1.02: Regulatory Impact on Corporate ESG Behavior
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The Real Effects of Disclosure on Diversity: Evidence from the Canada Business Corporations Act

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We examine the impact of a 'diversify-or-explain' disclosure mandate implemented by the Canada Business Corporations Act (CBCA) in 2020 on corporate leadership diversity. The mandate requires that firms registered federally under the CBCA either set diversity policies and targets for the boards of directors and senior management or explain why they have not done so. Based on manually assembled rich dataset, we first provide descriptive evidence of the diversity trends of public firms in Canada. Using firms registered provincially (non-CBCA) as a control group, our difference-in-differences estimations reveal that the mandate is associated with an increase in diversity on boards and among senior management. The effect is concentrated among firms that comply by disclosing their diversity policies and targets. Further analyses show that the effects are partly attributed to increased shareholder monitoring through director elections and board renewal mechanisms. Overall, these findings contribute to the current policy debate by showing how a flexible comply-or-explain form of regulatory intervention can promote shareholder conversations and improve corporate diversity.

1.02: Regulatory Impact on Corporate ESG Behavior
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The Effect of Expected Shareholder Litigation on Corporate ESG Reporting: Evidence from a Quasi-Natural Experiment

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We examine the relation between expected shareholder litigation and the issuance and tone of ESG reports. We do so by exploiting a U.S. Supreme Court ruling (Morrison v. National Australia Bank Ltd) that exogenously reduced expected litigation costs for non-U.S. firms that trade on both U.S. and non-U.S. exchanges (i.e., U.S.-cross-listed foreign firms). The Morrison ruling eliminated the ability of investors who purchased shares on non-U.S. exchanges to seek damages in U.S. courts under Section 10(b) of the Securities Exchange Act of 1934. We document that after the ruling, U.S.-cross-listed foreign firms were less likely to issue ESG reports, and for those firms continuing to provide reports, the tone was more optimistic. Our cross-sectional analysis suggests that the ruling's effect on the issuance and tone of ESG reports is stronger among U.S.-cross-listed foreign firms headquartered in countries where shareholder lawsuits are more difficult and where social norms toward ESG issues are weaker. As stakeholders' demand for ESG reporting continues to grow, and as litigation related to ESG reporting increases, our study provides important evidence of the effect of expected shareholder litigation affects ESG reporting.

1.02: Regulatory Impact on Corporate ESG Behavior
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Green Transition and Information Verification Costs

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This paper examines whether and how the green transition affects the information verification costs of firms in high-polluting industries. Utilizing the implementation of the Green Audit of Outgoing Officials (GAOO) policy in China and relying on difference-in-differences analyses with firm fixed effects, we find that audit fees of firms in high-polluting industries significantly decrease when the economy transits toward green. We provide evidence for two channels: (1) Auditors rely on heightened governmental monitoring and reduce their efforts; (2) Firms in high-polluting industries improve their environmental performance, which leads to lower client risks. Additional analyses show that reduced audit fees are not accompanied by a deterioration in audit quality and there is no evidence that treatment firms switch to lower-priced auditors. Overall, our study indicates that the green transition can reduce the information verification costs of high-polluting firms.

1.03: Audit Quality Oversight
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National Audit Oversight and Foreign Investment
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This study examines the relation between national audit oversight and portfolio holdings by foreign investors. Using a difference-in-differences design that exploits the staggered establishment of public audit oversight bodies (POBs) across countries, we find that after a country establishes a POB, the country attracts more foreign portfolio investment (FPI). More specifically, our results suggest that foreign investment increases by approximately $500 million per investing country, on average, after POB establishment. We find that our results are partially attributable to increased perceived investor protection associated with POBs, in addition to lower information risk attributable to higher audit quality. Our study provides evidence of real economic effects of the establishment of international POBs, which adds to the literature on auditor oversight and to the broader literature on economic consequences of regulation. These findings should be of interest to international regulators and capital market participants.

1.03: Audit Quality Oversight
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Holding Foreign Countries Accountable Act (HFCAA) and Financial Statement Audits: Early Evidence

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The goal of this study is to provide some early evidence on the Holding Foreign Country Accountable Act (HCFAA) applicable to foreign firms cross-listed in the U.S. In the wake of reported difficulties in accessing foreign firms' audit documents by the PCAOB, the SEC enacted the HCFAA, which bans trading of foreign securities in the U.S. market after two consecutive years of non-compliance. Our results show that auditors increase the audit effort (i.e., higher fees and longer audit lags) after the HFCAA. Managers increase the discussion of the firm's audits during their conference calls, but their language becomes more vague. These findings are observed for Chinese firms but not for the other foreign firms. These results suggest that Chinese auditors are pricing the greater audit risk and the managers are more careful in their discussion of the sensitive audit matters.

1.03: Audit Quality Oversight
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Audit Regulation and Debt Financing: Evidence from PCAOB International Inspections
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We examine the effect of U.S. audit regulation on non-U.S. listed firms' choice of debt financing by exploiting the staggered introduction of the Public Company Accounting Oversight Board's (PCAOB) auditor regulatory oversight of foreign audit firms from 2005 to 2016. We find that non-U.S. clients of auditors subject to PCAOB international inspections increase their propensity to issue public debt (i.e., bonds) rather than private debt (i.e., bank loans) and these clients enjoy a significantly lower cost of bonds relative to the cost of bank loans. We also find that (1) the effect of ex ante threat to auditors dominates the ex post effect of inspection reports for clients of the inspected auditors, (2) PCAOB international inspection access affects loan contracts by encouraging fewer and loosened covenants, and (3) the impact of PCAOB auditor regulatory oversight depends on the home country's institutional mechanisms that mitigate the agency costs of debt. Collectively, these results suggest a spillover effect of U.S. audit regulation to non-U.S. listed firms on a firm's choice of debt instruments, cost of debt financing, and the private debt contract design.

2.02: Key Audit Matters
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Critical Audit Matters and Culture
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Prior research has called for the need to investigate how national cultural values can affect accountant's interpretations of accounting standards (Doupnik and Riccio 2006). We address that call by examining the relationship between national culture and the disclosure of critical audit matters (CAMs). Specifically, we examine how culture is associated with the disclosure of CAMs for non-US audit firms and how culture influences the external audit report. We focus on the audit report because it serves an important monitoring function in instilling credibility, trust, and confidence in the financial statements of emerging and international entities. We find that the number of CAMs reported is significantly associated with Hofstede's (2001) cultural dimensions as is the readability of the audit report. These findings should be of significant interest to the PCAOB as it broadens its oversight across international borders.

