The Eleventh International Conference of the Journal of International Accounting Research (JIAR)

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A Huge thank you to our sponsors for their support of The Eleventh International Conference of the Journal of International Accounting Research (JIAR).
Their Investment helps us give you a relevant, enjoyable experience at the forefront of international accounting education and research.

(by alphabetical order)

In-kind sponsors:

Welcome Message

On behalf of the International Accounting Section and the Accounting Department at National Taiwan University, we welcome you to the Eleventh Journal of International Accounting Research (JIAR) Annual Conference. We are delighted to have you join us in Taipei, one of Asia's busiest cities, rich in cultural heritage and beautiful natural scenery. The conference was originally planned to be held in Taipei in 2020 but was delayed due to the COVID-19 pandemic. We are pleased to share that Taiwan has not only weathered the pandemic well but has also become a vital player in the unfolding AI revolution.

The conference begins with a doctoral and early career consortium where more than thirty doctoral students and young faculty from several countries will be exposed to issues and problems involved in planning international accounting research, writing up and publishing results, as well as early career challenges.

The editorial board of JIAR has selected four papers for presentation at the plenary sessions, exploring very interesting and timely topics. Our call for concurrent session papers resulted in enthusiastic responses. We received 157 submissions, with more than 116 papers scheduled for presentation. Please enjoy this extensive variety of papers from many different disciplines using a wide range of methodologies. Besides lively intellectual exchanges and networking opportunities, our program includes three keynote speeches. The first keynote speech by Professor Katherine Schipper explores the issue of "Materiality" in financial reporting research and practices. The second keynote speech by Stan Shih, co-founder & honorary chairman of the Acer Group, discusses how Wangdao (ancient Chinese philosophic thought) relates to leadership. The third keynote speech by Lora Ho, senior vice president of Taiwan Semiconductor Manufacturing Company, discusses how ESG creates value at TSMC.

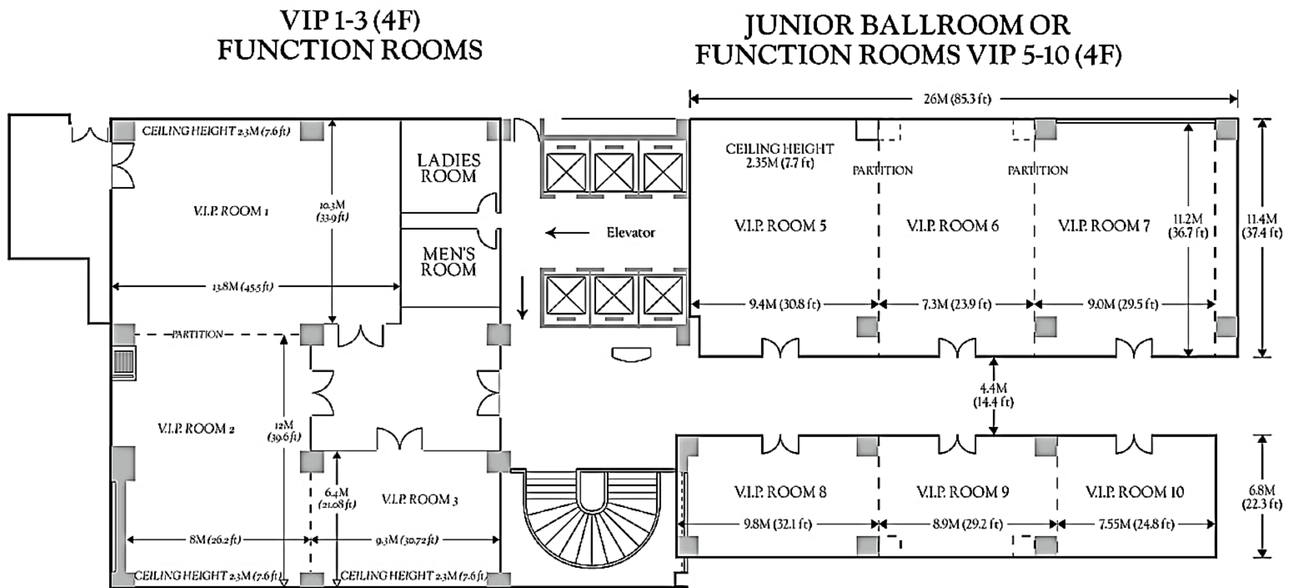
We thank all our sponsors for their generous support and all conference staff for their tireless efforts. Thanks also go to many volunteers who have dedicated their time and efforts to making this conference a reality, including reviewers and moderators. We are also grateful to all the International Accounting Section officers for their support and encouragement.

Welcome to the Eleventh JIAR Annual Conference.

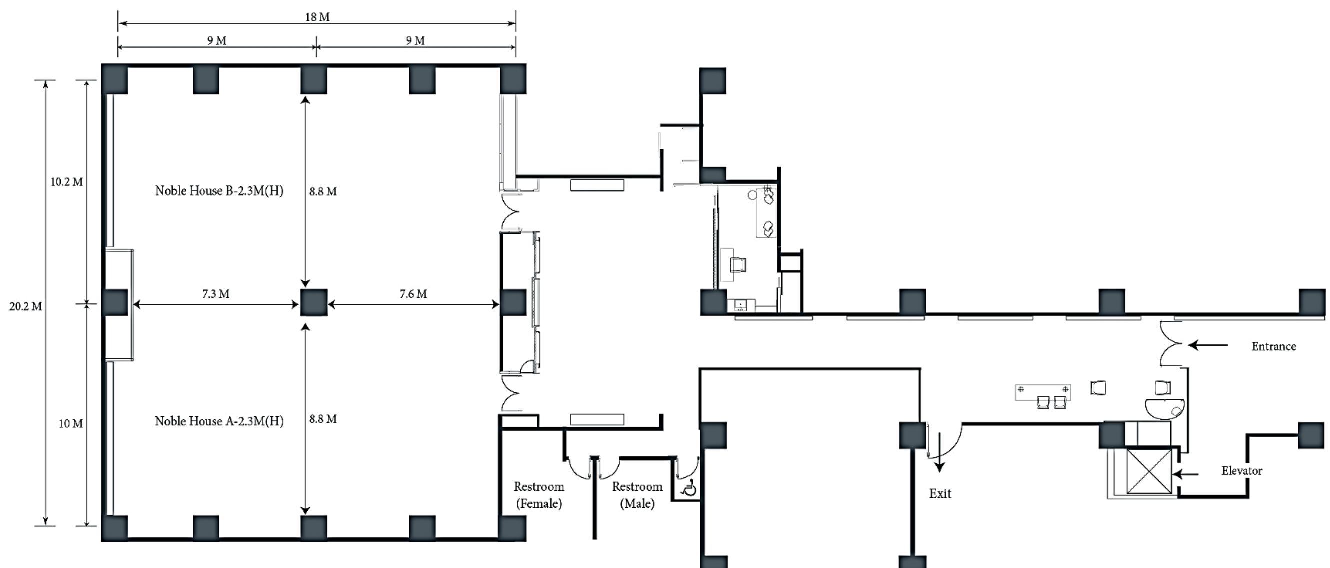
Steve Lin, Senior Editor of JIAR
Shuen-Zen Liu, Chair of JIAR Organization Committee

Floor plan

Main Conference venue (4F Function Room)



Gala Dinner venue (1F Nobel House)



Schedule Overview

Venue: Regent Taipei Hotel, Taipei, Taiwan

June 20, 2024 (Thursday)		
Time	**Location**	**Event**
07:30 – 16:00	4F Foyer	Registration
07:45 – 08:00	4F Foyer	Greetings and Casual Picture-taking
08:00 – 09:30	VIP Room 1-10	Concurrent Session 1
09:30 – 10:00	4F Foyer	Coffee Break
10:00 – 11:30	VIP Room 1-10	Concurrent Session 2
11:30 – 01:30 pm	**1F Brasserie**	**Lunch (Hotel Buffet)**
01:30 – 01:40 pm	VIP Room 5-10	Introductory Remarks
01:40 – 02:30 pm	VIP Room 5-10	**Keynote Speaker: Professor Katherine Schipper** Topic: What do we know about materiality?
02:30 – 03:20 pm	VIP Room 5-10	**Keynote Speaker: Honorary Chairman Stan Shih** Topic: Wangdao and Leadership
03:20 – 03:30 pm	4F Foyer	Group Picture Taking
03:30 – 04:00 pm	4F Foyer	Coffee Break
04:00 – 04:50 pm	VIP Room 5-10	Plenary Session 1
06:00 – 08:00 pm	**1F Nobel House**	**Gala Dinner: Award Announcement**
June 21, 2024 (Friday)		
07:45 – 15:00	4F Foyer	Registration
08:00 – 9:30	VIP Room1-10	Concurrent Session 3
09:30 – 10:00	4F Foyer	Coffee Break
10:00 – 11:30	VIP Room1-10	Concurrent Session 4
11:30 – 01:10 pm	**1F Brasserie**	**Lunch (Hotel Buffet)**
01:10 – 02:00 pm	VIP Room 5-10	Plenary Session 2
02:00 – 02:50 pm	VIP Room 5-10	Plenary Session 3
02:50 – 03:40 pm	VIP Room 5-10	Plenary Session 4
03:40 – 04:00 pm	4F Foyer	Coffee Break
04:00 – 04:50 pm	VIP Room 5-10	**Keynote Speaker: Senior Vice President Lora Ho** Topic: ESG contributes to corporate value
04:50 – 05:00 pm	**VIP Room 5-10**	**Closing Remarks & Gift Draw**

June 20, 2024 (Thursday)

08:00 – 09:30 Concurrent Session 1

Room	Topic	Moderator
VIP Room 1	Accounting Education and Business Decision	Ayung Tseng,University of California-Davis
VIP Room 2	Auditing (1)	Ming Deng, CUNY-Baruch College
VIP Room 5	Corporate Governance	Benjamin Yang, University of Washington
VIP Room6	Compensation (1)	Alexander Hofer, Vienna University of Economics and Business
VIP Room 7	Workforce and Labor Market	Fu-Hsuan Hsu, National Dong Hwa University
VIP Room 8	Case Study	Chih-Yang Tseng, National Taiwan University
VIP Room 9	Macroeconomy	Xiaoli Tian, Georgetown University
VIP Room 10	Tax Issues	Tanya Y H Tang, Brock University

10:00 – 11:30 Concurrent Session 2

Room	Topic	Moderator
VIP Room 1	Accounting Standards (1)	Chris Zhao, Hong Kong Baptist University
VIP Room 2	Auditing (2)	Sunhwa Choi, Seoul National University
VIP Room 5	Disclosure (1)	Weiwei Wang, Weber State University
VIP Room 6	Capital Market and Financial Analysis	Xinlei Li, University of California-Davis
VIP Room 7	ESG (1)	Xiang-Yu Huang, National Taiwan University
VIP Room 8	Culture and CEO Attributes	Shu-Ling Wu, National Taiwan University
VIP Room 9	International Accounting	Kun-Chih Chen, National Taiwan University
VIP Room 10	Financial Analysts	An-Ping Lin, Singapore Management University

June 21, 2024 (Friday)

08:00 – 09:30 Concurrent Session 3

Room	Topic	Moderator
VIP Room 1	IT and Social Media	Sheng-Feng Hsieh, National Taiwan University
VIP Room 2	Auditing (3)	Hsihui Chang, Drexel University
VIP Room 5	Disclosure (2)	Luminita Enache, University of Calgary
VIP Room 6	Compensation (2)	Guojin Gong, University of Connecticut
VIP Room 7	ESG (2)	Anne Wu, National Chengchi University
VIP Room 8	Gender Diversity	Reining Petacchi, Georgetown University
VIP Room 9	Customer Relationship and Supply Chain	Tzu-Ting Chiu, NHH Norwegian School of Economics
VIP Room 10	Earnings Quality	Haiyan Zhou, University of Texas Rio Grande Valley

10:00 – 11:30 Concurrent Session 4

Room	Topic	Moderator
VIP Room 1	Accounting Standards (2)	Lin-Hui Yu, National Taiwan University
VIP Room 2	Auditing (4)	Szu-Fan Chen, National Taiwan University
VIP Room 5	Disclosure (3)	Yu-Fang Chu, National Taiwan University
VIP Room 6	Non-Financial Reporting	Clara Chen, University of Illinois at Urbana-Champaign
VIP Room 7	ESG (3)	Joanna Ho, University of California-Irvine
VIP Room 8	Financial Reporting Quality	Li-Chin Ho, University of Texas at Arlington
VIP Room 9	Investment Efficiency	Hsin-Tsai Liu, National Taiwan University
VIP Room 10	Lenders' Decision-Making	Scott Liao, University of Toronto

The Eleventh International Conference of the Journal of International Accounting Research (JIAR)

Conference Program

Venue: Regent Taipei Hotel, Taipei, Taiwan

08:00 – 09:30	Concurrent Session 1	Thursday, June 20
Accounting Education and Business Decision		Room: VIP Room 1
Moderator: Ayung Tseng, University of California-Davis		
Education Diversity of Nursing Staff and the Healthcare Industry's Financial Performance		
Presenter:	Jason Chen	Central Connecticut State University
Co-Author(s):	C. Christopher Lee	Central Connecticut State University
	Rachel Wilson	Central Connecticut State University
	Yong-Taek Min	Florida Gulf Coast University
	Donghwi Seo	Pace University
	Lisa Frank	Central Connecticut State University

Abstract:
Studies that examine the impact of diversity on performance of organizations tend to focus on age, ethnicity, gender, and race of management. Hospitals have increased their hiring of internationally-educated nurses due to nurse shortage, which poses a potential concern for human resources management. We test the 2017 data against two competing theories for our investigation. Our results document that hospitals with greater education diversity of nursing staff exhibit stronger financial performance compared to the hospital industry average. Our study contributes to both theories as the evidence supports one and discovers the boundary condition for the competing theory. The results are critical to management of hospital human resources in their strategic planning of hiring and financial performance. Finally, these results have policy implication as legislators anticipate the healthcare industry needs for nursing staff due to increasing healthcare needs for the baby boomer generation from their mass retirement.

Tech Giants and New Entry Threats		
Presenter:	Wei-Ling Song	Louisiana State University
Co-Author(s):	Yang Pan	Tulane University

Abstract:
Tech giants like Amazon, Apple, Facebook, Google, and Microsoft have drawn antitrust concerns due to their perceived power, potentially stifling new startups, especially through the so-called

kill zone within their product domains. This study demonstrates that tech-giant entrants face a significantly lower likelihood of obtaining follow-on financing and achieving long-term survival in recent years. However, such phenomena are transitory and concentrated among tech-giant entrants lacking patents and operating within segments characterized by high network effects. There is no evidence that the M&As conducted by tech giants deter entries. Furthermore, tech giants experience more entries compared to the average tech incumbent.

How Do Acquisitions Relieve Target Firms' Financial Constraints?

Presenter:	Zhaoran (Jason) Gong	Xi'an Jiaotong-Liverpool University
Co-Author(s):	Sadok El Ghoul	University of Alberta
	Omrane Guedhami	University of South Carolina

Abstract:

We investigate how financial constraints of target firms are relieved after acquisitions using private firm financial data. We find that targets' internal financing is improved after acquisitions as they can retain higher proportions of earnings and borrow interest-free capital from their parent companies. Targets also get better external financing as they obtain more debt financing with lower interest rates, borrow more trade credit from suppliers, and collect receivables from customers more quickly. Our findings suggest that improvements in both internal and external financing contribute to the reduction in targets' financial constraints.

Auditing (1)

Room: VIP Room 2

Moderator: Ming Deng, City University of New York

Audit Costs of Involving New Assets: Cases of Cryptoassets

Presenter:	Henry He Huang	Yeshiva University
Co-Author(s):	C. S. Agnes Cheng	University of Oklahoma
	Yehuda Davis	Yeshiva University
	Yue Ma	University of Oklahoma

Abstract:

With cryptoassets increasingly becoming part of companies' financial reports, we document what types of firms are involved with such assets and the audit costs they face. We find smaller, less profitable, international, and restructuring firms tend to get involved with cryptoassets, and a large majority of these involved firms engage with small audit firms. We find audit fees increase for firms involved with cryptoassets, and especially for firms incurring valuation adjustments of cryptoassets, suggesting that accounting treatments of the new assets affect audit effort. We also find auditor turnover, mainly driven by auditor dismissal, increases significantly. The effect is stronger when firms have heavier involvements with cryptoassets and for firms whose auditors have no prior experience auditing cryptoassets, suggesting involving such a new class of assets affects the optimal matching of auditors with clients. Our novel evidence contributes to our understanding of firms' involvement with cryptoassets—an important, new, and unique class of assets.

