1.01: Financial Reporting and Corporate Behavior: Exploring the Interplay of Creditors Rights, Earnings Management, and Regulatory Compliance
6/3/2024
12:00:00 PM - 1:30:00 PM ET

Bank Holding Companiesâ€™ Securitization Earnings Management Dynamics in the Aftermath of Natural Disasters

Qiuhong Zhao (1)
(1) Texas A&M University - Corpus Christi, Corpus Christi, TX

This study examines whether natural disasters affect earnings management activities of public banks that originate mortgages with high flood risk in the aftermath of multibillion-dollar natural disasters.   If banks engage in earnings management activities to overstate their financial strength in the face of disaster-related loan losses, both capital markets and national confidence in our financial institutions will be significantly eroded. I argue that as affected banks are more likely to approve mortgages that can be securitized to offload flood risk to Fannie Mae and Freddie Mac, these banks are more likely to engage in securitization gains management so as to increase earnings, compared to the control group following billion-dollar events. Affected banks engage in securitization gain management without changing their behavior through loan loss estimates so as to increase earnings. My findings provide insight into the types of earnings management channels to which the SEC should pay attention, particularly when examining financial statements of banks that originate mortgages with high flood risk.

1.01: Financial Reporting and Corporate Behavior: Exploring the Interplay of Creditors Rights, Earnings Management, and Regulatory Compliance
6/3/2024
12:00:00 PM - 1:00:00 PM ET
Creditors's Rights and Management Forecast Decisions: Evidence from a Quasi-Natural Experiment

Deonette Lambert (1)
(1) University of Oklahoma, Champaign, IL

I study how creditors' rights affect management's disclosure decisions, employing the introduction of anti-recharacterization laws in the United States as an exogenous shock to creditors' rights. These laws increased creditors' rights by enhancing their ability to repossess collateral pledged for secured lending. I find that after the enactment of the laws, managers were more likely to issue a forecast and the number of forecasts increased. However, there is no evidence to suggest that management sacrifices forecast quality in the process. Further tests reveal that the response is stronger for companies with higher levels of shareholder monitoring, implying an indirect effect of creditors' rights as a governance mechanism.

1.02: Exploring Trends in Audit: Liability Allocation, FinTech Specialization, and Managerial Oversight
6/3/2024
12:00:00 PM - 1:30:00 PM ET

It's Also Relative: Auditor-Client Liability Allocation and Private Debt Access

Wei Wang (1), Hyun Jong Park (2), Barbara Su (3)
(1) Temple University, Narberth, PA, (2) Temple University, Eagleville, PA, (3) Temple University, Philadelphia, PA

We examine whether shifting legal liability within an auditor-client relationship affects the client's private debt access. We exploit 20 staggered rejections (five adoptions) of the Audit Interference Rule (AIR) by U.S. state courts, which increased (decreased) the client's legal liability relative to that of the auditor. Clients are more likely to obtain not just new loans, but bigger loans following staggered rejections of the AIR that shift risk to clients. We find no evidence that AIR adoptions influence private debt access. We propose and find evidence supporting two underlying channels. First, consistent with a financial reporting quality channel, we find clients exposed to AIR rejections restate less and report more conservatively, easing lenders' due diligence and monitoring. Second, consistent with a loss recovery channel, we find the impact of AIR rejections is greater among financially constrained clients, clients operating in states allowing third parties to sue auditors, and clients audited by Big 4 auditors. Cross-sectional analyses reveal clients' ex ante litigation risk (past relationship with lenders) intensify (attenuate) the effect of AIR rejections.

1.02: Exploring Trends in Audit: Liability Allocation, FinTech Specialization, and Managerial Oversight
6/3/2024
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Auditor FinTech Specialization, Audit Fees, and Audit Quality

Wan-Ci Huang (1), Hua-Wei Huang (1), Wu-Po Liu (1)
(1) National Cheng Kung University, Tainan, Taiwan

This paper examines the impact of FinTech specialization in auditing on audit fees and quality. The study utilizes data from US-listed companies spanning from 2012 to 2021. The findings reveal that auditors with expertise in FinTech tend to charge higher fees but do not demonstrate a significant difference in audit quality compared to non-specialists. This research highlights the financial and qualitative consequences of incorporating advanced technologies in the audit industry, providing valuable insights into the changing landscape of auditing practices amidst technological advancements.

1.02: Exploring Trends in Audit: Liability Allocation, FinTech Specialization, and Managerial Oversight
6/3/2024
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Managerial Availability and Oversight at the Audit Office and Audit Quality

Mengtian Li (1), Joshua Khavis (2), Brandon Szerwo (2)
(1) Brock University, St. Catharines, ON, (2) University at Buffalo (SUNY), Buffalo, NY

The Public Company Accounting Oversight Board (PCAOB) posits that managerial availability and oversight (i.e., 'staffing leverage') is an important audit quality indicator. We test this notion by empirically examining the link between managerial availability at the auditoffice level and audit client outcomes from 2008 to 2019. We document that managerial availability, but not partner availability, is associated with lower misstatement rates. This relationship is stronger for offices with low partner availability and those experiencing more growth and is also stronger for more important and more complex clients. This link is also stronger for offices offering greater career opportunities and those that better compensate their auditors. Results are robust to controlling for manager-to-employee ratio of the tax or other service lines within the office, controlling for managers' workloads, and controlling for office geography. We also find that managerial availability is linked with higher audit fees and audit lags but not with late filings, suggesting an increased audit effort. Finally, we document that auditors with higher manager availability are less likely to be dismissed by important clients.

1.03: Public Interest and Teaching: Topics for Consideration
6/3/2024
12:00:00 PM - 1:30:00 PM ET

Sarbanes-Oxley Act and Working Capital Management

Henri Akono (1)
(1) University of Maine - Orono, Orono, ME

Using a natural experiment based upon the implementation requirements of SOX404, this study examines the effect of SOX on the working capital management policies of publicly traded U.S. corporations. Full sample results suggest that firms manage their working capital more aggressively in the post-SOX era, as indicated by shorter cash conversion cycles. However, detailed analyses based on filer categorizations reveal that the cash conversion cycle is longer for large filers and accelerated filers that were subject to SOX404 implementation; and there is no significant SOX404 effect on the WCM for smaller filers that were exempted from implementation of this provision. The results are robust to the inclusion of various controls and inferences are based on robust standard errors. Collectively, the evidence suggests that the enactment of SOX has led to more conservative WCM policies for firms subject to SOX404, consistent with the view that SOX has led to lower risk-taking.

1.03: Public Interest and Teaching: Topics for Consideration
6/3/2024
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Are Firms Ideologically Fickle?

Bryce Cross (1), Matthew Boland (1)
(1) Saint Mary's University - Nova Scotia, Halifax, NS

This paper tests whether U.S. firms exhibit ideologically fickle behavior in their political contributions using a regression discontinuity design around U.S. House of Representatives elections. We find that firms reduce their contributions to losing parties, suggesting opportunistic rather than ideologically driven behavior. Additionally, we find evidence that much of the fickle behavior is driven by firms switching political affiliation and that this behavior is heterogeneous, across firms. We then conduct an exploratory analysis to characterize firms that switch political affiliation. This work contributes to the debate on whether corporate political contributions are investments or consumption, finding evidence for the investment theory. Our results contribute to the corporate governance literature, suggesting that political contributions are strategic decisions aimed at maximizing shareholder value, rather than a form of consumption.

1.04: Disclosure Strategies in Markets: Insights from Financial Constraints and Cryptocurrency Adoption
6/3/2024
12:00:00 PM - 1:30:00 PM ET

Corporate Disclosure in the Presence of Financially Constrained Competitors

Jackie Z. Ju (1), Hai Wu (2), Lingwei Li (2)
(1) University of Kentucky, Lexington, KY, (2) Australian National University, Canberra, Australia

In making corporate disclosure decisions, managers trade off capital market benefits of disclosure against product market costs of disclosure. We document a positive relation between competitors' financial constraints and various measures of corporate disclosure, including customer-information disclosure, management earnings forecasts, 8-K filings, and firm-initiated press releases. This is consistent with high financial constraints inhibiting competitors' abilities to use a disclosing firm's information to compete in the product market, which lower the proprietary costs of disclosure for the disclosing firm. This positive relation is more pronounced for the focal firms with lower financial constraints, with higher institutional ownership, and in the pre-Reg FD period. The results are robust to using the American Jobs Creation Act of 2004 as an exogenous shock to competitors' financial constraints. Management also discusses competition less in 10-K filings when rivals exhibit high financial constraints. The positive relations between rivals' financial constraints and the readability and length of 10-K filings further corroborate our findings. Overall, the empirical evidence suggests that competitors' financial capacity to use disclosed proprietary information is an important determinant of corporate disclosure.

1.04: Disclosure Strategies in Markets: Insights from Financial Constraints and Cryptocurrency Adoption
6/3/2024
12:00:00 PM - 1:30:00 PM ET
Firm Level Cryptocurrency Adoption and Trading Silence before Anticipated Information Events

Junwoo Kim (1), Li Gao (2), Robert Kim (3), Sangwan Kim (4)
(1) Oakland University, Rochester, MI, (2) SUNY-New Paltz, Poughkeepsie, NY, (3) University of Massachusetts Boston, Lexington, MA, (4) University of Massachusetts Boston, Boston, MA

Trading silence, defined as unusually low trading activity, before anticipated firm information events is an important capital market phenomenon which hampers price discovery. Using a unique dataset on firm-level cryptocurrency holdings extracted from the SEC's regulatory filings, we find that trading silence before quarterly earnings announcements becomes more pronounced following the initial adoption of material cryptocurrency. Moreover, we find that this effect is particularly stronger for a subsample of firms reporting losses. Our findings are robust to the endogenous choice of firms' cryptocurrency holdings and to alternative specifications. Our study suggests that cryptocurrency held by corporations has a spillover impact on equity investors' willingness to engage in trading before anticipated firm announcements.

1.05 Accounting Department Simulation: A Tool to Help with Knowledge Retention and Application
6/3/2024
12:00:00 PM - 1:00:00 PM ET
Accounting Department Simulation: A Tool to Help with Knowledge Retention and Application

Rodney Sauder (1)
(1) Messiah College, Mechanicsburg, PA

There is a wealth of evidence supporting the benefits to long-term knowledge retention from having long intervals between training sessions requiring effortful retrieval. Furthermore, based on Bloom's Taxonomy, material experienced through a simulation format has proven to help with higher-order thinking such as analyzing and application. While our course assessments generally focus on content covered during each individual semester, isn't there value in reintroducing subject matter from past courses in low-risk formats to help with retention as students move toward the CPA exam and/or their careers? During this session I will be sharing with attendees a custom-built simulation used in Intermediate level accounting courses to help students rediscover content through a unique, low risk format. Additionally, the simulation files (Excel & Word) will be made available to any interested attendants so that they may further adapt the simulation for their unique purposes.

1.06 Unlock the Power of Digital Assessments to Build Unique Complex Financial Statements, Incorporating Error Carry-Forward, and Auto Grading
6/3/2024
12:00:00 PM - 1:30:00 PM ET
Unlock the Power of Digital Assessments to Build Unique Complex Financial Statements, Incorporating Error Carry-Forward, and Auto Grading

Christopher Skousen (1)
(1) Utah State University, Logan, UT

In today's world of AI, digital exams, and easy access to tools that enhance a student's ability to cheat are easily accessible. I present a resource that increases exam integrity by using dynamic questions that allow for error carry forward. Instructors will be able to build complex exam questions that are unique to each student, while overcoming the grading challenge of errors made that impact multistep and financial statement preparation. Additionally, as an instructor, consistent grading of dozens, even hundreds of exams, can be a challenge. This tool consistently grades each exam, whether simple questions or complex multistep financial statements in seconds. What used to take hours can now be done in minutes with the power of auto-grading.

2.01: Contemporary Challenges in Governance and Audit Risk Management
6/3/2024
2:00:00 PM - 3:00:00 PM ET
Systematic Literature Review on Cybersecurity Risk Disclosure

Dina El Mahdy (1), Denis Gracanin (2), Ba'aba Sule (3), Mohamed Eltoweissy (4)
(1) Morgan State University, Towson, MD, (2) Virginia Tech, N/A, (3) Morgan State University, Baltimore, MD, (4) N/A, N/A

Following the SEC's recent 2023 ruling on the mandatory disclosure of cybersecurity risks, this study systematically reviews the literature from the last two decades on cybersecurity risk disclosure. It examines the determinants, consequences, and characteristics of U.S. firms that have voluntarily made such disclosures. Overall, the review suggests that the determinants of cybersecurity risk disclosure include prior cyber incidents, the presence of intangible assets, executive characteristics, and regulations such as SEC guidance, comment letters, and the Sarbanes-Oxley Act of 2002. The review identifies investment decisions, stock price reactions, and audit fees as consequences of cybersecurity risk disclosure. Furthermore, it highlights the mixed evidence found in prior research and provides a roadmap for future investigations. This study contributes to the existing body of knowledge at the intersection of accounting regulation and disclosure practices.â€ƒ

2.01: Contemporary Challenges in Governance and Audit Risk Management
6/3/2024
2:00:00 PM - 3:00:00 PM ET

Audit Firm Rotation and Accounting Financial Experts: A Comparison of Regulatory Regimes

Reginald Wilson (1)
(1) University of Southern Mississippi, Hattiesburg, MS

This study investigates whether the presence of an accounting audit committee financial expert (AFE) improves perceptions of auditor independence and objectivity in a high-risk litigation environment where audit firm rotation is required. Regulators' expectations that MAFR and ACFEs improve financial reporting quality underlies several provisions of the Sarbanes-Oxley Act (SOX) of 2002 (U. S. House of Representative, 2002). Many academic studies performed subsequent to this request individually examine mandatory rotation. However, the current research provides empirical data in response to Roush et al.'s (2011, C17) observation of the difficulty associated with predicting the benefits of mandatory rotation.

2.01: Contemporary Challenges in Governance and Audit Risk Management
6/3/2024
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Legacy Systems and the Aging Workforce: Developing an Instrument to Address Knowledge Loss

Jennifer Riley (1), Jesse Shumaker (2), Kerry Wood (2), Stacie Petter (2)
(1) University of Nebraska-Omaha, Omaha, NE, (2) N/A, United States

Many companies rely on legacy information systems which utilize obsolete technology and include embedded business processes that are imprecisely documented. There is a risk that crucial knowledge related to these systems could leave organizations due to a surge in retirement of experienced professionals. Using a knowledge-based view of the firm, this research uses a design science approach to develop a survey instrument and analysis method to identify employees with key knowledge about systems and processes within the firm. The instrument was pilot tested within the information systems department of a utility company to evaluate its usefulness. The analysis produces a prioritized list of knowledge and skill areas as well as a prioritized list of employees to focus knowledge transfer efforts. Through the implementation of the instrument, the organization's management confirmed many of its concerns related to retaining and transferring knowledge and obtained new insight about critical information systems knowledge within the firm. This instrument can be adapted to other organizations and other specific knowledge areas.

2.02: Contemporary Issues in Tax
6/3/2024
2:00:00 PM - 3:00:00 PM ET

Tax Planning Through the Uncertainty of the SALT CAP

Ann Davis (1), Beth Howard (2), Rebekah Moore (3)
(1) Tennessee Tech University, Cookeville, TN, (2) Tennessee Tech University, TN, (3) James Madison University, Harrisonburg, VA

The Tax Cuts and Jobs Act (TCJA) limited itemizers' state and local tax deductions to $10,000 for tax years 2018 through 2025. However, federal policymakers have continued to battle each other and state policymakers over the cap. Although increasing the cap and extending its timeframe were part of the Build Back Better Act passed by the House in November, 2021, the most recent iteration, The Inflation Reduction Act, included no SALT cap changes. While there is uncertainty as to whether the SALT cap will continue past 2025, it is clear that the current SALT cap is limiting the amount of itemized deductions for current taxpayers. We also know that taxpayers in states with a high tax burden experience higher SALT limitations. To counter these effects, clients, particularly those in high-tax-burden states, can be advised to bunch itemized deductions into a year and investigate whether the state offers a tax credit or deduction for donations to specific charities.

2.03: Exploring Influences on Audit Quality and Disclosure Practices
6/3/2024
2:00:00 PM - 3:00:00 PM ET

Voluntary Disclosure by Audit Committees and Real Earnings Management

Ben Angelo (1), Kyung Yun Lee (2), Atul Singh (1), Jason Stanfield (1)
(1) Ball State University, Muncie, IN, (2) Hankuk University of Foreign Studies, Seoul, South Korea

We explore the association between the level of voluntary disclosures by the audit committee and real earnings management. Our results show a statistically and economically significant increase in the level of voluntary disclosures by audit committees in the presence of real earnings management. We interpret our results as audit committees signaling that they are diligent in their monitoring activities. We provide cross-sectional results consistent with our interpretation. Our results are concentrated in firms with low levels of institutional ownership, firms with high product competition, and firms with a CEO who is also the chairperson of the board. These are all settings where investor demand for monitoring is high.