2.02: Key Audit Matters
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Unveiling Informative Value in Key Audit Matters: The Importance of Dissimilar Risk Disclosures

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Despite substantial global efforts to implement Key Audit Matters (KAMs) for about a decade, ongoing discussions surround the extent of its informative content with most archival papers finding no informative value in KAMs. We complement this literature by providing granular analyses of KAMs' content. We examine the informative value of differences in the wording of KAMs for the same topic. Using a sample of listed client firms in the United Kingdom, we hypothesize and find that auditors' risk disclosures are informative only if they provide dissimilar information in two dimensions simultaneously: compared to both (a) the previous year and (b) industry peers. We further show that KAMs explain 0.3% of the stock price reaction at the annual report release date and about 40% of the KAMs are informative. Our results are stronger when all the audit committee members are independent and when investors face greater information asymmetries. This paper has implications for auditors and standard setters by providing evidence that temporal and cross-sectional variations in KAMs provide valuable information.

2.02: Key Audit Matters
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Do Accounting Standards Affect Audit Matters? Evidence from Twin Firms

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We investigate the effect of accounting standards on the reporting of audit matters holding fixed the underlying transactions. Specifically, we study U.S.-listed firms that are domiciled in the European Union (EU) and therefore must report key audit matters (KAMs) to their home-country securities regulator and critical audit matters (CAMs) to the U.S. Securities and Exchange Commission (SEC). While the EU requires that these firms report consolidated financial statements using International Financial Reporting Standards (IFRS), some of them report two separate annual reports each fiscal year, one with KAMs based on IFRS and the other with CAMs based on U.S. Generally Accepted Accounting Principles (U.S. GAAP). These firms with twin financial statements allow us to document differences between KAMs and CAMs due to differences in IFRS and U.S. GAAP. We show that these twin firms report more KAMs and differ in word count and sentiment, consistent with IFRS permitting more discretion. Because we are concerned that expanded audit reporting is affected by auditing standards per se or that their implementation could lead to differences between KAMs and CAMs, we perform sensitivity tests in which firms with twin financial statements are benchmarked against those that report KAMs and CAMs using the same accounting standard, IFRS.

2.03: Opportunism in Firms' Disclosure Strategies
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Entrusted Lending and Accounting Conservatismâ€”Evidence from Chinese Listed Nonfinancial Lenders

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Our study examines the effect of entrusted lending on listed nonfinancial Chinese lenders' accounting conservatism. We employ the instrumental variable approach as well as difference-in- difference to adjust for endogeneity. In addition, we perform a placebo test, entropy balancing, and propensity score matching to identify suitable control samples. We find that nonfinancial Chinese lenders engaging in entrusted loans are more inclined to employ aggressive (i.e., less conservative) accounting compared to non-lenders, based on different measures of conservatism and a variety of specifications, in a sample period from 2003 through 2020. The negative effect of entrusted lending on accounting conservatism is more pronounced for lenders with lower analyst following, lower management shareholdings, and looser monetary policy, whereas this negative effect disappeared following implementation of the Administration Measures on the Entrustment Loans of Commercial Bank in January 2018. Further, we document that nonfinancial lenders of entrusted loans with guarantee or early repayment clauses tend to use less aggressive (i.e., more conservative) accounting than lenders of loans without such clauses. Significantly, nonfinancial lenders of unaffiliated loans tend to use less aggressive (i.e., more conservative) accounting than lenders of affiliated loans do. Our findings are consistent with our conjecture that, unlike affiliated lenders, unaffiliated lenders lack good investment opportunities in their main businesses and thus may use conservative accounting to signal stricter screening of borrowers to improve loan quality. Our study extends the debt contracting theory of accounting conservatism and provides indirect empirical evidence for the contract theory of accounting conservatism in the shadow banking setting.

2.03: Opportunism in Firms' Disclosure Strategies
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Shareholderâ€™s Ratification of Financial Statements: Does Earnings Quality Play a Role?
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Utilizing a novel setting where shareholders are provided an opportunity to vote on the adoption of annual financial statements, this study examines the relationship between shareholders' voting outcome and the quality of reported earnings based on data of institutional and retail shareholders' votes at over 3,300 general meetings in Indian firms. The results indicate that the percentage of dissent expressed by institutional shareholders is inversely related to the quality of earnings of firms. In contrast, retail shareholders' dissent is influenced by firm's financial performance. In additional tests, we find that the negative relationship between earnings quality and institutional dissent is concentrated in firms that are; younger by listing age, have a low market-to-book ratio, characterized by high stock return volatility, and have foreign institutional shareholding. Further, the results indicate that institutional dissent results in superior earnings quality in the year subsequent to the dissent.

2.03: Opportunism in Firms' Disclosure Strategies
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Corporate Social Media Disclosure Strategies: The Perspective of Impression Management

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Using Weibo data of Chinese A-share listed firms from 2010 to 2019, we examine firms' disclosure strategies on social media based on impression management theory and find that firms with declining performance are more reluctant to disclose earnings information and are less likely to disclose earnings information containing quantitative number, net profit metrics and comparable performance information on social media, compared to firms with improving performance. The results indicate that firms maintain or enhance a positive image by selectively disclosing or highlighting positive information. Additional analysis demonstrates that the use of these strategies is more pronounced for firms with more management ownership, fewer analysts following, and less investor attention, which is consistent with impression management theory. Our study contributes to the literature on both impression management and social media and has implications for investors and governments.

3.02: The power of connections: impact on operations and reporting quality
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CEO Network Connections and Real Earnings Management: International Evidence
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This study investigates whether CEO network connections influence non-US firms' decision to manage earnings upward with the alteration of real operating activities, as well as the future operating performance of the firms, for the period of 1998-2017. We find that 'more connected' CEOs are less likely to induce the firms to alter real activities to manage earnings upward and the results are robust with the use of different regression models. The additional empirical findings demonstrate that the negative effect of CEO network connections on the level of real earnings management used in a firm is stronger in the countries with lower country-level governance quality. We also empirically decompose the effects of CEO network connections into the informational and reputational effects and find that the informational effect positively contributes to the negative effect of CEO network connections on the level of real earnings management used in a firm. Further analysis unveils that, compared with the level of real earnings management activities used in other firms, the ones used in the firms led by 'more connected' CEOs are associated with better future operating performance of the firms. Overall, our results suggest that CEOs network connections have a positive impact on the informational environment and operating performance of the non-US firms.

