic and new technology on the audit environment. Based on a survey of auditors and other accounting professionals in the United States, we find that most accountants are adapting well to change. However, staff auditors are having more trouble focusing on work at home and are also more concerned about issues of professional skepticism than managers or partners. We show that auditors and accountants are well suited to adaptation in a new environment and are relatively positive about changes in technology in the accounting profession.

Session 6.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS: AUDITING
DATE: FRIDAY, MARCH 19, 2021
TIME: 10:15 AM - 11:45 AM

Audit Judgements and their Recent Impact on Audit Engagements

Garrett Thibodeaux
Graduate Student

ABSTRACT: Every audit engagement is unique, so it is important to utilize professional judgement to form an audit opinion. One auditor characteristic that influences the outcome of an audit engagement and its findings is the auditor's or auditing firm's professional judgement. Professional judgement can be composed of an auditor's company, their educational background, professional background, experiences, the auditor and auditee relationship, the work and business environment, and the accounting environment. When it comes to education, research suggests that accounting students within a professional program are more likely to express a higher level of trait skepticism on their audit judgements than students at the undergraduate level (Fatmawati et al., 2018). For audits to be supported and accurate, professional judgement has to be exercised as it uses their expert knowledge and experience on a particular audited item so that the most appropriate accounting treatment can be determined and communicated. However, the use and effectiveness of professional judgement have declined due to new accounting standards and other influences. Audit judgement significantly impacts all parties associated with an audit engagement. The auditor, the auditee, and the general public are all either positively or negatively impacted if audit judgement is utilized or underutilized, respectively. Firstly, audit judgement impacts the auditor because it can determine whether or not a true and unbiased audit opinion is the outcome of an audit engagement. Secondly, the Auditee is impacted because the outcome of the audit engagement can show whether or not the auditee is following generally accepted accounting principles. Even if a firm is following to appropriate accounting guidelines, if the auditor is not expressing professional judgement, an incorrect audit opinion could be made determining that the auditee is not complying with accounting guidelines. Lastly, the general public, which includes investors and customers, is impacted because an audit opinion can influence whether or not a firm would be a good investment. Audit judgement is essential to the profession of accounting, and due to the current lack in auditors conveying auditing judgement, audit quality has declined.

Session 6.01: ACCOUNTING, BEHAVIOR, AND ORGANIZATIONS: AUDITING
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Impacts of Information Sharing and Communication between the Internal Audit Function and the Audit Committee on Internal Audit Effectiveness

Moon-Kyung Cho
Texas A&M International University

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Texas A&M University-Texarkana

ABSTRACT: The Internal Audit Function (IAF) and the Audit Committee (AC) are the two primary agents of the internal audit. Their roles are interdependent, and their interactions crucial for an effective internal audit. Principle 14 of the Information and Communication component of Internal Control presented by the United States Committee of Sponsoring Organizations of the Treadway Commission recommends systematizing reporting by establishing a direct line to the AC and ensuring joint review to assure the independence of the IAFs and to facilitate interactions between these two key agents (COSO 2013). In this study, we investigate how the recommended communication structures associated with independence and competence of the IAF, such as the quality of the IAF human resource, direct line of reporting, and joint review, enhance internal audit effectiveness. The joint review is found to be most effective in improving internal audit effectiveness, whereas reporting lines have a slightly negative impact on internal audit effectiveness. The quality of IAF human resource has a marginal effect on internal audit effectiveness. Our additional analysis suggests more fine-tuned applications of the COSO Principle 14 recommendations are in demand. This study has implications for practicing auditors and academics, especially those interested in qualitative improvement of the internal audit process and internal audit engagement.