2.03: Exploring Influences on Audit Quality and Disclosure Practices
6/3/2024
2:00:00 PM - 3:00:00 PM ET
Independent Contractors and Audit Outcomes

Vishal Baloria (1), Jingyu Xu (1)
(1) University of Connecticut, Storrs, CT

Relative to regular employees, independent contractors (ICs) offer labor flexibility and costs savings but are less productive in service settings where the client and service provider (e.g. audit firm) jointly produce the outcome (e.g., audit of financial statements). Using a difference-in-difference (DID) research design around a 2004 Massachusetts law that discourages IC usage, we find that this exogenous decrease in IC usage increases the effectiveness (i.e., lower absolute value of discretionary accruals) and efficiency (i.e., shorter audit report lag) of the audit. Cross-sectional analyses indicate stronger effects for Big 4 auditors during the auditor busy season. We find comparable results using staggered and stacked DID research designs using similar law adoptions in other states. To mitigate the potential confounding effect of changes in IC usage among clients, we conduct falsification tests using empirical proxies for internal information environment quality (i.e., sales and EPS forecast accuracy) and find no changes around IC law adoption. Our collective evidence is consistent with audit firm usage of ICs impeding audit effectiveness and efficiency.

2.03: Exploring Influences on Audit Quality and Disclosure Practices
6/3/2024
2:00:00 PM - 3:00:00 PM ET

Learning from Others' Deficiencies: How Group Affiliation and Selection Basis Jointly Affect Auditors' Effective Use of Inspection Feedback

Kamber Vittori (1)
(1) Northeastern University, Brookline, MA

Both external and internal inspectors typically select audit engagements to inspect using a risk-based approach (i.e. they pick those they predict are more likely to have deficiencies). While reducing the amount of resources needed to find audit deficiencies, this approach can perversely influence the behavior of non-inspected auditors who read the inspection feedback. Using social identity theory and attribution theory, I predict that auditors' effective use of inspection feedback depends on whose engagements are inspected (more vs. less closely affiliated auditors) and how the engagements are selected (risk vs. random basis). I predict and find that auditors identify more strongly with the inspected auditors when inspections are risk-based or pertain to more closely affiliated auditors (e.g., same office). This stronger identification triggers defensive attributions, decreasing the perceived value of the report, and reducing the degree to which they employ corrective action that addresses inspector feedback in their own audits. Random selection is more neutral in nature, reducing identification and improving incorporation of inspection feedback, but only when the feedback is for less closely affiliated auditors. Implications for auditors, audit firms, and regulators are discussed.

2.04: Diverse Influences on Corporate Reporting: From Contractual Dynamics to Image-Text Congruence and Regulatory Impacts
6/3/2024
2:00:00 PM - 3:00:00 PM ET
Congruent Photographs and Text in Annual Reports

Sudipta Basu (1), Ruikai Ji (1), Xueming Luo (2)
(1) Temple University, Philadelphia, PA, (2) N/A, N/A

We investigate whether the photographs and text in annual reports jointly convey valuable information to current shareholders. Communications research shows that when photographs and adjacent text share similar meanings (are congruent), they improve the understanding and memorability of a specific context. We hypothesize that firms' management teams can induce more favorable shareholder votes at annual meetings when the photo-text congruence in their annual reports is higher. Although we do not find results consistent with this hypothesis on average, we document that low-ROA firms have higher photo-text congruence, and that higher congruence benefits their voting outcomes. Further analysis shows that for these low-ROA firms, photo-text congruence is positively associated with future ROA only when the congruence measure includes only pages that contain financial text, which suggests that photographs that are directly related to current and future financial performance are more likely to persuade shareholders favorably.

2.04: Diverse Influences on Corporate Reporting: From Contractual Dynamics to Image-Text Congruence and Regulatory Impacts
6/3/2024
2:00:00 PM - 3:00:00 PM ET

Interactions Between Private Contracts and Sustainability Regulations

Wei Wang (1), Sudipta Basu (2), Xiaoyu Zhu (3)
(1) Temple University, Narberth, PA, (2) Temple University, Philadelphia, PA, (3) Sun Yat-sen University, Guangzhou, People's Republic of China

Abstract: This paper studies how private loan contracts interact with government interventions in eliciting prosocial, value-increasing corporate actions. We focus on sustainability-linked loans (SLLs) and a recent change in their privately set guidelines, the sustainability-linked loan principles (SLLPs), to improve SLL credibility. We compare changes in the valuations of SLLs issued by U.S. borrowers with those issued by European borrowers before and after the SLLPs were amended in June 2021. Although U.S. and European borrowers follow the same SLLPs, U.S. borrowers face looser sustainability regulations. We report that the perceived value of SLLs, as measured by the three-day cumulative abnormal returns around the loan issuance, improves after the SLLP amendment but only for U.S. borrowers. This finding aligns with the notion that looser sustainability regulations in the U.S. afford private institutions more room to promote sustainable actions while also increasing shareholder values. The SLLP amendment effect is stronger for borrowers that voluntarily sought independent sustainability assurance before the amended SLLPs required it and whose prior sustainability performance records are worse.

2.04: Diverse Influences on Corporate Reporting: From Contractual Dynamics to Image-Text Congruence and Regulatory Impacts
6/3/2024
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Taking a Sick Day: The Effect of Paid Sick Leave Mandates on Financial Reporting Outcomes

Adam Koch (1), Yi Liang (1)
(1) University of Virginia - McIntire, Charlottesville, VA

Mandating paid sick leave in the U.S. is controversial because it benefits employees while imposing extra costs on businesses. At the same time, the benefits that can accrue to employers are not well documented. We examine U.S. regions' staggered adoptions of paid sick leave mandates and predict that mandates will enhance financial reporting by boosting employee morale, reducing presenteeism, and hence improving the quality of rank-and-file employees' inputs to the accounting system. We find that internal control material weaknesses and financial statement misstatements decrease after adopting paid sick leave mandates. Financial reporting improves more for firms that are less likely to offer voluntary paid sick leave policies, experience more employee injuries and illnesses, and have weaker audit committees. Paid sick leave mandates also increase the horizon and accuracy of managerial guidance, and decrease audit fees and audit lags.

2.05 Leveraging Excel with AI and ChatGPT for Data Analysis, Formula Creation, and More
6/3/2024
2:00:00 PM - 3:00:00 PM ET
Leveraging Excel with AI and ChatGPT for Data Analysis, Formula Creation, and More

Wendy Tietz (1)
(1) Kent State University, Kent, OH

This session will provide a deep dive into how AI, especially ChatGPT, can significantly enhance Excel's capabilities, making data analysis, formula creation, and overall spreadsheet management more efficient and effective. Attendees will learn how to use AI for automating complex tasks, generating advanced formulas, optimizing data organization, and gaining deeper insights from data sets. We will be looking at Excel's built-in AI capabilities. We will also be talking about the differences between ChatGPT 3.5 and ChatGPT 4 with respect to Excel tasks and how ChatGPT can help to leverage the power of Excel. This interactive session will provide hands-on experience and practical examples, empowering instructors to integrate AI into their Excel curriculum. Examples and materials that can be used in attendee's own classes will be shared.

2.06 Beyond the Classroom Walls: Fostering Experiential Learning in Accounting Education
6/3/2024
2:00:00 PM - 3:00:00 PM ET
Beyond the Classroom Walls: Fostering Experiential Learning in Accounting Education

Joseph Trainor (1), Maria Pirrone (2)
(1) St John's University, Boynton Beach, FL, (2) St John's University, Rockville Centre, NY

This presentation explores the dynamic realm of accounting professors engaging with students beyond traditional classroom boundaries, with a specific focus on the benefits and challenges of experiential learning through visits to tax court and CPA firms. In this session we will delve into strategies for active student engagement, both inside and outside the classroom, creating a holistic and immersive learning experience. The session will commence by outlining the transformative impact of experiential learning, highlighting its ability to bridge the gap between theory and practice in accounting education. Drawing on personal experiences, the presenters will share insights into the planning, execution, and outcomes of bringing students to tax court and CPA firms. Key discussion points will include the benefits of firsthand exposure to the tax court system, demystifying the legal aspects of taxation, and providing students with a real-world understanding of the complexities involved. Furthermore, the presentation will address the advantages of industry visits to CPA firms, fostering connections between academia and the professional accounting world. In addressing the challenges encountered during such experiences, the presenters will provide practical solutions and share lessons learned to facilitate successful engagement. Strategies for optimizing active student participation during these outings will be explored, ensuring that the learning extends beyond the physical visit and becomes an integral part of the curriculum. Attendees can expect to gain valuable insights into the pedagogical advantages of experiential learning, strategies for overcoming logistical challenges, and methods for integrating these experiences into the broader accounting curriculum. The presentation aims to inspire and equip accounting professors to embrace innovative approaches that prepare students for the multifaceted demands of the accounting profession.

3.01: Contemporary Forensic Issues
6/3/2024
3:30:00 PM - 4:30:00 PM ET

Vectorization of Management Discussion and Analysis by Machine Learning: Evidence from Restatements by Fraudulent Firms in Japan

Masumi Nakashima (1)
(1) Bunkyo Gakuin University, Tokyo, Japan

This study explores the impact of COVID-19 on corporate performance, focusing on fraudulent and non-fraudulent firms. It suggests that management need not conceal poor performance during a pandemic, because investors understand the circumstances. The study develops four categories to analyze management discussion and analysis information characteristics. The findings show an increase in word count for both firm types during the pandemic, possibly because of the complexity of the situation. Pre-pandemic, non-fraudulent firms have a larger standard deviation in text vectorization than fraudulent firms, but this reversed during the pandemic. This could be owing to fraudulent firms reporting various reasons for performance changes, whereas non-fraudulent firms mainly attribute changes to COVID-19. Both firm types have smaller standard deviations during the pandemic. This is expected to be due to the similarity of sentences, such as 'COVID-19 causes sales to slump', in both cases.

3.01: Contemporary Forensic Issues
6/3/2024
3:30:00 PM - 4:30:00 PM ET

Deepfakes and Forensic Accounting

Michelle Li-Kuehne (1), Emmanuel Mwaungulu (2), Meena Subedi (3)
(1) Whitworth University, Spokane, WA, (2) Palm Beach Atlantic University, West Palm Beach, FL, (3) University of Wisconsin-Whitewater, Whitewater, WI

Deepfake technology is evolving such that deepfakes can be almost indistinguishable from the real entity. Transparency and credibility are critical traits of communicating accounting information, both of which can be undermined by adversarial deepfakes. While the study of deepfakes and their impacts on accounting is new, it is nevertheless essential to accelerate conversations and research about the associated threats. We examine the potential forensic accounting challenges posed by deepfake technology and its threat of exposing firms to unauthorized access to financial information, cybersecurity risks, manipulation of investment behavior, and influence on the stock market. Our study underscores the multifaceted impact that deepfake technology could have on the accounting landscape, serving as a cautionary signal for the future. In addition, we discuss emerging research on deepfakes and how accounting organizations can address possible risks, including consideration of digital forensics and the available forensic analytics tools to mitigate the impact of deepfake technology.

3.01: Contemporary Forensic Issues
6/3/2024
3:30:00 PM - 4:30:00 PM ET

The Big R and little r of Cash Flow Restatements: Determinants and Market Reaction

Shaokun (Carol) Yu (1), Dana Hollie (2), Robert Allen (2)
(1) Northern Illinois University, Dekalb, IL, (2) Louisiana State University, Baton Rouge, LA

The Securities & Exchange Commission and the Financial Accounting Standards Board is currently considering whether to require expanded disclosure on the cash-flow statement for financial institutions. An area of concern is whether the type (e.g., Big R or little r) of cash flow restatements (CFRs) companies issue to correct errors should be reported as material or not. Like the classification of little r and Big R for earnings restatements, this study examines the characteristics of CFR firms and whether the market responds differently to these CFRs. We find that the disaggregation of cash flows differentially impacts the likelihood of a Big R compared to a little r. A firms' size and cash flows from investing activities increase the likelihood of a Big R CFR, while mergers, auditor fees, and audit tenure decrease the likelihood to report a Big R CFR. This finding is possibly concerning given that the longer an audit firm is with a client and the more fees the client pays, the less likely they are to report a Big R, which could suggest reduced auditor independence. We find that the market reaction is significant for Big R CFRs, while insignificant for little r CFRs. The primary implications here are that either little r CFRs are immaterial and result in no market reaction or that reporting little r rather than a Big R CFR is beneficial in mitigating a negative market reaction, which could be related to the lack of attention to the cash flow statement beyond total cash flows. This is an area for further research.

3.02: Issues in Audit: From Pressure to Timeliness
6/3/2024
3:30:00 PM - 4:30:00 PM ET
Audit Pressure and Geographic Proximity Between Audit Offices

Kristyn Calabrese (1), Kimberly Krieg (1)
(1) University of San Diego, San Diego, CA

This study investigates whether geographic proximity to neighboring audit offices mitigates the unintended consequences of year-end audit pressure. Implemented from 2003 to 2006, the accelerated filing and SOX regulations reduced filing deadlines and increased audit production requirements for accelerated filers (AFs) and large accelerated filers (LAFs), while exempting non-accelerated filers (NAFs) from these changes. These regulations imposed both time and resource pressures on auditors, impacting the timing and staffing of client engagements. Our results show a reduction (improvement) in the audit timeliness of low (high) pressure clients with neighbor offices in proximity. Findings are pervasive across filer-types and consistent with across office resource transfers. We further document higher audit quality for low-pressure clients with neighbor offices in proximity. These results are more pronounced for NAFs and mitigate the negative quality effects documented in high-pressure offices. Overall, our findings highlight the benefits of audit firms' geographic office networks.

3.02: Issues in Audit: From Pressure to Timeliness
6/3/2024
3:30:00 PM - 4:30:00 PM ET
Abnormal Audit Fees: Cause of Impaired Audit Quality or Consequence of Unobserved Factors?

Chih-jen Hsiao (1)
(1) University of Memphis, Memphis, TN

While some studies suggest that positive abnormal audit fees impair audit quality and independence as a cause, others propose that they serve as a result, compensating for unobserved factors. In the latter case, positive abnormal audit fees are viewed as merely 'reflecting' low accounting quality without causing harm. To reconcile these conflicting views, I measure audit quality with the association between going concern opinion Type I (II) errors and positive abnormal audit fees, hereafter T1P (T2P), to capture the effect of unobserved factors (economic bonding) separately. By carefully controlling possible confounders and 1,905 different combinations of control variables, I find how unobserved factors introduce T1P. Conversely, T2P stands for all combinations and a battery of robustness tests, suggesting additional audit fees, beyond those meant to compensate for unobserved factors, cause more Type II errors (economic bonding). I further find that economic bonding is positively associated with earnings management and auditor tenure and negatively associated with audit committee independence and auditors' reputation concerns. On the contrary, I do not find audit quality compromised due to lower audit fees.

3.02: Issues in Audit: From Pressure to Timeliness
6/3/2024
3:30:00 PM - 4:30:00 PM ET

Wait! Don't Tell Me: The Effect of Client Timeliness and Budget Disclosure on the Planned Extent of Testing

Adam Bross (1), Bernard Wong-On-Wing (1)
(1) Washington State University, Pullman, WA

We examine how both an external and internal factor can influence the planned extent of testing used to verify the completeness and accuracy of client provided information. Using an experiment in which we manipulate the timeliness of information provided by the client (timely versus late), we predict and find that individuals use a higher extent of testing when client information is provided late versus time. Furthermore, results indicate this effect is due to individuals making negative attributions of their client when information is provided late. Additionally, we manipulate the budgetary strategy used internally by a firm (disclosed versus undisclosed). We predict and find that, when IPC is provided timely, a disclosed budget buffers against the effect attributions have on extent of testing. Therefore, when IPC is timely, individuals continue to plan for a higher extent of testing when a disclosed budget is present compared to an undisclosed budget.

3.03: Strategic Narratives: Unveiling Corporate Impression Management and Social Media Disclosure
6/3/2024
3:30:00 PM - 4:30:00 PM ET

Corporate Social Media Disclosure Strategies: The Perspective of Impression Management

Liya Hou (1), Peng Wu (2), Jieyu Ren (3), Lei Gao (4)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing, (3) Southeast University, N/A, (4) SUNY, Geneseo, Geneseo, NY

Our study examines the defensive and assertive impression management strategies employed by Chinese A-share listed firms on Weibo, using data from 2010 to 2019. The findings reveal that firms with declining performance are reluctant to disclose earnings information, instead opting to divert investors' attention by disclosing non-earnings information on Weibo. Conversely, firms with improving performance tend to emphasize their strong performance through disclosing earnings information containing quantitative number, net profit and comparable performance information on Weibo. Further analysis highlights that these strategies are more prevalent among firms with higher management ownership, larger performance changes, weaker corporate governance, less transparent information environment, and greater investor distraction, as these factors influence the motivation for impression management. Our study contributes to the literature on both impression management and social media and carries implications for investors and governments.

3.03: Strategic Narratives: Unveiling Corporate Impression Management and Social Media Disclosure
6/3/2024
3:30:00 PM - 4:30:00 PM ET
Is Information Disclosed Through Various Strategies on Social Media a Game-Changer for Investor Behavior? Evidence from Weibo

Liya Hou (1), Peng Wu (2), Shan Lu (3), Ruixue Du (4)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing, (3) Southeast University, Nanjing, Republic of China, (4) Menlo College, Atherton, CA

We analyze manually collected data on Chinese listed firms' information disclosure on Weibo from 2011 to 2019 to explore the impact of firms' social media disclosure and dissemination strategies on investor behavior. The results show that various presentation and topic dissemination strategies are effective in attracting investors' attention and increasing engagement. After ranking the influence of different strategies using information gain, we find that topic dissemination and symbol presentation have the most significant impact. Furthermore, the appropriate use of information disclosure strategies can better help firms with poorer performance and lower reputation gain more attention from investors.