3.02: The power of connections: impact on operations and reporting quality
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Tribal Affiliations, Political and Government Positions of Directors and Accounting Quality in Kenya
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Research in international accounting is replete with studies on the relationship between the formal institutional features of company directors and the accounting quality of companies. However, only a limited amount of research has examined the relationship between informal institutional features of directors and accounting quality. Amongst these, studies mainly examine the influence of macro-level features, such as the culture and religion of directors or countries, which are not necessarily indigenous to the context in which the relationship is examined. This study examines the association of an informal institutional feature of directors that is indigenous to its context, i.e., the tribal affiliations of directors. The purpose of this research is to study the association between tribal affiliations of individual directors and the accounting quality of companies listed on the Nairobi Securities Exchange (NSE), Kenya. The study uses earnings quality as a proxy for accounting quality and hand-collected director-level details of 860 directors representing 97% of the companies listed on the NSE to identify directors' tribal and political affiliations and other attributes. It then evaluates the relationship between tribal connections and the earnings quality of the companies. The results show that while tribal affiliations have an adverse relationship with earnings quality, this relationship is reversed for directors who hold or have held parliamentary and government positions. These results suggest that tribal kinship could have an adverse influence on the transparency of the firms, but when the members of the board are also politically connected or have significant government affiliations, they have a positive influence on transparency. The likely reason for the latter is the public scrutiny of elected political offices and the better professional standards of current or former government officials. This study has implications for understanding the influence of indigenous directors on the boards of companies in a developing country on the quality of accounting information those companies produce.

3.02: The power of connections: impact on operations and reporting quality
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Intergenerational Inheritance, Political Connections and Innovation Activities of Family Firms
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The literature has documented the effect of political connections built by firms on their innovation activities. However, few have investigated whether intergenerational inheritance would affect political connections and hence their innovation activities. Using the unique emerging markets of China where family firms have entered a peak period of handover and inheritance in recent years, we examine whether the resignation of the founder of the family business and the taking over of the successor will significantly affect political connection and innovation activities of the family business. The results show that the political connection constructed by predecessors would negatively affect innovation activities, while those constructed by successors would positively affect innovation activities. The negative impact of the predecessor's political connections on firm innovation activities exists only when a family business enters intergenerational inheritance. Such a negative impact mainly exists in the early stage of intergenerational inheritance (preparation stage). Our findings have implications for the strategic planning of the top management of family firms entering intergenerational inheritance.

3.03: Accounting Terminology Standardization and Accounting Comparability
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The Standardization of Accounting Language
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The communication of accounting information requires a special vocabulary, and, in specialized languages, standardization is a key to clear communication. We provide the first large-sample evidence on the level, determinants, and implications of accounting terminology standard-ization for a global corpus of annual reports written in English, the lingua franca of capital markets. Three main takeaways emerge from our analyses. First, we describe the use and properties of ac-counting terminology and find that cognitive and dialectal causes (e.g., accounting systems and English proficiency) are the most important drivers of terminology standardization. Second, the adoption of a new reference framework of accounting terms or tags (i.e., the introduction of IFRS and XBRL) increases standardization but conceals linguistics-related heterogeneities. Third, ter-minology standardization is negatively associated with both the incompleteness within and differ-ences across accounting databases, consistent with the idea of standardized language being instru-mental for users in extracting accounting information and reducing information processing costs.

3.03: Accounting Terminology Standardization and Accounting Comparability
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Accounting Comparability and Regulatory Decision-Making: Evidence from Chinaâ€™s Approval-Based IPO System
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This study examines the importance of accounting comparability in the review of initial public offering (IPO) applications within China's approval-based IPO system. We find that IPO applicants reporting accrual amounts that are more comparable to those of public industry peers face fewer regulatory inquiries regarding potentially abnormal accounting practices. Furthermore, our results reveal a positive relation between an applicant's accounting comparability and the likelihood of obtaining IPO approval. The impact of accounting comparability is more pronounced in the approval process when the applicant's economic fundamentals are more difficult to assess. However, we find that accounting comparability becomes irrelevant for the approval decision when the applicant has political connections. Further analyses demonstrate that approved applicants with higher accounting comparability experience less IPO underpricing and exhibit stronger post-IPO performance compared to those with lower accounting comparability. Overall, we provide new evidence on the value of accounting comparability in the regulatory decision-making process.

4.01: Experimental and Exploratory Research
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Explaining Job Performance Among Professionals at a Global Audit Firm: A Multi-Country and Multi-Office Study in Latin America

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The audit industry is a large global service industry. Like other service firms, it depends on the performance of its employees to succeed. This paper examines factors that affect the job performance of 778 auditors from a global audit firm in four Latin American countries. It finds that emotional intelligence and country of origin significantly explain job performance. It further finds that gender, education, and firm rank affect composite performance ratings. Comparable results are found in each of the sub-dimensions of performance. The study fills important gaps in our knowledge of Latin American perspectives, the cross-national efficacy of emotional intelligence, and additional factors that affect performance in the audit industry. It also discusses the implications for future plans to improve audit quality and the need to reevaluate the current one size fits all global audit control systems.

4.01: Experimental and Exploratory Research
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Institutionalization of Accounting in the Brainâ€"Perspectives of Neuroaccounting
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One of the current trends in the American accounting community is the idea that, in a world where economic rationality does not prevail, corporate society can be well managed only by relying on institutionalized accounting. Sunder et al. argued for such institutionalization based on contract theory, and Basu and Waymire et al. developed this idea as neuroaccounting1. They pointed out that institutionalization takes place in the brain, thus reflecting the brain structure (system). Also, the specific brain regions can be identified using prior neuroscience research. Furthermore, they argue, based on EO Wilson's theory (epigenetic rule), that this specific structure (system) of the brain may be inherited through non-genetic means. They posit that this has contributed to centuries of trial-and-error and evolutionary institutionalization of the accounting system. In contrast, we have found in brain experiments that the activation of the left supramarginal gyrus underlies Adam Smith's 'invisible hand' and Hayek's institutionalization of norms and institutions based on trial-and-error. In addition, we present the results of several neuroaccounting brain experiments.âˆ—Ã

4.01: Experimental and Exploratory Research
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What Influences the IFRS? A Content Analysis of the IASB's Bases for Conclusions
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Despite the global relevance of the International Financial Reporting Standards (IFRS), current knowledge about the factors influencing these standards is limited. Particularly, there is no empirical study that tries to capture all factors holistically. This study aims to close this gap by analyzing the Bases for Conclusions of the most recent IFRS standards using content analysis. Thereby, a holistic categorization of influencing factors was developed, consisting of three main categories: 'environmental factors', 'stakeholder influence', and 'IFRS Foundation and International Accounting Standards Board (IASB)'. The results reveal a lack of transparency regarding the consideration of auditors' and standard setters' influence by the IASB and show a strong incentive for users to lobby, especially on disclosure topics. Moreover, important gaps to be addressed by future research are identified. Accordingly, this study contributes to the literature by enhancing the current understanding of IFRS standard setting and by providing implications for research and practice.

