

Citation

American Accounting Association

Financial Accounting and Reporting Section Lifetime Achievement Award

presented to

Ross L. Watts

Dr. Ross L. Watts, in partnership with Dr. Jerold Zimmerman, laid the foundations for positive accounting theory, which has become a cornerstone of contemporary accounting research. His early research, including his influential book *Positive Accounting Theory* (co-authored with Professor Jerold Zimmerman), has inspired a whole generation of accounting scholars.

In addition to his path breaking work on positive accounting theory, his early research covered both the traditional capital markets area and the then burgeoning agency theory of the firm. Specifically, his early studies focused on time-series properties of earnings, accounting information and market efficiency, political economy of standard setting, the role of regulation in standard setting, voluntary disclosure, the role of auditing, and executive compensation incentives. The fact that accounting scholars continue to study these topics is a validation of the visionary nature of his early work. His more recent work on the role of conservatism has contributed immensely to the debate on the role of fair value accounting.

Collectively, the research stream pioneered by Professor Watts points out the importance of understanding how financial reporting, auditing, investment and financing policies, payout policies, and regulation affect one another. His research on the historical evolution of accounting, auditing, and related institutions has important implications for understanding their roles in the recent financial crisis. In sum, decades of research inspired by his work have shown that studying accounting practices in a vacuum is futile; instead, the research must be done in conjunction with an understanding of other related institutions.

Professor Watts has received numerous awards and recognitions for his contributions to financial accounting research. Professor Watts is a founding editor of *Journal of Accounting & Economics*, which has been a key outlet for important studies that use economic theory to explain accounting phenomena.

Awarded January 12, 2013 in San Diego, California.