3.03: Strategic Narratives: Unveiling Corporate Impression Management and Social Media Disclosure
6/3/2024
3:30:00 PM - 4:30:00 PM ET

Corporate Storytelling: Impression Management through Social Media ESG Disclosures

Liya Hou (1), Peng Wu (2), Yiyang Gu (3)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing, (3) Southeast University, Nanjing, Republic of China

This study investigates the impact of firms' ESG disclosure with impression management via social media on ESG rating and stakeholders' perceptions of the firms. We find a positive relation between the frequency of firms' ESG disclosure on Weibo and their ESG ratings. Additionally, companies that employ impression management techniques such as quantitative disclosure, visual reinforcement, and enhanced readability when disclosing ESG information on Weibo tend to have higher ESG ratings. These findings indicate that disclosing ESG information on Weibo can generate positive perceptions among ESG analysts regarding a company's commitment to ESG issues. Furthermore, the use of impression management strategies on Weibo when disclosing ESG information proves effective for ESG analysts, providing empirical evidence for the utilization of social media information by ESG analysts. This study provides insights into companies' ESG disclosures decisions on social media and their effects on stakeholders.

3.04: Insights into Financial Institutions
6/3/2024
3:30:00 PM - 4:30:00 PM ET
Digging Into Disaggregation: An Analysis of Expenses

Benjamin Hubbard (1)
(1) Cal State University - San Marcos, San Marcos, CA

Disaggregation of expenses has received a large amount of attention in recent years as many financial statement users ask for greater transparency in financial reports. This led the FASB to add expense disaggregation to their technical agenda. This paper explores the topic of expense disaggregation in two ways. First, it examines the quality and comparability of aggregated COGS and SG&A expenses. Findings show that these expenses in their current form provide decision useful information to users and are comparable across firms. Second, the implications of requiring disaggregation for several parties is discussed, including the tradeoff between providing enhanced quality of information to investors and higher costs for financial statement preparers. While the paper remains agnostic on the question of requiring disaggregation, the analyses provide context for the ongoing debate and indicate that net benefits of expense disaggregation are likely outweighed by the costs.

3.04: Insights into Financial Institutions
6/3/2024
3:30:00 PM - 4:30:00 PM ET

Short Sellers' Information Processing: Evidence from Short Selling on The Spillover Effect of Restatement Filings

Jing Sun (1), Wei Sun (2)
(1) University of North Texas, Flower Mound, TX, (2) N/A, N/A

In this study, we explore the impact of information processing costs on short selling activities within the context of the spillover effect of restatement filings. Our analysis reveals that short sellers increase their activities in non-restating clients associated with an audit office following a restatement filing by another client in the same office. This behavior suggests that short sellers employ the spillover effect as a strategic screening tool to pinpoint potential investment opportunities. We further observe that the magnitude of these increases in short selling varies based on specific factors influencing information processing costs. Notably, when these costs reinforce short sellers' informational advantage, there is a greater increase in short selling, indicating an active utilization of this advantage in trading decisions. Conversely, in situations where elevated information processing costs hinder the identification of non-restating clients, we note a decrease in short selling. This variation highlights short sellers' selective targeting in response to the accessibility and complexity of information.

3.04: Insights into Financial Institutions
6/3/2024
3:30:00 PM - 4:30:00 PM ET
Banks’ Efficiency Ratio Disclosures

Sudipta Basu (1), Enrique Gomez (1), Barbara Su (1)
(1) Temple University, Philadelphia, PA

The efficiency ratio is a key performance metric used to assess banks' core profitability by directors, analysts, and regulators, and is computed by dividing noninterest expense by the sum of net interest income and noninterest income. Using a large, hand-collected sample of banks' earnings press releases from 2015 to 2020, we examine the determinants and informativeness of banks' efficiency ratio disclosures. We find that banks with higher profitability, greater regulatory oversight, more analyst attention, a smaller increase in revenue mix, more merger and acquisition transactions, as well as lower loan growth, stock return volatility and book-to-market ratios, are more inclined to voluntarily disclose efficiency ratios in their earnings press releases. We also find that banks that mention the efficiency ratio in proxy statements (often as a CEO pay determinant) are more likely to disclose it in press releases. We find that efficiency ratios are informative, as evidenced by short-window investor and analyst responses to their release. Further, we find that efficiency ratios are value-relevant and help predict future earnings, operating cash flows, and stock returns. Overall, our evidence suggests that banks disclose efficiency ratios voluntarily to inform market participants.

3.05 Artificial Intelligence (AI) Powered Webcam and Remote Synchronous Pedagogies
6/3/2024
3:30:00 PM - 4:30:00 PM ET
Artificial Intelligence (AI) Powered Webcam and Remote Synchronous Pedagogies

Christina Olear (1), Veronica Paz (2), Timothy Creel (3)
(1) Penn State University - Brandywine, Doylestown, PA, (2) Indiana University of Pennsylvania, PA, (3) Lipscomb University, Ooltewah, TN

Artificial Intelligence (AI) Powered Webcam and Remote Synchronous Pedagogies Using an AI-powered Insta360 camera enhances Zoom synchronous course delivery by introducing versatile pedagogical methods. This camera supports various modes like overhead, whiteboard, and movement tracking, allowing for seamless changes in student view and focus through its controller or AI-activated hand motions. Such features enable students to interact with course content more interactively, including remotely viewing physical whiteboard writing. This 'Whiteboard' mode simulates an instructor writing on a dry-erase board in a physical classroom. The 'DeskView' mode allows for close-up problem-solving demonstrations. It shows the instructor completing a problem by hand on paper on a desk while the student view replicates 'looking over the instructor's shoulder.' Additionally, we will demonstrate how we incorporate Zoom's whiteboard feature in accounting courses for collaborative problem-solving, independent of the AI camera. These technologies not only diversify the learning experience, making it more inclusive and accessible but also facilitate cross-campus collaborations. These pedagogical enhancements significantly improve students' comprehension and engagement with material while learning valuable digital literacy skills required in today's work environment.

3.05 Creating Context and Community in Introductory Accounting
6/3/2024
3:30:00 PM - 4:30:00 PM ET
Creating Context and Community in Introductory Accounting

Susan McCarthy (1)
(1) Loyola University - Chicago, Chicago, IL

How can we help introductory accounting students realize why they are enrolled in an accounting class (Context) and who shares their class (Community)? Brief welcoming activities can help students get excited about accounting and develop class community among students, instructor, and the profession. These activities can also prompt conversations about belonging within accounting and be adapted for a variety of modalities.

4.01: Analyzing Regulatory Impact on Supply Chains, Peer Forecasts, and Portfolio Strategies in Corporate Finance
6/3/2024
5:00:00 PM - 6:00:00 PM ET

Regulatory Costs and Vertical Integration: Evidence from Supply Chain Disclosure Regulations

Enshuai Yu (1)
(1) Boston College, Chestnut Hill, MA

I study whether and how supply chain disclosure regulations shape corporate boundaries, particularly, vertical integration decisions. I employ a 2010 California disclosure mandate for firms' efforts to eradicate human trafficking and slavery in supply chains. I hypothesize that by imposing potential costs on focal firms including litigation risk, reputational costs, and supply chain information acquisition and monitoring costs, this disclosure regulation shifts cost-benefit tradeoffs of firms' make-or-buy decisions and incentivizes firms to enhance vertical integration within supply chains. Difference-in-differences analyses demonstrate that following the regulation, treated firms make more vertical acquisitions, especially upstream, relative to control firms. The effect is concentrated among firms facing greater stakeholder pressure (e.g., plaintiffs, consumers, NGOs, and shareholder activists) and firms with higher sourcing risk or asset specificity. Also, following the regulation, treated firms increase overall vertical integration and reduce outsourcing to suppliers. In addition, treated firms exhibit more voluntary disclosure of vertical integration activities, business segments, product similarity to upstream firms, and strategic alliance activity. Collectively, my findings suggest that supply chain disclosure regulations incentivize firms to become more vertically integrated within supply chains.

4.01: Analyzing Regulatory Impact on Supply Chains, Peer Forecasts, and Portfolio Strategies in Corporate Finance
6/3/2024
5:00:00 PM - 6:00:00 PM ET

Revisions of Peer Firms’ Analysts Forecasts and Corporate Investment

Huiqi Gan (1)
(1) University of Massachusetts Lowell, Lowell, MA

Focusing on capital expenditure forecasts, this study examines whether and how revisions of analyst forecasts of peer firms' investment affect focal firms' investment level and efficiency. Analysts revise their forecasts when the accumulated amount of new information warrants such revisions. If revisions of peer firms' analysts capex forecasts bring new information about industry trends and macro environment, focal firms, which operate in the same industry, should benefit from this information source and incorporate such new information in investment decision making. I find that focal firms' investment level and efficiency are positively related to the analyst forecast revisions of peer firms' investment. Moreover, these relations vary with firm characteristics such as firm age, levels of information asymmetry, board independence, and industry competition. These findings suggest that the revisions of analysts' capex forecasts provide valuable insights into industry growth opportunities that can be exploited by other firms in the same industry.

4.01: Analyzing Regulatory Impact on Supply Chains, Peer Forecasts, and Portfolio Strategies in Corporate Finance
6/3/2024
5:00:00 PM - 6:00:00 PM ET

Accounting for Leases and Portfolio Decisions of Active Corporate Bond Funds

Haomiao He (1)
(1) University of California-Irvine, Irvine, CA

This study examines the impact of the new lease standard, ASC 842, on the portfolio decisions of active corporate bond funds. ASC 842 requires firms to recognize operating leases on the balance sheet and disclose additional information to support this recognition. Using monthly portfolio holdings, I find that shortly after its implementation, active corporate bond funds reduce holdings of bonds issued by firms with significant exposure to operating lease recognition. Further analyses show the effect is more pronounced for non-sophisticated funds, non-prominent bonds within the portfolio, and issuers who could have significantly overestimated discount rates under the traditional operating lease capitalization procedure. These findings suggest that active corporate bond funds fail to fully adjust for off-balance-sheet operating leases and underestimate credit risks of de facto riskier holdings under the legacy lease accounting standard. The operating lease recognition under ASC 842 alleviates the information-processing constraints faced by active corporate bond funds and improves their accuracy in capitalizing operating leases. This study is the first to highlight the impact of accounting reporting changes on the portfolio decisions of active corporate bond funds and provides evidence to FASB during its post-implementation review of the ASC 842.

4.02: Issues in Reporting: A Diversity Perspective
6/3/2024
5:00:00 PM - 6:00:00 PM ET
Is Exposure to State Pension Funds Beneficial to Investors? Evidence from the Passage of State-Level General False Claims Acts

Fuzhao Zhou (1)
(1) Bowling Green State University, Bowling Green, OH

We examine how the passage of state-level General False Claims Acts affects firms' (a) earnings management practices, (b) risk-taking behaviors, (c) investment decisions, (d) market value, and (e) investor short-selling activities. False Claims Acts protect whistleblowers who report misbehavior by firms whose shares are held by state pension funds by providing legal protection and financial rewards. Thus, firms face additional risk of whistleblowing allegations after the passage of these acts. We find that the increased threat of such allegations after the passage of relevant state-level False Claims Acts appears to reduce both accrual-based and real earnings management for firms held in state pension funds. We also show that firm risk decreases, investment increases, investment efficiency improves, firm value increases, and short selling decreases after the passage of these acts. We further find that the effects are mainly driven by firms with greater information opacity proxied by credit rating. Unlike prior literature that focuses on actual whistleblowing allegations, we find that broad whistleblowing protection provisions affect firm decisions and valuation, on average.

4.02: Issues in Reporting: A Diversity Perspective
6/3/2024
5:00:00 PM - 6:00:00 PM ET
International Diversity and Financial Reporting Quality

Chase Potter (1), Zhonghua Zhang (1)
(1) Washington State University, Pullman, WA

This study examines how international accounting professionals influence financial reporting quality. Using H-1B applications from the U.S. Department of Labor, we find that companies with H-1B accounting professionals are less likely to engage in earnings management and financial fraud. The improved financial reporting quality is more pronounced when companies have cross-border operations. This study also shows that an increase in senior H-1B accountants can reduce the likelihood of egregious financial misreporting, such as restatements and internal control weaknesses. Furthermore, we observe that higher salaries for H-1B accounting professionals can improve financial reporting quality. In summary, our findings imply that cultivating a diverse pool of accounting talent may foster ethical financial practices.

4.05: The Upcycled Bag Company Cases: Step-by-Step Excel Pivot Table Tutorials for Introductory Accounting (for Teaching Data Analytics and ESG)
6/3/2024
5:00:00 PM - 6:00:00 PM ET
The Upcycled Bag Company Cases: Step-by-Step Excel Pivot Table Tutorials for Introductory Accounting (for Teaching Data Analytics and ESG)

Wendy Tietz (1), Jennifer Cainas (2), Rachel Gambol (3)
(1) Kent State University, Kent, OH, (2) University of South Florida, Tampa, FL, (3) University of Tampa, Lithia, FL

In this session, we will cover a set of brand-new cases, The Upcycled Bag Company, a fictitious B Corp that manufactures a variety of tote bags from upcycled materials, such as billboards, sail cloths, and seatbelts. The managers of several departments at Upcycled are looking to gain a deeper understanding of their company's operations, and we will explore how Excel pivot tables and pivot charts can be used by managers. When developing the case, we designed the departments to appeal to a variety of majors: human resources, supply chain, marketing, advertising, and more. There is one set of cases for introductory financial accounting and another set for introductory managerial accounting. The purpose of these cases is to teach students how to create pivot tables in Excel. We talk about when and why pivot tables should be used. We also delve into the formatting of pivot tables. An additional element to the case is that the company is a B Corp, which means that the company meets standards of social and environmental performance, transparency, and accountability to balance profit and purpose. This case includes step-by-step tutorials, suggested assessment questions and solutions, and teaching tips. All case materials are free to instructors and students.

4.06: Using the AICPA Critical Thinking Guide to Improve Your Students' Critical Thinking Skills
6/3/2024
5:00:00 PM - 6:00:00 PM ET
Using the AICPA Critical Thinking Guide to Improve Your Students' Critical Thinking Skills

Susan Wolcott (1)
(1) Retired, Bellevue, WA

Critical thinking skills have always been important in the accounting profession, but their importance is increasing with today's rapid workplace changes. During this session, you will learn how to take advantage of the AICPA's faculty critical thinking resources to create more effective learning critical thinking learning activities for your courses. The session will be highly interactive, giving you opportunities to discuss your ideas and experiences with others and to begin designing new learning activities for your courses. This session will provide advice for all levels of accounting courses, from introductory undergraduate to more advanced master-level courses. The materials in the faculty guide are grounded in the reflective judgment model of cognitive development, which has been extensively studied and supported in higher education.

5.01: Exploring Audit Dynamics: Partner Changes, Key Matters, and Restatements' Impact on Industry
6/4/2024
11:00:00 AM - 12:00:00 PM ET
The Determinants and Market Consequences of Audit Partner Changes After Restatements

Daniel Street (1), James Lawson (1)
(1) Bucknell University, Lewisburg, PA

We explore the determinants and consequences of a previously unexamined action that companies may take in response to a restatement: although they retain the same audit firm, 24 percent of companies prematurely change audit partners following a restatement. Premature audit partner changes after a restatement are more likely when the company is large or economically important to the auditor but are less likely after severe restatements and as auditor tenure increases. Our findings draw attention to the possibility that economically important clients may be able to apply pressure to audit firms to change their engagement partners. Finally, we fail to find evidence of a market response to the disclosure of audit partner changes, suggesting that this action does not successfully restore the reputation of the restating company. This finding suggests that audit partner identity does not provide valuable information to investors even after restatements, contradicting the PCAOB's rationale for Form AP.

5.01: Exploring Audit Dynamics: Partner Changes, Key Matters, and Restatements' Impact on Industry
6/4/2024
11:00:00 AM - 12:00:00 PM ET

Are Financial Restatements Associated with Auditor Dismissals in Sin Industries?

Dawn Hart (1), Cathryn Meegan (2)
(1) Georgia Southwestern State University, Americus, GA, (2) Jacksonville University, Ponte Vedra Beach, FL

We examine whether sin industries are more likely to change auditors following a financial restatement than non-sin industries. We define sin industries as companies belonging to alcohol, tobacco, gambling, nuclear energy, mining oil and gas, firearms, adult entertainment, and pharmaceutical sectors. Financial restatements publicly acknowledge a company's financial reporting and audit breakdown. Sin industries' deviations from perceived societal norms may increase the need to restore audit quality and investor confidence following a restatement. We posit and find that following financial restatements, sin industry members are more likely to dismiss their auditors to establish or maintain organizational legitimacy.

5.01: Exploring Audit Dynamics: Partner Changes, Key Matters, and Restatements' Impact on Industry
6/4/2024
11:00:00 AM - 12:00:00 PM ET

The Impact of Key Audit Matter Disclosure on Classification Shifting

Liya Hou (1), Peng Wu (2), Yiyang Gu (3)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing, (3) Southeast University, Nanjing, Republic of China

This study uses the implementation of Key Audit Matters (KAMs) as a quasi-natural experiment and employs the difference-in-differences approach to examine the impact of Key Audit Matter (KAM) disclosure requirements on firms' classification shifting. We find that KAM disclosure requirements reduce firms' classification shifting and the effect is more pronounced for firms with higher managerial power, lower ownership concentration, non-Big Four auditors, and lower institutional ownership. Our results are robust after controlling for accruals-based earnings management and real earnings management. Our study sheds light on the governance role of key audit matter disclosure in classification shifting and provides important policy implications.