4.02: Economic Significance of Financial Information in Various Business Contexts 1
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Information Transmitting Ability of Risk Disclosures: Moderating Effects of Readability of Risk Disclosures

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Abstract: This study investigates the associations of count number of sentences of risk disclosures with actual corporate risks and cost of equity capital. In respect of annual stock return volatility, we find that profit firms with lower volatility tend to provide higher level of financial risk sentences and hazard risk disclosure sentences. In the aspect of the sales volatility, loss firms with lower volatility tend to provide higher level of strategic risk sentences. As to cost of equity capital, we find that loss firms bearing lower cost of equity capital tend to provide higher level of financial risk sentences, while profit firms bearing lower cost of equity capital tend to provide higher level of operational risk sentences. We also explore the possible moderating effect of Fog Index of readability and find that, except for the loss firms about financial risk sentences and profit firms about operational risk sentences under the issue of cost of equity capital, the moderating effect of Fog Index of readability weakens the associations of count number of sentences of risk disclosures with actual corporate risks and cost of equity capital. Keywords: annual report readability; corporate risk disclosure; cost of equity capital.

4.02: Economic Significance of Financial Information in Various Business Contexts 1
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The Effect of the Economic Growth, Regulatory Relief, and Consumer Protection Act on Community Bank Mortgage Loan Outcomes

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This study examines the effect of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) of 2018 on community bank residential home mortgage loan outcomes, including loan application approval rates, pricing, and subsequent sales. Section 101 of the EGRRCPA relaxed existing mortgage lending rules for banks with fewer than $10 billion in total assets. This provision created a new compliance option for mortgage originators who hold the loans in portfolio. Proponents of the law argue that community banks were disproportionately affected by the Dodd-Frank Act of 2010 and welcomed the exemptions provided by the EGRRCPA. However, especially in the aftermath of the recent bank failures of Silicon Valley Bank and Signature Bank, some prominent policymakers have criticized the merits of the 2018 deregulation. Using an upgraded difference-in-differences design, my study provides empirical evidence on whether the EGRRCA improved access to credit for mortgage loan applicants through the mortgage approval, interest pricing, and secondary market channels. Overall, I find mixed evidence that the law increased the availability of credit for prospective home buyers. While community banks appear to approve mortgages at a higher rate, charge customers relatively lower interest, and sell more loans on the secondary market, the effect is less pronounced for smaller community banks and for loan applications collateralized with properties located in lower-income census tracts.

4.02: Economic Significance of Financial Information in Various Business Contexts 1
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Mandatory XBRL Adoption of Non-U.S. Firms Cross-Listed in the U.S.

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We study U.S. cross-listed non-U.S. firms' mandatory XBRL adoption in 2017 report several key findings. This issue is of interest to investors and regulators alike considering continued concern about the non-U.S. firms' reporting practices. First, the way in which non-U.S. firms use XBRL systematically differs from that of U.S. firms â€“ non-U.S. firms use less standard tags and more extension tags. Nonetheless, SEC's comment letter issuance to non-U.S. firms decreases after 2017, suggesting the XBRL adoption decreased the regulator's monitoring cost. Finally, non-U.S. firms' XBRL adoption entailed some observable capital market benefits. Overall, even though non-U.S. firms' application of XBRL involve significant use of extension tags, the mandate appears to have contributed to lower information process costs for regulators and investors.

4.03: Determinants and Consequences of Corporate ESG Performance
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Employee Accidentsâ€™ Determinants and Association with Assurance: International Evidence from the Oil and Gas Industry

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In this study, we focus on one demonstrable outcome of poor environmental, social, and governance (ESG) practices of a firm: employee accidents. Specifically, we examine whether a firm's occupational health and safety (OHS) system is associated with its level of employee accidents, and whether accidents are associated with the firms' decision to assure their sustainability reports. Additionally, we assess whether these associations are stronger in the case of ethically controversial firms. Our sample encompasses 158 distinct oil and gas production firms from 15 countries. There are three main results. First, oil firms with an OHS system report a significantly lower number of employee accidents, and this association is particularly relevant for ethically controversial firms. Second, firms experiencing accidents are more likely to seek assurance for their sustainability reports, a result that we also find when considering the choice of a Big 4 firm as the assurer. Third, when accidents occur, ethically controversial firms are significantly more likely to seek assurance, possibly for legitimization purposes.

4.03: Determinants and Consequences of Corporate ESG Performance
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Does ESG Create Shareholder Wealth? Global Evidence from Mergers and Acquisitions
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Corporations increasingly factor ESG issues into mergers and acquisitions (M&A) decisions, according to our analysis of more than 4,000 M&A conference call transcripts. Such ESG deals are more likely to be initiated by bidder firms that operate in the oil and gas, mining, and utilities industries (collectively the OMU industries), emit larger amounts of greenhouse gases per sales dollars, and have higher ESG ratings. Although ESG deals perform no better than non-ESG deals on average, ESG deals in which the bidder firm operates in the OMU industries do: the abnormal deal announcement returns for OMU bidders average 3.3 percent over the [-1, +1] window and 10.6 percent over the subsequent [+2, +60] window. We also report large improvements in the combined entity's operating performance three years after the completion of ESG deals. ESG deals' wealth effects strengthen for vertical integrations in which OMU bidders acquire supply chain partners, and when ESG topics are discussed in both the presentation and the Q&A parts of the M&A conference calls. Institutional investors' demand for ESG cannot explain the results.

4.03: Determinants and Consequences of Corporate ESG Performance
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CEOsâ€™ Experience of the Great Chinese Famine and ESG Performance
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This paper investigates the impact of chief executive officers' exposure to the Great Chinese Famine (famine-CEOs) on environmental, social, and governance (ESG) performance. Using a sample of 3230 listing companies in the Chinese stock market over the period of 2009-2021, we find that firms led by famine-CEOs have a negative impact on corporate ESG performance. Our findings of myriad tests are consistent with materialism that adversely impacts CEOs' social initiatives and positively impacts on CEO's selfless behavior. We also find that the adverse impact of famine-CEOs on ESG is mitigated by state-owned enterprises, personal power, individualist/collectivist culture. Our results are robust to various econometric methods, alternative explanations, and approaches to address endogeneity concerns such as, propensity score matching, and the placebo experiment. These findings shed light on the relationship between CEO famine experience in childhood and ESG performance to facilitate stakeholders' decision-making and provide important implications.

4.04: Analyst forecasts in an international environment
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Under Pressure: The Influence of the Working Environment on Analystsâ€™ Herding Behavior
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While prior literature focuses on individual determinants of analyst herding, we examine the influence of the working environment on herding behavior. We circumvent endogeneity issues by exploring shocks to analysts' working environment, i.e., acquisitions of private brokerage houses. Using a difference-in-differences design, we find that acquired analysts issue significantly more herding forecasts after the shock to their working environment, and this effect is strongest right after the acquisition. While we do not find evidence that different job tasks assigned after the acquisition explain the increase in herding, further analyses suggest that increased institutional pressure (i.e., higher internal peer pressure and a more pronounced hire-and-fire-culture) due to the change in working environment are plausible explanations for our findings.