Restrictions on Component Audits and Group Auditor Conservatism: Evidence from China		
Presenter:	Donghe Yang	Renmin University of China and City University of Hong Kong
Co-Author(s):	Zihao Su	Soochow University
	Yan Sun	Harbin Institute of Technology
	Xindong (Kevin) Zhu	City University of Hong Kong

Abstract:
We examine the impact of (absence of) component audits on group auditors' behaviors. Utilizing the plausibly exogenous shock on human mobility caused by the COVID-19 control measure in China, we find that firms are more likely to receive modified audit opinions when their subsidiaries are less likely to be audited. The impact is more severe when the firms have greater operational complexity and more affected subsidiaries. We also find group auditors charge higher audit fees and are more likely to mention limitations of component audits in audit reports when they have limited access to client firms' subsidiaries. In addition, auditors' concerns stemming from restrictions on component audits can be alleviated through client firms' investments in digitalization and internal control systems, as well as their familiarity with clients. Collectively, our findings shed light on the importance of component audits.

Audit Partner Tenure and Key Audit Matters in the Gulf Cooperation Council: The Moderating Effect of Culture		
Presenter:	Sara Al-Asmakh	Brunel University London
Co-Author(s):	Ahmed Elamer	Brunel University London
	Olayinka Uadiale	Brunel University London

Abstract:
This study investigates the relationship between audit partner tenure and the reporting of Key Audit Matters (KAMs) and whether the Hofstede cultural dimensions effect this relationship. This study is based on a data sample collected from 456 non-financial firms across all six Gulf Cooperation Council (GCC) countries during the 2016–2021 period. The findings offer strong evidence that partner tenure is positively associated with KAMs disclosure. Moreover, regression results for partner tenure remain positive and significant across all regression models used, including robustness checks that control for endogeneity. The study also found that long-tenured partners disclose KAMs with more detail and produce more readable audit reports, and, interestingly, found that long-tenured auditors tend towards boilerplate reporting. The findings on the effect of Hofstede culture moderators suggest that the relationship between partner tenure and KAMs is relatively high when power distance and uncertainty avoidance are moderating factors, while the relationship is relatively low when individualism is considered. There was no evidence on the moderating role of masculinity. The study provides fresh

insight into the extended audit reporting literature on the factors that can influence the disclosure of KAM such as partner tenure and cultural values.

Does Sharing The Same Auditor With Listed Affiliated Firms Affect IPO Audit Quality? An Analysis At The Audit Firm And Partner Levels

Presenter:	Yingwen Guo	Hong Kong Polytechnic University
Co-Author(s):	Phyllis Lai Lan Mo	City University of Hong Kong
	Weiyin Zhang	The Hang Seng University of Hong Kong

Abstract:

This study aims to examine the impact of shared auditors within a business group on the quality of IPO audits at the firm and individual partner levels and the subsequent financial performance of the IPO firms. Sharing an auditor with affiliated firms within a business group can potentially adversely affect audit quality, as the economic importance of the client may impair the auditor's independence. However, knowledge spillover resulting from this shared auditing arrangement might enhance audit quality. Using a sample of Chinese IPO firms we find that sharing the same audit firm and audit partner with listed affiliates is associated with lower IPO audit quality, poorer post-IPO performance, and reduced audit quality of annual audits for listed affiliates of the business groups. These results suggest the economic dependence effect dominates in the IPO context, with auditor independence and objectivity compromised by economic bonding to interconnected group clients.

Corporate Governance

Room: VIP Room 5

Moderator: Benjamin Yang, University of Washington

Shining Light on the Economic Underworld: Using Bankruptcy Clusters in Firm-Director Networks to Detect Corporate Fraud

Presenter:	Thomas Selleslagh	Vrije Universiteit Brussel
Co-Author(s):	Marie-Laure Vandenhaute	Vrije Universiteit Brussel

Abstract:

We investigate the feasibility of detecting corporate fraud by using firms’ social network information. Specifically, we examine whether the density of bankruptcy within the firm director network helps to detect fraud. Using a unique dataset that allows us to a) identify firms in which corporate fraud was convicted and b) construct firm-director networks, we first find that firms connected to prior fraud via at least of one their directors exhibit a higher likelihood of involvement in bankruptcy, and fraud. Further, our findings show that corporate fraud segregates the firm-director network in terms of bankruptcy. Building on this finding, we introduce a novel variable based on firms’ social network, measuring the level of bankruptcy clustering around a firm, and show that it is predictive of corporate fraud. Finally, our results indicate that traditional financial metrics fail to detect fraud-related bankruptcies, emphasizing the value of firms’ social network information in effective corporate fraud detection.

Can Whistleblowing Improve Organizational Effectiveness? Evidence from Financial Reporting Misconduct		
Presenter:	Hong Kim Duong	Old Dominion University
Co-Author(s):	Sadok El Ghoul	The University of Alberta
	Omrane Guedhami	University of South Carolina
	Emmanuel Sequeira	San Jose State University
	Zuobao "Eddie" Wei	The University of Texas at El Paso

Abstract:
We examine the impact of external whistleblowing (WB) allegations on a firm's organizational capital (OC). External WB allegations could signal a target firm's deficiencies in one or more aspects of its OC, including internal reporting and communication system, underinvestment in employee welfare and training, firm capabilities, and trust in organizational fairness and justice. We posit that WB firms respond to the signal by increasing OC to improve their inadequate systems and thus prevent future such instances. Using a sample of actual employee WB allegations obtained via a Freedom of Information Act request and a hand collected sample from public media, we provide evidence that WB firms exhibit significant increases in OC in the post-allegation period. We further document that the increased OC is linked to fewer future external WB incidences and improved firm productivity and firm value.

Market Reaction to Voting Intention Disclosures		
Presenter:	Tzu-Ting Chiu	Norwegian School of Economics
Co-Author(s):	Xi Li	London School of Economics and Political Science
	Rusha Nandy	Norwegian School of Economics
	Simone Traini	Norwegian School of Economics

Abstract:
This study examines the stock market reaction to voting intentions publicly disclosed by Norges Bank Investment Management (NBIM), a major institutional shareholder, ahead of its portfolio companies' annual general meetings (AGMs). A voting intention is categorized as dissenting when NBIM plans to vote against at least one management's recommendations at the AGM. We document positive abnormal returns around the announcement of dissent voting intentions when other shareholders are also expected to vote against the management, i.e., contentious meetings. The abnormal returns are significantly higher when the degree of dissent is higher, i.e., when NBIM expresses dissent over multiple agenda items. The favorable market response to dissent voting intentions is primarily observed in portfolio companies based in countries with weak governance structures and in relation to proposals concerning corporate governance issues. Our results support the notion that investors view dissent votes by a significant institutional shareholder in a contentious meeting as value-enhancing. This study contributes to the ongoing discussion about enhancing the transparency of institutional investors' voting practices.

CEO Government Work Experience and Regulatory Violations: Evidence Based on Safety-Related Violations

Presenter:	Ling Zhou	University of New Mexico
Co-Author(s):	Li Xu	Washington State University
	Kiely Yonce	University of Detroit Mercy

Abstract:

This study investigates the impact of CEOs with government work experience (GWE) on firms' regulatory violations. We focus on safety-related violations, the most common type of regulatory violations with devastating consequences that measures a company's social performance. Our findings show a significantly negative correlation between CEOs possessing GWE and the likelihood of safety-related regulatory violations in their organizations. This effect is more pronounced when CEOs have recent government experience before assuming their roles in the firms, and when the firms are more complex; the effect is less prominent for larger firms and firms in unionized industries. Additional examination unveils that GWE not only decreases the probability of engaging in violations but also increases the likelihood of detecting violations. Furthermore, auditors are less likely to report ineffective regulatory compliance issues when CEOs have GWE. The evidence is consistent with the notion that CEOs possessing GWE value/know more about regulatory compliance, while inconsistent with GWE building connections for CEOs to evade monitoring. In addition, we demonstrate that CEOs with GWE benefit shareholders by mitigating the negative effects of regulatory violations on stock returns. CEOs with GWE tend to enjoy longer tenures and experience fewer turnovers, indicating that firms recognize the value of GWE.

Compensation (1)	Room: VIP Room 6
Moderator: Alexander Hofer, Vienna University of Economics and Business	

The Relevance of Executive Equity Compensation Design in Loan Pricing Decisions: Evidence from Private Loans

Presenter:	Marina Ruseva	Lamar University
Co-Author(s):	Emrah Ekici	University of Wisconsin – Eau Claire

Abstract:

In this study, we examine whether and how executive equity compensation design is factored into loan pricing decisions. Unlike prior research, this paper uses a single measure which captures the relative weight of the two main equity compensation components, options and stock awards, granted to firm executives. We document that a greater proportion of options relative to the proportion of stock awards is associated with a higher loan spread. Our empirical results are supported by multivariate analyses as we control for known determinants of loan contract terms, including the sensitivities of executive stock and option portfolios to stock price (delta) and stock return volatility (vega). Overall, the results suggest that executive equity compensation design is

relevant in lenders' loan pricing decisions. Since options are riskier than stock awards, this study documents that private lenders assess the differential riskiness of the two equity compensation components in determining the loan spread.

Inequality Grows in Silence: The Impact of Newspaper Closures on CEO-Worker Pay Disparity

Presenter:	Colin Zeng	Hong Kong Polytechnic University
Co-Author(s):	Jie Chen	University of Leeds
	Yang Gao	Hong Kong Polytechnic University

Abstract:
Addressing income inequality is crucial for ensuring equitable and prosperous societies. This study examines the impact of local press on intra-firm pay disparity. By utilizing the recently mandated disclosures of CEO-worker pay ratios and analyzing the staggered shutdown of local newspapers, we find that firms' pay disparity increases by 15.3% following newspaper closures. Further analysis suggests that this post-closure increase in pay disparity ratio is unlikely to be driven by either of its components alone or underlying economic conditions, but rather by reduced reputational concerns. Overall, our findings provide insights into the role played by local newspapers in monitoring pay disparity.

Broad-based Stock Options and Employee Information Sharing: Evidence from Glassdoor Reviews

Presenter:	Rencheng Wang	Singapore Management University
Co-Author(s):	Shuo Li	Singapore Management University
	Yinghua Li	Arizona State University

Abstract:
Leveraging employers' reviews by their employees on the Glassdoor website, we examine how broad-based employee stock options (ESOs) influence the flow of insider information on workplace conditions into the labor markets. We find that high-ESO firms have fewer negative employer reviews, and thus better overall Glassdoor ratings. Further analysis reveals two mechanisms that are at play. First, ESO grants, a form of explicit monetary benefits, increase employees' willingness to accept less desirable workplace conditions (part of implicit job attributes). Second, ESOs reduce employee exits, events that lower the costs to employees for publicizing unflattering reviews. Additionally, Glassdoor ratings for high-ESO firms are less informative in imparting the actual workplace practices. Meanwhile, we find no evidence that employers grant more ESOs to preserve their reputation by silencing employees. Taken together, our findings suggest that ESOs (unintendedly) decrease both the quantity and quality of workplace information publicly shared by employees, potentially imposing negative externalities on outside job seekers who rely on such information for better employment decisions.

Do Market Investors Value the Ethnic Minority Director on Corporate Compensation Committee?		
Presenter:	Fang Gong	National Taiwan University
Co-Author(s):	Ruei-Siang Chen	National Cheng Kung University

Abstract:
This study examines whether market investors value newly appointed corporate compensation committee directors (CCDs) and whether CCDs' ethnic background influences the stock market reaction to newly appointed CCDs' announcements. Using 1,009 observations issued by US-listed companies from 2012 to 2022, we find that: (1) significantly positive cumulative abnormal stock returns (CAR) around the announcement date of the newly appointed CCDs, (2) market price rises are significantly more positive for newly appointed CCDs with ethnic minority backgrounds. Additionally, the market reacts more positively in instances where the announcing firms with poor firm performance, financial constrain, and poor-quality corporate governance. Our findings suggest that appointing ethnic minorities brings more effective monitoring managers and allocating resources, and thereby market investors reward the CCDs being ethnic minorities. These findings are of interest in the current debate regarding reducing inequalities in ethnicity and the gaps between the haves and have-nots.

Workforce and Labor Market		Room: VIP Room 7
Moderator: Fu-Hsuan Hsu, National Dong Hwa University		
Internal Control Processes and Employee Satisfaction		
Presenter:	Yuan Xie	Fordham University
Co-Author(s):	Ping Gong	Yale University
	Chan Li	University of Kansas
	Yanting (Crystal) Shi	HEC Paris

Abstract:
This paper investigates how employees are impacted by their employer's internal control processes. Using Glassdoor ratings from current employees as a proxy for employee satisfaction, we find that employees are more dissatisfied when their employers have deficiencies in internal control processes. This effect is more pronounced when internal control deficiencies are personnel-related, among lower-ranked workers, and among employees in labor-intensive firms. Furthermore, we document a positive association between internal control deficiencies and higher employee departure rates. Finally, our findings indicate that workers whose reviews contain internal control related words experience more job dissatisfaction from internal control deficiencies. In summary, this study highlights that employees perceive deficiencies in the internal control processes as detrimental to their well-being.

How Does Labor Market Mobility Affect Managerial Learning from Competitors' Stock Valuations?		
Presenter:	Shuran Zhang	Hong Kong Polytechnic University

Co-Author(s):	Jeffrey Ng	University of Hong Kong Business School

Abstract:
We find that when states enhance the enforceability of noncompete agreements (NCAs), firm investment becomes more sensitive to in-state competitors' stock valuations, which is consistent with reduced labor mobility increasing managerial learning from competitors' valuations. The effect is more pronounced for firms that would have benefited more from labor mobility-driven learning and those with less access to alternative information. We also show that stricter NCA enforcement is associated with greater investment differentiation, lower investment efficiency, and less competitor information being contained in insider trades. These findings further validate the importance of labor mobility in shaping knowledge spillover and managers' investment decisions.

Documenting the Undocumented: The Impact of Employment Verification Mandates on Government Borrowing Costs

Presenter:	Lei Li	The Hong Kong Polytechnic University
Co-Author(s):	Liwei Weng	The Hong Kong Polytechnic University
	Lixin (Nancy) Su	The Hong Kong Polytechnic University
	Cheng (Colin) Zeng	The Hong Kong Polytechnic University

Abstract:
The impact of undocumented immigrants on the economy is a topic of ongoing debate. In this study, we contribute to the debate through the lens of municipal bond markets. By utilizing the adoption of employment verification (E-Verify) laws, which aim to reduce unauthorized immigrants by requiring employers to electronically verify the work eligibility of new employees in the U.S., our difference-in-differences analyses reveal that the adoption of E Verify leads to a significant decrease in the cost of municipal bond offerings. This effect is more pronounced in states with a larger population of undocumented immigrants before the laws were enacted, states perceived to have stronger enforcement of the laws, and states with worse financial health. We also find that E-Verify laws lead to lower levels of government administration expenses, insurance expenses, as well as a fiscal deficit, constituting possible channels underlying the reduced cost of municipal bonds. Overall, our results suggest that E Verify, which is designed to improve transparency regarding unauthorized employees, can generate positive spillover to municipal bond markets.

Case Study

Room: VIP Room 8

Moderator: Chih-Yang Tseng, National Taiwan University

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

Presenter:	Li Zhang	University of Illinois Urbana - Champaign
Co-Author(s):	Austin Chen	EY - Parthenon
	Jiahui Han	Syracuse University

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.

The Role of Environmental Management Accounting in Fostering Circular Economy Practices and Sustainability Performance – A Case Study of Energy and Utilities Sector in Thailand

Presenter:	Linh Thi Phuong Nguyen	Thammasat University
Co-Author(s):	Sakun Boon-itt	Thammasat University
	Christina WY Wong	The Hong Kong Polytechnic University
	Chee Yew Wong	University of Leeds
	Piyakarn Supanchanaburee	Thammasat University
	Natdanai Aleenajitpong	Kasetsart University

Abstract:
The study aims to address the question of whether environmental management accounting (EMA) can facilitate the implementation of circular economy (CE) activities and enhance sustainability performance. Since EMA practices can provide environmental-related information about environmental costs and savings, material and financial flows, it is expected to contribute to the application CE business model by assisting companies through waste management, resource efficiency. However, there is a scarcity of studies regarding EMA potential especially for circular economy practices. To address this research gap, we used qualitative method through a case study analysis to understand how EMA practices can enhance the application of circular economy principles. We found that EMA practices help to keep tracks of environmental expenses, record environmental investments, measure greenhouse gas emissions (GHG) in Scope 1, 2, and 3, analyze cost of waste in production process, apply MFCA, evaluate material efficiency, and conduct life cycle assessment (LCA) to minimize the environmental impacts of the products. Based on the findings, we proposed a framework to develop EMA practices to support CE activities and sustainability performance. This study contributes to the EMA and CE literature and supports the view that EMA is an effective tool to contribute to the circular economy.