5.02: Paradigms in Accounting: Industry 4.0, Bank Lending Dynamics, and Evolution of ESG Reporting
6/4/2024
11:00:00 AM - 12:00:00 PM ET

Bank Lending Creates Deposits: Out of Thin Air, or Because of Double-Entry Accounting? A Re-Examination

Alex Young (1)
(1) Hofstra University, Hempstead, NY

A recent literature in macroeconomics argues that instead of commercial banks taking in deposits from savers to fund loans, lending itself actually creates deposits. This outcome has been interpreted in two ways: lending creates deposits 'out of thin air' or merely 'because of accounting.' I re-examine these interpretations by combining the history of economic thought with financial accounting. I show that both interpretations are rooted in a misunderstanding of accounting principles, and that a forgotten explanation from two early 20th-Century economists can easily demonstrate how lending creates deposits without these misinterpretations.

5.02: Paradigms in Accounting: Industry 4.0, Bank Lending Dynamics, and Evolution of ESG Reporting
6/4/2024
11:00:00 AM - 12:00:00 PM ET

A 60-Plus Year History of ESG Accounting and Auditing

Dale Flesher (1), L. Craig Foltin (2)
(1) The University of Mississippi, Oxford, MS, (2) Cleveland State University, Lorain, OH

Environmental, social, and governance (ESG) reporting is a major topic of discussion in accounting circles. It may be the most widely deliberated and written about subject in accounting today. Most view ESG Reporting as a relatively new phenomenon, however, it has a history dating back at least 60 years, and up to 100 years in some instances. This paper examines the research and events of the past that have driven ESG and analyzes its current state. Studying the historical research, events, and preceding ESG context, provides today's leaders, regulators, scholars, and the accounting profession information necessary to guide the future of ESG reporting. ESG has become a major force in information reporting, investor decisions, and public perception. However, challenges do remain. Despite recent convergence under ISSB, companies still use multiple frameworks and standards to guide ESG reporting. Comparability, objective assurance, and U.S. political ideology cause significant obstacles to ESG becoming completely established.

5.03: Issues in International Accounting
6/4/2024
11:00:00 AM - 12:00:00 PM ET

Audit Delay and Accruals-Based Earnings Management Chinese Evidence

Yun-Chia Yan (1), Xiang Li (2), Haiyan Zhou (3)
(1) University of Texas Rio Grande Valley-Brownsville, Mission, TX, (2) Dongbei University of Finance and Economics, China, (3) University of Texas Rio Grande Valley-Edinburg, Edinburg, TX

There are two opposite effects of audit delay on earnings management. From auditors' perspective, the longer time auditors spend on auditing, the longer audit delay is, and lower earnings management level will be. From managers' perspective, the longer time could be used by managers for report preparation, the longer audit delay is, thus more 'appropriate' accounting methods could be utilized and higher earnings level could be manipulated. This paper utilizes Panel Smooth Threshold Regression (PSTR) model to examine the possible non-linear relationship between audit delay and accruals-based earnings management. We use a sample of Chinese firms from 2003 to 2022. Different from prior US studies, our results show that (1) there is a nonlinear association between accrual-based earnings management and audit delay and (2) the association between audit delay and earnings management differs in income-increasing earnings management firms and income-decreasing earnings management firms. For firms managing their earnings upwards, the association is positive and the magnitude increases with the level of earnings management. However, for firms managing their earnings downwards, the association is negative and the magnitude decreases with the level of earnings management. Our empirical evidence should be of interest to standard setters, regulators, and investors in China as well as regulation bodies in other emerging capital markets.

5.03: Issues in International Accounting
6/4/2024
11:00:00 AM - 12:00:00 PM ET

Harmony and Dissonance in Financial Reporting Among Neighboring Countries: A Comparative Analysis of Changes in Liquidity with IFRS Adoption

Shahid Khan (1), Mark Anderson (2), Hussein Warsame (2), Michael Wright (2)
(1) Penn State University - Berks, Malvern, PA, (2) University of Calgary, Calgary, AB

A primary objective of international financial reporting standards (IFRS) is to provide uniformity in financial reporting among neighboring countries that are integrated economically and clustered geographically. An anticipated outcome of achieving greater harmony in financial reporting is to improve trading and capital allocation in regional financial markets. In this study, we compare changes in capital market liquidity with the adoption of IFRS for stock exchanges in the U.K., Australia and Canada. These three Commonwealth countries share the British influence on financial reporting, with high quality accounting standards, legal systems and institutional settings prior to IFRS. However, the circumstances surrounding adoption of IFRS differed across the three countries. The U.K. adopted IFRS in harmony with many of its European neighbors and trading partners. Australia adopted IFRS at the same time as the U.K. but in relative isolation. Canada adopted IFRS six years after the U.K. and in dissonance with its powerful neighbor and trading partner, the U.S. Consistent with the hypothesis that increasing harmony in financial reporting among neighboring countries would improve liquidity in regional stock markets and the inverse hypothesis that increasing dissonance would reduce liquidity, we find that liquidity improved for companies trading in the U.K., did not change significantly in Australia and worsened in Canada.

5.04: Insights from Cyber Security Governance, Employee Skills, and Accounting Fraud Case Studies
6/4/2024
11:00:00 AM - 12:00:00 PM ET

Luckin Coffee: A Case Study on Accounting Fraud and Implications

Fuzhao Zhou (1)
(1) Bowling Green State University, Bowling Green, OH

Luckin Coffee made public in April 2020 the findings of an internal investigation revealing that its employees had fabricated over $300 million in retail sales by utilizing related parties. By relying on fraudulent financial statements, Luckin Coffee was able to raise significant amounts of capital through a share placement worth $821 million and a $400 million convertible bond sale. Consequently, the SEC charged Luckin Coffee with multiple violations of federal securities laws, including antifraud, reporting, books and records, and internal control provisions. The company subsequently agreed to settle the charges by paying a sum of $180 million. The case has been used in undergraduate and graduate financial accounting classes.

5.04: Insights from Cyber Security Governance, Employee Skills, and Accounting Fraud Case Studies
6/4/2024
11:00:00 AM - 12:00:00 PM ET

Corporate Cyber Security Governance: Do Audit Committee and CEO Backgrounds Matter?

Lerong He (1), Yin Liu (2), Khondkar Karim (3)
(1) SUNY Geneseo, N/A, (2) SUNY Brockport, Rochester, NY, (3) University of Massachusetts Lowell, Lowell, MA

This paper investigates the impact of audit committees and CEO backgrounds on corporations' voluntary disclosure of cyber incidents. We find that the proportion of information technology (IT) experts on an audit committee is positively associated with voluntary cyber-incident disclosure, whereas the proportion of financial experts on an audit committee is negatively associated with cyber-attack reporting. Furthermore, we document that the audit committee members' average directorship is positively associated with voluntary cyber-incident disclosure. Our results also indicate that CEO tenure is positively associated with voluntary cyber-attack reporting. Finally, we document that the impact of the audit committee and the CEO tenure on corporate voluntary cyber-incident disclosure is more pronounced for firms in unregulated industries. Overall, this study demonstrates that audit committees and CEO backgrounds play an important role in corporate cybersecurity governance by affecting voluntary disclosure of cyber incidents, and their effects are influenced by industry regulations.

5.04: Insights from Cyber Security Governance, Employee Skills, and Accounting Fraud Case Studies
6/4/2024
11:00:00 AM - 12:00:00 PM ET

An Empirical Investigation on the Influence of the Skills and Knowledge in Accountancy, Data Analytics, and IT on Employees' Career Satisfaction

Xin Liu (1), Scott Cohen (1)
(1) University of North Carolina at Pembroke, Pembroke, NC

Artificial Intelligence (AI) has a significant impact on everyone's life, from a personal to a professional perspective. In recent years, AI has gained increasing importance in the accounting industry, encompassing tasks from risk assessment and automatic client proposal generation to forensic audit. However, the optimal synergy between AI and accounting professionals has not yet been achieved. Specifically, lacking core accounting knowledge may result in flawed AI design, limiting its usefulness and value to the company. AI-enabled technologies and analytics shouldn't replace knowledgeable decision-makers when it comes to AI generated results. Excessively relying on AI without comprehensive accounting knowledge to engage in AI process and output control may lead to de-professionalization. On the other hand, most accountants are not very good at evaluating algorithms and the 'black box' nature of AI's learning process are not completely comprehensible to them. Without proficiency in technology and data analytics skills, accountants may face challenges in comprehending the operational mechanisms of AI, accurately interpreting its processes, and understanding the outcomes it produces. So, the synergy between AI and accounting professionals should be achieved by mutual learning and co-producing knowledge. Our study utilizes the backdrop of AI and investigates the essential knowledge and skills critical in this AI era, with a particular focus on information technology, accountancy, and data analytics. These three knowledge domains contribute to the job self-efficacy of accounting employees in this global trend of AI-driven work environments. We hypothesize that information technology, accountancy, and data analytics knowledge and skills are positively associated with job self-efficacy and career satisfaction. Meanwhile, job self-efficacy is positively associated with career satisfaction. Methodologically, we plan to recruit approximately 300 participants from Amazon Mechanical Turk or Prolific. The participants must be current employees working in accounting-related positions in the U.S. After survey-based data are collected, we utilize structural equation modeling to validate and quantify the relationships among our exogenous and endogenous variables. Theoretically, our study contributes to organizational behavior from a knowledge perspective. Our research organically integrates various subjective knowledge domains critical in the AI era and explores their impact on job self-efficacy and career satisfaction. Practically, our study empirically validates the industrial demand for the knowledge and skills required by accounting or IT professionals in the AI era. Additionally, our study lays the groundwork for the Master of Accounting in STEM program and provides justification for the blueprint of our curriculum development.

5.05 Navigating Uncertainty: Communication Strategies for Auditors and Attorneys in Handling Contingent Liabilities
6/4/2024
11:00:00 AM - 12:00:00 PM ET
Navigating Uncertainty: Communication Strategies for Auditors and Attorneys in Handling Contingent Liabilities

Christine Kuglin (1)
(1) University of Denver, Denver, CO

Overview: This presentation addresses the unique challenges posed by contingent liabilities in the legal and auditing professions. It focuses on how auditors can effectively communicate with attorneys, considering the inherent uncertainties and the need for subjective reasoning in these fields. In an era when corporate lawsuits contain massive financial consequences, how do we prepare young auditors to work with attorneys on proper disclosure processes. Key Points: 1. Understanding Contingent Liabilities: 2. Communication Amidst Uncertainty: 3. Professional Judgment and Bias: 4. Collaborative Approaches Between Auditors and Attorneys: 5. Ethical Considerations and Professional Standards: 6. Impact of Uncertainty on Public Perception:

5.06 Data Analytics in Auditing for AIS course with CaseWare IDEA
6/4/2024
11:00:00 AM - 12:00:00 PM ET
Data Analytics in Auditing for AIS course with CaseWare IDEA

Fernando Parra (1)
(1) California State University Fresno, Fresno, CA

ABOUT THE SESSION: In this hands-on session, you will learn how to run audit data analytics using a teaching case provided by CaseWare IDEAâ„¢ IDEA that can be implemented in your course with a free academic license for you and your students. I will share my experience implementing this project over a two-week period, which can be assigned asynchronously with YouTube videos created by the presenter. ABOUT THE TEACHING CASE: This exercise focuses on procedures connected with a periodic Accounts Receivable and Accounts Payable audit. Auditors scrutinize Accounts Receivable to ensure debts are valid and likely to be collected. They pay close attention to old invoices, unexplained cash discrepancies, and large balances from struggling customers. Exception tests aid in detecting these risks. Purchase and payment fraud is also a major risk for organizations. Fraudsters may submit false invoices, reuse valid ones, withhold credit notes, or manipulate payment information within the Accounts Payable ledger. Through this project, students will perform completeness, valuation, accuracy, cut-off, existence, and validity tests during this audit. Students learn how to format data, generate random sampling, extract samples based on criteria, visualize based on criteria, summarize data, stratify data, and generate pivot tables. In addition, students can join different sources of data, detect duplicates and data gaps, find key values, and design reports for audit purposes. Workshop (30-45 minutes)

6.01: A Conversation in Exploring Human Strategies in Accounting
6/4/2024
12:30:00 PM - 1:30:00 PM ET

A Text-Mining Investigation of 'The Color Line' in Afro-Centric Accounting Research

Louella Moore (1), Ferhat Zengul (2), Nurettin Oner (2)
(1) Washburn University - Topeka, Topeka, KS, (2) University of Alabama - Birmingham, Birmingham, AL

Early twentieth century African American scholars coined the term 'the color line' to refer to discriminatory practices in society. Have modern commitments to DEI erased the color line, or is its presence merely more subtle? Accounting research abstracts published from 1966-2021 were analyzed using text-mining protocols to extract latent characteristics. The goal of the study was to determine whether there are discernible differences in the properties of accounting articles with Afro-Centric titles compared to others. The study found that Afro-Centric titled papers gravitate toward different topical content that receives lower than average ratings on the ABDC list. On the other hand, abstracts of publications with Afro-Centric titles have higher principal component loads, a measure of similarity to other papers within the same topical subgroup. The latent properties examined provide evidence of silent mechanisms embedded in academic publishing protocols that reward conformity and discourage diversity of thought.

6.01: A Conversation in Exploring Human Strategies in Accounting
6/4/2024
12:30:00 PM - 1:30:00 PM ET

Assessing the Effect of Human Resource Investment Decisions on Audit Practices: Insights from an Emerging Market

Ali Saeedi (1), Abbas Ali Daryaei (2), Morteza Heshmaty (2)
(1) University of Minnesota-Crookston, Crookston, MN, (2) Imam Khomeini International University, Iran, Islamic Republic of

The study investigates the relationship between human resource management and audit practices, emphasizing the impact of human resource investment decisions on audit efforts. It indicates that auditors often overlook non-financial information related to human resource investments due to time constraints. This oversight is significant, as negative abnormal changes in human resource investment are associated with a higher likelihood of financial restatements and misstatements. However, these changes do not consistently lead to increased audit efforts or costs. In contrast, positive abnormal changes in human resource investment do not show a similar association with financial misstatements. This research highlights the growing recognition of the relationship between human resource management and audit practices as fundamental to global corporate governance. The study, set in the unique economic and regulatory environment of Iran, provides insights that are relevant both locally and globally. It addresses a noticeable gap in the literature, especially concerning emerging markets like Iran, where the dynamics of human resource investment decisions and their effects on audit practices have been less explored compared to advanced economies. Our findings suggest that auditors, regulatory bodies, and analysts should pay closer attention to operational information, including human resource factors, in the risk assessment process. It emphasizes the importance of including human resource decisions in audit processes because of their significant contribution to a company's value. Thus, it encourages a more integrated approach in audit planning and risk assessment, considering the significant value of human resources for companies.

6.01: A Conversation in Exploring Human Strategies in Accounting
6/4/2024
12:30:00 PM - 1:30:00 PM ET
Decoding Social Disclosure Decisions: Evidence from a Field Experiment with Workforce Diversity Data

Maximilian Muhn (1), Maureen McNichols (2), Jung Ho Choi (3)
(1) The University of Chicago, Chicago, IL, (2) Stanford University, Stanford, CA, (3) Stanford University, Palo Alto, CA

In recent years, U.S. public companies have increasingly begun to voluntarily disclose official workforce diversity data (i.e., EEO-1 reports), which they previously only confidentially filed with the U.S. Equal Employment Opportunity Commission (EEOC). To understand the factors leading these corporations to release this information publicly, we conduct a field experiment by reaching out to Investor Relations (IR) and Human Resources (HR) personnel at about 4,000 large US firms that currently do not publicly disclose their EEO-1 reports. We experimentally vary the information content of our requests and find that companies are more likely to respond when directly considering investors' rather than employees' informational needs. On the other hand, we do not find any evidence that companies are more likely to respond when directly considering S&P 100 firms' disclosure decisions. We also show that IR departments are significantly more involved in this disclosure process relative to HR departments and that a temporary regulatory action by the Office of Federal Contractor Compliance Programs does not lead to continuous workforce diversity disclosures. Our follow-up survey indicates that companies consider both shareholder welfare and equity value, as well as the potential litigation costs, when making social disclosure decisions. Taken together, our results are relevant in the current regulatory debate about the single (shareholder) and double (stakeholder) materiality of non-financial disclosure.