4.04: Analyst forecasts in an international environment
1/27/2024
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Breaking the Language Barriers? Machine Translation Technology and Analystsâ€™ Forecasts for Multinational Firms
Pengkai Lin (1), Bingxu Fang (1)
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We study the impact of machine translation technology on analysts' forecasts for multinational firms. Exploiting the staggered rollout of Google Translate's support to translate foreign languages into English, we find that analysts in the U.S. improve their forecast accuracy for firms with substantial business exposure in the corresponding foreign countries. The improvement is stronger for analysts who lack foreign language skills or foreign coverage resources in their brokerage houses. The technology facilitates analysts' acquisition and integration of foreign information into their forecasts. Our findings highlight the complementary role of publicly-accessible translation technology in supplementing analysts' skills and resources.

4.04: Analyst forecasts in an international environment
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Investments in and Realizations of Intangibles: Implications for Analystsâ€™ Forecasts

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ABSTRACT I distinguish between the investment (R&D expenses) in and realization (Patents issued) of internally generated R&D innovation and examine their respective implications for analysts' earnings forecasts. I document evidence that R&D expense and Patents issued differ in their respective associations with forecast attributes, not only by magnitude but also by direction, revealing a case of stark opposites. Specifically, first, R&D expense (Patents issued) is positively (negatively) associated with forecast inefficiency and optimism bias. Second, R&D expense (Patents issued) is negatively (positively) associated with growth forecast revisions, and ex-post actual changes in growth. Third, R&D expense (Patents issued) is positively (negatively) associated with ex-post actual earnings uncertainty. Fourth, R&D expense and Patents issued interact to explain variations in forecast inefficiency by cohorts. This study contributes to research by highlighting the impact of both R&D expense (the focus in prior research) and Patents, not only on forecast inefficiency (in prior research) but also growth forecast revisions, and not only for short term (in prior research) but also for long term forecasts. Certain peculiarities of the R&D endeavor, such as its transient and evolving nature through different stages, reveal significantly different implications of each stage, for analysts' forecasts. Keywords: Intangible Assets, R&D Expense, Patents, Analysts' Forecasts JEL Classifications: G17, G32, M41 Data Availability: Data are available from the public sources cited in the text.

5.01: Audit-related Issues in China
1/27/2024
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Remote Auditing and Audit Quality: Evidence from the COVID-19 Pandemic Lockdowns in China
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Remote auditing has been extensively discussed but has yet to be fully implemented. The Covid-19 pandemic lockdown policy in China provides an ideal research setting for investigating the relationship between remote auditing and audit quality. This study reveals that firms facing more lockdowns during the audit period tend to engage more in earnings management, prompting auditors to respond with increased modified audit opinions and heightened audit effort. Furthermore, firms experiencing more lockdowns during the audit period engaged more in income-increasing earning management, that was primarily achieved by reducing inventory, fixed assets, and goodwill impairment losses. Auditors, in turn, revealed more inventory risks by exposing them in the key audit matters section. These findings imply that remote auditing could be enhanced in areas such as identifying physical asset concerns.

5.01: Audit-related Issues in China
1/27/2024
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Business Strategy, Market Competition, and Audit Fees: Evidence from China

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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.

5.01: Audit-related Issues in China
1/27/2024
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Accounting Fraud Allegations and Investor Sentiment: The Case of Luckin Coffee
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This study examines the negative spillover effects caused by the fraud allegations against Luckin Coffee, the largest Chinese coffee chain. We also examine whether investor sentiment plays a role in spreading the negative effects to non-fraudulent ADRs. We find that investors negatively react to the discovery of the fraud. We also find that the fraud allegations spread the negative effects to non-fraudulent Chinese ADRs and ADRs that were audited by Big 4 auditors and Ernst & Young Shanghai. We, however, do not find the negative spillover effects to ADRs from foreign jurisdictions where PCAOB inspection access was denied.

5.02: International GAAP Differences & IFRS
1/27/2024
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Does Comparability with Local GAAP Improve When Firms Adopt IFRS?
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Information produced by firms located in code law systems, where the accounting standards are regulated by the government, have lower value relevance (Ball et al., 2000; Joos and Lang, 1994). Companies domiciled in emerging markets, which are characterized by insufficient regulations and market inefficiencies, produce financial information that is less value relevant (Abdel-Khlik , Wong, and Wu, 1999; El-Gazzar and El-Sadek, 2001). To overcome the problems of value relevance associated with local GAAP, countries often seek to increase Foreign Direct Investment (FDI) by adopting IFRS-the value of legitimacy. We examine the impact on comparability between local GAAP [Russian Accounting Standards - RAS] and International Financial Reporting Standards [IFRS] after IFRS adoption. Russia provides a unique setting to explore this issue because publicly traded firms with consolidated financial statements must produce two sets of financial statements â€“ one under each regime. In Russia, RAS is used as a basis for taxation. When we examine measures involving income, we find increasing comparability over time as well as an increase in measures of net income and a decrease in book-to market values, despite the cost of increased income taxes. The quality of earnings, measured by discretionary accruals, exhibits no change under IFRS while it declines under RAS. That trend reverses when we compare public firms reporting RAS and IFRS simultaneously to firms (both public and private) reporting RAS only (never having used IFRS). We attribute our findings to a monitoring effect from IFRS in that publicly traded firms are constrained from reporting RAS numbers that differ significantly from IFRS, even when it results in higher taxes.

5.02: International GAAP Differences & IFRS
1/27/2024
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International GAAP Differences, Modified IFRS, and the Role of Big 4 Auditors
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IFRS Accounting Standards have become mandatory in over 160 countries. Although the effects of this change have been studied extensively in prior literature, the sources of the effects are not yet well understood. The complexity and principle-based nature of IFRS create significant uncertainty and implementation flexibility. Some countries modified IFRS as issued by the IASB because they do not have adequate resources to ensure proper translation and implementation of the new standards, or the modifications make IFRS better fit their economic and reporting environment. Moreover, greater differences between a country's local GAAP and IFRS (GAAP distance) make the convergence process more costly and difficult. This paper investigates the role of global auditing firms in the post-IFRS adoption periods. We find that IFRS modification and GAAP distance are negatively related to financial reporting transparency in the post-IFRS adoption periods. However, the negative impact of IFRS modification and GAAP distance is moderated by audit quality. Firms audited by the Big 4 auditors have a higher level of financial reporting transparency, even when they are located in countries with greater GAAP distance or have modified IFRS. Our findings highlight the role of Big 4 auditors in the success of mandatory IFRS adoption by ensuring consistency in interpretation and implementation at the international level.

5.03: Economic Factors Influencing Financial Reporting Quality
1/27/2024
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Antitrust Laws and Conditional Conservatism
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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 supporting our prediction. The positive stringency-conservatism association is stronger for countries with decreasing imports and more enforcement resources and firms experiencing big increases in market power. We also find that the increased product-market competition induced by stringent antitrust laws partially explains the positive relation, suggesting that firms report more conservatively to discourage competitors when faced with higher competition. Our results are robust to alternative sample compositions, conservatism models, antitrust indices, and industry classifications.