Transforming ESG Reporting Analysis: Custom GPTs Built on GRI Framework for Enhanced Compliance Insights		
Presenter:	Tony L. J. Lin	Rowan University
Co-Author(s):	Jordan Howell	Rowan University

Abstract:
In this study, we investigate the application of custom Generative Pre-trained Transformers (GPTs) using OpenAI's GPT-4 Turbo for analyzing Environmental, Social, and Governance (ESG) reports. Centered on the Global Reporting Initiative (GRI) framework, we aim to employ a custom GPT specifically designed for assessing ESG disclosures of public companies. This research includes a case study analysis of Apple and Amazon's 2022 ESG reports, conducted shortly after the release of this novel technology. Our methodology highlights the potential of natural language inputs in scrutinizing complex ESG data, offering insights into the capabilities of custom GPTs for this purpose. The results indicate the effectiveness of such technologies in improving ESG report analysis. This paper contributes to the dialogue in accounting about the evolving role of AI in ESG reporting, supporting broader sustainability objectives and enriching the understanding of AI's applications in accounting.

Macroeconomy		Room: VIP Room 9
Moderator: Xiaoli Tian, Georgetown University		
Asymmetric Cycles and Asymmetric Accounting		
Presenter:	Chunxiao Xue	Wenzhou-Kean University
Co-Author(s):	Tong Lu	University of Houston
	Ellen Wang	University of Houston

Abstract:
This study investigates the impact of asymmetric accounting on asymmetric learnings, which in turn influence asymmetric business cycles (slow boom, sudden bust) and aggregate investment efficiency. We find that a moderate downward accounting asymmetry both stabilizes boom-bust cycles and minimizes aggregate investment inefficiency. The accounting policy of downward asymmetry proposed in this study serves as a built-in, cost-effective mechanism in macroeconomic management. Furthermore, this study underscores the macroeconomic consequences of accounting asymmetry as an additional consideration in the ongoing debate over neutrality versus conservatism within conceptual frameworks for financial reporting.

Aggregate Market Disagreement and the Macroeconomy: Evidence from the Global Markets		
Presenter:	Nanqi Li	Hong Kong Polytechnic University
Co-Author(s):	Te-Feng Chen	Hong Kong Polytechnic University
	K.C. John Wei	Hong Kong Polytechnic University

Abstract:
Using Yu’s (2011) bottom-up approach, we show that U.S. aggregate disagreement is a strong

predictor of macroeconomic conditions. Whereas conventional uncertainty measures rise in bad times, U.S. aggregate disagreement peaks around nine months before recessions. In non U.S. global markets, an increase in U.S. aggregate disagreement is associated with long-lasting declines in economic activities, whereas non-U.S. aggregate disagreement does not have the predictability. Further, U.S. aggregate disagreement significantly predicts future stock market returns in the U.S. and non-U.S. markets, whereas non-U.S. aggregate disagreement displays limited predictive ability. The results highlight a leading role of U.S. aggregate disagreement on global economy and financial markets.

From Micro Forecasts to Macro Forecasts: Predicting Gross Domestic Product Growth with Analyst Earnings Forecasts

Presenter:	Zili Zhuang	The Chinese University of Hong Kong
Co-Author(s):	Yinglei Zhang	The Chinese University of Hong Kong
	Zhenyang Shi	BI Norwegian Business School

Abstract:

We find that aggregate analyst (street) earnings forecasts predict nominal Gross Domestic Product (GDP) growth incremental to aggregate (GAAP) earnings documented in prior research, and that professional macro forecasters do not fully incorporate the information contained in analyst forecasts. We show that horizon alignment between forecasted earnings and GDP and the informativeness of aggregate street earnings on GDP combined with their higher predictability relative to GAAP earnings both explain the incremental predictive ability of aggregate analyst forecasts. We further demonstrate that analyst forecasts contain forward-looking macroeconomic information that is not reflected in realized street earnings. Additional tests reveal that the predictive power of GAAP earnings can be subsumed by analyst GAAP forecasts, which in turn are subsumed by analyst street forecasts. Further, using the out-of-sample GDP growth predictions with the incorporation of analyst forecast information, we find statistically and economically significant effects for the prediction of federal fund rate prescribed by the Taylor rule. Our main results are robust to the inclusion of other macroeconomic variables and aggregate special items as well as to using the subsample of firms with analyst coverage to construct aggregate GAAP earnings.

Securities Litigation Environments and Bank Lending: Evidence from the Courts

Presenter:	Haitian Lu	The Hong Kong Polytechnic University
Co-Author(s):	Wei-Ling Song	Louisiana State University
	Zhen Lei	The Hong Kong Polytechnic University

Abstract:

This study uses banks' lending decisions to gauge the net impact of private securities litigation, a controversial governance mechanism that induces frivolous lawsuits. We find robust evidence that firms headquartered in district court jurisdictions that dismiss more securities lawsuits pay significantly lower interest rates. The effect is stronger among borrowers with less information asymmetry. Our results remain robust to court fixed effects and Supreme Court's Tellabs

decision, which lowers the pleading standards of pre-Tellabs pro-defendant courts. Taken together, evidence suggests lenders consider the benefit of high pleading standards in curtailing frivolous lawsuits to outweigh the cost of financial misreporting incentives.

Tax Issues		Room: VIP Room 10
Moderator: Tanya Y H Tang, Brock University		
Capital Gains Taxes and Acquisition-Motivated IPOs		
Presenter:	Enshuai Yu	Boston College
Co-Author(s):	Benjamin P. Yost	Boston College
Abstract: 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.		
Climate Risk and Tax-Motivated Outbound Income Shifting		
Presenter:	Emmanuel Obiri-Yeboah	Hong Kong Polytechnic University
Co-Author(s):	Haimeng Teng	Penn State Harrisburg
	Qiang Wu	Hong Kong Polytechnic University
	Cheng (Colin) Zeng	Hong Kong Polytechnic University
Abstract: This paper examines the association between climate risk faced by U.S. multinational corporations (MNCs) in subsidiary countries and their tax-motivated outbound income shifting. We find that U.S. firms exposed to higher climate risk are associated with lower levels of outbound income shifting. Cross-sectional tests suggest that this association is primarily driven by physical risks and regulatory costs associated with climate change. Furthermore, the association is moderated by firms' awareness of climate risk and their financial constraints. Overall, our results provide new insights into the tax consequences of environmental concerns.		

Corporate Social Responsibility and Tax Avoidance for Family Firms and the Effect of the Relative Performance: International Evidence		
Presenter:	Abdullah Alsaadi	Umm Al Qura University

Abstract:

The study investigates to what extent does the family firms and their relative performance to meet or beat the aspiration level have a role in determining the association between corporate social responsibility (CSR) and tax avoidance. It provides distinct perspective to explain firms' behaviors regard CSR and tax avoidance that based on the role of family ownership and firms' relative performance, rather than focusing on the morality of these behaviors that most of prior studies based on. Our empirical data for 2009-2022 shows that CSR family firms are less likely to avoid taxes as compared to non-family firms. It is found that high-CSR family firms are less likely to engage in tax avoidance than low-CSR family firms. The results also suggest that CSR family firms that are performing above or below, but near the aspiration level are likely to engage in tax avoidance by reducing reported incomes than CSR family firms that performing above or below, but far the aspiration level. Our additional analysis shows that firms' country-level characteristics are essential in determining the link between CSR and tax avoidance for family firms. Our results are robust using alternative CSR and tax avoidance measures. Our results imply that, in general, family firms are less likely to adopt and disclose CSR to compensate for opportunistic tax planning activities. However, this family firms' behaviors are affected by their relative performance, the level of CSR, and country-level in which they operate.

10:00 – 11:30	Concurrent Session 2	Thursday, June 20

Accounting Standards (1)	Room: VIP Room 1
Moderator: Chris Zhao, Hong Kong Baptist University	

Convergence Has Already Arrived: Examining the Impact of IFRS 16 Issuance on Leasing Decisions among Local-GAAP

Presenter:	Kiyonori Iwata	Tokyo University of Science

Abstract:

In countries like Japan, where standard setters have declared convergence of accounting standards with IFRS, managers in local-GAAP firms may anticipate the "upcoming convergence" when new IFRS is issued. This study focuses on lease accounting and examines the impact of the publication of international standard for lease capitalization (IFRS 16) on the leasing decisions of local-GAAP firms in Japan. The results of difference-in-differences analyses suggest that local-GAAP firms highly exposed to lease capitalization proactively decrease the use of operating leases after the issuance of IFRS 16. Regarding lease-or-buy decisions, this study finds that the relative presence of operating lease to purchased assets decreased in treated firms in post-IFRS 16 periods, while asset purchase itself actually decreases in those periods. These results suggest that the issuance of internationally influential accounting standards has a ripple effect on local-GAAP firms in countries adopting strict convergence approach for accounting regulations.

Collateral Benefits: Accounting Standards and Exports

Presenter:	Jin Xie	Peking University HSBC Business School
Co-Author(s):	Stephen Teng Sun	City University of Hong Kong
	Shang-Jin Wei	Columbia Business School

Abstract:

We document a new fact on the intersection between accounting standards and international trade: following a mandatory adoption of International Financial Reporting Standards (IFRS), exporters from that country accused of dumping in a destination market are successful in defending their case and obtain exemption from duties, the greater the initial gap between the local accounting standard of the exporting country and IFRS. The impact of IFRS also extends to the intensive margin of outcomes in antidumping cases. We consider the possibility that the exporters adjust dumping practices following the adoption of IFRS but find no support for this. We use a narrative approach for identification: policy debates on IFRS suggests that its adoption is based on reasons other than influencing outcomes of antidumping cases. We conclude that one collateral benefit of accounting standards globalization is a better check on trade protectionism.

Real Estate Valuation in Japan: Influence of 'Useful Lives' of Depreciable Assets on Bank Lending Practice

Presenter:	Naoyuki Kaneda	Gakushuin University

Abstract:

In Japan, value of buildings would be zero after the lapse of 'Useful lives' of Buildings. It is quite different from the real estate valuation in United States and Germany. The proportion of houses in the personal portfolio is large. Thus, it can inhibit the holdings of additional risk assets, and it may have had negative wealth effects in Japanese economy. This paper compares the relevant system in Japan, United States and Germany. The effect of this unique system will be analyzed.		
The Determinants and Consequences of Voluntary IFRS Adoption: Evidence from the U.S. Market		
Presenter:	Li-Chin Jennifer Ho	University of Texas at Arlington
Co-Author(s):	Jennifer L. Bannister	University of Dallas
	Mahmut Yasar	University of Texas at Arlington
Abstract: Despite the rise in research surrounding International Financial Reporting Standards (IFRS) adoption, evidence regarding the use of IFRS rather than U.S. GAAP in the United States is limited. This study examines the accounting standard choices of foreign private issuers in the United States and identifies multiple firm characteristics that are significantly related to firms' accounting standard choices in the United States. This study also compares the value relevance of IFRS and U.S. GAAP financial statements to gauge U.S. investor sentiment towards IFRS by using Heckman's two-step estimator. Results indicate that IFRS financial statements are more value relevant as a whole than U.S. GAAP for foreign private issuers. Additionally, earnings information (book value) is more (less) value relevant to U.S. investors for IFRS firms than for U.S. GAAP firms. This research contributes to the literature by introducing a new sample for studying the potential effects of IFRS adoption in the United States, which is largely overlooked in prior literature.		

Auditing (2)		Room: VIP Room 2
Moderator: Sunhwa Choi, Seoul National University		
The Influence of Accounting Firm Consulting Revenues on Audit Client Risk Tolerance		
Presenter:	Yonghong Jia	Iowa State University
Co-Author(s):	Xinghua Gao	Washington State University
	Tim Seidel	Brigham Young University
Abstract: Accounting firms' consulting practices have been a continuing regulatory concern. While prior studies focus on and provide nuanced evidence regarding the effect that consulting can have on a given accounting firm's audit quality, we examine the influence accounting firms' consulting services can have on the audit market more broadly. Specifically, we examine whether the proportion of revenues generated from management advisory services (MAS) influences accounting firms' tolerance for audit client risk. We find that accounting firms with higher MAS revenues are less tolerant of audit clients exhibiting greater risk. Additional analyses suggest that		

this effect is driven by a lower reliance on revenues from audit services rather than concerns about increased risk from litigation due to the perception of deep pockets. Further, we find that reduced tolerances for client risk can have a cascading influence on the audit market —we find an increased likelihood of downward auditor switching among high-risk clients served by accounting firms with higher MAS revenues and evidence of lower audit quality in the initial years following such auditor switches.

The Importance of Auditors' Unmet Promotion Expectations to Audit Quality

Presenter:	Yangyang Chen	City University of Hong Kong
Co-Author(s):	Jeffrey A. Pittman	Memorial University and Virginia Tech
	Bin Wu	Central China Normal University
	Min Zhang	Renmin University of China

Abstract:
Using proprietary data on the promotion of individual auditors in China, we examine whether auditors' unmet promotion expectations shape audit quality. We employ a machine learning approach in constructing auditors' unmet promotion expectations and rely on audit adjustments to measure audit quality. We document a negative relation between auditors' unmet promotion expectations and the magnitude of audit adjustments. Reinforcing that audit quality suffers when auditors have unmet promotion expectations, cross-sectional results reveal that this relation is magnified when the auditor receives a lower salary, the auditor has stronger grounds to conclude that they have been treated unfairly, the auditor has a smaller social network that can limit their outside employment opportunities, the potential benefits of becoming a partner are larger; and the client is less valuable to the accounting firm. Additionally, auditors' unmet promotion expectations exhibit a negative relation with audit effort, suggesting that this is a channel through which auditors' unmet promotion expectations operates in influencing their performance. We also find that auditors' unmet promotion expectations are positively associated with other audit quality proxies, including the client's reporting of a small profit and abnormal accruals as well as the incidence of restatements and regulatory sanctions. Collectively, our evidence implies that unmet promotion expectations undermine auditors' incentives, leading to lower audit quality.

A Study of Junior Auditors' Trust in Superiors, Communication Modes at Geographic Distance, and Auditors' Voice Decisions

Presenter:	Ran Li	Texas A&M University-Central Texas
Co-Author(s):	Robert C. Giambatista	The University of Scranton
	Douglas M. Boyle	The University of Scranton

Abstract:
This study investigates the impact of staff auditors' trust in superiors and communication modes within distributed auditing teams on junior auditors' voice decisions. Specifically, 150 junior auditors from the U.S. and China participated in a 3 X 2 experiment with trust (higher-level vs. lower-level) and communication modes (face-to-face (FTF), traditional remote communication

(TRC), and live video conference (LVC)), manipulated randomly between subjects predicting junior auditors' voice decisions. The results indicate a positive correlation between junior auditors' trust in their superiors and their willingness to communicate upward. Furthermore, junior auditors exhibit a greater willingness to share upward in the FTF condition than in the TRC condition. However, their desire to communicate upwards is lower in the LVC condition than in the TRC condition. These results have implications for enhancing remote and global audits.

Disclosure (1)		Room: VIP Room 5
Moderator: Weiwei Wang, Weber State University		
Do Multi-Segment Firms Tell Us Enough About Their Business Segments? Evidence from Segment-Level Data Granularity and Delays in Stock Price Updates		
Presenter:	Chengwei Wang	Sungkyunkwan University
Co-Author(s):	C.S. Agnes Cheng	University of Oklahoma

Abstract:
Although SFAS 131 mandates specific financial data for business segment reporting, we find that multi-segment firms frequently omit key data items. We investigate how this segment data opacity affects the speed at which stock prices reflect industry news. By analyzing the lead-lag return relation between single- and multi-segment firms, we document that multi-segment firms that are reticent about their segment financials significantly lag behind their single-segment peers in responding to common industry news. This result holds even after controlling for firm-wide disclosure quality and operational complexity. The lag is especially salient for firms that are likely to safeguard proprietary information or contend with agency issues. Difference-in-difference tests that leverage the exogenous ASC 280 codification support a causal inference. We also find a delayed market reaction to earnings announcements from multi-segment firms that extensively withhold segment data. Collectively, our results underscore the critical role of segment data in the timely incorporation of new information into stock prices. Our findings lead us to advocate for stricter enforcement of segment data disclosure regulations.

How does more mandated public information about private firms affect public firms' disclosure of major customers' identities		
Presenter:	Janus Jian Zhang	The University of Hong Kong
Co-Author(s):	Jeffrey Ng	Shanghai University of Finance and Economics
	Chunyan Wei	Hong Kong Baptist University

Abstract:
Using the China's mandate in 2014 requiring private firms to publicly disclose their annual reports, we examine how more public information about private firms affect public firms' disclosure of major customer identities. Our difference-in-difference analysis reveals that the mandate negatively affects public firms' tendency to disclose their customers' identities. We infer from this finding that the mandate increases proprietary costs of firms' revealing the identities of customers with more publicly available information. Further support for this

increased proprietary cost inference comes from evidence that that the negative effect is more pronounced for firms more concerned about losing their customers. We also find that the negative effect is less pronounced for firms relying more on external financing, consistent with there being a trade-off between proprietary costs and capital market benefits of disclosing the identities of customers. Overall, our study provides novel insights on how the regulation on private firm disclosure can have unintended effects on public firms' disclosure practices.