Session 6.02: FINANCIAL ACCOUNTING AND REPORTING 3
DATE: FRIDAY, MARCH 19, 2021
TIME: 10:15 AM - 11:45 AM

Consolidation of Off-Balance Sheet Entities and Investment Efficiency

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Florida International University

Jung Hoon Kim
San Francisco State University

ABSTRACT: This study examines the effect of consolidating off-balance sheet entities on firm-level investment efficiency. FASB Interpretation No. 46, Consolidation of Variable Interest Entities—An Interpretation of ARB No. 51 (FIN 46) is used as a quasi-exogenous shock to financial reporting in this study. We empirically test the change of investment efficiency for a sample of firms affected by FIN 46 in the post-FIN 46 period. In the regression, a group of matched pairs selected from unaffected firms is used as the control sample and firm characteristics are used as control variables. We find that firms affected by FIN 46 experience improvement in investment efficiency after adopting the standard compared to unaffected firms. We also document that the post-FIN 46 improvement in investment efficiency is primarily attributable to the reduction in over-investment. Further analyses show that among the affected firms, firms consolidating off-balance sheet special purpose entities improve investment efficiency mainly by reducing over-investment, whereas firms avoiding the consolidation of special purpose entities don't display such tendency. This study contributes to the literature on the relation between financial reporting and investment efficiency as well as the literature on the impact of FIN 46. To the best of the our knowledge, this study is the first to examine the relation between the consolidation of off-balance sheet entities and investment efficiency.

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DATE: FRIDAY, MARCH 19, 2021
TIME: 10:15 AM - 11:45 AM

Debt Structure and Going-Concern Opinions

Yinghong Zhang
University of Central Oklahoma

Fang Sun
Queens College

ABSTRACT: Recent research show that firms borrow different types of debts to construct their debt structure. In this paper, we initially examine whether clients' debt structure information affects auditors' going-concern (GC) decision. We find that compared with other debts, the borrowings of bank debts or secured debts decreases the likelihood of an auditor issuing a GC opinion. In addition, we investigate the impact of a GC opinion on debt financing. We find that the presence of a GC opinion increases subsequent borrowings of bank debts or secured debts. Our findings document the usage of debt structure information in the GC decision and show that the issuance of a GC opinion provides incremental value to creditors.

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Does Financial Reporting Quality Attenuate the Agency Costs of Overvalued Equity?

Steve C Lim
Texas Christian University

Sangwan Kim
University of Massachusetts-Boston

ABSTRACT: Managers of overvalued firms tend to pursue excessive acquisition strategies to meet the market optimism and strong corporate governance discourages value-destroying M&As. We find that financial reporting quality disciplines managers at the front-end of acquisition process and averts market-driven takeover stock bids. Our findings may be explained by the fact that high-quality financial reporting facilitates an effective board oversight, and managers can rationally anticipate the board to reject their opportunistic stock bids. We identify equity overvaluation with an exogenous trading pressure from mutual fund inflows to alleviate alternative interpretation of reverse causality. While the majority of M&A studies focus on merger performance, we focus on merger behavior (how financial reporting quality disciplines managers to avert the market-driven takeover bids). We contribute to the literature by demonstrating that high-quality financial reporting attenuates the agency costs of overvalued equity by mitigating managerial sub-optimal investment decisions and enhancing takeover efficiency in the market for corporate control.

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Fair Value Accounting for Property, Plant & Equipment: Impact of IFRS 1 Adoption

Yan Jin
University of Central Oklahoma

Flora Niu
Wilfrid Laurier University

Leo Sheng
York University

ABSTRACT: This paper uses a unique setting of Canadian public firms adopting IFRS to investigate what companies revalue PP&E under the deemed cost provision in IFRS 1 and whether the market reacts to these revaluations. Consistent with the political pressure hypothesis of Positive Accounting Theory, we predict and find that large firms are more likely to revalue PP&E. Utilizing the probit model, difference-in-difference approach, and Wald test, we find that the fair value election for PP&E under IFRS 1 does make a difference in future net income and stock returns, and investors react negatively to the fair value information for asset measurement, consistent with prior studies on other types of assets.