6.02: Contemporary Issues in Accounting with Consideration of Legal Implications
6/4/2024
12:30:00 PM - 1:30:00 PM ET
Digital Assets on the Balance Sheet

Roberta Cable (1), Claudia Li (2), Shruti Shah (3)
(1) Pace University, Easton, CT, (2) N/A, N/A, (3) Pace University, Pleasantville, NY

On November 11, 2022, one of the prominent cryptocurrency exchanges, FTX, declared bankruptcy and triggered a financial crisis in the crypto world. This event emphasized the importance of transparency in financial reporting and the need for standardized accounting disclosures and regulations of digital assets. Our literature review revealed that the accounting standard setting bodies have prioritized the assessment of digital assets' value over their financial statement classifications and disclosures. With the digital assets being in the market for more than a decade, we were motivated to understand the current practices followed by the US companies relating to the classification and disclosure of digital assets. Our paper also explored the patterns of holding digital assets by industry, and the impact of holding digital assets on the volatility on stock prices. We found a lack of uniformity in the presentation and disclosure of these assets. We observed that although there is a substantial increase in the market capitalization of digital assets, different industries experienced different growth rates in their holdings. Companies that held digital assets experienced large fluctuations in their stock prices. And these stock price variations may be exacerbated due to the lack of uniformity in the disclosures of digital assets. We believe our study shed light on the need for standard setting bodies to be cognizant of both the magnitude and the industry variations of digital asset holdings. We concluded that is important to standardize financial statement classifications and disclosures to increase the transparency of digital assets so potential investors and decision makers can make informed decisions.

6.02: Contemporary Issues in Accounting with Consideration of Legal Implications
6/4/2024
12:30:00 PM - 1:30:00 PM ET

A Comparative Study on the Earnings Management Practices of Public and Private Banks: Evidence from California's Banking Market

Burak Dolar (1)
(1) Western Washington University, Bellingham, WA

This paper studies the differences in the earnings management practices of publicly and non-publicly listed banks by using data gathered from California-headquartered banks active throughout the period from 2014 to 2022. The empirical results indicate that publicly listed banks were more likely to practice earnings management using loan loss provisions compared to their non-publicly listed counterparts over the study period. Our findings are consistent with empirical evidence from earlier studies that managers of public companies are more likely to engage in earnings management.

6.02: Contemporary Issues in Accounting with Consideration of Legal Implications
6/4/2024
12:30:00 PM - 1:30:00 PM ET
Antitrust Laws and Conditional Conservatism

Yi Liang (1), Sudipta Basu (2)
(1) University of Virginia - McIntire, Charlottesville, VA, (2) Temple University, Philadelphia, PA

We study the effect of expected regulatory costs from antitrust laws on firms' conditional conservatism. To draw plausibly causal inferences, we exploit changes in the stringency of antitrust laws in 82 countries and regions from 1991 to 2010. When antitrust laws become more stringent, we expect firms with high market power to increase conservatism to reduce their reported earnings, which decreases pressures from antitrust regulators and the expected regulatory costs. We find evidence consistent with our prediction. The positive stringency-conservatism association is stronger when enforcement is stronger and when firms experience increases in market power. We also find that stringent antitrust laws increased product-market competition, which partially explains the positive relation as firms report more conservatively to discourage competitors. Our results are robust to alternative sample compositions, conservatism models, antitrust indices, and industry classifications.

6.03: Examining Workplace Dynamics: Return-to-Office Mandates, Industry Politics, and Subsidy-Driven Tech Ecosystems
6/4/2024
12:30:00 PM - 1:30:00 PM ET
Return-to-Office Mandates

Yuye Ding (1), Mark Ma (1)
(1) University of Pittsburgh, Pittsburgh, PA

Using a sample of Standard and Poor's 500 firms, we examine determinants and consequences of U.S. firms' return-to-office (RTO) mandates. Results of our determinant analyses are consistent with managers using RTO mandates to reassert control over employees and blame employees as a scapegoat for bad firm performance. Also, our findings do not support the argument that managers impose mandates because they believe RTO increases firm values. Further, our difference in differences tests report significant declines in employees' job satisfactions mandates but no significant changes in financial performance or firm values after RTO mandates. In summary, our research contributes to the ongoing debate over RTO versus working from home and has important implications for practitioners.

6.03: Examining Workplace Dynamics: Return-to-Office Mandates, Industry Politics, and Subsidy-Driven Tech Ecosystems
6/4/2024
12:30:00 PM - 1:30:00 PM ET

Industry Political Affiliation and State Economic Outcomes

Laura Alford (1), Robert Eger (2), Judith Hermis (3), Stephen Hansen (4)
(1) Texas A&M Universityâ€“Texarkana, Texarkana, TX, (2) Bellarmine University, Louisville, KY, (3) Saint Mary's College of California, Moraga, CA, (4) University of Southern Maine, Portland, ME

We examine the political affiliation of industries and their impact on state economic activity. We create two novel indices, industry political affiliation, or 'IPA,' a nationwide index that combines US Senatorial political measures with the payroll for specific industries, capturing the nationwide political orientation for a specific industry for a year. The second index observes that each state's yearly private sector economy combines multiple industries. We use the nationwide IPA and state-level industry payroll measures to generate the state-industry political affiliation, or 'SIPA.' We investigate how SIPA influences individual states' economies. Covering the sample period,1999 to 2020, we find that SIPA is positively and significantly associated with gross state product and personal incomes. This finding suggests that states with a relatively conservative value of our SIPA measure experience greater gross state product and personal income. Our results should interest elected officials, policymakers, and scholars of governmental accounting, political science, and public finance.

6.03: Examining Workplace Dynamics: Return-to-Office Mandates, Industry Politics, and Subsidy-Driven Tech Ecosystems
6/4/2024
12:30:00 PM - 1:30:00 PM ET

Subsidy-Induced Tech Ecosystems and Accounting Labor Supply

Il Sun Yoo (1), Shaphan Ng (2)
(1) University of Hawaii, Honolulu, HI, (2) Singapore Management University, Singapore, Singapore

State and local governments have been awarding large place-based corporate tax subsidies ('Megadeals') to tech firms to develop their local tech ecosystems. We examine whether subsidy-induced tech ecosystems impact the local accounting labor supply. Using survey data from a large sample of U.S. post-secondary institutions, we find that the number of accounting graduates (bachelor's and master's) increases following the award of Megadeals. Our result is consistent with students responding positively to the increase in demand for accountants as tech ecosystems spur economic growth and new business formation. The positive effect on accounting graduates is stronger in commuting zones where there is high growth in public firms and mergers and acquisitions. We also find that Megadeals increase the growth of accounting employment. Moreover, we find that low accounting wage growth and the 150-hour rule for CPA licensure mitigate the positive effect on accounting graduates. Finally, we find that the increase in accounting labor supply induced by Megadeals reduces the likelihood of financial misstatement. Our results suggest that developing tech ecosystems has positive spillover effects on the accounting labor market and accounting quality.

6.04: Audit Dynamics Across Global Markets
6/4/2024
12:30:00 PM - 1:30:00 PM ET
Audit Pricing and the Turnover of Board Members and Executives

Yun-Chia Yan (1), Robert Parker (2), David Manry (3), Mai Dao (4)
(1) University of Texas Rio Grande Valley-Brownsville, Mission, TX, (2) University of New Orleans, Covington, LA, (3) University of New Orleans, New Orleans, LA, (4) The University of Toledo, Toledo, OH

Purpose â€“ This study examines the association between audit fees and the turnover of board members and executives. In so doing, we seek to provide insights into the risk perceptions of auditors. Design/Method â€“ We develop a regression model of audit fees that includes board and executive turnover as explanatory variables. We use a large sample of firms with data collected over several years to estimate the parameters in the model. Findings â€“ We find that voluntary resignations of board members, and not other types of board departures, are associated with higher audit fees. Regarding CEO turnover, forced departures, and not other types of turnover, are associated with larger audit fees. CFO turnovers exhibit the same pattern. We argue that, for auditors, voluntary board turnover and forced executive turnover are signs of increased business risk of the client, which, in turn, leads to greater concerns regarding audit risk Practical â€“ We argue that a better understanding of auditor risk perceptions may benefit several groups: investors; professional rule making bodies; and regulators. Originality â€“ The association between different types of board departures and audit fees has not been previously examined to our knowledge. While a prior study has investigated the association between forced CEO turnover and audit fees, no studies, to our knowledge, have examined forced CFO departures.

6.04: Audit Dynamics Across Global Markets
6/4/2024
12:30:00 PM - 1:30:00 PM ET

Business Strategy, Market Competition, and Audit Fees: Evidence from China

Liya Hou (1), Peng Wu (2), Shan Lu (3), Ruixue Du (4)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing, (3) Southeast University of China, Nanjing, Republic of China, (4) Menlo College, Atherton, CA

We explore the relations among business strategy, market competition, and audit fees using the Chinese A-share listed manufacturing firms from 2009 to 2018. We find that cost leadership business strategies are positively associated with audit fees while differentiation business strategies are negatively associated with audit fees, and market competition reduces audit fees. We further find that when market competition intensifies, the positive relation between a cost leadership strategy and audit fees and the negative relation between a differentiation strategy and audit fees are weakened. Our results show that business strategy and market competition are both the determinants of audit fees. Additional tests suggest that the relation between strategy and audit fees is affected by marketization, implying that the relation between business strategy and audit fees varies in developing and developed economies. Our study contributes to the accounting and management literature and provides important implications.

6.04: Audit Dynamics Across Global Markets
6/4/2024
12:30:00 PM - 1:30:00 PM ET

Do Key Audit Matter Disclosures Change Financial Reporting Quality and Tone? An Empirical Analysis of Japanese Firms Applying IFRS

Masumi Nakashima (1)
(1) Bunkyo Gakuin University, Tokyo, Japan

This study examines whether KAM disclosures affect the quality of financial reporting and the relationship between earnings management and tone management for the Japanese firm applying IFRS. First, this study finds that KAM disclosures improve the quality of financial reporting. This allows management to consider KAM disclosures as a threat to discretionary behavior. Furthermore, this is consistent with the results for Western firms. Second, this study suggests that while earnings management is implemented during KAM disclosures, tone management is not implemented. Although the Japanese firms applying IFRS increased their discretionary behavior due to misunderstanding of the principles-based approach when they apply IFRS, this study provides evidence that the Japanese firms applying IFRS managers view KAM disclosures as a threat, which reduced earnings management. Second, this study finds that the abnormal accruals of IFRS-applied Japanese firms is not significantly associated with tone during KAM disclosures. This suggests that tone management may not be used to mask earnings management for IFRS applying Japanese firms.

6.05 Transforming Experiential Learning: Leveraging AI Tools for Academic Innovation
6/4/2024
12:30:00 PM - 1:30:00 PM ET
Transforming Experiential Learning: Leveraging AI Tools for Academic Innovation

Joseph Foy (1), Calvester Legister (2)
(1) CUNY School of Professional Studies, Palm Harbor, FL, (2) John Jay College of Criminal Justice, Montclair, NJ

AI tools such as ChatGPT and Gemini have received much attention in academia. Many academic conversations have focused on negative consequences, such as plagiarism and watering down academic standards. We see a positive side that, controlled under the right conditions, AI tools can enhance pedagogical soundness and robust learning experiences. Our focus is to teach participants how to use these tools to build experiential learning opportunities that align with and improve curricular learning outcomes and promote the development of employer-desired skill sets. Developing, implementing, and assessing experiential learning and skill-building opportunities have become global academic institutional priorities. Organizations such as the National Association for Colleges and Employers (NACE) have promoted experiential learning, and accrediting bodies such as the Association to Advance Collegiate Schools of Business (AACSB) require experiential learning (AACSB International 2013). The NACE and other industry leaders, such as Deloitte's Future of Work Institute (2023), have been identifying employer-desired skill sets. Experiential learning in the accounting discipline has become increasingly important. More authoritative specific mentions of elements of experiential learning in the accounting field started in 2008 with The Pathways Commission (Black 2012). In its most recent guidance, AACSB Standard 4: Curriculum states, 'The school's curriculum promotes and fosters innovation, experiential learning, and a lifelong learning mindset.' (AACSB International 2020). Gittings, Taplin et al. (2020) systematically review how accounting faculty in different schools have implemented experiential learning projects. Activities include service learning, internships, field trips, storytelling, case studies, etc. As crucial as experiential learning activities have become, they have one thing in common. They are time-consuming to develop, implement, and assess. Developing them is challenging because they must consider factors such as time constraints, program and course learning objectives, and modality. Faculty members may feel at a loss trying to figure out what activities they need their students to do and why. Faculty members may also not be well-read on experiential learning theory. Well-structured course learning objectives will help guide them to the end goal, but developing activities associated with an experiential learning project that meet course learning objectives can take a bit of creativity. Implementing them is challenging because of the effort it takes to write up a professional-looking and well-structured manual or guide that clearly instructs students what, where, when, and how to do activities. Assessing them is subjective and requires a rigorous grading rubric to achieve as equitable grading as possible. Anecdotally, experiential learning projects are incredibly time-consuming to develop from scratch. Even adopting and adapting existing ones is time-consuming. Every faculty member we have spoken to who engages in experiential learning, including ourselves, has dedicated arduous amounts of time to this process. Fortunately, using AI tools allows accounting faculty to brainstorm, develop, implement and assess experiential learning projects that align with program and course learning objectives, and achieve enhanced employer-desired skill building at a fraction of the time it takes without AI tools. Using an interactive, engaged approach with free AI tools, we propose a presentation that will effectively lead participants through activities to brainstorm achievable experiential learning project opportunities. AI's strengths and weaknesses are addressed. Participants are encouraged to use laptops or handheld mobile devices to create an experiential learning project during the presentation, export results, and later tailor it to the various course formats offered at their institutions.

7.01: Contemporary Taxation Considerations
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Capital Gains Taxes and Acquisition-Motivated IPOs

Enshuai Yu (1), Ben Yost (2)
(1) Boston College, Chestnut Hill, MA, (2) Boston College, Brookline, MA

We hypothesize that high capital gains tax rates motivate firms to go public for the purpose of making nontaxable, stock-financed acquisitions. Public acquirers have the option of offering their own stock to target shareholders in nontaxable deals; a valuable benefit when capital gains tax rates are high and one for which target shareholders are willing to accept a lower takeover price (i.e., acquirers obtain a relative discount). Employing variation in U.S. federal and state tax rates, we find that under high tax rate regimes, firms undertake IPOs earlier in their life-cycle and are less likely to withdraw announced IPOs. Internationally, private firms exhibit a greater propensity to IPO when local capital gains tax rates are high. Validation tests reveal that IPOs under high tax rate regimes are followed by a surge in stock-financed, but not cash-financed, acquisitions. One implication of our findings is that an era of historically low U.S. capital gains tax rates starting in the late 1990s may have contributed to the large documented decline in U.S. IPOs by eroding the relative advantage of being public.

7.01: Contemporary Taxation Considerations
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Firm Complexity and Tax Avoidance

Jing Wang (1), Huilan Zhang (2)
(1) Cal State University - Bakersfield, Bakersfield, CA, (2) The Pennsylvania State University Altoona, Altoona, PA

In this study, we employ a textual based measure of complexity to examine how firm complexity affects a company's tax management capacity. The 10-K based measure of complexity facilitates capturing various aspects of firm complexity which is a characteristic that was hard to quantify before. Our empirical results show that firms with a higher level of complexity have a greater tendency of tax avoidance. Our findings indicate that the complexity within a firm tends to amplify the likelihood of management engaging in tax avoidance tactics.

7.02: Contemporary Issues for the Public Interest
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Do PCAOB Inspections Induce Real Earnings Management?

Chih-jen Hsiao (1)
(1) University of Memphis, Memphis, TN

Prior research indicates that firms engage in more real earnings management (REM) following the Sarbanes-Oxley Act. This raises serious concerns regarding whether Public Company Accounting Oversight Board (PCAOB) inspections induce real activity manipulation. I investigate this question by a difference-in-differences approach, exploiting the different inspection frequencies between annually and triennially inspected auditors. The results suggest that PCAOB oversight mitigates REM by reducing misleading disclosures and enhancing auditors' and governance's REM-constraining functions. This enhancement is stronger for firms with weaker monitoring, such as smaller or less independent audit committees, non-expert auditors, or weaker bondholder monitoring. Additional analyses show that these inferences are robust to the latest data (up to 2019), entropy balancing, and parallel trend assumptions. These findings alleviate the concern that PCAOB scrutiny might cause more real earnings management.

7.02: Contemporary Issues for the Public Interest
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Employee Online Reviews and Wage Theft

Deonette Lambert (1), Nerissa Brown (2), Evans Boamah (3)
(1) University of Oklahoma, Champaign, IL, (2) University of Illinois at Urbana-Champaign, Champaign, IL, (3) University of Warwick, Lancaster, United Kingdom

The growing use of social media in recent years has made it easy to access employees' opinions concerning their firms. Recent literature finds online opinions providing relevant information that influences corporate decisions. Using a sample of over 1.9 million online employee reviews from 2008 to 2022, we examine how negative employee opinions on wages and working hours affect firm future wage theft. Specifically, we find evidence that employees' online negative opinions on wages and working hours are important in reducing future wage theft. To validate brand capital as a mechanism, we show that negative wage and working hours reviews reduce brand capital and firms with high brand capital reduce future wage theft. This relationship is more pronounced in labor-intensive firms, firms facing labor shortage risk and when current employees author the reviews. This evidence suggests rank-and-file employees use online platforms to address their wage grievances.

7.02: Contemporary Issues for the Public Interest
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Famine Experience, Cultural Values and Corporate ESG Performance

Liya Hou (1), Peng Wu (2), Lei Tan (3)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing, (3) Southeast University, Nanjing, Jiangsu

This paper examines the impact of CEOs' childhood famine experiences in China on their firms' ESG performance, analyzing 3230 Chinese companies from 2009-2021. Results show lower ESG performance in firms led by CEOs who experienced famine as children. These findings correlate with materialistic values, where early trauma influences CEOs to prioritize personal gain over corporate and societal welfare. The study also explores the role of Hofstede's cultural dimensions in amplifying the negative effects of famine experiences on ESG outcomes. It reveals that cultural traits like high power distance, individualism, low uncertainty avoidance, and short-term focus exacerbate this impact. Additionally, these experiences impair CEOs' abilities to manage current and future challenges in economic, environmental, and social realms, reducing corporate resilience and value. This research fills a crucial gap by identifying childhood famine experiences as key determinants of corporate ESG performance.