Do Machine-Readable Disclosures Facilitate Regulatory Scrutiny? Evidence from SEC Comment Letters

Presenter:	Xin Emma Xu	The Hong Kong Polytechnic University
Co-Author(s):	Ben Wang	The Hong Kong Polytechnic University
	Liwei Weng	The Hong Kong Polytechnic University
	Qiang Wu	The Hong Kong Polytechnic University

Abstract:
This paper examines whether machine-readable disclosures facilitate SEC scrutiny in terms of the issuance of comment letters. Using the adoption of Inline XBRL (iXBRL), which significantly increases the overall machine readability of financial reports, we find that the SEC is more likely to issue comment letters to firms mandated to adopt Inline XBRL compared to non-adoption firms following the regulation. Such an increase is greater when the SEC is during its busy season and has high workload pressure, suggesting that machine-readable filings improve the SEC's reviewing efficiency. Furthermore, we find that the comment letters sent to treatment firms cover more topics and that the SEC takes less time to respond compared to those sent to control firms in the post-iXBRL period. Collectively, our findings provide fresh evidence that machine-readable disclosures enhance the SEC's efficiency in reviewing periodic filings and facilitate its scrutiny activities.

Transparent Corporate Textual Disclosure and Economic Growth

Presenter:	Li Yao	University of Concordia
Co-Author(s):	Minkang Lu	Zhongnan University of Economics and Law
	Ziwei Qiao	Capital University of Economics and Business
	Hongping Tan	McGill University

Abstract:
Using corporate filings provided by foreign firms headquartered in 26 countries, we construct a novel country-specific measure of corporate textual transparency. This measure concerns both the availability and quality of textual information captured by four linguistic attributes: readability, specificity, non-boilerplate, and conciseness. We find that corporate textual transparency predicts a country's economic growth for at least two years, especially for countries with weaker institutions. We further document that corporate textual transparency pertaining to macroeconomic news and micro news about firm activities is useful for predicting economic activities. Our findings suggest that transparent corporate textual disclosure represents a rich

collection of information that helps to forecast real economic activity.

Capital Market and Financial Analysis		Room: VIP Room 6
Moderator: Xinlei Li, University of California-Davis		
Weathering the Market: How Insider Trading Responds to Natural Disasters		
Presenter:	Mei Sheng	The University of Hong Kong
Co-Author(s):	Haozhou Gong	The University of Hong Kong
	Xu Li	The University of Hong Kong
	Chen Lin	The University of Hong Kong
Abstract: We investigate the impact of natural disasters, namely severe snowfall, on insider trading. When analyzing a sample of firms that operate in snowfall-impacted areas, we find that corporate insiders significantly adjust their trading behavior during these events. These insiders not only predict lower future returns but also increase the size of their sales in response to snowfall crises. Further, we explore the salience and operational insights channels through which snowfall triggers informed insider sales. Our findings show that insiders residing in impacted regions, as well as senior insiders with unique operational insights, effectively avoid losses during these periods. Our snow intensity test reveals that these phenomena are more pronounced for snowstorms of greater severity. Our study highlights the capacity of insiders to anticipate and respond to weather-related business risks.		
The Jones Type Model Reconfigured: Asset vs. Liability Accruals		
Presenter:	James Ohlson	City University of Hong Kong
Co-Author(s):	C.S. Agnes Cheng	The University of Oklahoma
	Hongyu (Jack) Wang	The University of Oklahoma
	Cheng (Colin) Zeng	Hong Kong Polytechnic University
Abstract: For three decades the Jones model and its extensions (Jones type models) have served as a major benchmark for measuring discretionary total accruals (DTA). These discretionary accruals take on an important role in empirical accounting research because they serve as instruments to indicate firms' attempts at managing reported earnings. We refine the discretionary accruals from Jones type models by decomposing discretionary accruals into discretionary asset accruals (DAA) and discretionary liability accruals (DLA), since firms have different level of discretions over asset accruals and liability accruals. We find that both DTA quality and DAA quality can detect GAAP misreporting. The ability of using DTA quality to detect GAAP misreporting is subsumed by the quality of DAA when both DTA and DAA are used as explanatory variables.Further inspections indicate that the results extend to income increasing DTA subsample. However, we do not find DTA quality explain GAAP misreportings in income decreasing DTA subsample. Our findings suggest that decomposing DTA as DAA and DLA has incremental benefits for detecting and understandings firms' accruals manipulation behaviors.		

Individual Investors' Response around Earnings Announcements and the Effects of the COVID-19 Pandemic		
Presenter:	E. Jin Lee	Bryant University

Abstract:

The recent remarkable rise in the number of individual (retail) investors using new electronic trading applications increases the growing demand for research on individual investors' trading activities. Using a novel dataset of individual investors on the Robinhood electronic trading app, this research examines individual investors' trading activities related to earnings announcements (EA). Findings suggest that individual investors trade significantly both before and after EA, but this pattern becomes weaker during the COVID-19 pandemic. In addition, I find a significant increase in trading after the market closes on an earnings announcement (EA) day relative to a non-EA day, but this effect decreases during the COVID 19 pandemic. Furthermore, I find that individual investors show buying behavior after both good news and bad news, indicating attention-induced trading rather than contrarian trading. During the pandemic, this trend is largely maintained, but the effect becomes weaker. I also find a difference in individual investor trading behavior for morning versus evening EA. This research provides additional insights into individual investors' attention-induced and contrarian trading activities using a novel direct proxy for (first-time, young, small) individual investors and a more detailed granular analysis at the hourly level than prior studies. The findings also depend on the timing of EAs. Furthermore, this research provides timely evidence of the effects of a crisis like the COVID-19 pandemic on individual investors.

The informativeness of change in SG&A ratio during hypergrowth: The role of supervision and specialization of private equity and venture capital		
Presenter:	Chawanakorn Thienboonlertrat	Chulalongkorn University
Co-Author(s):	Thanyaluk Vichitsarawong	Chulalongkorn University

Abstract:

This study examines the implications of monitoring and specialization of private equity and venture capital investors (PEVCs) on future financial performance of portfolio firms through an increase in the selling, general, and administrative (SG&A) ratio. Investigating the U.K. private fintech sample, we observe that the higher SG&A ratio in a hypergrowth stage can signal investment inefficiency. However, active monitoring by PEVCs mitigates the reduction of future revenue and earnings before interest and tax (EBITDA) caused by the rising SG&A ratio, while strengthening its benefit in reducing future SG&A by engaging in strategic decisions of portfolio firms. Although specialized PEVCs can alleviate the reduction of future revenue caused by the rising SG&A ratio, they contribute to deteriorating future EBITDA. Conversely, diversified PEVCs can leverage knowledge sharing across industries to enhance sizeable future cost saving caused by the greater SG&A ratio, thus, improving future profitability of portfolio firms.

ESG (1)		Room: VIP Room 7
Moderator: Xiang-Yu Huang, National Taiwan University		
Using Advertising to Management Attention: Evidence from ESG Violation Penalty		
Presenter:	Scarlett Song	University of New Hampshire Peter T. Paul College of Business and Economics
Co-Author(s):	Estelle Y. Sun	Boston University Questrom School of Business

Abstract:

This paper examines how firms react to reputation-damaging events by utilizing advertising strategies. Using ESG violation penalties and monthly paid search advertising data from 2014 to 2018, we find that firms receiving ESG violation penalties reduce their advertising expenditures in the month following the penalties. Such reduction in advertising expenditures helps decrease investor attention and information uncertainties. Additional analysis shows that financial constraints of the penalized firms are unlikely to be the primary reason for the reduction in advertising activities. Overall, our findings suggest that, subsequent to receiving ESG violation penalties, firms employ advertising as a strategic tool to manage downward attention and alleviate investors' information uncertainties.

Flight to ESG Transparency: Evidence from Foreign Government Procurement Contracts		
Presenter:	Chengzhu Sun	The Hong Kong Polytechnic University
Co-Author(s):	Yongtae Kim	Santa Clara University
	Yi Xiang	The Hong Kong Polytechnic University
	Cheng (Colin) Zeng	The Hong Kong Polytechnic University

Abstract:

This study examines the impact of environmental, social, and governance (ESG) transparency on firms' competitiveness for foreign government procurement contracts. Exploiting the staggered implementation of ESG disclosure mandates across countries, we find that, following the mandate, firms are more likely to secure contracts from foreign governments, with higher contracts values. The ESG disclosure mandate affects global allocation of government procurements through two channels: increased ESG information transparency and enhanced ESG performance. The mandates' effect is more pronounced when foreign governments accord greater significance to ESG factors in their procurement processes and when bidders' ESG transparency substantially improves following the mandate.

Brightening the Darkside of Environmental Regulation: Evidence from Green Revenues and Greenwashing Behaviors		
Presenter:	Ari Budi Kristanto	Satya Wacana Christian University
Co-Author(s):	June Cao	Curtin University
	Zijie Huang	Curtin University

Abstract:

This study investigates whether and how firm's green revenues mitigate greenwashing behaviors, an unintended consequence of the Emissions Trading Scheme (ETS). Using the difference-in-differences (DiD) model, we find that ETS-constrained firms with green revenues are inclined to diminish greenwashing behaviors. We document the high green awareness and strong ability of green innovations and environmental transformation as the underlying mechanisms. Our findings align with the research-based view (RBV) and stakeholder theory. Environmental regulation's unintended consequences can be mitigated by encouraging distinctive resource and stakeholder orientation. We also document that firms generating green revenues diminish greenwashing behaviors in response to China's ETS pilot. Accordingly, this study provides policymakers and regulators with ex-ante evidence on anticipating the unintended consequences of environmental regulations.

Culture and CEO Attributes

Room: VIP Room 8

Moderator: Shu-Ling Wu, National Taiwan University

CEO Education from Internationally Ranked Universities and Ethics Disclosures: Evidence from Indonesia

Presenter:	John Nowland	Illinois State University
Co-Author(s):	Iman Harymawan	Universitas Airlangga
	Mohammad Nasih	Universitas Airlangga
	Adib Minanurohman	Universitas Airlangga
	Akmalia M. Ariff	Universiti Malaysia Terengganu

Abstract:

Ethics disclosures promote a company's commitment to ethical business practices and reduce the potential for corporate misconduct. This study investigates whether CEOs with degrees from internationally ranked universities are associated with more corporate ethics disclosures. Our analysis is conducted in Indonesia, an emerging market where ethics disclosures are voluntary and in their infancy. Based on upper-echelon theory, CEOs are responsible for setting the ethical tone in their companies. We propose that CEOs with degrees from higher-ranked universities have had more exposure to business ethics and have developed stronger personal reputation capital, leading to a greater motivation to adopt ethical practices in their organizations. We find that CEOs with undergraduate (postgraduate) degrees from universities ranked by QS World University Rankings are associated with 13% (28%) more ethics disclosures in annual reports. Furthermore, these ethics disclosures are more extensive for CEOs with higher ranked university degrees. This study's findings are significant for CEO appointments in emerging markets, where ethics disclosures are voluntary and emergent. Our findings suggest that in prioritizing the appointment of CEOs with degrees from internationally ranked universities, organizations in emerging markets can enhance their corporate ethics disclosures and practices.

From Appearance to Performance: The Role of CEO Attractiveness in Shaping Market Responses

Presenter:	Pang-Yu Wang	National Taiwan University
Co-Author(s):	Mao-Wei Hung	National Taiwan University
	Ya-Ting Lee	National Taipei University
	Ju-Fang Yen	National Taipei University

Abstract:
This study uses a sophisticated machine learning approach to assess the perceived attractiveness of CEOs from their photos and explores its impact on market reactions to earnings news. We found that a more attractive CEO leads to a significant increase in downloads of the firm's SEC filings on the EDGAR system around earnings announcements. CEO attractiveness also correlates with a stronger return response to earnings news. This effect is most pronounced during clustered earnings announcements dates, implying that a CEO's visual appeal helps their firm's news capture investors' limited attention amidst a crowded information environment. However, the effectiveness of CEO attractiveness in conveying information diminishes over time, suggesting it primarily serves as an attention-grabbing mechanism with a short-lived impact. This evidence points to a first-impression bias in investor behavior, underscoring CEO facial traits' significant yet temporary role in shaping capital market dynamics.

Unity or Individuality: Exploring the Impact of CEO Organizational Identification on Corporate Social Responsibility

Presenter:	Jong-Yu Paula Hao	California State University, Long Beach
Co-Author(s):	Chia-Ling Lee	National Chengchi University

Abstract:
We investigate whether CEO organizational identification (OI) creates or reduces incentives for CEOs to engage in corporate social responsibility (CSR) initiatives. Our findings reveal a positive association between CEO OI and the firm's commitment to CSR. This finding is consistent with the prediction that heightened OI strengthens the CEO's dedication to the organization, leading to a prioritization of the firm's long-term interests over personal gain. Moreover, the effect of CEO OI is stronger in firms adopting a differentiation strategy, or in circumstances characterized by higher cost of equity or increased firm risk. This study contributes to the literature by focusing on the psychological traits of CEOs, drawn from publicly available archival data, and their impact on firm behaviors.

To Hide or Highlight? An Emphasis on Corporate Integrity Culture and Foreign Corrupt Practices Act Violation

Presenter:	Lu Lu	Western Illinois University
Co-Author(s):	Chenyong Liu	California State University
	Wenye Tang	Appalachian State University

Abstract:
This paper investigates the relationship between a firm's emphasis on integrity culture and its Foreign Corrupt Practices Act (FCPA) compliance. We find that when FCPA violations

happened in a firm, its management was more likely to self-proclaim the corporate integrity culture at the same time. This result indicates that emphasizing integrity does not guarantee an ethical corporate environment; rather, it may serve as a cover for unethical activities. We further find that the association between a focus on integrity culture and FCPA violation is less pronounced in firms having longer audit tenure, subjecting to multiple anti-corruption laws internationally, or purchasing non-audit services (NAS) from their auditors. This study illustrates a possible window-dressing issue in firms to disguise misconduct by prompting integrity culture. It also contributes to the international accounting literature supporting global anti-corruption regulatory, and to the recurring debate about the necessity of auditor rotation by showing the impact of long-tenure audits on FCPA compliance.

International Accounting

Room: VIP Room 9

Moderator: Kun-Chih Chen, National Taiwan University

Corporate Bribery and Foreign Philanthropic Giving

Presenter:	Jingran Zhao	Hong Kong Polytechnic University
Co-Author(s):	Weishi Jia	Cleveland State University
	Danlei Bonnie Yu	Soochow University
	Albert Tsang	Southern University of Science and Technology

Abstract:
Corporate bribery of foreign government officials is illegal for U.S. multinational enterprises (MNEs) under the Foreign Corrupt Practices Act (FCPA). Using FCPA violations as a negative reputation shock, we examine whether and how U.S. MNEs use corporate philanthropic giving to a foreign host country to repair the reputational damage sustained from corporate bribery and manage their future FCPA enforcement risk in that country. We predict and find that both focal firms of FCPA enforcement and peer firms operating in the same foreign host country experience significant reputation loss when enforcement reveals the focal firm’s bribery. Moreover, peer firms face heightened enforcement risk from FCPA authorities after focal firms’ FCPA cases. Employing a staggered difference-in-differences design, we further show that while focal firms do not change their philanthropic giving to the foreign host country after their FCPA cases, peer MNEs significantly increase such giving to repair the spillover reputational damage and proactively manage their FCPA enforcement risk exposure. Overall, our findings show that U.S. MNEs strategically use philanthropic giving to foreign countries to manage their reputational capital and legal risks after a negative reputation shock.

The Effect of Extraterritorial FCPA Enforcement on Foreign Firms’ Borrowings from US Banks

Presenter:	Zheng Wang	City University of Hong Kong
Co-Author(s):	Bingyi Qin	City University of Hong Kong
	Ke Wang	University of Alberta
	Christopher Williams	University of Michigan

Abstract:
We examine whether the extraterritorial enforcement of the US Foreign Corrupt Practices Act (FCPA) affects foreign firms' borrowings from US banks. On one hand, the FCPA enforcement may encourage US banks' participation in lending to foreign firms by reducing US banks' cash flow risk associated with foreign borrowing firms' corruptive behavior. On the other hand, the FCPA enforcement may increase the enforcement risk and compliance cost borne by non-US borrowing firms, which reduces their willingness to borrow from US banks. Our stacked difference-in-differences analysis based on a large sample of international syndicated loans provides evidence consistent with the latter argument. Cross-sectional tests reveal that the deterrent effect of the extraterritorial FCPA enforcement on foreign firms' borrowings from US banks is stronger for borrowing firms with operations in high-corruption countries or regions. The effect is also more pronounced for borrowing firms from countries or regions with more credit available to the private sector or with a greater cultural difference or geographical distance from the US. In addition, we find a greater decrease in foreign firms' borrowings from US relationship banks compared to non-relationship banks. Collectively, this study improves our understanding of how the extraterritorial enforcement of the US FCPA shapes bilateral relationships between US banks and foreign borrowing firms in particular and international capital flows in general.