Session 7.01: PANEL: TEACHING INNOVATIONS
DATE: FRIDAY, MARCH 19, 2021
TIME: 1:00 PM - 2:30 PM

More Innovations in Accounting Ethics

Barbara W. Scofield
Washburn University

Roselyn Morris
Texas State University

Joseph J. Oliveti
University of Dallas

Carol Eileen Sullivan
University of Texas-Permian Basin

ABSTRACT: "Abraham Briloff has suggested that the resources devoted in the West to the production of accounting principles would have been better spent on producing accountants with principles." (Gambling and Karim, 1991, 2) This is a challenge that accountants have been pursuing since Luca Pacioli included moral teaching in his Summa de arithmetica, geometria, Proportioni et proportionaita (Fischer, 2000). Much more recently, the AACSB and state boards of accountancy began requiring that programs document their ethics education for accreditation and CPA candidacy of students. Accounting educators thus have ethics education added to the technical skills they teach to influence that outcome of "accountants with principles." This panel is selected to provide instructors who each have a contribution to the discussion of ethics in accounting education. The four panelists include academics with publications in ethics, a state board of accountancy member with a focus on ethics, and instructors who teach stand-alone courses in ethics as well as instructors who include ethics integrated in courses in financial, managerial, and auditing. Coverage includes experience with undergraduate and graduate classes and with classes for all business majors as well as for accounting majors. The purpose of the panel is to encourage educators to engage in ethics education in their classes and to share current practices and fresh ideas in ethics education for teaching and learning in the 21st century. Audience questions will be encouraged. NOTE: This panel carried on at half-strength in 2020; the original planned panelists will convene in spring 2021. References Fischer, Michael J. 2000. "Luca Pacioli on Business Profits." Journal of Business Ethics 25(4): 299-312. Gambling, Trevor and Rifaat Ahmed Abdel Karim. 1991. Business and Accounting Ethics in Islam. (London: Mansell)

Session 7.01: PANEL: TEACHING INNOVATIONS
DATE: FRIDAY, MARCH 19, 2021
TIME: 1:00 PM - 2:30 PM

Using Current Events in the Accounting Classroom

Stephanie Mongiello
University of North Texas at Dallas

ABSTRACT: Accounting students' engagement levels noticeably increase when they see how what they are learning relates to the real world. There are many opportunities every year to integrate interesting and relevant current events into the accounting classroom. New stories of fraud and corruption inevitably crop up every year. Taxation is another frequently covered topic in the news. This presentation will recap some of the current events students found most interesting over the past year, and will discuss specific assignments that can be implemented in accounting courses. Assignments include case study analyses, research projects, presentations, classroom discussions, and online discussion posts. These assignments can be deployed in ethics, fraud examination, taxation, and accounting systems courses, to name a few.

Session 7.02: DIVERSITY AND GOVERNMENTAL ACCOUNTING
DATE: FRIDAY, MARCH 19, 2021
TIME: 1:00 PM - 2:30 PM

Developing a Pipeline to Attract and Retain Underrepresented Students to Business School Accounting Programs

Anthony Fulmore
Texas A&M University - Central Texas

Julia Fulmore
University of Dallas

Shea Burden
Ohio University

ABSTRACT: Despite formal and informal commitments to increased diversity and representation, accounting education in the United States has not yet achieved a racial parity in enrollment that reflects the country's actual demographics. In response to the problem of underrepresentation, the purpose of this qualitative study was to examine methods of attracting underrepresented students to accounting programs in business school. Based on data from over 60 current accounting students, at both the graduate and undergraduate levels, the following questions were answered: (1) What are the major themes in underrepresented populations' narratives about enrolling in accounting education programs? (2) How can factors of communication, marketing, and awareness influence or not influence underrepresented populations' desire to enroll in accounting education programs? (3) How can school-based programs influence or not influence underrepresented populations' to enroll in accounting education programs? (4) How can internships and career exploration opportunities influence underrepresented populations' to enroll in accounting education programs? (5) How can scholarships influence underrepresented populations' to enroll in accounting education programs? (6) How can CPAs and other professional certifications influence underrepresented populations' to enroll in accounting education programs? The primary finding of the study was that members of underrepresented populations are underserved in terms of marketing, school-based programs, and scholarships as related to accounting programs. Recommendations were made to colleges, universities, and other organizations to improve outreach to members of underrepresented populations, make more scholarships and funding available, and create more formal mechanisms for school-based support of such minorities. Following such recommendations increases the chances of improving the representation of various underrepresented minorities in American accounting education.