5.03: Economic Factors Influencing Financial Reporting Quality
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Country-Level Loss Aversion and the Market Response to Earnings News
Michael Neel (1)
(1) University of North Texas, Argyle, TX

I examine whether country-level loss aversion influences the stock price sensitivity to bad earnings news vis-Ã -vis good earnings news. Using two recently developed country-level measures of loss aversion, I find that the stock price sensitivity to bad earnings news is higher in high loss-aversion countries than in low loss aversion countries. In contrast, the stock price sensitivity to good earnings news is either lower in high loss-aversion countries, or unassociated with loss aversion, depending on the test specification. Thus, there is an intuitive asymmetry in how loss aversion impacts the market response to negative news relative to positive news. This influence of loss aversion is more pronounced in countries with a short-term orientation, which should exacerbate loss aversion, and in countries that Hofstede (2001) characterizes as more restrained. In these countries, investors should be less accustomed to corporate risk-taking. Consistent with the earnings announcement returns, further analysis reveals that a subsequent return drift to extreme bad news (i.e., PEAD) is present among low loss-aversion countries but not high loss-aversion countries, suggesting that loss averse investors more fully incorporate bad earnings news into stock prices. In contrast, the return drift to extreme positive news is detectable regardless of the level of loss aversion. Additional analysis also suggests that the influence of loss aversion on the market response to earnings news does not reflect differences in the informativeness of earnings news for future net income and cash flow performance.

5.03: Economic Factors Influencing Financial Reporting Quality
1/27/2024
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The Relationship between Country Factors and Financial Reporting Quality: The Mediating Role of Audit Market Characteristics

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One stream of research examines the relationship between country characteristics and financial reporting quality. A separate research stream examines the relationship between audit market characteristics and financial reporting quality. In this study, we connect these two research streams and demonstrate that audit market characteristics mediate the relationship between country characteristics and firms' financial reporting quality. Specifically, using a sample of firms from 35 countries, we show that the effect of country characteristics (captured by four latent factors from Isidro, Nanda, and Wysocki 2020) on firms' financial reporting quality (captured by one latent factor representing six measures of earnings properties) is largely explained by two audit market characteristics: the market share of Global Six audit firms and the market concentration within Global Six audit firms. The mediation paths are significant for each country factor, showing partial mediation for the first three and complete mediation for the fourth one. Our results provide evidence on a key mechanism through which country factors influence financial reporting quality.

5.04: Economic Significance of Financial Information in Various Business Contexts 2
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The Role of Financial Information in Supply Chains: Evidence from Electronic Business Registers in Europe
Roberto Vincenzi (1), Vincent Giese (2), Ron Shalev (3), Antonio Marra (4)
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We explore the importance of financial information of counterparty firms in supply chain relations. Exploiting the implementation of electronic business registers in European countries that significantly increased the accessibility of private fims' financial information, we find that more accessible financial information is relevant to supply chain relationships in an asymmetric way: it tends to have a larger impact when the financial information is customer-related than when it is supplier-related. We also find that the timing in which the financial information becomes available is important to its effect on the stability of supply chain relations. Information that is available before the supply chain relations have started contributes to the stability of the relations in line with a better selection of supply chain partners, while information that becomes available after relations have started tends to destabilize the existing relations. Overall, our results highlight the differential importance of financial information to suppliers and customers and the importance of timing of information accessibility in the supply chain.

5.04: Economic Significance of Financial Information in Various Business Contexts 2
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Board Independence and M&A Outcomes: Evidence from International M&A Laws

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This paper examines the effect of board independence on merger and acquisitions (M&A) outcomes. Exploiting country-level shocks in M&A laws pertaining to board neutrality rules (regulations that prohibit the board of directors of a target company to employ defensive measures) as an identification strategy, I find that firms in countries that adopt the board neutrality rules are more likely to receive a bid from potential acquirors. I also find that, following the changes in M&A laws, acquisition deals are more likely to be completed, acquisition targets receive higher premiums, and the likelihood of goodwill impairment is lower in subsequent years. Cross-sectional analyses reveal that these effects are more pronounced for acquisitions that involve different industries between target and acquiror, for cross-border acquisitions, for countries with low rule of law, and for industries with low Herfindahl index . Collectively, the results underline the critical role of boards of directors in the M&A process, and how regulatory changes concerning these boards can significantly influence M&A outcomes.

5.04: Economic Significance of Financial Information in Various Business Contexts 2
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Discretionary Reclassification and Value Relevance: Evidence from Unrealized Gains and Losses on Available-for-Sale Securities in Japan

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This study examines the information usefulness for reclassification of unrealized gains and losses on available-for-sale securities, focusing on the discretionary use of reclassification. Using a sample of Japanese firms, we find that the firms use discretionary unrealized gains and losses on available-for-sale securities to achieve earnings benchmarks. In addition, the reclassification adjustment is value-relevant regardless of discretionary reclassification because it can be a useful source of information for predicting future performance. Consistent with prior literature, information on reclassification is useful for investors. Under the International Financial Reporting Standards (IFRS), reclassification is prohibited in principle. Our additional analysis demonstrates that Japanese IFRS adopters reduce their discretional reclassification, suggesting that the IFRS succeeds in mitigating discretion. However, our results suggest that the benefits of information usefulness may outweigh the costs of discretion.

6.01: The use of accounting research in the capital market
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Do Accounting Estimates in the Form of Discretionary Accruals Capture the Economic Substance of Firm Activities? An Exploratory Study

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This study investigates the degree to which discretionary accruals reflect the economic substance of firm activities in audited financial statements. Using the concepts of materiality and risk of professional standards, we apply the most successful discretionary accrual models in the accounting research literature to estimate the degree of material misstatement in the reported accruals. We find that audited discretionary accruals have very high risks of material misstatements indicating that a compliance oriented approach to audits of accounting estimates are being followed in the vast majority of public company audit engagements. This is true even after controlling for reasonable audit risk in each engagement. Our findings show that estimation uncertainty in the form of accounting risk in audited accounting estimates can be very high indicating elevated levels of misreporting risk, and a need for more standards guidance if audited financial statements are to better reflect economic substance and fair presentation in financial reporting. This paper enhances our understanding of the reliability problems associated with accounting estimates that should concern regulators, standard setters, management and practicing auditors.

6.01: The use of accounting research in the capital market
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Do Auditorsâ€™ Opinions Incorporate Academic Research Measures That Predict Financial Statement Restatements?