Cross-border regulatory enforcement and firms' asymmetric cost behaviour

Presenter:	Tracy Hau Yi Yeung	Lingnan University
Co-Author(s):	Raymond M. K. Wong	City University of Hong Kong
	Cephas Simon Peter Dak-Adzaklo	University of Sussex
	James Xede	Hong Kong Metropolitan University

Abstract:
Exploiting the staggered entrance of countries into Multilateral Memorandum of Understanding (MMoU), this paper examines the causal effect of cross-border regulatory enforcement capacity on cross-listed firms' resource-adjustment decisions. We argue that strengthening cross-border regulatory enforcement motivates cross-listed firms to enhance corporate governance, and thus the MMoU would reduce the degree of asymmetric cost behaviour therein. We test our prediction using a sample of U.S. listed foreign firms from 41 countries during 2000-2020 and find a negative impact of MMoU on firms' cost stickiness behaviour. Moreover, we document that the negative effect is amplified in environments with higher agency conflicts, namely for firms (1) with poorer information environment, (2) from countries with weaker institutions, and (3) from countries with high-secrecy culture. Overall, our study demonstrates the effectiveness of cross-border institutional efforts on shaping managers' opportunistic behaviour.

Financial Analysts		Room: VIP Room 10
Moderator: An-Ping Lin, Singapore Management University		
The Information Externality of Paid Analysts		
Presenter:	Jihye Yoo	Hong Kong Polytechnic University
Co-Author(s):	Albert Tsang	Southern University of Science and Technology

Abstract:
Using a hand-collected dataset of paid analysts and their earnings forecasts, this study examines the role of paid analysts in capital markets. Paid analysts tend to make more accurate earnings forecasts for the industry counterparts of their paying companies, compared with their non-industry counterparts after they are paid for providing forecasting services. The positive effect of appointing a paid analyst on earnings forecast accuracy for non-paying companies in the same industry (relative to those not in the same industry) is stronger when the paying companies have a weaker information environment and for analysts who have less industry-specific knowledge. Together, the findings of this study support the conjecture that having access to the private information of paying companies creates a positive information externality that enhances paid analysts' earnings forecasting performance for non-paying companies.

Gender Differences in Sell-Side Analysts' Social Interactions		
Presenter:	Guangyu Li	King's College London
Co-Author(s):	Crawford Spence	King's College London
	Zhong Chen	King's College London

Abstract:
This paper investigates the gender effect on sell-side analysts' social interactions with company management and examines the mechanisms behind gender differences. Using a unique dataset of corporate site visits conducted by sell-side analysts, we find that female analysts undertake less frequent corporate site visits and are granted less access to listed firms than their male counterparts. However, they initiate more site visits for each firm they can access. Moreover, site visits involving female analysts elicit weaker abnormal returns, reflecting a bias against the inclusion of female analysts in economically significant interactions. We investigate three potential mechanisms behind gender differences in corporate site visits: the uneven distribution of resources within predominantly male financial institutions, societal expectations related to gender roles, and gender homophily in financial social networks. Our findings suggest that these three social and organizational mechanisms form barriers hindering female analysts from gaining equal access to social interactions in capital markets. Additionally, we find that stringent regulations on market participants narrow the gender gap in the frequency of corporate site visits and access to firms but lead to more pronounced exclusion of female analysts in significant site visits. Our findings contribute to both the literature on gender issues in capital markets and burgeoning research on the significance of social interactions in the investment chain. This study calls for the creation of a more inclusive environment that supports not only equal access to information but also equal access to social interactions for female financial professionals.

The Effect of App Launches on Analysts' Use of Existing Information Sources		
Presenter:	Minjae Koo	Chinese University of Hong Kong
Co-Author(s):	Mary Lee	ESSEC Business School
	Volkan Muslu	University of Houston
	Han Stice	George Mason University

Abstract:
We study how the launch of firm mobile apps affects sell side equity analysts' use of existing information sources. Using hand-collected data on firms' mobile apps launch dates, we document that following the launch of firm-developed mobile apps, analysts access fewer public reports, ask fewer questions during conference calls, and arrange fewer meetings with executives. The forecast errors are higher after the app launches, especially among analysts who explicitly follow the app information. Finally, investors react less strongly to forecasts of analysts who explicitly follow the app information. Our findings suggest that information about firm-developed mobile apps crowds out existing sources of financial information.

How Good are Analysts' Scenario-Based Valuation Forecasts? Large Sample Evidence		
Presenter:	Yuqi Sun	The University of Hong Kong
Co-Author(s):	KRSubramanyam	University of Southern California
	Peeyush Taori	The University of Hong Kong

Abstract:
Using a sample of analyst reports for S&P 500 firms from 2003 to 2018, we examine analysts' ability to assess valuation uncertainty and fundamental risk of firms using scenario-based valuation forecasts (bull-bear values) provided by analysts. We do not find generalizable evidence that bull/bear forecasts can predict valuation errors. Market tests suggest that investors react to the scenario valuations. Consistent with notion of state-contingent valuations making investors aware of underlying firm uncertainty, we find that bull/bear forecasts are associated with lower returns and volume, higher volatility, and higher stock price crash risk. Results suggest that analysts' superior ability to forecast first moment values might not translate to their second-moment forecasts.

01:40 –02:30 pm	Keynote Speech 1	Thursday, June 20

Moderator: Pei-Cheng Liao, National Taiwan University Room: VIP Room 5-10

What do we know about materiality?

Katherine Schipper, Thomas F. Keller Professor of Duke University

02:30 – 03:20 pm	Keynote Speech 2	Thursday, June 20

Moderator: Chih-Yang Tseng, National Taiwan University Room: VIP Room 5-10

Wangdao and Leadership

Stan Shih, StanShih Foundation, Co-founder & Honorary Chairman of the Acer Group

04:00 – 04:50 pm	Plenary Session 1	Thursday, June 20
Moderator: Edward Lee, University of Manchester		Room: VIP Room 5-10

Strategically Timed Voluntary Disclosures before Conferences: Global Evidence

Presenter:	Shiheng Wang	Hong Kong University of Science and Technology
Co-Author(s):	Emily Jing Wang	Hong Kong University of Science and Technology
Discussant:	Charles Kang	University of Hong Kong

Abstract:

This study examines how conference firms strategically time their voluntary disclosures before conferences in the global market. Based on 163,594 conference presentations made by 11,398 firms domiciled in 50 jurisdictions between 2013 and 2020, we obtain four key findings. First, conference firms provide more frequent voluntary disclosures of positive news in the month before a conference than one month after. Second, short-term market reactions to conference presentations and long-term changes in analyst following and institutional holdings after conferences are positively associated with the frequency of pre-conference disclosures of positive news. Third, firms with greater shareholder pressure, lower visibility, and less concentrated ownership are more likely than other firms to undertake strategic disclosure activities before conferences. Finally, outside the U.S., firms domiciled in jurisdictions with strong investor protection and financial institutions provide more frequent voluntary disclosures of positive news and experience a greater stock price run-up before conferences than other firms. Overall, we show that conference firms in the global market strategically coordinate their disclosures to maximize the economic impacts of conferences.

08:00 – 09:30	Concurrent Session 3	Friday, June 21

IT and Social Media	Room: VIP Room 1
Moderator: Sheng-Feng Hsieh, National Taiwan University	

Audit Quality Under Remote Working Arrangement: The Role of Technology Competency

Presenter:	Tien-Shih Hsieh	University of Massachusetts Dartmouth
Co-Author(s):	Zhenyang Tang	Clark University
	Zhihong Wang	Clark University
	Kyunghee Yoon	Clark University

Abstract:
Using comprehensive labor market data to measure companies' technology competency, this study investigates how companies' technology competency may mitigate the deterioration of audit quality under the remote working arrangement induced by COVID-19. Our results suggest that after the COVID-19 outbreak, companies' accrual quality has decreased, indicating a deterioration of audit quality. The negative impact of remote audits during COVID-19 on audit quality is less pronounced in companies with greater technology competency. Our results are robust to various alternative measures, local versus non-local client analysis, and non-high-technology industry analysis. Our study provides important implications for regulators and practitioners to understand the importance of modern technology in improving audit quality under remote auditing arrangements.

Assured Equity Research

Presenter:	Wenzhuo Zhao	Bentley University

Abstract:
Investment-related social media often provide assurance for equity research published on their platforms. This study examines the credibility and influence of the assurance. This study finds that Seeking Alpha articles assured by its editors (EP articles) elicit stronger market reaction. This market influence is not the result of price pressure. Powered by advanced large language models, the analyses further reveal the assurance alone may heighten market reaction, independent of the article's inherent characteristics, which are the main driving force in EP designation. Additionally, this study finds that EP articles have the ability to shift audience focus away from other articles (non-EP articles), even those discussing different firms. The impact of assurance extends to the authors as well. The assurance not only motivates authors to invest more effort in their later research but also increase the expectation of readers. When authors who have previously received assurance fail to retain it for their later research, investors tend to hesitate before trading based on the latter research. Lastly, the cross-sectional test suggests the influence of the assurance is most profound when there is insufficient external evidence to verify the content of the articles.

Business Revolution and Accounting Properties: A Study of Digital Transaction and Accounting Information Timeliness and Accuracy

Presenter:	Di Guo	Hong Kong Baptist University
Co-Author(s):	Lili Jiu	Xi’an Jiaotong-Liverpool University
	Fang Zhang	Hong Kong Baptist University

Abstract:

In this study, we investigate whether and how the adoption of online sales impacts firms’ external financial reporting. We manually identify 353 listed Chinese firms that sell their products and services on e-shopping platforms during the period of 2007-2020. We hypothesize and find consistent evidence that after adopting online sales, firms enjoy faster and more accurate financial reporting, a better alignment between operating cash flow and earnings, and a better matching of contemporaneous revenue and expense numbers. We provide further evidence that shortened operating cycles due to faster receivable turnover and improved internal information functionalities caused by online sales help to explain the improved speed and accuracy of financial reporting after the adoption. Finally, we show that online sales adoption increases the smoothness and value relevance of earnings.

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

Presenter:	Hao Qu	University of Rochester

Abstract:

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.

Auditing (3)		Room: VIP Room 2
Moderator: Hsihui Chang, Drexel University		
Does Audit Risk Disclosure Improve or Impair Audit Quality and Investment Eciency?		
Presenter:	Tong Lu	University of Houston
Co-Author(s):	Mingcherng Deng	Baruch College
	Xiaoyan Wen	Texas Christian University

Abstract:
Audit risk disclosure is mandated by the international audit standards but not by the U.S. audit standards. This study makes an international comparison to identify the conditions under which mandatory disclosure is more desirable than non-disclosure in terms of its effects on audit quality and investment efficiency. We consider a two-period model in which an auditor acquires private information about a company's risk of material misstatement, thereby reducing the detection risk. We find that the desirability of mandatory audit risk disclosure depends on three risks. When the business risk low, the risk of material misstatement is low or the detection risk is high, mandatory audit risk disclosure impairs investment efficiency. We identify an unintended feedback effect of mandatory risk disclosure: the ex post disclosure takes away an auditor's information advantage and thus discourages the auditors ex ante information acquisition incentive, thereby impairing both audit quality and the informativeness of the audited report. Although mandatory audit risk disclosure facilitates an investors decision-making, it impairs investment efficiency when the feedback effect is dominant. Our analysis sheds light on regulators proposals for mandatory audit risk disclosure.

Misfortunes Never Come Singly: How do Banks Face Clients with Punished Auditors?		
Presenter:	Cheng-Erh Huang	National Chengchi University
Co-Author(s):	Shu-Hsien Lin	Feng Chia University
	Qianyi Wang	Zhejiang Gongshang University

Abstract:
This study focuses mainly on the impact of the reputation of individual auditors on the cost of debt of their clients when the auditors are punished. Using data from Taiwan, we find that compared with the clients of non-punished auditors, those of punished auditors have a higher cost of debt in the succeeding year. In addition, we find that when clients replace their punished auditor with a non-punished auditor, their cost of debt will decrease. Results indicate that lenders are concerned about the reputation of auditors, which is reflected in the cost of debt of their clients. Our study expands the literature on audit and debt markets by providing evidence for the impact of the reputation of punished auditors on the cost of debt of their clients.

Credible Audit Assurance and Debt Structure Concentration: Cross-country Evidence from PCAOB International Inspections		
Presenter:	Yiye Liu	City University of Hong Kong
Co-Author(s):	Simon Yu Kit Fung	Deakin University
	Yangxin Yu	City University of Hong Kong
	Xindong (Kevin) Zhu	City University of Hong Kong

Abstract:
We examine whether and how the introduction of a credible audit regulatory oversight affects a firm's debt concentration level in a cross-country setting. For a sample of non-U.S.-listed companies across 45 countries, we observe a significant decrease in a firm's debt concentration after its auditor is subject to the initial inspection by the U.S. Public Company Accounting Oversight Board (PCAOB), but not by the local audit regulators. The effect is more pronounced for firms exposed to foreign debts, consistent with the notion that foreign debt investors consider the PCAOB inspection program a more credible assurance mechanism that mitigates the co-ordination costs among debtholder groups than local inspection programs enforced by local audit regulators. We also find cross-sectional variations consistent with several predictions at the auditor-, client- and country-levels. Overall, our findings highlight the role of credible audit oversight in shaping a firm's debt structure especially when foreign debts are involved.

Financial Statement Audit and Crisis Response Among Small Businesses During Covid-19: An International Study		
Presenter:	Tracie S. Frost	Hong Kong Polytechnic University
Co-Author(s):	Xiyou Zhang	Hong Kong Polytechnic University

Abstract:
This study suggests that SMEs voluntarily commissioning financial statement audits before the COVID-19 pandemic are better equipped to navigate COVID-era challenges, access credit, and mitigate the risk of business closures. Using data from the World Bank across 40 countries from 2020 to 2022, we examine the association between voluntary financial statement audits and improved financial outcomes among SMEs. Our results reveal that SMEs with voluntary audits exhibit greater operational responses to the pandemic, enhanced access to credit, and lower rates of business closures compared to unaudited SMEs. Additionally, we explore the differential impact of financial statement audits on SMEs in developing and developed countries, highlighting the varying levels of support and resilience observed across different economic contexts.

Disclosure (2)		Room: VIP Room 5
Moderator: Luminita Enache, University of Calgary		
Regulatory Efforts to Reduce Climate Risk Information Processing Costs: Evidence from the Insurance Industry		
Presenter:	Xiao Zhang	University of Hong Kong
Abstract: In 2016, the California Department of Insurance launched a publicly accessible database that significantly reduces the public's cost of determining the carbon intensity of certain insurers' investments from the insurers' publicly available investment data. Using a difference-in differences research design, I find that affected insurers (i.e., insurers included in the database) significantly reduce their carbon-intensive investments after the database is introduced. This finding indicates that reducing the processing costs of climate risk information for the public is an effective means of using public pressure to drive changes. The reduction is more pronounced when insurers' investment data in statutory filings is costlier to process, when insurers experience more pressure to be climate-friendly, and when they have fewer investment performance concerns. In terms of the economic consequences, I find that the affected insurers experience a worse investment performance after the database's introduction; this effect is concentrated among insurers that shift away from carbon-intensive investments. Finally, given that the database aims to enhance transparency regarding insurers' anti-environmental investments, I consider the possibility that insurance buyers might also rely on it when they choose an insurer. I examine the underwriting performance of the affected insurers and find that those that are relatively less invested in fossil fuels see an increase in premiums in states with pro-environment populations.		
The Effect of Disaggregated Assets and Liabilities Held for Sale Disclosure in Partial-Firm Acquisitions		
Presenter:	Achmad Faizal Azmi	Lancaster University Management School
Abstract: This study examines whether the disaggregated disclosure of fair value of assets and liabilities held for sale provides more relevant information for acquiring shareholders regarding assets being acquired. I exploit a discretion of disaggregation of disclosure of fair value of assets and liabilities held for sale by target firms. I find that higher disaggregation of assets and liabilities held for sale disclosure leads to higher absolute cumulative abnormal return by acquirers around the date of disclosure by target firms. This result suggests that more relevant information is conveyed to acquiring shareholders regarding asset sales when target firms disclose the value of assets and liabilities held for sale in a clearly disaggregated manner. I also find that the disaggregated disclosure of assets and liabilities held for sale is more relevant when ratio of deal price and gain on disposal to total assets of acquirer is higher. Finally, these findings are robust to several concern of omitted variables, such as blockholders ownership and segment reporting disclosure. Overall, these findings are relevant for SEC and standard setters in determining whether there should be a rigid rule on the aggregation of assets and liabilities held for sale.		