Session 7.02: DIVERSITY AND GOVERNMENTAL ACCOUNTING
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Socioeconomic Status and Diversity in Accounting and Finance

April R Poe
University of the Incarnate Word

Alicia Rubio
University of the Incarnate Word

ABSTRACT: Purpose – To investigate if household characteristics of youth are associated with choosing accounting or finance as a profession and if they vary for minorities. In other words, is there a relationship between socioeconomic factors of youth and working in accounting or finance? How is this relationship different by ethnicity? Design/methodology/approach – Data were from rounds 1, 15, and 17 of the National Longitudinal Survey of Youth 1997 (NLSY97). Using Holden's conceptual framework for how the parent-child processes affect a child's trajectory, three logistic regressions were performed to investigate the relationship between an accounting or finance profession and socioeconomic factors of youth. Findings – Those whose father had a college degree were more likely to have an occupation in accounting or finance. Household income of youth was significantly positively related to the likelihood of having an occupation in accounting or finance as an adult. Ethnicity was not related to having an occupation in accounting or finance. Practical implications – Universities, employers, and professional associations must work together to develop outreach programs for minority students and their parents in order for them to learn about career and earnings opportunities in the professions. Originality/value – The findings show that lower income and educational attainment, rather than ethnicity itself, is preventing minorities from having access to role models in the professions. This lack of role models is preventing minorities from learning about career opportunities in accounting and finance. Keywords - Diversity, accounting, finance.

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The Kansas Bond Scandal of 1933: Looking Beyond Individual Blame

Louella J Moore
Washburn University School of Business

ABSTRACT: Conventional forensic techniques and research often focus on personal blame, while accepting current rules and systems of jurisprudence as a given. Accounting personalities are widely viewed as rule-followers. Our professional associations are reluctant to take a stand on issues of political, economic, or criminal justice while the academy pursues insular research programs that eschew sociological explanations and normative reasoning. This working paper looks at a Depression Era fraud case to explore systemic aspects of fraud. The paper argues that fraud is a social rather than an individual phenomenon. By failing to grapple with normative, ethical, and systemic issues that underlie social phenomena, the accounting academy inadvertently supports the status quo as the best of all possible worlds.

Session 8.01: TEACHING, LEARNING, AND CURRICULUM
DATE: FRIDAY, MARCH 19, 2021
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Friendship, Loyalty, and Duty (a teaching case)

Carolyn Conn
Texas State University

ABSTRACT: This teaching case is designed for use at either the undergraduate or graduate level in an Accounting Ethics course. The focus is a relatively new CPA's decision of whether to accept as new clients her lifelong friend and brother. The two adult siblings anticipate becoming involved in a legal battle with their brother over control of a multi-million dollar trust fund. The wishes of the grantor (their father) were clear, but the brother is using access to health insurance coverage as leverage to gain control of the trust. Topics covered in the case include fiduciary duty, state board rules of conduct, AICPA code of conduct, and preparing an ethical analysis of the decision faced by the CPA.