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Academic research has developed and tested various measures for detecting misstatements in financial reports, and for predicting future restatements for that matter. This study examines the extent to which auditors' opinions incorporate the information in such academic measures. Using FSCORE (Dechow et. al., 2011), an example of such academic measures, we predict restatements and improve on the predictions by incorporating the auditors' opinions. We find that, except for extreme cases such as higher accruals values, auditors' opinions do not incorporate the information in variables used by the academic research measures. These findings apply to the pre- and post-SOX periods with no significant difference. We show significant reductions in audit risk (types I and II audit opinion errors) with respect to predicting restatements after incorporating FSORE. Combining FSCORE with auditors' opinions yields further improvements or reductions in audit risk. Our findings support the current initiatives to increase the value of audit reporting.

6.02: Real Impacts of Accounting and Disclosure Regulations
1/27/2024
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Does Mandatory Culture Regulation Impact Firm Focus on Culture?
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On July 16, 2018, the UK Financial Reporting Council published an update to the UK Corporate Governance Code requiring that the board of directors assess and monitor firm culture to ensure alignment with firm purpose, values, and strategy, and disclose the activities taken to do so in the firm's annual report. We study the implications of this landmark requirement on firms' focus on their culture. We find that firms expand annual report disclosures related to culture in a manner that exceeds pure compliance with the Governance Code Update. Further, voluntary actions outside of annual report disclosures taken by both management and boards provide support for the Governance Code Update having a 'real' effect on firms' focus on culture. These actions include management increasing voluntary disclosures related to culture within earnings conference calls and boards changing their composition to become more attentive to firm culture.

6.02: Real Impacts of Accounting and Disclosure Regulations
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If Goodwill Amortization Comes Back: A Quasi-Natural Experiment
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The U.S. FASB deliberates that the discretion embedded in SFAS 142 has been severely abused, resulting in a biased representation of goodwill. Therefore, it intends to reintroduce goodwill amortization. Meanwhile, the IASB argues that the amortization's comeback will only result in information loss â€“ a standard-setting retrogression. On January 4, 2019, the China Accounting Standards Committee unexpectedly released a document expressing the preference for reintroducing goodwill amortization as the dynamics of accounting standards for business enterprises. Using the release as a quasi-experiment, we find that the stock market reacts positively to the announcement, as investors anticipate a decrease in managerial discretion. We also find that companies recognize more goodwill impairment losses and subsequently improve their disclosure of impairment tests. Our findings provide insights into the critical debates surrounding the treatment of goodwill and the role of standard setters and regulators in shaping accounting standards.

6.02: Real Impacts of Accounting and Disclosure Regulations
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Disclosure Harmonization and R&D Investment Efficiency
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This study examines the effect of harmonized patent disclosure on the efficiency of firms' research and development (R&D) investment. It takes advantage of a unique setting: the Global Dossier portal, which harmonizes patent disclosure across multiple countries. I use the introduction of this portal as a natural experiment and I find consistent evidence that patent disclosure harmonization reduces uncertainty about patent validity and the cost of processing patent information, resulting in better R&D investment decisions. My results also show that firms reporting in non-English languages benefit more from harmonization than those reporting in English due to reduced processing costs. Further analysis reveals that Global Dossier leads to the increased use of foreign patent information and a geographically diverse set of patent applications, which validates the enhanced use of patent information. The study offers novel insight into the impact of global disclosure harmonization on firm operations.

6.03: Internal Controls in the International Accounting Context
1/27/2024
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Internal Audit Investment: Assurance Service Substitution and the Value in â€œValue-Addâ€

Benjamin Fligge (1), Marc Eulerich (1), Christopher Calvin (2)
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This study investigates organizational benefits obtained from investing in internal audit activities beyond benchmark expectations. Practitioners frequently rely on benchmarking studies to determine whether their internal audit resources are sufficient, but there is no prior evidence on how deviations from the benchmark (specifically, above benchmark investment) affect organizational value. We utilize a unique survey dataset and develop a new measure of investment in internal audit to explore this issue. Our results suggest that above benchmark investment is associated with greater assurance service substitution, greater audit risk coverage, and a higher degree of external audit reliance on internal audit work product. Exploratory analyses also quantify internal audit's value-add beyond assurance service substitution. Our results are of interest to organizations which must choose their level of internal audit investment, regulatory bodies like the Institute of Internal Auditors, which establish subjective investment requirements, and capital market participants that rely on the work of internal auditors in their decision-making.

6.03: Internal Controls in the International Accounting Context
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COSO-Based Internal Control and Accounts Receivable Management
Nan Zhou (1), Hanwen Chen (2), Siyi Liu (3), Daoguang Yang (3)
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Internal control regulations in China adopts the COSO framework, which promotes enterprise risk management and considers not only financial reporting but also operations. Using a COSO-based internal control index in China, we find that internal control plays an important role in accounts receivable management. Specifically, internal control quality is associated with greater receivable turnover, less receivable aging, and less receivable impairment, which indicates that quality internal control mitigates receivable risk and improves receivable management. Our supplemental path analysis reveals that additional cash flows from operations are generated when internal control alleviates receivable problems. Moreover, quality internal control shortens the overall cash conversion cycle, despite the cancelling effect from faster payable turnover. Since the Sarbanesâ€“Oxley Act (SOX) Section 404 has a narrower scope and covers only internal control over financial reporting (ICFR), our evidence regarding the effect of COSO-based internal control on receivable management fills a gap in internal control research.

6.03: Internal Controls in the International Accounting Context
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CEO Overconfidence and Weakness in Internal Control over Compliance: Evidence from Sanctions

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This study empirically examines the relationship between CEO overconfidence and the weakness in internal control over compliance (ICC), considering the influence of the largest shareholder as a moderator. To measure the weakness ICC, we manually collect data on sanctions imposed due to violation of laws and regulations, drawn from the annual reports of publicly listed firms in Korea for the years between 2019 and 2021. We find a positive association between CEO overconfidence and sanctions, implying that CEO's overconfidence traits can affect the effectiveness of internal control mechanisms. Furthermore, we uncover a significant mitigating effect when the largest shareholder holds a higher ownership stake. On the other hand, when the largest shareholder changes frequently, this association is notably strengthened, suggesting that a governance system characterized by frequent changes in the largest shareholder exacerbates the weaknesses in ICC. Our study has practical implications to policymakers in that we highlight the potential use of sanctions as an appropriate proxy for assessing weakness in ICC. Additionally, CEO overconfidence emerges as a determinant in understanding the factors leading to sanctions.

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The Impact of Family CEO Types on the Speed of Cash Holding Adjustments

Chao-Jung Chen (1)
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This study examines how family CEO types (founder, heir, or non-family CEO) affect the speed of adjusting cash holdings to target cash. Using a sample of firms listed on the Taiwan Stock Exchange and the Taipei Exchange from 2005 to 2021, the empirical results of this study find that among family members, family firms led by founder CEOs tend to have a higher cash adjustment speed compared to those led by heir CEOs. The faster cash adjustment trend in firms with founder CEOs compared to those with heir CEOs becomes more pronounced when agency conflict within the firm is more pronounced due to the wedge between control and cash flow rights. In addition, the study examines the impact of financing constraints on the above relationship. The results indicate that in firms where the CEO is a family founder, a faster cash adjustment speed occurs primarily under the following circumstances: firms that do not use funds from internal capital markets within the group, lower levels of external financing, smaller firm size, or firms with poorer earnings quality.