Climate-related disclosure and impairment loss: Evidence of the Carbon Majors		
Presenter:	Cynthiana Hartono	Vrije Universiteit Amsterdam
Co-Author(s):	Kees Camfferman	Vrije Universiteit Amsterdam
	Malte M. Max	Vrije Universiteit Amsterdam
	Jacco L. Wielhouwer	Vrije Universiteit Amsterdam

Abstract:
This paper aims to investigate the incorporation of climate-related developments in financial reporting by examining whether firms include climate-related considerations in their impairment disclosures. We develop a measure of climate-related impairment disclosure using textual analysis and the Natural Language Processing algorithm BERT. Using impairment disclosures of the top 100 polluting companies in the world (Carbon Majors), we find that the number of climate-related impairment disclosures has increased significantly since 2019, but that this is primarily driven by European companies. The amount of climate-related impairment disclosures in the rest of the world remains, however, relatively low. Using the modified Feltham-Ohlson (1995) model, we document a more unfavorable valuation of impairment losses accompanied by climate-related disclosures, suggesting investors are concerned not only about the impaired assets but also about the information implied by the impairment loss about climate risks. The residual value of assets under impairment may be perceived as slightly higher. Our study sheds light on the variability of disclosing behavior among regions and the negative implications of disclosing, suggesting the need for a regulatory approach.

A little seasoning goes a long way: Outgrowing investment's sensitivity to disclosure burdens		
Presenter:	Jewon Shin	Pennsylvania State University
Co-Author(s):	Matthew T. Gustafson	Pennsylvania State University

Abstract:
Two policy experiments around recent changes in mandatory disclosure requirements indicate that mandatory disclosure burdens suppress the investment of newly public firms, but this effect attenuates after approximately three years. Consistent with the effect being driven by a lack of familiarity between managers and investors, the initial three-year effect and subsequent attenuation concentrates in R&D (as opposed to capital expenditures) and among firms that go public within 5 years of their founding date. Changes in disclosure burdens do not predict changes in the investment of more seasoned firms, except when focusing on the R&D of firms founded within ten years.

Compensation (2)		Room: VIP Room 6
Moderator: Guojin Gong, University of Connecticut		
Is fixed salary "fixed"? Fixed salaries in managerial compensation depend on the firm performance in Japan		
Presenter:	Jumpei Hamamura	Momoyama Gakuin University
Co-Author(s):	Sho Hayakawa	University of Marketing and Distribution Sciences
	Kento Inoue	Kindai University

Abstract:
This study explores the managerial compensation contract in Japan. In particular, we shed light on the fixed salary in managerial compensation and demonstrate that the fixed salary and firm performance have a significant relationship in Japan. Generally, regardless of the firm performance under given fixed salary contracts, managers obtain the determined salary based on initial contracts. However, we show that when the firm achieves high earnings compared with the management earnings forecast, the manager obtains high fixed salaries because the management earnings forecast is widely used as the benchmark in Japan. In other words, Japanese firms set fixed salaries as incentive compensation to reward managers. In Japan, we cannot specify the details of the compensation contract on several firms, and therefore, fixed salaries, which are disclosed by Japanese firms, are used to coordinate managerial compensation in each period. When the firms set fixed salaries based on performance, these firms may not be able to ensure firm governance because they cannot explain the determination of the managerial compensation contract precisely to stakeholders. This fact suggests useful insight into the disclosure regulation to the regulator.

Sustainability Performance and Executive Compensation: The Interplay of CSR Committees, Sustainability Targets and Shareholder Voting		
Presenter:	Markus Isack	Vienna University of Economics and Business
Co-Author(s):	Alexander Hofer	Vienna University of Economics and Business

Abstract:
Amid escalating global sustainability challenges, we investigate the interplay between Corporate Social Responsibility (CSR) committees, sustainability-oriented targets in executive compensation (SCTs), and shareholder voting within the EU context. We aim to elucidate the effectiveness and impact of these governance mechanisms on enhancing ESG performance. By leveraging a broad EU sample compromising 850 companies from 19 countries and comparing ESG ratings from two ESG rating providers, we provide empirical evidence to understand how corporate governance mechanism, along with shareholder approval of SCTs, influence ESG performance. Our findings reveal that CSR committees and SCTs significantly impact ESG performance, with the interaction between these governance mechanisms and shareholder approval of SCTs showing a complex influence on sustainability performance. Our study contributes to the literature by providing insights into the complex relationship between sustainability oriented corporate governance mechanisms and ESG performance, highlighting the

role of shareholder voting on executive compensation linked to sustainability targets, and highlights the variability of results based on ESG rating providers. Additionally, it suggests avenues for future research, including the exploration of symbolic versus substantive SCTs and the role of sustainable responsible investors in shaping governance practices.

Large Shareholder Investment Time Horizon and CEO-Median Employee Pay Gap

Presenter:	Christo Karuna	Monash University
Co-Author(s):	Joanna Ho	University of California at Irvine
	Frank Wang	Saint Louis University
	Anne Wu	National Chengchi University

Abstract:
We examine the relation between large shareholder investment time horizon and the pay gap between the CEO and the median employee in a firm. We document that large shareholders with a long-term investment horizon (family and dedicated institutional ownership) are negatively related to the pay gap. In contrast, we find weak evidence that large shareholders with a short-term investment horizon (transient institutional ownership) are positively related to the pay gap. We show that these relations are more negative or less positive, respectively, for firms in a more research and development-intensive environment and whose senior executives have greater ESG related responsibilities. Consistent with our main findings, we find that firms with founder (nonfamily) CEOs have narrower (wider) pay gaps, likely due to longer (shorter) investment horizons. Our study's findings collectively suggest that the investment time horizon, and especially the information asymmetry associated with it, may be a channel via which large shareholders influence the pay gap.

ESG (2)	Room: VIP Room 7

Moderator: Anne Wu, National Chengchi University

Do Auditors Care about "Greenwashing": Evidence from Textual Analysis on ESG Gap and Audit Fees

Presenter:	Miao He	Hong Kong Chu Hai College

Abstract:
This study first investigates the gap between environmental, social, and governance (ESG)disclosure score and ESG engagement activities. Further, I examine the impact of the gap between ESG disclosure scores and the complexity/length of ESG reports on audit fees. I conjecture that the complexity and length of ESG reports reflect genuine ESG engagement and textual manipulations, respectively. After analyzing Chinese cross-listed companies in polluting industries, I observe a negative (positive) association between the complexity (length)of ESG reports and ESG disclosure scores. Moreover, auditors charge lower audit fees for firms with low ESG disclosure scores and more complex ESG reports since those ESG textual narratives are informative. Auditors charge higher audit fees for those with low ESG disclosure scores and longer ESG reports because of ineffective communication. However, no evidence shows that the

complexity (or length) of ESG reports affects audit fees when firms have high ESG disclosure scores. Finally, I demonstrate that auditors can identify ESG gap between low ESG disclosure scores and complex (or short) ESG reports and charge lower audit fees. In general, I conclude that auditors do not implement same audit strategy on ESG disclosure for high and low ESG disclosure score firms.

The Financial and Real Consequences of Environmental Disclosure Mandates: Global Evidence

Presenter:	Omrane Guedhami	University of South Carolina
Co-Author(s):	Hamdi Driss	Saint Mary's University
	Sadok El Ghoul	University of Alberta

Abstract:

Using the staggered adoption of environmental disclosure mandates in 45 countries, we find that firms experience an increase in their cost of equity capital following the mandates. This effect is stronger for firms subject to higher proprietary costs of disclosure or that face greater pressure to improve their environmental performance. Firms tend to reduce carbon emissions and invest more capital in pro environmental activities after the mandates, consistent with disclosure having positive real effects, rather than promoting greenwashing. Collectively, our analysis identifies the causal effect of environmental disclosure on firms' equity financing costs.

The Environmental-Financial Nexus: Centralized Environmental Monitoring, Eco-consciousness, and Green Revenues

Presenter:	Millie Liew	Curtin University
Co-Author(s):	Zijie Huang	Curtin University
	June Cao	Curtin Business School

Abstract:

How can we create a harmonious balance between environmental and economic performance? Drawing on an integrative view, our study investigates how the centralization of environmental monitoring interacts with firms' eco-consciousness to affect their green revenues in China. Utilizing a powerful difference-in-differences approach, we find that the transfer of authority from local to central governments enhances environmental governance and accountability to positively affect the derivation of green revenues. Specifically, we observe that firms with higher initial eco-consciousness, as they possess greater environmental interests and enhanced adaptability to dynamic business environments, derive higher green revenues following the centralization of environmental monitoring. Consistent with such centralization requiring an integrated information transmission network and increasing the environmental accountability of local governments, we find that the effect on green revenues is facilitated by local internet infrastructure development and corporate greenwashing mitigation. Our findings highlight that a firm's eco-consciousness shapes its dynamic capabilities to achieve a win-win scenario between economic gains and environmental performance under a changing environmental regulatory landscape.

Gender Diversity		Room: VIP Room 8
Moderator: Reining Petacchi, Georgetown University		
Does Board Gender Diversity Reduce Excess CEO Pay? Evidence from 23 Country-Level Interventions		
Presenter:	Clara Xiaoling Chen	University of Illinois at Urbana-Champaign
Co-Author(s):	Dave (Young Il) Baik	University of Illinois at Urbana-Champaign
	David Godsell	University of Illinois at Urbana-Champaign
Abstract: We identify and exploit 23 regulatory interventions in 15 countries intended to increase female representation among board directors to investigate the effect of board gender diversity (BGD) on excess CEO pay. Using a staggered difference-in-differences research design, we find that BGD reduces excess CEO pay. Treatment effects strengthen in countries with mandatory and strongly enforced BGD interventions that trigger larger BGD increases. Event-time, stacked panel, and a wide variety of robustness tests corroborate. Overall, we advance the BGD and compensation literatures by drawing from a new international setting the credible and generalizable inference that BGD reduces excess CEO pay.		
Gender-diverse Co-signing Experience and Audit Quality		
Presenter:	Chun-Chan Yu	National Chung Hsing University
Co-Author(s):	Anxuan Xie	National Taipei University
	Hsihui Chang	Drexel University
Abstract: This study investigates the merits of gender-diverse co-signing experiences in sharing and accumulating audit-related tacit knowledge. Consistent with prior studies, we find that the lead partners' co-signing experience accumulated by co-signing audit reports with different partners can reduce the probability of financial restatements. Most importantly, we find that the benefits manifest primarily via gender-diverse co-signing experiences (i.e., co-signing audit reports with audit partners of different genders from the lead engagement partners), supporting the notion that diversity can bring distinct perspectives, skills, information, and connections into a team, which can facilitate effective knowledge sharing and accumulation, and ultimately improve audit quality. Further, we find that the effects of gender-diverse co-signing experiences on reducing restatements are more pronounced in audit engagements with higher complexity, a context under which the demand for higher audit-related knowledge sharing and accumulation is stronger. Our results are robust to methods that address endogeneity concerns (i.e., matching and instrument variable approaches) and alternative audit quality proxies, including income-increasing discretionary accruals, DD accruals quality, and audit fees.		

Do Female Directors Care More About Equality in Various ESG Aspects? Evidence from Global Board Gender Diversity Reforms		
Presenter:	Yujie Wang	Hong Kong Polytechnic University
Co-Author(s):	C.S. Agnes Cheng	The University of Oklahoma

Abstract:

This study examines whether female directors place greater emphasis on equality among different aspects of environment, social and governance (ESG). Using the reforms from 26 countries (contain US) that mandate firms to improve gender diversity on boards, we find that the reforms increase equality with respect to various aspects of ESG. These results are more pronounced for firms in countries with stricter legal enforcement and disclosure requirements, and countries with higher gender equality. Furthermore, our results are more pronounced with firms that increase the percentage of female directors after the reform. Additionally, we also show that the improved equality in various ESG aspects not only increases firm value but also decrease the firms' negative ESG reputation, after the reforms. Overall, our findings shed new light on a major benefit of female directors in focusing on all ESG aspects.

Do Female Auditors Benefit from the Audit Firm Expansion? ——The evidence from Chinese audit market consolidation		
Presenter:	Yaqiong Zhou	University of Warwick
Co-Author(s):	Jo Horton	University of Warwick
	Zhifang Zhang	University of Warwick

Abstract:

This study investigates the impact of mergers on gender inequality in audit profession. using a difference-in-differences methodology with data from 17 mergers between 2005 and 2013, we analyse the numbers and proportion of female signing auditors pre- and post-merger. Our findings indicate that mergers significantly increase the likelihood of female auditors being promoted to signing roles, particularly in Top 10 audit firms. In the further analysis, we discuss the difference of commercial contributions and audit quality between male and female auditors. We find that after mergers, the audit quality of female signing auditor are increase significantly, and the gap of commercial contributions between the male and female signing auditors are wider than before mergers. The results are driven by the younger signing auditors. Th results indicate that post-merger environments amplify existing gender disparities in commercial contributions while enhancing female auditors' involvement in technical audit tasks. The research contributes to the literature by highlighting the complex outcomes of organizational restructuring through mergers on gender inequality within audit firms.

Customer Relationship and Supply Chain		Room: VIP Room 9
Moderator: Tzu-Ting Chiu, NHH Norwegian School of Economics		
When You Talk, I Quit: Data Breach Notification Laws and Supply Chain Relationships		
Presenter:	Fiona Xiaohui LI	Hong Kong Polytechnic University
Co-Author(s):	Walid Saffar	Hong Kong Polytechnic University
	Cheng (Colin) Zeng	Hong Kong Polytechnic University
Abstract: Data breach notification (DBN) laws require firms to disclose data breaches. Exploiting the staggered adoption of these laws across U.S. states, we find that their implementation in a supplier's home state is associated with a reduction in that supplier's sales to its customers. The effect is more pronounced when customers are less dependent on the treated suppliers, and when the suppliers have a higher ex ante data breach risk and less transparent information environments. However, the effect is attenuated when the customers have private communication channels with the treated suppliers. We also find that following the adoption of DBN laws in the supplier's state, customers tend to increase their purchases from suppliers located in states without DBN laws. Moreover, our results suggest that the DBN laws have a limited influence on reducing firms' data breach incidents. Overall, our results shed new light on an unexpected cost of mandatory disclosure regimes by focusing on economically linked stakeholders.		
Shared the Customer, Shared the Style: Common Customer and Firm-pair Comparability		
Presenter:	Po-Hsiang Yu	National Chung Hsing University
Co-Author(s):	Lili Jiu	Xi'an Jiaotong-Liverpool University
	Fang Zhang	Hong Kong Baptist University
Abstract: An accounting information system (AIS) enables a business to track economic activities through the recognition, processing, production, and dissemination of accounting information. This study stands at the forefront of an AIS to investigate the determinant factors that shape accounting comparability at the transaction level. If a pair of companies engage business with the same major customer (termed customer-connected pairs (CCPs)), their financial statements would be more comparable as they are subject to the shared customer's transactions and information demands, which is termed customer style. Using pairs of U.S. listed companies in the same industry, we find evidence consistent with customer style shaping greater comparability. Further, our channel tests show that CCPs demonstrate greater comparability in their accounting practices, the levels of accounting conservatism, and management discretion. Lastly, we discover that analysts are more likely to incorporate CCPs in their portfolios and CCP-following analysts achieve superior forecast performance.		

Corporate Environmental Risk and the Customer-Supplier Relationship		
Presenter:	George Wong	Hong Kong Polytechnic University
Co-Author(s):	Shantanu Banerjee	Lancaster University
	Xin Chang	Nanyang Technological University
	Kangkang Fu	Hong Kong Baptist University
	Tao Li	Central University of Finance and Economics

Abstract:
We provide empirical evidence on the adverse effects of supplier firms' environmental risk exposures on their relationships with principal customers. We document that supplier firms with high environmental risk are less likely to have principal customers. Moreover, from the principal customers' perspective, a higher level of environmental risk lowers a supplier firm's probability of being selected relative to its industry peers by its potential customer. Conditional on an ongoing relationship with principal customers, supplier firms with high environmental risk have lower sales to principal customers and shorter relationship durations. These results are more pronounced when customers are more environmentally responsible, when suppliers have committed environmental violations, or when suppliers are in more competitive industries. Collectively, our findings suggest that improving the trading relationship with principal customers is an important channel through which firms can benefit economically from being environmentally responsible.

Earnings Quality		Room: VIP Room 10
Moderator: Haiyan Zhou, University of Texas Rio Grande Valley-Edinburg		
Product Market Competition and Classification Shifting		
Presenter:	Surjit Tinaikar	University of Massachusetts Boston
Co-Author(s):	Robert Kim	University of Massachusetts Boston
	Sunil Kumar	Roger Williams University

Abstract:

This study explores whether product market competition is associated with classification shifting. We find that firms with high product market competition are more likely than firms with low product market competition to misclassify core expenses as income-decreasing special items. This association is more pronounced when managers are concerned about their job security and when firms are under severe financial constraints. We also find that firms are more likely to employ classification shifting when accrual-based and real-activity-based earnings management are more constrained. The results are robust to alternative measures of product market competition and to controlling for endogeneity bias. Overall, our results suggest that managers operating under highly competitive market conditions inflate their core earnings for opportunistic reasons.