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Lessons from a Tax Education Pioneer: A Tribute to Edward J. Filbey

Brandi Holley
The University of Mississippi

Joshua Simer
University of Central Arkansas

ABSTRACT: Edward J. Filbey joined the accounting faculty at the University of Illinois in 1919 to develop the University's taxation curriculum. His education background of philosophy and the classics was unique for an accounting academician, but his career as a tax educator was impressive and worthy of celebration. Filbey was a well-rounded faculty member who excelled in scholarship, teaching, and service throughout his career. He authored papers published in top accounting journals, taught various accounting courses at the undergraduate and graduate level for nearly three decades, and served in various officer roles in several academic and professional associations. His tax textbook, one of the first written, was used at universities across the United States. Accounting and tax educators would do well to learn from and follow the career of Dr. Filbey. This paper pays tribute to Dr. Filbey, but also highlights specific lessons educators can learn from his career.

Session 8.01: TEACHING, LEARNING, AND CURRICULUM
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Narrowing the Judgment-Action Gap: An Integrated Framework to Teach Soft Skills and Ethics

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Sam Houston State University

Leslie Helen Blix
Sam Houston State University

Linda Carrington
Sam Houston State University

Katie Harris
Sam Houston State University

ABSTRACT: The purpose of this paper is to introduce an integrated framework that develops students' soft skills and ethical reasoning as a means to increase their self-efficacy and moral courage. Accounting professionals continue to demand more soft skills and ethical reasoning development in students. However, some academics point to the lackluster results from traditional ethics education as reason to refocus accounting curriculum on technical competencies. We believe a shortcoming of current ethics education is that it traditionally focuses on theory, principles, and the identification of a correct ethical decision, but fails to include teaching the soft skills needed to improve self-efficacy and moral courage. Self-efficacy and moral courage are required for a student to move from ethical judgement to ethical action, such as challenging unethical behavior. In our exercise, students are provided a framework for understanding and developing soft skills. They are then introduced to ethical issues in financial accounting, tax, and auditing and are required to use these soft skills to challenge a superior's unethical action. By integrating soft skills and ethics education, this exercise requires students to move from ethical judgement to ethical action. Student feedback from this exercise was overwhelmingly positive, and results indicate significant increases in students' ethical reasoning, self-efficacy, and confidence (an important component of moral courage). Given concerns about investing valuable contact hours for soft skills education, the exercise is designed to be implemented fully through online instruction and collaboration.

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Can Critical Thinking Be Taught in Online Business Courses? A Review of the Literature and Opportunities for the Future

Robert J Walsh
University of Dallas

ABSTRACT: Online education within schools and colleges of business and management has grown dramatically over the past 20 years. As the number of students and platform offering has grown, both praise and criticism of online education has also increased. One of the criticisms of online education is that students miss the interaction with their faculty/teachers and other students in the course. This problem could manifest itself in an ability only to “rote-memorize” facts and be unable to apply these facts to new and unfamiliar situations, or to express the application of these facts to other situations. The ability to debate, including considering alternative facts and scenarios, could be limited, thereby making higher-order thinking more difficult to attain. Another possible problem: If the facts or assumptions change, could students answer the new question successfully? This paper discusses some of the criticisms of online education as it relates to business courses that should be asking students to pursue higher-order levels of thinking. It begins by discussing general online courses and then concentrates on business courses in specific. The paper also offers some solutions as cited by authors and researchers. The paper concludes by considering new ways of communication which could also assist students in obtaining a deeper understanding of the subject matter.

Session 8.02: FINANCIAL ACCOUNTING AND REPORTING: CORPORATE SOCIAL RESPONSIBLITY & DISCLOSURES
DATE: FRIDAY, MARCH 19, 2021
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Do Insiders Trade on (Private) Corporate Social Responsibility Information?