7.03: Unraveling Information Dynamics
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Does Analysts’ Information Crowd In Voluntary Disclosure?

Shibao Liu (1), Somnath Das (2)
(1) University of Illinois-Chicago, Oak Park, IL, (2) University of Illinois-Chicago, Chicago, IL

Prior literature shows that analyst coverage crowds out voluntary disclosure but there's rare evidence on the crowd-in side. This paper studies whether and how analysts' information crowds in voluntary disclosure. Using fixed effects, the instrument variable, and difference-in-difference models, we find that higher analyst coverage leads to more future voluntary disclosure (crowd-in effect of analyst coverage). More specifically, the positive relationship stems from the fact that analysts' private information measured by the prevision from Barron et al. (1998) leads to more future voluntary disclosure. The results are robust for alternative measures of analysts' information that is unavailable to managers, as well as for using RegFD as a shock setting. The crowd-in effect of analyst private information is stronger for firms with higher analyst coverage, lower information asymmetry, lower uncertainty of firm performance, lower litigation risk, and lower product market competition. The results support a crowd-out effect of higher firm-specific information and a crowd-in effect of higher macroeconomic information included in analyst forecasts. The results also suggest the mechanisms of how analysts' private information affects voluntary disclosure: a demand channel and a disciplinary channel. Finally, the results indicate that firm-specific information in analyst forecasts increases management forecast performance while macroeconomic information worsens the performance. The results suggest that analyst information has both crowd-in and crowd-out effects on voluntary disclosure and that managers might learn from analysts to make disclosure decisions.

7.03: Unraveling Information Dynamics
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Shifting Dynamics Over Time: Earnings Volatility, Special Items and Post-Earnings-Announcement Drift

Shuoyuan He (1)
(1) San Francisco State University, San Francisco, CA

This study investigates the associations among special items, earnings volatility, and PEAD (Post-Earnings-Announcement Drift) returns. We find that the relationship between special items and earnings volatility has undergone a significant change before and after 2010. Specifically, firms with no special items tended to have lower earnings volatility before 2010 but demonstrated higher earnings volatility afterwards. Additionally, our analysis reveals that both the existence and occurrence of special items are significantly associated with PEAD returns, with firms featuring special items tending to exhibit lower PEAD returns. We also decompose earnings volatility into components of operating income volatility, non-operating income volatility, special item volatility, and their covariance. Our findings suggest that the negative association between earnings volatility and PEAD return is primarily due to the volatility of special items, whereas higher operating income volatility actually leads to higher PEAD returns. More interestingly, we found that the effect of earnings volatility on PEAD returns diminished after 2010, possibly due to arbitrage following the publication of Cao and Narayanamoorthy (2012). However, as arbitragers do not fully understand the differential effects of different components of earnings volatility, while the negative effect of special items volatility was arbitraged away, they exaggerate the inefficiency with regards to operating income volatility. Taken together, these results provide evidence of shifting dynamics over time in the relationship between special items, earnings volatility, and PEAD returns, offering relevant insights for interpreting recent work on the predictive value of earnings volatility.

7.03: Unraveling Information Dynamics
6/4/2024
2:00:00 PM - 3:00:00 PM ET
U.S Political Corruption, Product Market Competition, and Real Earnings Management

Md Hasan (1)
(1) Old Dominion University, Virginia Beach, VA

This study examines how the interaction between product market competition and local political corruption affects a firm's real earnings management. Extant literature documents two opposing effects of product market competition: 'disciplining' and 'exacerbating agency problems'. It is unclear whether product market competition disciplines or exacerbates a firm's real earnings management in a corrupt environment. Using a sample of publicly listed U.S. firms from 1996 to 2021, I find evidence that firms facing increased competition in a corrupt environment engage in more real earnings management, supporting the exacerbating effects of competition. This finding is robust to using the instrumental variable approach, propensity score matching, entropy balancing technique, and alternative measures of product market competition.

7.04: Financial Reporting Dynamics: Income Statement Line Items, Presentation, and Workplace Safety
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Less is More: Lender Distraction and Workplace Safety

Shijun Xia (1), Yifei Liao (2)
(1) San Diego State University, San Diego, CA, (2) University of California-Irvine, Irvine, CA

Prior research indicates that lender monitoring can decrease workplace safety in borrowers after debt covenant violations, when lenders gain control rights over the borrowers following such violations. However, it remains unclear how lender monitoring affects borrowers in the more common scenario where there are no such violations and borrowers still retain control over their companies. In this study, we use exogenous shocks (i.e., attention grabbing events in unrelated industries in the lender's portfolio) to lender attention and investigate when lender attention is distracted, how workplace safety among borrowers with no debt covenants is affected. We find that lender distraction leads to an improvement in borrowers' workplace safety. This effect is less pronounced for borrowers in financial distress and those with high union memberships. Additionally, we explore plausible mechanisms and find that lender distraction is associated with reduced renegotiation pressure and lower workload.

7.04: Financial Reporting Dynamics: Income Statement Line Items, Presentation, and Workplace Safety
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Do Income-Statement Line Items and Their Comparability Mitigate Classification Shifting?

Lidong Cui (1), Steve Lin (1)
(1) University of Memphis, Memphis, TN

This study examines how the accounting line items reported on the income statement influence earnings management through classification shifting. Using data from the 2003-2019 period, we find that more accounting line items reported on the income statement help mitigate classification shifting. We also document that more comparable income line items among peer firms in the same industry further mitigate classification shifting. Our results remain robust when using industry adjusted income line items and controlling for discontinued operations, the materiality of income line items, potential endogeneity issues, and potential mediating effects. Taken together, our evidence supports the notion that increased information transparency, achieved through more disaggregated and comparable income line items, helps mitigate classification shifting.

7.04: Financial Reporting Dynamics: Income Statement Line Items, Presentation, and Workplace Safety
6/4/2024
2:00:00 PM - 3:00:00 PM ET
Does Income Statement Presentation Affect Earnings Management?

Steve Lin (1), Lidong Cui (1), Abhijit Barua (2), Andrew Sbaraglia (3)
(1) University of Memphis, Memphis, TN, (2) Florida International University, Miami, FL, (3) N/A, N/A

Prior research provides evidence that greater financial reporting transparency facilitates the detection of earnings management by users of financial statements. This increased risk of detection should, in turn, reduce the level of earnings management. Among various income statement formats, the multiple-step format is recognized for offering a more transparent and informative presentation of financial information (Lipe 1986; Fairfield, Sweetney, and Yohn 1996). This enhanced transparency is expected to mitigate earnings management. We test this conjecture by analyzing the association between income statement format and earnings management, with a specific focus on classification shifting. Using a sample from the 2010-2019 period, we find that the multiple-step income statement is associated with less classification shifting than either the single-step or other income statement formats. The FASB and the IASB have jointly issued several exposure drafts and conceptual frameworks to advocate for more cohesive and transparent financial statement presentation (2010, 2021, and 2023). Our findings provide direct evidence of how income statement presentation may affect the level of earnings management.

7.05 Using ESG Applications to Teach Accounting Concepts in Existing Courses
6/4/2024
2:00:00 PM - 3:00:00 PM ET

Using ESG Applications to Teach Accounting Concepts in Existing Courses

Susan Galbreath (1), Timothy Creel (2), Marcy Binkley (3)
(1) Lipscomb University, Nashville, TN, (2) Lipscomb University, Ooltewah, TN, (3) Vanderbilt University, Nashville, TN

This presentation examines using different aspects of ESG to teach accounting concepts in existing accounting courses. With limited hours in an accounting curriculum, embedding topics in existing courses is an efficient means to introduce new and emerging topics, such as ESG, without dedicating a whole course to the topic. Embedding ESG topics in existing courses allows a professor to teach principles of ESG along with accounting concepts already included in the course. Students benefit from learning about ESG in an accounting context. Examples discussed in this presentation include using ESG when covering these accounting topics: a green scorecard vs the balanced scorecard, ROI and capital budgeting, contingency accounting with cleanup costs, environmental audits, socially responsible investing, ethics, and cybersecurity.

7.06 Using Excel Add-in Solver in Managerial Accounting Classes
6/4/2024
2:00:00 PM - 3:30:00 PM ET
Using Excel Add-In Solver in Managerial Accounting Classes

Marie Gioiosa (1)
(1) Iona University, Staten Island, NY

As an accounting instructor, technology must be incorporated into the classroom (AICPA-NASBA, 2021). Since Excel has been a mainstay in accounting for quite some time, advanced Excel skills are now expected of college graduates. I find ways to incorporate advanced Excel techniques while teaching technical content. One such example of doing that is using the Excel Add-in called Solver. I implemented Solver in my junior cost accounting class and found it challenging to implement it for the first time in an upper-level class with complex datasets. As such, I decided to implement Solver in managerial accounting which is an earlier class in the curriculum to introduce it using less complex datasets. This way, by the time the students get to the upper-level class, they are already introduced to Solver and can build on what they have already learned in the prior class. In this session, I will illustrate how to use the Excel Add-in Solver while teaching a managerial accounting topic.

8.01: A Management Accounting Focus
6/4/2024
3:30:00 PM - 4:30:00 PM ET

Value Relevance of Internal Earnings Relative to Annual Bonus Targets

Eugie Lee (1)
(1) California State University San Marcos, San Marcos, CA

Prior studies examine how the use of earnings for valuation purposes is related to the use of earnings in contracting. I extend this literature by examining the value relevance of internal earnings relative to targets, a performance measure widely used in annual bonus contracts. Internal earnings relative to targets could be value relevant because they reflect boards' private information or the quality of firms' management control systems. However, any internal performance measure could also be manipulated by the board or management, which would undermine its reliability and relevance to capital market participants. Using hand-collected data on internal earnings and annual bonus targets in CEO cash bonus plans, I find that internal earnings relative to targets strongly predict annual stock returns. This effect is incremental to that of GAAP and street earnings surprises, as well as management earnings guidance surprises. Moreover, this effect is stronger for firms with more detailed disclosure about compensation contracts and with better governance. Buttressing the stock return results, I further show that internal earnings relative to targets predict future cash flows. This evidence suggests that the value of internal earnings relative to targets extends beyond its traditional role in contracting.

8.01: A Management Accounting Focus
6/4/2024
3:30:00 PM - 4:30:00 PM ET
Competitive Capital Rationing and Cost Control: Evidence from Low-Income Housing Program

Zachery (Ziqi) Ma (1), Guoyang Yang (2)
(1) University of Cincinnati, Cincinnati, OH, (2) University of Cincinnati, N/A

In capital budgeting practice, organizations incorporate competition to improve cost control and resource allocation efficiency. We investigate whether such control mechanism effectively reduces project cost. Using data from Low Income Housing Tax Credit (LIHTC) program in California, we show that developers reduce their cost bid when the funding application is more competitive. In 2020, California provided extra disaster tax credits to projects in wildfire-affected counties. Exploiting this policy as an exogenous shock that improves competition intensity, we document a significant reduction in developers' cost bid. Finally, we utilize geographic distance to represent information asymmetry and find that the effect of competition on cost reduction is significantly attenuated for projects that are close to California Tax Credit Allocation Committee (CTCAC), the monitor of LIHTC program. Collectively, our study suggests that competitive capital rationing facilitates cost control, but its effect is impaired when agents have an information advantage over the monitors.

8.02: Insights into Corporate Behavior
6/4/2024
3:30:00 PM - 4:30:00 PM ET

Does ESG Disclosure Reflect Community Engagement? Evidence from Extractive Industries in the United States and Canada

Abiodun Isiaka (1), Tendai Masaya (2), Kazeem Oladejo (3)
(1) University of Regina, Regina, SK, (2) Yale University, State College, PA, (3) Sarajevo School of Science and Technology, Sarajevo, Bosnia

Motivated by the need for firms to actively engage the communities in which they operate and the importance of providing high quality non-financial information, we examine (i) the extent to which firms utilize SASB Community Engagement (CE) disclosure standards and (ii) the quality of the CE disclosures in ESG reports. Our study sample comprises of firms operating in two extractive industries (Oil and Gas Exploration & Production and Metals & Mining) in the US and Canada. We find that, on average, firms are reporting based on SASB disclosure standards. We also find that firms with good corporate governance and firms rated highly for ESG performance have higher quality CE disclosures. We find mixed results on the association between firm financial performance and the quality of CE disclosures. While the relation is positive for Tobin's q, it is negative for ROE, and not significant for ROA. Other findings show that while CEOs mention community activities in their statements or letters in ESG reports, they do not provide details to support the mentions. Furthermore, we find that most firms provide facts about their CE activities in the ESG report.
Keywords: Community engagement; Disclosure; Sustainability; Financial performance; Corporate governance; ESG performance

8.02: Insights into Corporate Behavior
6/4/2024
3:30:00 PM - 4:30:00 PM ET

Informed Institutional Trading Before Takeover Announcements: Evidence from Target Firmsâ€™ pre-Takeover Conference Presentations

Abdullah Kumas (1), Musa Subasi (2)
(1) University of Richmond, Richmond, VA, (2) University of Maryland-College Park, College Park, MD

We examine whether access to firm executives at investor conferences enables institutional investors to identify future takeover targets. We find that during the one year preceding takeover announcements, institutional investors are significant net buyers in targets that have participated at conferences and marginal net sellers in other targets. Investors increase their stock ownership more when targets attend more conferences, larger conferences, and conferences hosted by more experienced brokers. We also document a larger net buying activity around the conference days of firms that receive an acquisition bid after the conference relative to all other conference firms that do not engage in merger and acquisition activity. Finally, targets' conferences benefit primarily large investors and have no impact on small investors' pre-takeover trades. Collectively, the results are consistent with investor conferences endowing institutional investors with superior information about likely acquisition targets.

8.03: The Public Interest in Business Behavior
6/4/2024
3:30:00 PM - 4:30:00 PM ET

An Examination of the Impact of COVID-19 on Corporate Social Responsibility and Firm Buybacks

Lois Mahoney (1), Daniel Brickner (2), William LaGore (3)
(1) Eastern Michigan University, South Lyon, MI, (2) Eastern Michigan University, Sylvania, OH, (3) Eastern Michigan University, Ypsilanti, MI

This research is one of the first studies to examine the effects of COVID-19 on firms' decisions to repurchase their own shares of stocks and whether COVID-19 affects the mediating role of CSR disclosures on CSR performance. Examining S&P 500 firms in the U.S., we find that firms purchased less of their own shares of stock during the COVID-19 pandemic compared to the three-year period immediately preceding COVID-19. Additionally, we find that COVID-19 partially affected the mediating effect of CSR disclosures on CSR performance and firm buybacks. We find that COVID-19 did affect the mediating relationship of CSR disclosures on CSR performance for the CSR dimensions of environment, social, and governance but did not affect the mediating relationship for Total CSR. This research expands our understanding of the impact of COVID-19 on the decision of firms to purchase shares of their own stock and its impact on the mediating relationship between CSR performance and CSR disclosures on the firm's decision to repurchase their own shares. Finally, it contributes to the growing literature on how CSR disclosure has a different impact than CSR performance on firm decisions and outcomes.

8.03: The Public Interest in Business Behavior
6/4/2024
3:30:00 PM - 4:30:00 PM ET

Internalizing Financially Responsible Behavior: Self-determination Among Older Individuals in the United States

Dana Wallace (1), Lisa Baudot (2), Garrison Nuttall (1), Huikun Wu (1)
(1) University of Central Florida, Orlando, FL, (2) HEC Paris, Jouy-en-Josas, France

In our financialized daily lives, individuals are expected to take responsibility for their financial futures rather than relying on state, employment, or financial institutions. As a growing segment of the global population, older individuals face questionable state resources, evolving retirement and pension systems, and other threats to financial security (e.g., market and other crises) that present challenges to meeting such expectations. Using 23 semi-structured interviews, we investigate how older individuals in the U.S. understand financial responsibility and represent their financial behaviors through their lived experiences in an increasingly financialized world. Analyzed through the lens of self-determination theory, we find that older individuals understand financial responsibility and financial behavior as tied to fundamental needs for autonomy, competence, and relatedness. In this way, our interviewees have internalized that the state, their employers, and their communities are not responsible for their financial futures. In their constitution of financial responsibility, it seems older individuals in the U.S. turn inwards and accept personal responsibility as self-determined subjects who take care of themselves (and their families) financially and are not a financial 'burden'. Individuals' understanding of financial responsibility has been socialized within the context of broader financializing trends encountered over the course of their lives.

8.03: The Public Interest in Business Behavior
6/4/2024
3:30:00 PM - 4:30:00 PM ET

Do Religious Norms Deter Private Information Trading? Evidence Using Opportunistic Insider Trading

Meena Subedi (1), Ruthi Reza (2)
(1) University of Wisconsin-Whitewater, Whitewater, WI, (2) Poole College of Management, NC State University, United States

Drawing from organizational psychology and social norms theories, our study hypothesizes and finds that local religious norms have a negative and statistically significant on opportunistic insider trading. This relationship remains robust across various model specifications, selection bias, change analysis, reverse causality, omitted variable bias, and measurement errors. The study also uses an advanced machine learning approach to further substantiate the significance of local religiosity as a predictor of opportunistic insider trading. Furthermore, our research finds that the negative effect of religious norms on opportunistic insider trading is less pronounced in firms with strong internal governance and high managerial risk aversion, which suggests that local religiosity becomes less important in certain situations. In essence, we conclude that local religiosity functions as a compensatory control mechanism, moderating the effect of insiders' rent extraction and risk-seeking motives on opportunistic insider trading.