Transitioning from a bank towards an equity-outsider financing system in Japan: The impact on income smoothing practice over 40 years		
Presenter:	Keishi Fujiyama	Kobe University
Co-Author(s):	Sidney J. Gray	University of Sydney
	Yuya Koga	Tohoku Gakuin University

Abstract:

We investigate how income smoothing in Japan has changed over time and whether this change is associated with the change in its financing system. Prior international accounting research predicts that the financing system in a country determines its accounting practice and that as a country changes its financing system, especially from an insider to an equity-outsider financing system, its accounting practice changes accordingly. In Japan, the financing system has been traditionally bank-oriented (insider system). After the collapse of the bubble economy in 1991, it appears to have moved towards an equity-outsider system, open to international investment with the introduction of more transparent accounting standards similar to US-GAAP and IFRS. We exploit Japan to examine the above prediction relating to accounting change. The sample period is from 1976 to 2015 (40 years). We use both country- and firm-level observations for income smoothing measures. The main proxy for insider system is country-level bank ownership, complemented by country-level foreign ownership (i.e., a proxy for equity-outsider system). We find that the degree of income smoothing decreases through the 1990s and early 2000s and that this change is associated with lower levels of bank ownership, a proxy for an insider system, along with higher levels of foreign ownership, which reflects arm's length investment forces, thus providing evidence of the impact on accounting practices of Japan's transitioning from a bank towards an equity-outsider financing system.

Real Effects of Government Subsidy Accounting Changes: Evidence from a Natural Experiment		
Presenter:	Feng Chen	University of Toronto
Co-Author(s):	Wei Shi	Deakin University
	Chao Yan	Zhongnan University of Economics and Law
	Ziyi Zhang	Zhongnan University of Economics and Law

Abstract:

We examine the real effects of the unique regulatory reform in China, i.e., the change in accounting rules related to the recognition of government subsidies in firms' income statements in 2017. Prior to the rule change, firms could only recognize government subsidies below the line of operating income. After the rule change, firms can choose to recognize government subsidies either above or below the line of operating income, and many firms now recognize income-related government subsidies as operating income. We find significant overvaluation for firms that subsequently recognize government subsidies as operating income. Moreover, such firms tend to increase investment but suffer from lower investment efficiency. Our findings highlight the unintended consequences of accounting changes related to government subsidy recognition.

10:00 – 11:30	Concurrent Session 4	Friday, June 21

Accounting Standards (2)

Room: VIP Room 1

Moderator: Lin-Hui Yu, National Taiwan University

The Impact of Worldwide IFRS Adoption on Cross-Listing market in the U.S. Capital Markets

Presenter:	Steve Lin	University of Memphis
Co-Author(s):	Youjia Xu	University of Memphis
	Liu Yang	Wichita State University

Abstract:

This study investigates the impact of worldwide IFRS adoption on cross-listings in the U.S. main markets. Using data from 2002 to 2019, we find that following IFRS adoption, the number of firms cross-listed in the U.S. main markets has reduced. We also find that more (fewer) foreign firms from emerging (developed) markets, especially Asian markets, have cross-listed in the U.S. main markets over the last decade. More importantly, we find that although the market premiums of cross-listing in these U.S. markets continue to exist, the average premiums have been diminished within three to five years after IFRS adoption. Our results suggest that increased competition among global capital markets and improved accounting quality following worldwide IFRS adoption have significantly reduced the net benefit of cross-listing and the market premiums of cross-listing in the U.S. main markets.

Direct Contacts between IASB Members and the IASB's Stakeholders: An Explorative Study

Presenter:	Simon Thies	University of Duisburg-Essen

Abstract:

Stakeholder participation is a core element of the International Financial Reporting Standards' (IFRS) standard-setting process and of the International Accounting Standards Board's (IASB) legitimacy. This explorative study investigates direct contacts between the IASB and its stakeholders. For this purpose, I analyzed 2,480 contacts listed in the IASB's Stakeholder Engagement Register (SER). Between 2019 and 2022, 19 IASB members have met more than 500 different stakeholders. The accounting profession, particularly the Big Four, and other standard setters dominate the dialogue with the IASB, while preparers and users are less well connected. On the IASB member side, contacts appear to be not only associated with members' professional background but particularly with their home region and home country. Overall, the results indicate potential issues for the IASB's input legitimacy. As a result, this study contributes to a more holistic understanding of IFRS standard setting and a more holistic evaluation of the IASB's legitimacy.

Does Recognizing Operating Leases Influence Loan Spreads? Evidence from Japan		
Presenter:	Masaki Kusano	Kyoto University
Co-Author(s):	Tomoaki Yamashita	Fukui Prefectural University

Abstract:
In Japan, after the adoption of IFRS 16, Leases, IFRS adopting firms recognize operating leases as well as finance leases on the balance sheet, whereas Japanese GAAP adopting firms do not recognize but still disclose operating leases in the notes. Employing Japan's unique institutional setting, this study explores the impact of recognition versus disclosure of operating leases on information risk as measured by short-term loan spreads. Loan spreads for recognition firms that voluntarily adopt IFRS decrease more after IFRS 16 implementation than those for disclosure firms that adopt Japanese GAAP. In particular, loan spreads for recognition firms with lower operating lease intensity decrease more substantially than those for recognition firms with higher operating lease intensity. Overall, our findings indicate that the balance sheet recognition of operating leases reduces firms' information risk and decreases loan spreads.

Recognizing Off-balance Sheet Liabilities and Financial Leverage Choice Evidence from Pension Accounting in Japan		
Presenter:	Tomoaki Yamashita	Fukui Prefectural University
Co-Author(s):	Masaki Kusano	Kyoto University

Abstract:
This study examines the effects of recognizing previous off-balance sheet pension liabilities on corporate financial decisions by focusing on the adoption of the Accounting Standards Board of Japan (ASBJ) Statement No. 26, Accounting Standard for Retirement Benefits (Statement 26). Statement 26 is attractive for our purposes because it affects only Japanese firms that prepare consolidated financial statements (recognition firms), whereas it does not affect those that prepare only unconsolidated financial statements (disclosure firms). Comparing these two groups, we find that financial leverage decreases more for recognition firms than for disclosure firms following the adoption of Statement 26. We also find that this result is pronounced for recognition firms with larger unrecognized pension liabilities and that recognition firms tend to increase shareholder equity to reduce their financial leverage. The results of our additional analyses confirm the robustness of our main conclusions. Overall, this study supports the idea that recognition versus disclosure matters in corporate financial decision-making.

Auditing (4)		Room: VIP Room 2
Moderator: Szu-Fan Chen, National Taiwan University		
The Joint Effect of Legal Liability and Client Dependence on Audit Quality		
Presenter:	Li Wang	The University of Akron
Co-Author(s):	Chafen Zhu	Zhejiang University
	Yang Cheng	University of Minnesota-Duluth

Abstract:

In this paper, we examine how legal liability and client dependence affect audit quality jointly, at the firm level and audit partner level. We find that audit quality is improved when accounting firms are transformed to an organizational legal form with increased litigation risk. Furthermore, we find that legal liability and client dependence affect audit quality in opposite directions at the firm level; thus, client dependence can mitigate the effect of legal liability on audit quality. More interestingly, we find that the mitigating effect of client dependence on audit quality disappears at the individual partner level. These findings suggest that when the mandatory transformation increases the legal liability exposure specifically at the individual audit partner level, individual partners improve audit quality even for their economically important clients. Our findings provide new contributions to the accounting literature on the relationship between legal liability and audit quality by considering client dependence simultaneously, at the firm level and at the individual partner level.

Does the Length of the Cooling-off Period Affect External Financing Choices?		
Presenter:	Chia Jung Lee	National Chengchi University
Co-Author(s):	Shu-Hsien Lin	Feng Chia University

Abstract:

This paper examines the association between the length of the cooling-off period and client firms' external financing choice: (1) when partners rotate back and (2) during the cooling-off period. We find main evidence of a positive association between the cooling-off period length and equity financing when partners rotate back, yet evidence of a negative association between the two, during the cooling-off period. We also find that a negative association between the cooling-off period length and credit financing when partners rotate back. On the other hand, we find evidence when rotating-back auditors who hold a master degree that aligns with the main results. In addition, a positive (negative) association between the cooling-off period length and bond (bank loan) financing when rotating-back auditors who provide non-audit services. Overall, we provide timely evidence that extending the cooling-off period affects client firms' external financing choice when a partner rotates back onto a client and during the cooling-off period.

Trading Volume Reaction to Critical Audit Matters: Evidence from Emerging Markets		
Presenter:	Haiyan Zhou	University of Texas Rio Grande Valley
Co-Author(s):	Zhiying Hu	University of Science and Technology Beijing
	Heibatollah Sami	Lehigh University

Abstract:
This study presents empirical results on the reaction of investors to the disclosure of critical audit matters (CAM) in terms of trading volumes in the emerging markets of China. We find that the first time CAM disclosures increase auditor report's value as there are significant and negative abnormal trading volumes for firms disclosing CAMs. Such results are significant for companies listed only within the domestic exchanges, suggesting that the reactions are primarily generated by first time users of CAMs with low levels of institutional investment but not for firms with cross-listings associated with better institutional settings. The reduction in information asymmetry and the improvement of audit quality both play significant roles in investors' reaction to the CAM disclosures by non-cross-listed firms. Overall, this study supplements the empirical studies on CAMs, and have implications for accounting firms, investors and other stakeholders in China and other emerging markets.

Non-audit Services and Auditor Independence: Evidence from Accounting Fraud		
Presenter:	Zhuo (June) Cheng	The Hong Kong Polytechnic University
Co-Author(s):	Jing Fang	University of Central Arkansas
	Ferdinand A. Gul	University of the Sunshine Coast
	Stephanie Watson	University of Central Arkansas

Abstract:
We show that if offering non-audit services to audit clients impair auditor independence, the severer an opportunistic accounting choice is, the more revealing its occurrence is about the impairment. Accounting fraud is the severest such choice. We find a positive relation between the ratio of non-audit service fees to total fees paid to the auditor and accounting fraud. This positive relation is stronger for firms with stronger ex-ante incentives to commit accounting fraud. Moreover, such firms award more non-audit services to their auditors. In contrast, we find no relation between the ratio of non-audit service fees to total fees and non-fraud restatements, which is consistent with our analytical prediction as those restatements usually result from unintentional misapplication of accounting rules. Our results hold using regulation-engendered exogenous variations in non-audit services to conduct a difference-in-differences analysis. Overall, our findings are consistent with offering non-audit services to audit clients impairing auditor independence.

Disclosure (3)		Room: VIP Room 5
Moderator: Yu-Fang Chu, National Taiwan University		
Inventors on the Board and Forward-Looking Innovation Disclosure		
Presenter:	Cheng-Shing Cheng	The University of Oklahoma
Co-Author(s):	Xiaoyan Hu	The University of Oklahoma
	Prince Charles Adubofour	The Hong Kong Polytechnic University

Abstract:

This study investigates whether having inventors on a company's board influences innovation disclosure in their 10-K reports and the strategic outcomes of such disclosure. We propose that inventor directors, possessing expertise in innovation, can influence both real innovation activities and the strategic disclosure of innovation-related information. Our findings reveal that firms with more inventor directors, whether internal or independent, tend to disclose more forward-looking information about their innovations. This positive impact is more pronounced when inventor directors are more likely to offer high-quality innovation advice, such as having recent inventing experience, a track record of impactful inventions, or STEM industry work experience. Moreover, the effect is stronger when inventor directors hold influential positions within the firm, such as holding internal roles, audit committee membership, or serving as CEOs. We demonstrate that forward-looking innovation disclosure driven by inventor directors is strategic, predicting future innovation outcomes and deterring future competition. This research sheds light on the important role of inventor directors in shaping innovation disclosure decisions. It also highlights the strategic benefits of increased innovation disclosures, especially in high-competition environments.

Informational Cues of Government Disclosures and Financial Market Reactions		
Presenter:	Vincent Zhuang	The Hong Kong Polytechnic University
Co-Author(s):	Catherine Yue Cao	PricewaterhouseCoopers Hong Kong
	Katherine Qile Zhu	The Hong Kong Polytechnic University

Abstract:

Timely disclosure of government policy serves as a key communication bridge between the government and the general public. Often times the way how the government disclose their policy changes may affect the financial markets. In light of new technological advancement, the government is increasingly using videocasts for live broadcasts its policy meetings (e.g., FOMC meetings) in order to communicate with the public. Such a new communication mode provides the market participants with important informational cues (e.g., verbal, vocal, and facial cues) to infer the equity market reactions. In this study, we analyze the multimodal emotional expressions of the top Hong Kong government officials (e.g., Chief Executive) from 76 recorded policy meetings videocasts between June 2018 to December 2019. We mainly focus on the Q&A sessions as they may provide useful verbal and non-verbal cues from emotions embedded within textual and facial expressions as a proxy to materially impacting the financial markets. We

developed a computer program to analyze the transcripts of the policy meetings and used an off-the-shelf commercial application to extract emotional states (e.g., joy, anger, fear, and sadness) from the government officials' facial expressions. We investigate whether these informational cues are related to the reactions of various Hang Seng Industry Indexes. Our findings suggest that positive sentiment has a positive correlation with the market's short-term abnormal return, while negative sentiment has a negative association with it. Our study confirms that video mining technology can play an essential role as a proxy to materially-impacting the private information of the financial markets.

Information Asymmetry and Disclosure Context in Family Firms

Presenter:	Jing-Chi Chen	The University of Memphis
Co-Author(s):	Youjia Xu	The University of Memphis
	Pankaj K Jain	The University of Memphis
	Li-Yu Chen	National Sun Yat-sen University

Abstract:

We investigate the impact of family firms' ownership and management on information asymmetry in the secondary market trading around the release of 10K filings. Examining all S&P 500 firms from 1996 to 2018, we show that family firms' ownership adversely affects information asymmetry. The liquidity is lower for the family firms around the 10K release and higher when the family firms change to non-family ownership. We provide evidence that insider ownership in family firms is associated with higher adverse selection risk and wider spreads, as they can exploit outsiders more easily. Next, we explore the tone complexity of disclosure quality and find that family firm disclosures are less complex and overall complexity does not worsen the illiquidity of family firms. We further decompose complexity into its two components (i.e., obfuscation and information) and find that information dominates obfuscation in family firms, which improves liquidity and offsets information asymmetry. We also provide evidence that better firm economics helps family firms alleviate information asymmetry. Overall, our study sheds light on the family firms' corporate disclosure literature by supporting the idea that Type II agency problems dominate family firms, leading to higher information asymmetry than non-family firms. Our research also provides a novel contribution to corporate disclosure literature by highlighting disclosure complexity in family firms.

Determinants of Textual Similarity in 10-K Risk Disclosures

Presenter:	Kevin Gauch	Technical University of Darmstadt
Co-Author(s):	Iuliia Gauch	Technical University of Darmstadt
	Reiner Quick	Technical University of Darmstadt
	Christian Friedrich	University of Mannheim

Abstract:

Companies are exposed to various operational and strategic risks in their day-to-day business environment. Annual reports are the primary publicly available source for assessing company's

risk disclosures. However, critics regularly argue that risk disclosures are too long, redundant and use boilerplate language. In this paper, we investigate textual similarities in Item 1A using a sample of the S&P500 2009 to 2021 and shed light on the potential determinants influencing the textual similarities. Our results suggest that the year-to-year similarity of the average firm disclosure is very high unless severe and unexpected events happen, such as the COVID-19 pandemic. We provide a starting point to differentiate potentially more useful from potentially less useful aspects in these disclosures.

Non-Financial Reporting		Room: VIP Room 6
Moderator: Clara (Xiaoling) Chen, University of Illinois at Urbana-Champaign		
Measuring Integrated Thinking at the Strategic Level and its Determinants: The topic modeling approach		
Presenter:	Hirotsugu Kitada	Hosei University
Co-Author(s):	Tomohisa Kitada	Kindai University
	Asako Kimura	Kansai University

Abstract:

Companies are increasingly interested in using integrated thinking for managing their sustainability efforts. The utilization of this approach is deemed vital for strategic decision-making, enabling the creation of value while concurrently addressing sustainability considerations. The interplay of business strategies and sustainability objectives, facilitated by integrated thinking, helps shaping organizational practices aimed at fostering long-term value. In this process the interaction between integrated thinking, business thinking, and sustainability thinking is an important issue. Nevertheless, prior research has traditionally examined the factors driving integrated thinking in isolation from sustainability and business thinking, thus leaving a research gap. This paper aims to bridge this gap by concurrently investigating the determinants of integrated, sustainability, and business thinking of top management. The study employs topic modeling, a machine learning technique, to measure integrated, business, and sustainability thinking by scrutinizing textual data from executive messages in Japanese companies' integrated and sustainability reports. The findings derived from seemingly unrelated regression analysis indicate that firms operating in environmentally sensitive sectors bolster integrated thinking at a strategic level while simultaneously diminishing sustainability and business thinking. Surprisingly, the issuance of an integrated report appears to enhance only business thinking but weakens integrated thinking. Additionally, shareholder composition positively influences corporate sustainability thinking, albeit negatively impacting integrated thinking. The results of this research serve as a benchmark for managerial strategies related to business, sustainability, and integrated thinking at a strategic level, urging stakeholders to closely monitor corporate strategies as integrated reporting may diminish sustainability thinking.