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ABSTRACT: Corporate insiders are typically aware of material corporate social responsibility (CSR) information prior to the general public. We examine whether corporate insiders exploit this CSR information advantage and trade based on private CSR information. We focus our analysis on insider trading around the publication date of the CSR report ('CSR report date'). We find a significant increase in insider trading activity in a short window around the CSR report date; that executives are more likely to trade based on private CSR information before the CSR report date and supervisory board members do not; that affiliated persons are more likely to trade based on CSR information shortly after the CSR report date. We find that the materiality of CSR information significantly matters, as well as the insider's proximity to CSR information (e.g., via CSR committees) and whether the firm operates in a CSR sensitive industry. We find no evidence of a CSR performance effect or regulatory anticipation effect of the new EU mandate on CSR reporting on insider trading. We run a battery of falsification tests, e.g., placebo tests and tests related to general market reactions or other information releases (e.g., ad hoc announcements) around the CSR report date.

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Effect of CSR on the Overall and Components of Firm-Specific Earnings

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Florida Atlantic University

ABSTRACT: We investigate how firm CSR performance influences the overall and components of firm-specific earnings. We find a weak positive association between the overall CSR measures and the overall firm-specific earnings. Further, our analysis shows that overall CSR measures are positively associated with the level of firm-specific cash flows and are negative with firm-specific accruals. The counter-effect of CSR performance on firm-specific cash flows and accruals explain the weak association between CSR and firm-specific earnings. This result is robust to a difference-in-difference test. We also examine the effect of different CSR components on firm-specific earnings and find that CSR on the environment and product characteristics are positively associated with firm-specific earnings. In contrast, others either have no association or significant negative association with firm-specific earnings. This could also help explain the weak relation between the overall CSR measures and the overall firm-specific earnings.

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Share Repurchases: Accounting and Disclosure Improvements

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University of Central Arkansas

ABSTRACT: Share repurchase is a flexible capital management tool for which the accounting treatment is straightforward: reduce equity directly or through the use of treasury stock as a contra-equity account. Although the accounting process is not complex, the stunning size of share repurchases has led to some distortion of the normal relationship between assets, liabilities, and equity on the balance sheet and creates a non-operating increase in earnings per share. Data for the Dow Jones Industrial Average companies for fiscal 2019 is used to tabulate the impact of stock buybacks on financial reporting for the blue-chip segment of the U.S. market. Exploring the accounting issues related to share repurchases highlights the opportunity for additional disclosures which would not only provide important information to financial statement users, but which would also address concerns related to share repurchase programs. The need for improved financial reporting of stock buybacks has not been addressed well, yet the issue is pertinent to capital managers, financial statement users, and preparers alike.

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The Impact of Geographic Industry Clusters on MD&A Disclosure: MD&A Similarity with Local Industry Peers

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ABSTRACT: This study investigates whether managers refer to local industry peer disclosures when they prepare their own MD&As. Both boilerplate theory and institutional theory suggest managers have incentives to prepare disclosures by gathering peer firms' information and learning from them. Given that geographic industry clusters play an essential role in facilitating inter-organization information exchange and connections among its participants, I predict and find that firms adopt similar MD&A disclosures with industry peer firms from the same geographic industry clusters, and additionally, these co-located peer firms contain similar forward-looking disclosures in their MD&As. The analyses further show strong social networks among these inter-connected industry peers function as a channel that facilitates the effect of geographic industry clusters on MD&A similarity; in particular, results are stronger when firms are located in clusters with strong social capital, hire the same directors, and are served by the same auditor. In addition, as expected, the results show younger firms are more likely to issue MD&As similar to local industry peers. In contrast, leading firms are less likely to be affected by local industry clusters, and firms who face competitive pressure issue less similar MD&A disclosure with local peers. I also find that after firms relocate, their MD&As become more similar to those issued by local industry peers located in the new clusters, which is consistent with managers referring to local industry peers to prepare MD&A disclosures. Finally, I provide initial evidence that MD&A similarity improves the information environment. Overall, this study advances our understanding of how managers prepare MD&A disclosure by exploring the convergence of MD&As among industry peers, and it extends the literature on geographic locations providing new insights on the impact of geographic industry clusters.