8.04: Accounting in the International Community
6/4/2024
3:30:00 PM - 4:30:00 PM ET

Anglophone Supremacy in Global Accountancy and A Discussion on How International Candidates Can Become a Certified Public Accountant (CPA) from the United State

Recep Pekdemir (1), William Maas (2)
(1) University of Wisconsin-La Crosse, La Crosse, WI, (2) University of Wisconsin La Crosse, La Crosse, WI

This paper argues how anglophone, English-speaking countries overwhelmingly impact the global accounting profession and discusses the requirements for international candidates to become a Certified Public Accountant (CPA) in the United States. Without living abroad, many international accountants with a license or certification are nowadays Chartered Accountants (CA) of the United Kingdom or Certified Public Accountants of the United States and Territories. Thus, international candidates should know how to get one or both of those designations. In this context, this paper summarizes and documents the education requirements for international candidates who want to be licensed as a certified public accountant in the United States. National and international stakeholders, such as accounting students, accounting organizations, and regulators, may find this information useful.

8.05 Leveraging the Power of Data Analytics in the Accounting Classroom
6/4/2024
3:30:00 PM - 4:30:00 PM ET
Leveraging the Power of Data Analytics in the Accounting Classroom

Marie Lopes (1)
(1) Stonehill College, Pawtucket, RI

The advent of technology, most particularly data analytics, has clearly been disrupting the world of accounting, and business in general. While computerization is expected to lead to accounting job losses in the next couple of decades, it is also highlighting the need for accountants to educate themselves in this area. Furthermore, the very nature of accounting as a service profession, emphasizes the necessity for accountants to upskill in order to meet the mounting amount of data and related demands of clients. This need to upskill has even been endorsed by the AICPA as the CPA exam has been revised to reflect technology's and data analytics' impact. This teaching session will focus on some ways in which accounting educators can bridge this skills gap by addressing and integrating data analytics in the classroom. Attendees will learn to consider the accounting questions to answer through data analytics, as well as practical in-class applications using data analytics applied to real-world examples. This session will be presented by Mrs. Marie Solange Lopes, PhD, CPA, and Assistant Professor of Accounting at Stonehill College.

8.06 TikTok You Don't Stop: Incorporating Social Meda Outside the Classroom to Increase Engagement Inside the Classroom
6/4/2024
3:30:00 PM - 4:30:00 PM ET

TikTok You Don't Stop: Incorporating Social Meda Outside the Classroom to Increase Engagement Inside the Classroom

Nate Chang (1)
(1) University of Chicago Illinois, Chicago, IL

To reach student audiences that are more familiar, comfortable, and interested in using social media, accounting educators are being asked to use increasingly novel and complex technology in the classroom. Both the type of technology (e.g. Microsoft Excel, ChatGPT, YouTube) and the usage of it (i.e. increase efficiency, illustrate examples, categorize thought) impact our pedagogy. Through demonstration and review of TikTok content over two semesters, this presentation shows three pragmatic ways that accounting faculty can incorporate social media into their classroom lessons in order to enhance classroom engagement and learning. First, it shows increased student engagement outside the classroom. Then, it shows increased student engagement inside the classroom. Finally, it shows how relaying the relatability and importance of accounting topics increases instructor accessibility. Through these demonstrations, this presentation provides clear and actional ideas about how to use social media platforms such as TikTok, Instagram, Twitter/X to connect the accounting in the classroom and marketplace to our students outside the classroom.

9.01: Contemporary Trends in Corporate Valuation, Share Repurchases, and ESG Mergers
6/5/2024
12:30:00 PM - 1:30:00 PM ET
Does Media Exposure Deter Share Repurchases?

Enshuai Yu (1), Vishal Baloria (2), Alvis Lo (1), Susan Shu (1)
(1) Boston College, Chestnut Hill, MA, (2) University of Connecticut, Storrs, CT

Share repurchases attract increasingly negative headlines from the media. We find that media exposure is associated with a reduced likelihood and level of share repurchases. The results are concentrated during years with greater public anti-business sentiment and greater public attention on share repurchases. The deterrence effect of media exposure on share repurchases is also concentrated among larger firms and firms with greater stakeholder concerns. Media exposure additionally affects firms' voluntary disclosure of share repurchase plans: repurchasing firms are less likely to disclose a share repurchase plan. When announcing a share repurchase plan, firms also disclose a lower plan size. Finally, we find that firms with higher media exposure shift to less contentious forms of payout (i.e., dividends) but do not change total payout level. Our collective evidence suggests that media exposure deters firms' share repurchase activity.

9.01: Contemporary Trends in Corporate Valuation, Share Repurchases, and ESG Mergers
6/5/2024
12:30:00 PM - 1:30:00 PM ET
Valuation of Loss Firms: New Insights from Finite Mixture Models

Jing Fang (1), June Cheng (2)
(1) University of Central Arkansas, Creve Coeur, MO, (2) The Hong Kong Polytechnic University, Kowloon, Hong Kong

Using finite mixture models, we find that accounting losses are related to contemporaneous returns negatively for one latent group and positively for the other latent group. The negative relation concentrates in firms in the top two quintiles of contemporaneous returns, whereas the positive relation concentrates in firms in the bottom two quintiles, and the probability of a negative relation increases with price-to-value ratio estimates. Contemporaneous returns have a prominent mispricing-formation component that is positive (negative) and increases (decreases) with the degree of overvaluation (undervaluation) formed. Overall, our findings are consistent with the view that investors tend to misprice-undervalue and overvalue-accounting losses. Our findings suggest that the weak overall relation between accounting losses and contemporaneous returns also can occur because the sign of the relation between accounting losses and the mispricing-formation component switches between undervalued and overvalued firms.

9.02: Emerging Issues in Technology and Accounting
6/5/2024
12:30:00 PM - 1:30:00 PM ET

Do Retail Investors Strategically Disclose? The Disclosure Incentives on Social Media

Hao Qu (1)
(1) University of Rochester, Rochester, NY

This study examines whether retail investors strategically disclose information via social media. I leverage the introduction of iOS 14.5's App Tracking Transparency (ATT), which reduces the information processing costs for iPhone users relative to Android users. The treatment group, iPhone users, not only acquires more firm information and engages in more informed trading but also discloses less information on Twitter. These findings align with the theoretical prediction of Goldstein et al. (2023), suggesting that more informed investors are less inclined to disclose their information on social media to preserve their informational advantage. I confirm that the overall information processing and trading performance improve following the introduction of ATT. I find that each state's Google search volume for the firms is positively associated with the percentage of iPhone users in that state after ATT implementation, indicating enhanced information acquisition. Moreover, the retail order imbalance for firms with a higher proportion of iPhone users is increasingly predictive of future stock prices, suggesting more informed trading. Overall, this paper documents strategic disclosure behavior among retail investors, providing empirical evidence to the theoretical predictions regarding their disclosing decision-making.

9.02: Emerging Issues in Technology and Accounting
6/5/2024
12:30:00 PM - 1:30:00 PM ET

Which Online Programs Are in Demand: Initial Evidence from Accounting and Marketing Students

Jing-Wen Yang (1), Lan Wu (1)
(1) Cal State University - East Bay, Hayward, CA

We seek answers to the following research questions: 1) what online program attributes are attractive to college students; 2) what individual demographic variable(s) affect students' preference for different online programs? 3) how does students' academic field affect their program preference and willingness to pay for the program? Results of a survey study with 256 participants reveal that students acknowledge the importance of program concentrations and faculty qualification in online programs. Students are also willing to pay more for the programs. Additionally, regression results suggest that first-generation college students are more frugal with how much to invest in their education. Finally, although accounting students value online programs with concentrations (or taught by full-time regular faculty) more than their marketing counterparts, a larger percentage of accounting students are reluctant to pay more.

9.03: Exploring Varied Aspects of Business, Accounting and Teaching Dynamics
6/5/2024
12:30:00 PM - 1:30:00 PM ET

Pay for Performance: A Comparative Analysis of Machine Learning Models for CEO Compensation Prediction

Mahfuja Malik (1), Eman Abdelfattah (2)
(1) Sacred Heart University, Fairfield, CT, (2) N/A, N/A

We use various machine learning models to compare their performance in predicting the compensation of chief executive officers (CEOs) in US companies. CEO remuneration is determined by both financial performance metrics, such as profitability and stock returns, and non-financial factors, including environmental, social, and governance (ESG) scores. Our analysis uses nine firm performance variables and 9,177 instances spanning from 2007 to 2021 for predicting CEO compensation. We use five machine learning models â€“ k-nearest neighbors (KNN), random forest, decision tree, extra trees, and extreme gradient boosting (XGB) regressors â€“ to offer a comprehensive overview of their relative performance. Our findings indicate that the random forest and extra tree regressors exhibit the highest precision in predicting CEO compensation. On the other hand, KNN has the least prediction power among them. These insights should be valuable to top executives, board members, and compensation committees when evaluating CEO performance and determining compensation packages.

9.03: Exploring Varied Aspects of Business, Accounting and Teaching Dynamics
6/5/2024
12:30:00 PM - 1:30:00 PM ET

A Startup Company in Supply Chain Crisis Caused by Greenhouse Gas Emission Regulations

Li Zhang (1), Austin Chen (2), Jiahui Han (3)
(1) University of Illinois at Urbana-Champaign, Champaign, IL, (2) EY - Parthenon, New York, NY, (3) Syracuse University, Syracuse, NY

Abstract: 'The UAE consensus,' reached by delegates from nearly 200 countries at the COP28 climate summit in Dubai in 2023, calls for the world to move 'away from fossil fuels in energy systems in a just, orderly and equitable manner' (U.N. Climate Press Release). It acknowledges the need to phase down 'unabated' coal burning (U.N. Climate Press Release). To help understand the potential impact of the UAE consensus on fossil fuel and related industries, the authors present a case study based on actual events after China joined the Paris Climate Agreement. The case study provides insights into the multifaceted impacts of greenhouse gas emissions regulations on fossil-fuel stakeholders, unemployment, the environment, and global trade. Specifically, the case illustrates how a startup export company has pivoted in the face of unexpected supply chain disruptions caused by environmental regulations. Students practice using management accounting and Excel data analytics tools to help the CEO plan for the future as the company pivots to high-value-added products and targeted markets. Finally, the case highlights the importance of agility and resilience for entrepreneurs in a highly uncertain global economy. Key Words: Greenhouse Gas Emissions; Paris Climate Agreement; Supply Chain Crisis; Carbon Black; Rubber Black; Pigment Black; Product Mix; Contribution Margin Ratio; Multiproduct Breakeven Analysis; Sensitivity Analysis; Excel Data Analytics; Entrepreneurship.

9.03: Exploring Varied Aspects of Business, Accounting and Teaching Dynamics
6/5/2024
12:30:00 PM - 1:30:00 PM ET

Two Branches from the Same Tree: Integrating Accounting Curriculum with Liberal Arts Education through a Transdisciplinary Approach

Chaoping Li (1), Nicholas Fessler (2), Pinky Rusli (2)
(1) Skidmore College, Saratoga Springs, NY, (2) Western Kentucky University, Bowling Green, KY

The accounting education field has long grappled with persistent concerns that the traditional college curriculum excessively focuses on technical knowledge while inadequately developing students' critical thinking, curiosity, resilience, and emotional and social intelligence. This focus is increasingly problematic as automation and artificial intelligence are rapidly rendering many 'black-and-white' accounting technical skills obsolete. This has created a threat of accounting becoming outdated and accounting jobs disappearing. In this paper, borrowing from recent research on integrating liberal arts education into science, technology, engineering, math, and medicine (STEMM) education, we propose a similar integration of liberal arts into accounting through a transdisciplinary approach. A transdisciplinary approach places greater emphasis on a holistic curriculum: faculty from accounting and liberal arts can work together to build an integrated curriculum. The main purpose of a transdisciplinary approach is not simply to teach students the content of individual subject areas, but rather to help them grasp the complex realities of life outside school. This is accomplished by letting them access and combine insights from all relevant disciplines and cultivate new knowledge, skills, and viewpoints. We argue that this transdisciplinary approach can prepare accounting students to be 'robot-proof' against the tide of automation.

9.05 The ReJug Lumber Case: Step-by-Step Excel Chart Tutorials for Introductory Accounting
6/5/2024
12:30:00 PM - 1:30:00 PM ET
The ReJug Lumber Case: Step-by-Step Excel Chart Tutorials for Introductory Accounting

Wendy Tietz (1), Tracie Miller (2)
(1) Kent State University, Kent, OH, (2) Franklin University, Leander, TX

In this session, we will dive into a brand-new case about ReJug Lumber Company, a fictitious entity that manufactures plastic lumber from recycled milk jugs. The managers at ReJug are looking to gain a deeper understanding of their company's operations, and we will explore how Excel can be employed to answer a series of questions the managers have. The purpose of this case is to teach students how to create visualizations in Excel. This case includes step-by-step guides to creating and formatting a diverse range of charts in Excel, including line charts, column charts, pie charts, scatter charts, bubble charts, histograms, treemaps, and more. We also delve into the conditional formatting of charts and introduce sparklines to bring additional dimension to data narratives. We also present tips on creating visualizations in general. Finally, we go through advanced formatting techniques to enhance Excel charts. This case includes step-by-step tutorials, suggested assessment questions and solutions, and teaching tips. This case and its tutorials are designed for students in introductory accounting.

10.01: Teamwork, Effort and Knowledge: A Skillset Examination
6/5/2024
2:00:00 PM - 3:00:00 PM ET
Data Analytics with More Knowledge, Less Technology: An Instructional Case Using Excel and Critical Thinking

Jennifer Riley (1), Roopa Venkatesh (2)
(1) University of Nebraska-Omaha, Omaha, NE, (2) University of Nebraska at Omaha, Omaha, NE

We present a case developed with a veteran IS auditor, based on the practitioner's experiences with a real small business. Students assume the role of a newly hired accountant, with a mission to address the inefficiencies and control weaknesses in the outdated AIS. Through three successive tasks, students address AIS, controls, audit, and data analytics. It can be used as an in-class tool, an out-of-class assignment, or exam. A key objective is the focus on critical thinking and Excel rather than more sophisticated emerging technology. The outcome is to provide students an essential recognition of why and how to use data and systems without constraint by the specific technology. We contend that focusing too much on technology skill development contributes to predictions of the profession's demise. Rather, the primary learning outcome of the case and session is to emphasize the focus on accounting's unique competitive advantage â€“ the professional's knowledge and critical reasoning. Teaching students the fundamental 'whys' and 'hows' allows them to apply that knowledge to the tool, system, and environment encountered. The case is focused on the fundamental concepts that accountants are uniquely trained to address, such as controls, risk assessment, and evidence gathering, with a skeptical, critical mindset.

10.01: Teamwork, Effort and Knowledge: A Skillset Examination
6/5/2024
2:00:00 PM - 3:00:00 PM ET
The Value of Specialization and Teamwork for Firm Performance

Michael Shen (1), Sudipta Basu (2), Xinjie Ma (1)
(1) National University of Singapore, Singapore, Singapore, (2) Temple University, Philadelphia, PA

We study how well human capital predicts firm performance using machine learning. We argue that individual specialization and collective teamwork, the latter being the cooperation among employees with specialized knowledge, are key contributors to firm-level human capital and firm performance. By analyzing online job postings, we construct a detailed measure of firms' team-based human capital. In out-of-sample tests, our team-based human capital measure predicts future earnings better than other human-capital proxies. Cross-sectionally, team-based human capital predicts future earnings better for firms with complex tasks and effective employee communication. This systematic cross-sectional variation extends to both individual specialization and collective teamwork.

10.01: Teamwork, Effort and Knowledge: A Skillset Examination
6/5/2024
2:00:00 PM - 3:00:00 PM ET
How Does Contract Frame Impact Effort Persistence?

Dan Way (1), Kazeem Akinyele (2), Jared Koreff (3)
(1) Villanova University, Downingtown, PA, (2) University of Wisconsin Oshkosh, Oshkosh, WI, (3) Trinity University, San Antonio, TX

Prior research finds that individuals prefer bonus contracts, but that penalty contracts elicit greater initial effort due to loss aversion. However, the effects of such contracts-and mixed contracts that combine bonus and penalty incentives-on effort persistence are less understood. In an experiment, we predict and find that combined contracts induce greater effort persistence than bonus or penalty contracts. Additionally, we find this effect is greater for more narcissistic participants, which mitigates individual differences in later effort as a function of narcissism that are observed under the other contracts. Our results further suggest that combined contracts are perceived as no less fair than bonus contracts, while they may be perceived as fairer than penalty contracts. In total, our study contributes to the literature by providing insights into the longer-term impacts of contract frame on employee effort and carries valuable implications for firms seeking to optimize workforce performance.