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Communication Culture and Management Forecasts

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We examine the influence of high- versus low-context cultures, which describe the explicitness of messages exchanged between people and the importance of context in communication, on managers' decisions to voluntarily issue management forecasts. Using a comprehensive sample from 28 countries, we find that the likelihood and frequency of firms issuing management forecasts are lower in countries with a higher level of context in communication. This relationship is more pronounced for firms with a context easier for investors to learn about, harder-to-forecast fundamentals, and a greater propensity to receive conflicting views on firm performance, and is less prominent in countries with stronger legal and regulatory institutions. We also show that firms' management forecast texts are shorter and involve greater uncertainty in high-context cultures. Additionally, the negative relationship between management forecast issuance and a firm's stock liquidity is attenuated in high-context communication countries. Overall, our results suggest that cultural norms regarding communication styles shape firms' management forecasting practices.

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The Audit Committee and Earnings Management: New Evidence from the H-Share Listed Companies on the Exchange Stock of Hong Kong

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This paper selects H-share companies listed on the Stock Exchange of Hong Kong from 2008 to 2018 as research samples and designs an OLS regression model to empirically test the impact of the quality of the audit committee measured by the four aspects of the characteristics of the audit committee on the earnings management level of the company based on the Jones model. It concludes that when the overall quality of the company's audit committee is higher, the company's earnings management level is lower. This conclusion strongly proves that the establishment and effective operation of an audit committee plays an important role in improving corporate governance and restraining earnings manipulation by the management team and the governance role. This paper provides empirical evidence to help corporation leaders and stakeholders make better decisions on management and investment on H-share listed companies. The innovation and contributions and to audit and earnings management literature and implications and innovation for regulators and investors are also discussed.

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The Influence of Corporate Green Accounting Information Disclosure on the Financial Performance: An Empirical Study of 16 Heavy Polluting Listed Companies in Ch

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This paper collects the environmental information of 324 listed companies in China's A-share heavily polluting industries from 2008 to 2020, uses the content analysis method to construct the index system of environmental information disclosure Index EDI, makes A quantitative assessment of the green accounting information disclosure of each enterprise, and analyzes its current situation and problems. Multiple linear regression is adopted to construct a model to study the efforts made by enterprises in the disclosure of green accounting information, whether enterprises bear the responsibility of environmental protection, and whether environmental behavior has an impact on financial performance. Furthermore, the principal-agent fee and the cost of equity capital are introduced as intermediary variables, which pass the Sobel test to verify their intermediary conduction effect in the process of green accounting information disclosure affecting financial performance. The results show that environmental information disclosure is positively correlated with the financial performance of enterprises, and the principal-agent fee and the cost of equity capital play a part of the intermediary role. Regions with a high degree of marketization will make the disclosure of green accounting information by enterprises more conducive to the improvement of financial performance. The innovation and contribution of this paper is also discussed.

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Is Cryptocurrency the New Haven for Tax Evaders? ExposÃ© of Financial Secrecy in Tax Havens and Bitcoin Trading

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The Paradise Papers revealed an enormous number of financial secrets hidden in tax havens. We hypothesize that the exposÃ© of financial secrecy motivated tax evaders to further conceal their offshore assets through the Bitcoin market, which offers greater anonymity. We find that during the six weeks following the release of the Paradise Papers on November 5, 2017, the Bitcoin price increased by more than 12,000 US dollars and reached an all-time high on December 17, 2017. The 8-week trading volume of Bitcoin grew by 106 percent in 44 countries with the largest Bitcoin exchanges after the Paradise Papers. Importantly, Bitcoin exchanges in tax havens experienced significantly higher growth in trading volumes than other exchanges after the Paradise Papers. We find similar results following the release of the Pandora Papers, but we find no such results in the stock or gold market. Together, these findings suggest that the exposure of financial secrecy in tax havens significantly affects and predicts future cryptocurrency trading.

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Sustainable Development Goals and Double Materiality: Towards the Shared Imaginaries of Sustainable Future for All?

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Purpose: Explicit shared visions of desirable and undesirable future are necessary to motivate and guide any kind of change. We conceptualize Sustainable Development Goals as stories about efforts for sustainable future. Recognizing that shared imaginaries could guide the collective action towards sustainable development we explore to what extend the imaginaries of companies as reflected in their SGDs reporting are aligned with the vision of the future of its stakeholders and discuss the value of double materiality for achieving it. Design/methodology/approach: We use a single case study method focusing on NestlÃ©. We use company's sustainability reports to explore corporate imaginaries of the future development. We use SM posts on Twitter to establish important imaginaries for stakeholders (and different stakeholder groups). In particular, we apply a materiality matrix analysis and social network analysis to answer our research questions. Findings: We found a misalignment between the materiality matrix provided by the company and self-contracted materiality matrix based on the primary data used in this study. The paper also document that different stakeholder groups seek to build coalitions by articulating understanding of different SDGs and their interconnectedness. Originality/value: Our findings reveal that the imaginaries of sustainable development as provided by the company diverge with the imaginaries of its stakeholders, raising questions if SDGs could be a mechanism that may have a transformative potential and lead to imagining a better world together. We draw attention to the importance of materiality assessment for the development of a shared vision of the future, a mechanism which still need to be (re)discovered. We also point out to a significant heterogeneity between different stakeholder groups regarding their important development of imaginaries. In sum, the paper points to the need for more collaborative approach for the development of social imaginaries in order to drive collective actions towards sustainable development.

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Do Unexpected Earnings of Industry Leaders Affect Followersâ€™ Discretionary Reporting? Evidence from Mandatory Earnings Announcement Date Forecasts in China

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This study examines how the unexpected earnings of industry leaders affect the discretionary reporting behavior of followers. Chinese firms are mandated to disclose the dates of their annual earnings announcement (EA) before fiscal year end. Exploiting this unique setting, we show that followers delay their EA in response to the earnings surprises reported by industry leaders. Our results are more pronounced when industry leaders beat market expectations, for followers with weak corporate governance and with greater managerial incentives. We also find that followers with delayed EAs are more likely to engage in last-minute earnings management by reducing their effective tax rates. Finally, our evidence suggests that when industry leaders report positive earnings surprises, followers with delayed EAs are more likely to follow suit. However, there is no positive market reaction to these delayed EAs. Overall, this study provides new evidence that industry leaders' earnings surprises have important implications for the discretionary financial reporting decisions of followers, including the delay of EAs and last-minute earnings management.