10.02: Examining Responses to Critical Events: ESG Disclosure During the COVID-19 Pandemic, Whistleblowing Impact, and Glassdoor Metrics for Firm Evaluation
6/5/2024
2:00:00 PM - 3:00:00 PM ET

Major Crisis Events and ESG Disclosure: Evidence from the COVID-19 Pandemic

Liya Hou (1), Peng Wu (2), Yifei Zhang (2)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing

This study delves into the influence of the COVID-19 pandemic on the ESG (Environmental, Social, and Governance) disclosure practices of Chinese A-share listed firms. We find that the pandemic has led to an upsurge in ESG disclosure among these companies. Notably, this effect is more pronounced in firms grappling with greater financing constraints, weaker financial performance, and a conservative strategic approach. Moreover, our mechanistic analysis suggests that increased ESG disclosure plays a pivotal role in enabling listed companies to mitigate their financing constraints, particularly through government subsidies. This study contributes to the existing literature by shedding light on the relation between major crisis events and ESG disclosure practices. The implications of our findings extend to both corporate leaders and regulatory authorities. For corporate executives, confronting this unprecedented crisis necessitates a meticulous evaluation of costs and benefits, guiding them in making informed decisions that can bolster their organizations and foster resilience amidst adverse conditions. Recognizing the positive influence of ESG disclosure in easing financing constraints, decision-makers should judiciously determine the optimal level of ESG disclosure that can maximize their firm value. As for regulators, mitigating the pandemic's impact on the capital market demands collaboration with fiscal departments to reduce constraints across various dimensions and provide timely support to companies. This collaborative approach will accelerate companies' recovery from the crisis.

10.02: Examining Responses to Critical Events: ESG Disclosure During the COVID-19 Pandemic, Whistleblowing Impact, and Glassdoor Metrics for Firm Evaluation
6/5/2024
2:00:00 PM - 3:00:00 PM ET
Assessing the Efficacy of Glassdoorâ€™s â€˜Recommend to a Friendâ€™ Metric as a Measure of Firm Performance and Employee Satisfaction

Soonchul Hyun (1)
(1) University of North Carolina at Greensboro, Greensboro, NC

This study aims to answer two research questions. First, drawing from signaling theory, we ask if the 'recommend-to-a-friend' (RTF) indicator signals a firm's performance. Based on data collected from Glassdoor.com, comprising Russell 3000 companies, our results suggest that higher values of RTF are positively associated with firm-level performance metrics, implying that RTF can be interpreted as a non-financial performance signal. The second research question probes which specific organizational factors, once satisfied, lead to RTF behaviors that positively affect firm performance. Based on employee reviews for Russell 3000 companies collected from Glassdoor.com, we draw on social exchange theory to understand the dynamics of employer-employee relationships in shaping how an organization is perceived by employees. Our results evidence that intangible aspects of the organization like culture and values, career opportunities, senior management, and work-life balance impact RTF more strongly compared to tangible aspects like compensation & benefits. The study offers valuable theoretical and practical implications for scholars and practitioners.

10.04: Key Factors in Financial Decision-Making
6/5/2024
2:00:00 PM - 3:00:00 PM ET

Chief Executive Turnover and Accounting Information Quality

Lin Wang (1), Valerie Li (2)
(1) San Diego State University, San Diego, CA, (2) San Diego State University, N/A

Executive turnover has increased in recent years. Most studies of executive turnover focus on CEO turnover and treat each incidence of turnover independently. In this study, we consider both CEO and CFO turnover and investigate whether the frequency of chief executive turnover has distinct effects. Examining a sample of firms from the 1992 to 2021 period, we find that chief executive turnovers are prevalent, and that CFOs have a higher turnover rate than CEOs. More importantly, we find that a higher frequency of chief executive turnovers in a 5-year period is associated with poorer financial reporting quality. Specifically, we find that the frequency of chief executive turnover is negatively associated with earnings persistence and its informativeness about future cash flows, and positively associated with accrual earnings management, especially income-increasing accrual earnings management. We also find that promoting executives internally mitigates the negative effect of frequent chief executive turnover on financial reporting quality. Our results are consistent with the argument that executive turnover is disruptive to firms.

10.04: Key Factors in Financial Decision-Making
6/5/2024
2:00:00 PM - 3:00:00 PM ET

ESG Risks and Financial Statement Verification in Bank Lending

Sudipta Basu (1), Yujie Ma (1), Samuel Rosen (2), Wei Wang (3)
(1) Temple University, Philadelphia, PA, (2) Temple University, N/A, (3) Temple University, Narberth, PA

Using industry-level measures of risk and financial statement quality, we examine whether and how material Environmental, Social, and Governance (ESG) risks impact the degree of financial statement verification sought by banks in their lending processes. We document a positive and significant association between material social risks and banks' demand for unqualified audited financial statements. However, we find a negative and significant association between material environmental risks and banks' collection of unqualified statements. This relationship becomes less negative when banks anticipate more stringent environmental policies following the Paris Agreement. Additionally, we demonstrate that analysts have a positive outlook on polluting industries adopting eco-friendly practices. Collectively, our study demonstrates that banks view each ESG risk pillar differently in their lending practices.

10.04: Key Factors in Financial Decision-Making
6/5/2024
2:00:00 PM - 3:00:00 PM ET
Navigating Financials: A Case Study on Acquisition Cutover Activities

Lauri Miller (1)
(1) NA - No Affiliation, Maple Grove, MN

This case study, titled 'Navigating Financials: A Case Study on Acquisition Cutover Activities,' offers an examination of the financial implications during and after a complex corporate acquisition. Focusing specifically on the phase of Acquisition Cutover activities, the study provides an analysis of the financial decisions and challenges faced by organizations in integrating diverse and complicated financial systems and processes related to inventory and write-offs. The case study emphasizes the importance of ethical considerations, timeliness, and compliance with accounting standards in achieving financial stability and transparency.

10.05 Empowering Accounting Educators: Upskilling for CPA Evolution, Technological Advancements, and Accreditation Standards
6/5/2024
2:00:00 PM - 3:00:00 PM ET

Empowering Accounting Educators: Upskilling for CPA Evolution, Technological Advancements, and Accreditation Standards

Joseph Trainor (1), Jim Irving (2), Christie Comunale (3)
(1) St John's University, Boynton Beach, FL, (2) James Madison University, Fishersville, VA, (3) Stony Brook University, Islip, NY

Considering CPA Evolution, the dynamic shifts in the accounting profession, and accreditation standards which require accounting professors to integrate technology in all their courses, this presentation addresses the imperative for accounting professors to upskill their technology proficiency. We explore actionable strategies to equip educators with the tools and knowledge needed to effectively guide students through the evolving landscape of accounting. We will delve into tailored upskilling approaches, emphasizing the integration of cutting-edge technologies such as data analytics, accounting software, and virtual simulations into the curriculum. Attendees will discover hands-on methods to enhance their own technological proficiency, ensuring they can adeptly impart these skills to students preparing for the CPA examination and the modern accounting workplace. The presentation emphasizes collaborative learning and professional development opportunities for educators to stay abreast of technological advancements. By bridging the gap between traditional teaching methods and the tech-centric requirements of CPA Evolution, accounting professors can play a pivotal role in shaping future-ready accounting professionals. Attendees of the session will leave with a roadmap for personal upskilling, actionable insights into integrating technology into their courses, and a heightened ability to guide students towards success in the transformed CPA landscape and the technologically driven accounting profession.

10.06 How to Make Government Accounting Fun or at Least Manageable: A New and Improved Session About How to Teach Government and Not-for-profit Accounting
6/5/2024
2:00:00 PM - 3:00:00 PM ET

How to Make Government Accounting Fun or at Least Manageable: A New and Improved Session About How to Teach Government and Not-for-profit Accounting

Robert Wilbanks (1)
(1) Tennessee Tech University, Cookeville, TN

Teaching government and not-for-profit (NFP) accounting is likely not a career goal of most accounting educators unless they have experience in these fields. It is more likely that their department chair assigned them the task because no one else would do it. Research and practitioner papers have highlighted that many universities do not adequately cover government and not-for-profit accounting. However, there is a growing demand for government accounting and auditing professionals in the public sector. Whether you are an experienced teacher ready to makeover your course or a newly hired teacher prepping their class for the first time, this session is for you. I share my experiences from teaching government and not-for-profit accounting over the past ten years at the undergraduate and graduate levels. I also share tips about integrating analytics and artificial intelligence into your course.

11.01: Unveiling Corporate Sustainability Practices
6/5/2024
3:30:00 PM - 4:30:00 PM ET
The Relationship Between ESG Rating Adjustments and Corporate Financial Performance

Yun-Chia Yan (1), Li-Chuan Chou (2)
(1) University of Texas Rio Grande Valley-Brownsville, Mission, TX, (2) Department of International Business, National Taipei College of Business, Taiwan

Whether it is based on external pressure or self-interested motives, companies ultimately hope to create value for the company through engaging in ESG activities. According to the quantitative data on the sustainable development of Taiwanese enterprises provided by TEJ, after collation of this paper, it is found that from 2015 to 2021, the quantitative statistics on the sustainable development of enterprises show that about 65% of the overall ESG implementation of listed companies and OTC companies are mainly at the middle level. Therefore, under the circumstances that most companies implement sustainable development efforts with little difference, this paper further examines the marginal effect of company ESG rating changes (possibly upgrade or downgrade) on the company's financial performance. Shanaev and Ghimire (2022) pointed out that the existing literature discusses the impact of companies' ESG activities, mainly focusing on the ESG rating level of each company, while ignoring the effect of company ESG rating adjustments. In order to fill the gaps in the existing literature, in addition to studying the impact of ESG rating levels on corporate financial performance, this paper further examines the impact of ESG rating changes on the marginal value created by corporate financial performance. At the same time, we use a quantile regression method proposed by Koenker and Bassett (1978) to examine whether companies with different levels of financial performance have a non-uniform relationship between engaging in ESG activities and the value created by the company.

11.01: Unveiling Corporate Sustainability Practices
6/5/2024
3:30:00 PM - 4:30:00 PM ET

Social Media Attention and Corporate Greenwashing

Liya Hou (1), Peng Wu (2), Jieyu Ren (3)
(1) St. Cloud State University, Saint Cloud, MN, (2) Southeast University, Nanjing, (3) Southeast University, N/A

This study examines the effect of social media attention on corporate greenwashing using a sample of Chinese A-share listed firms from 2011 to 2021. We find that social media attention increases corporate greenwashing, and the effect is more pronounced for firms with negative financial performance and those with violations, supporting the pressure hypothesis. Drawing on fraud triangle theory, which considers the interplay of pressure, opportunity and rationalization, we also find that the pressure effect is more pronounced for firms with higher CEO power, greater information asymmetry, as well as firms located in regions with a gambling culture and non-state-owned firms. This indicates that firms are more inclined to greenwash when they perceive an opportunity and can rationalize this behavior. Furthermore, heterogeneity analyses demonstrate that the pressure effect is more significant for firms located in regions characterized by higher marketization, firms operating in non-heavily polluting industries, and those that do not provide assured non-financial reports. This study contributes to the literature on the role of social media and determinants of corporate greenwashing, providing important implications for firms' sustainable development.

11.02: Influences on Financial Reporting
6/5/2024
3:30:00 PM - 4:30:00 PM ET

Government Spending and Financial Statement Verification

Sudipta Basu (1), Joon Hong Kim (1), Samuel Rosen (2), Wei Wang (3)
(1) Temple University, Philadelphia, PA, (2) Temple University, N/A, (3) Temple University, Narberth, PA

We examine the impact of government spending on the degree of financial statement verification by banks. Using a wide sample of financial documents collected by banks, we document that the degree of verification varies systematically with government spending. We find that banks apply less rigorous verification procedures for firms in industries that receive higher levels of government spending. We also observe that banks decrease (increase) their degree of verification in response to an increase (decrease) in government spending, which suggests that banks respond and adjust their verification procedure in accordance with changes in government spending. Finally, we find that the impact of government spending is more pronounced when it involves fixed-price contracts and when industries experience less inflation. Collectively, our findings underscore the substantial influence of government spending on lending markets, signifying a shift in the behavior of loan officers.

11.02: Influences on Financial Reporting
6/5/2024
3:30:00 PM - 4:30:00 PM ET
The Relevance of Peer Information for Private Firms: Evidence from a Field Experiment

Maximilian Muhn (1), Jeppe Guldberg Christoffersen (2), Michael Minnis (1), Thomas Plenborg (3), Morten Seitz (4)
(1) The University of Chicago, Chicago, IL, (2) Copenhagen Business School, Howitzvel 60, Denmark, (3) Copenhagen Business School, 2000 Frederiksberg, Denmark, (4) Copenhagen Business School, Frederiksberg, Denmark

Do firms know how well or poorly they are performing? In this paper, we examine the role of peer information on firms' self-assessed performance using a field experiment with more than 4,500 private firms in Denmark, where financial information is publicly available for all limited liability firms. In the experiment, we randomly provide treatment firms with aggregated information on key financial metrics of their industry peers. Relative to a set of control firms that did not receive this peer information, we find a notable shift in firm satisfaction with their own performance post-intervention. Treatment firms emphasize their relative performance instead of absolute performance. We also show that treatment firms fixate less on the zero-earnings benchmark when assessing their own performance, suggesting that the absence of an appropriate benchmark might underlie the zero-earnings discontinuity observed for private firms. Taken together, our results suggest that the underutilization of peer financial information among private firms can lead to skewed performance perceptions, potentially offering an explanation for the observed dispersion in productivity across firms within similar industries. Furthermore, the results suggest that public disclosure does not ensure the full utilization of information and still leaves private firms using simple heuristics to assess their own performance.

11.02: Influences on Financial Reporting
6/5/2024
3:30:00 PM - 4:30:00 PM ET

Missing R&D and Creditor Rights

Carlos Acuna Silva (1)
(1) University of Michigan, Ann Arbor, MI

The non-reporting of R&D expenses in financial statements is a common practice among public firms worldwide, potentially distorting key firm and country metrics. In this paper, I examine the effect of creditor rights on the likelihood of R&D expenses being undisclosed (or 'missing'). I find that firms are more likely to have missing R&D expenses after an exogenous increase in creditors' ability to recover collateral during bankruptcy. This effect is more pronounced for patenting firms and is not due to reduced R&D or disclosure quality. Instead, my findings suggest that stronger creditor rights, by facilitating access to finance, reduce the need to disclose strategically sensitive R&D expenses information for obtaining financing. These expenses appear to be shifted to SG&A expenses. Overall, my findings indicate that the reporting (and therefore the measurement) of R&D expenses is greatly influenced by both their strategic value and creditor right laws.

11.05 Financial Statement Consolidations: A Comprehensive Excel-Based Project
6/5/2024
3:30:00 PM - 4:30:00 PM ET
Financial Statement Consolidations: A Comprehensive Excel-Based Project

Ryan Seay (1)
(1) Belmont University, Nashville, TN

While teaching financial statement consolidations can be challenging due to the inherent difficulty of the material, perhaps the biggest issue faced by instructors is the time required to adequately work through a single consolidation problem. This often leads to less comprehensive coverage in the form of omitted topics or the use of shorter, unrealistic examples (e.g. a single subsidiary, one reporting date, etc.). As a result, students often fail to sufficiently understand the overall consolidation process, especially when considering multiple time periods. This proposal includes a customizable Excel-based consolidation project that can be used over the course of a semester in a graduate financial accounting course (e.g. Advanced Accounting). This project was created to provide students with a more realistic and comprehensive look at the consolidation process. The project consists of three parts: an information sheet with financial data about the related companies, an Excel solution file for instructors, and an Excel template for student responses. The flexible nature of the project allows instructors to easily change inputs to match their individual goals and objectives in teaching consolidations. Furthermore, it is extremely easy to modify inputs for use in subsequent semesters. Using the provided Excel template, students are required to complete financial statement consolidations with multiple subsidiaries at several reporting dates. In preparing the consolidations, students must use foundational Excel skills such as linking cells across sheets, incorporating functions where applicable (e.g. VLOOKUP), and applying conditional formatting to highlight potential errors (e.g. when the investment balance is not completely eliminated in consolidation). Despite the project's difficulty and significant time commitment, students have routinely commented about its usefulness and how it greatly enhanced their overall understanding of the consolidation process.

11.06 Empowering Community Small Businesses through Accounting Service-Learning Projects
6/5/2024
3:30:00 PM - 4:30:00 PM ET
Empowering Community Small Businesses through Accounting Service-Learning Projects

Fernando Parra (1)
(1) California State University Fresno, Fresno, CA

Workshop Description This presentation will demonstrate how the implementation of service-learning projects in accounting courses can have an impact on the economic development of our communities based on my experience at an AACSB-accredited university. Attendees will learn how service learning can help students reach the learning objectives of their upper-level accounting courses. This will provide insight into the benefits, best practices, risk-management issues, and teaching strategy that will enhance the students' learning while empowering small businesses in partnership with technical assistance centers in the community. Accounting Service Learning as a High-Impact Practice for Students and an Economic Development Engine for the Community Service learning offers a valuable experiential learning opportunity for accounting students, enabling them to directly apply classroom knowledge to real-world community projects while cultivating ethical and professional competencies (Bee et al., 2021; Calvert et al., 2011). By pairing students with CDFIs and small business technical assistance centers, students can solidify accounting concepts, developing them into effective professionals while supporting small businesses navigate the regulatory environment. This can result in better outcomes for small businesses, including formalization of their financials, higher access to capital, and a more robust economic community. Workshop (30 to 45 minutes)