Overcoming Information Asymmetries through Non-Financial Statement Assurance: Empirical Evidence from German Listed Firms		
Presenter:	Markus Mottinger	Johannes Kepler University Linz
Co-Author(s):	Markus Isack	WU Vienna

	Marcel Steller	Johannes Kepler University Linz

Abstract:
Motivated by the current European advances in non-financial reporting and auditing requirements, this paper examines the relationship between non-financial statement assurance and firm asymmetric information, proxied by bid-ask spreads. Using a dataset of German DAX-listed firms, we find that a voluntary assurance on the non-financial statement is associated with lower information asymmetry. In additional analyses, we test whether this relationship depends on the assurance level and on whether the lead non-financial audit engagement partner is simultaneously in charge of the client's financial statement audit. Moreover, we document that the disagreement among ESG ratings from different providers is lower when non-financial statements are audited. Contrary to our expectations, however, ESG rating disagreement does not appear significantly related with bid-ask spreads. Our findings suggest that reliable (i.e. assured) non-financial disclosures may contribute to overcoming asymmetric information, thus aiding market efficiency. At the same time, uncertainties regarding the assurance of nonfinancial statements seem to currently exist under the rapidly changing regulatory environment.

Developments and dynamics of Non-Financial Reporting in the banking sector: the impact on the Italian context

Presenter:	Valerio Brescia	University of Turin
Co-Author(s):	Paolo Pietro Biancone	University of Turin
	Silvana Secinaro	University of Turin
	Davide Calandra	University of Turin
	Ginevra Degregori	University of Turin

Abstract:
This study investigates the advancements and dynamics of Non-Financial Reporting (NFR) within the Italian banking sector, focusing on the adoption and evolution of NFR over five years. By analyzing reports from Italian banks, the research highlights the shift towards more comprehensive and transparent reporting, driven by evolving regulatory standards and stakeholder demands. It examines the impact of these changes on the sector's approach to sustainability, risk management, and corporate governance. The findings suggest that NFR is becoming a critical tool for enhancing financial performance and strategic decision-making. This paper contributes to the understanding of NFR's role in promoting sustainable development and accountability in the banking sector, offering insights for academics and practitioners interested in the integration of financial and non-financial factors in their business reporting. Finally, the study suggests further research lines on issues like financial and non-financial information, intellectual capital value, and the prevention of greenwashing through external audits.

ESG Strategy and Measurement: Management Accounting Perspective

Presenter:	Anne Wu	National Cheng Chi University

Abstract:
Based on resource-based view, stakeholder theory, and dynamic capabilities, this paper discusses environmental, social, and governance (ESG) challenges faced by companies and provides a solution for forming ESG strategy. Based on balanced scorecard (BSC), this paper provides the

solution for ESG strategic implementation. Nowadays, companies lack accurate calculation methods for ESG measurement, so a solution for ESG measurement is provided. This paper demonstrates total solutions for ESG which are ESG-SO scorecard, ESG-BSC, and carbon process value management (C-PVM). ESG-SO scorecard and ESG-BSC assist companies in forming and implementing ESG innovative strategies, and C-PVM helps companies to calculate ESG cost-value and carbon emissions for management decision purpose. In this paper, company A successfully transforms into an eco-friendly distributor and establishes a related eco-system by applying ESG-SO scorecard and ESG-BSC. In addition, company A applies C-PVM to accurately measure carbon emissions for greenhouse gas (GHG) emissions' Scope 1, 2, and 3.

ESG (3)		Room: VIP Room 7
Moderator: Joanna Ho, University of California-Irvine		
Greening IAS 38: Revisiting Recognition Criteria for Research and Development Expenditures with Environmental and Societal Benefits		
Presenter:	Michael H.R. Erkens	Erasmus University
Co-Author(s):	R. Breijer	Nyenrode Business Universiteit
Abstract: This study documents societal and environmental benefits of firms' green research and development (R&D) investments. Our analysis shows that green R&D intensity is positively associated with environmental ratings, and negatively associated with Scope 1 greenhouse gas emissions. Furthermore, we find that firms with more green R&D investments are less likely to capitalize their green R&D expenditures but more likely to voluntarily seek external assurance on their nonfinancial reports. Based on our findings, we argue that financial accounting standard setters can stimulate the transition to a greener economy by prioritizing the long-term environmental and social benefits over future economic benefits when considering the capitalization of green R&D expenditures. To provide guidance on quantifying environmental and societal benefits, we collect over 17,500 corporate reports from the financial years 2012-2021 for all STOXX Europe 600 firms and compiled an overview of the most frequently assured performance indicators across several environmental categories. This overview may serve as a starting point for discussions on whether and how environmental and social benefits of green R&D expenditures can be incorporated into the capitalization criteria of IAS 38.		
Does mandatory sustainability reporting affect firm profitability? Evidence from China		
Presenter:	Qinglan Huang	Hanken School of Economics
Abstract: This study investigates whether and how mandatory sustainability reporting affects firm profitability by focusing on a disclosure mandate enacted in China by the Shanghai Stock Exchange in 2008. Using a sample of A-share listed firms on the Shanghai Stock Exchange during 2004 to 2013 period, I find that firms subject to the disclosure mandate experience a decrease in firm profitability. The negative effects are stronger when firms are less publicly visible, when firms have high ownership concentration, and when firms are audited by nonbig4		

auditing firms. Moreover, I also find that the reporting mandate increases firms' compliance costs pertaining to preparing and disseminating new information which will be absorbed by firms in the form of lower profitability. Collectively, the results imply that the reporting mandate deteriorates firm profitability and that the degree of profitability loss depends on the dynamics between firms and stakeholders.

Optimal CSR Spending and Benefits

Presenter:	Seong Cho	Oakland University
Co-Author(s):	C.S. Agnes Cheng	University of Oklahoma
	Jong Eun Lee	Sungkyunkwan University
	Sha Zhao	Oakland University

Abstract:

Managers often face a difficult decision making about the expenditure on Corporate Social Responsibility (CSR) activities because compensation of managers mostly are ties with financial performances. Nonetheless, managers have few guidelines on this CSR spending. This study tries to derive optimal CSR spending using the findings from prior studies. Furthermore, this study tests the connection between the expected CSR spending and subsequent economic consequences (i.e., benefits). Empirical results show that the managerial efficiency (MA), shareholders' right, cash flows from operations, R&D and advertising expenses are main determinants for the optimal CSR spending. Using the two-stage model, we also find the connection between CSR spending and benefit measures like market share, third party CSR reputation, or financial performances. These findings suggest that CSR spending can be viewed as a kind of investment for the future and society that forms sustainable platform for the business operation.

Mandatory ESG Disclosure and Shareholder Proposals

Presenter:	Yi Xiang	Hong Kong Polytechnic University
Co-Author(s):	Feng Gao	Rutgers University
	Ling Lei Lisic	Virginia Polytechnic Institute and State University

Abstract:

Shareholder proposals targeting environmental, social, and governance (ESG) issues have surged in recent decades. We examine how mandatory ESG disclosure around the globe influences shareholder ESG proposals. We find that ESG proposals become more likely and frequent after the adoption of these mandates, especially in countries with better law enforcement, more developed equity markets, and greater ESG awareness as well as for firms more committed to ESG issues. Our analysis reveals that a mandate motivates shareholders to shift their focus from ESG disclosure to ESG practices. ESG proposals also receive more shareholder support, enhance ESG performance, and spill over to industry peers. Taken together, our results suggest that shareholder activists take the mandate of ESG disclosure as an opportunity to pressure firms to be more socially responsible.

Financial Reporting Quality		Room: VIP Room 8
Moderator: Li-Chin Ho, University of Texas at Arlington		
The Government as Venture Capitalist: Implications for Financial Reporting Quality		
Presenter:	Jeff Zeyun Chen	Texas Christian University
Co-Author(s):	Wentao Li	Sun Yat-sen University
	Yanyan Wang	Xiamen University
	Lisheng Yu	Sun Yat-sen University

Abstract:

Government venture capital (GVC) plays an important role in China's state capitalism. We compare the influence of GVC and private venture capital (PVC) on portfolio firms' financial reporting quality. We find that GVC presence, similar to reputable PVCs, is associated with less earnings management at IPOs, suggesting limited earnings management incentives for GVC-backed firms. We also show that financial statements of GVC-backed firms are less value relevant during VC financing rounds than those of PVC-backed firms. More specifically, for GVC-backed firms, only gross profit information is value relevant, while pre-money valuation of PVC-backed firms is more closely related to accounting information indicative of growth and innovation. Further analyses indicate a higher engagement in ESG activities by GVC-backed firms, possibly at the expense of shareholder value. Our study provides new insights into the role of government in the VC market and its implications for financial reporting incentives and consequences.

Accounting Comparability and Regulatory Decision-Making: Evidence from China's Approval-based IPO System		
Presenter:	Mei-Hui Chen	National Defense University
Co-Author(s):	Jeff Zeyun Chen	Texas Christian University
	Chen-Lung Chin	National Chengchi University
	Qi Zheng	Changsha University of Science and Technology

Abstract:

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.

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

Presenter:	Shuoyuan He	San Francisco State University

Abstract:
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.

Unqualified Chief Accounting Officers and Financial Reporting Quality

Presenter:	Shih-Bin Wu	National Cheng Kung University
Co-Author(s):	Wu-Po Liu	National Cheng Kung University
	Hua-Wei Huang	National Cheng Kung University

Abstract:
This study investigates the determinants and financial reporting consequences of firms with unqualified chief accounting officers (CAOs) based on the legal qualification requirements in Taiwan. The evidence shows that firms experiencing the turnover of chief financial officers, spokespersons, and family firms are associated with a higher probability of appointing an unqualified CAO. However, firms with a higher percentage of outside directors or audited by the Big Four firms are not prone to appointing unqualified CAOs. Moreover, firms with unqualified CAOs have lower accrual quality. This study has several implications for regulators and market participants.

Investment Efficiency		Room: VIP Room 9
Moderator: Hsin-Tsai Liu, National Taiwan University		
National Security and Investment Efficiency		
Presenter:	David Godsell	University of Illinois at Urbana-Champaign

Abstract:

Does national security-related financial protectionism affect managers' investment choices? National security-related financial protectionism weakens takeover markets by granting regulators broad new powers to revise or reject foreign takeovers of firms in national security-related industries. I identify exogenous variation in national security-related financial protectionism using 1) the enactment of a U.S. national security-related foreign investment screening law known as the Foreign Investment and National Security Act (FINSA) and 2) the staggered enforcement of FINSA across 64 industries and over time between 2008 and 2021. Consistent with managerial entrenchment theory, I document that, following the enactment and enforcement of FINSA, national security firms' inefficient investment increases by 0.82–1.06 percent of total assets or 5.31–6.88 percent of total investment. Event-time and stacked panel tests corroborate. Cross-sectional tests demonstrate that results strengthen with treatment strength. Overall, this study documents the unintended consequences of national security-related financial protectionism on managers' investment choices.

Sovereign Wealth Fund Ownership and Target Firm Investment Efficiency		
Presenter:	David Godsell	University of Illinois at Urbana-Champaign

Abstract:

Sovereign wealth funds (SWFs) are government-owned and -controlled institutional investors that actively participate in global capital markets with $11.5 trillion in assets under management. SWFs are distinct from conventional institutional investors because of their long (often intergenerational) investment horizons and their pursuit of both political and financial investment objectives. Theory suggests that SWFs' long horizon (pursuit of political objectives) may improve (worsen) target firm investment efficiency. A staggered difference-in-differences research design and a global sample of 24,206 SWF investments reveal that SWF investment improves target firm investment efficiency. This effect strengthens with SWFs' equity stake but weakens when regulators do not mitigate SWFs' pursuit of political objectives. Five sets of auxiliary tests corroborate the credibility and generalizability of my primary inference. Robustness tests employing alternative investment efficiency proxies, estimation samples, and model specifications further corroborate the inference that SWF ownership improves target firm investment outcomes.

Geopolitical Risk and Corporate Inventory Management		
Presenter:	Steven Chen	University of Liverpool
Co-Author(s):	Zhangfan Cao	University of Nottingham Ningbo China
	Yan Tong	Beijing Institute of Technology
	Xi Wang	Beijing Institute of Technology

Abstract:

We investigate the influence of geopolitical risk on corporate inventory policy. We find that firms

adopt a more conservative inventory policy by significantly curtailing inventory stockpiling in the presence of high geopolitical risk. Our cross-sectional analyses show that the effect of geopolitical risk on inventory holdings is exacerbated when firms are financially constrained, situated in a relatively disadvantageous position in the market, and belong to industries in the midstream and downstream of the supply chain. In contrast, firms with concentrated customer bases can alleviate such adverse effect. Additionally, we uncover that the downward adjustment in inventory holdings in the context of geopolitical risk is negatively associated with firms' operational performance. We also conduct a series of tests to address the endogeneity concern and ensure the robustness of our findings. Collectively, our study highlights that geopolitical risk, as a new yet increasingly prominent risk factor, significantly influences firms' investment decision in a crucial type of revenue generating asset, that is, inventory.

Lenders' Decision-Making		Room: VIP Room 10
Moderator: Scott Liao, University of Toronto - Rotman School of Management		
Financial Innovation via Sustainable Lending		
Presenter:	Yinan Li	London School of Economics and Political Science
Co-Author(s):	Anya Kleymenova	Board of Governors of the Federal Reserve System
	Xi Li	London School of Economics and Political Science

Abstract:

We investigate the incentives driving banks to introduce Sustainability-Linked Loans (SLLs) as an innovative financial product in the global syndicated loan market. Utilizing a comprehensive dataset of banks leading these deals, we find that both the structure of the loan market and economic considerations influence a bank's choice to offer the SLL product to local borrowers. Banks are also more inclined to lead SLL deals when facing reduced competitive pressure from the local syndicated loan market. While banks are more likely to extend SLLs to borrowers in their home markets, they tend to select a country where they have large loan operations and are market leaders upon entering a foreign market. A bank's decision to serve as a sustainability agent in an SLL deal is influenced by similar economic incentives. Furthermore, providing SLL products to local borrowers, especially as a sustainability agent, enhances a bank's local market share. However, these benefits appear to be primarily enjoyed by foreign banks. Finally, our results support the notion that banks, particularly foreign institutions, introduce SLL products to strengthen their reputation and attract new clients.

Lenders' Soft Information Acquisition and Loan Contracting		
Presenter:	Xiangyu Li	University of Southern California
Co-Author(s):	Allen Huang	Hong Kong University of Science and Technology
	Xinlei Li	UC Davis Graduate School of Management

Abstract:

This paper examines whether and how soft information acquisition affects commercial lending. Using proprietary data from a global bank, we measure soft information acquisition using loan

officers' detailed interaction records with borrowers during due diligence. We find that interactions are mostly driven by borrowers' business prospects, and affect credit decisions in at least two ways. First, we show evidence consistent with that soft information acquired is incorporated into loan price to improve loan pricing efficiency. Second, our results also indicate that loan officers rely less on the bank's internal risk ratings when approving credits to borrowers that they interact with, especially when ratings are less favorable. We further document soft information to be more useful when loan officers cannot rely on alternative information sources. Finally, consistent with loan officers better able to collect soft information in synchronous interactions with borrowers, we find larger beneficial effects for these interactions than for asynchronous ones. Taken together, our study provides novel evidence on whether and how soft information acquisition helps lenders mitigate information asymmetry in loan pricing decisions and credit approval decisions.		
Regulatory Enforcement of Public Disclosure and Connected Investors in Corporate Bond Issuance		
Presenter:	Ray Zhang	Simon Fraser University
Co-Author(s):	Yi Ding	Chinese University of Hong Kong
	T.J. Wong	University of Southern California
	Tianyu Zhang	Chinese University of Hong Kong
Abstract: Using a proprietary dataset of bond allotment in China, we find that bond regulators' comment letters (CLs) on the issuers' public disclosures negatively affect the completion of the issuance. However, among the bonds that are issued successfully, we find that connected investors—financial institutions with a prior business relationship with the issuers—increase their bond purchases, which mitigates the CLs' negative effect on the bond issuance. Further analyses show that the connected investors' increase in bond purchases is motivated by both their superior private information about the CL recipients and a quid pro quo relationship with the CL recipients.		

01:10 – 02:00 pm	Plenary Session 2	Friday, June 21
Moderator: Agnes Cheng, University of Oklahoma		Room: VIP Room 5-10

The Impact of Mandatory Financial Reporting in English on the Cost of Equity Capital: Evidence from Taiwan

Presenter:	Xiang-Yu (Sean) Huang	National Taiwan University
Co-Author(s):	Hsin-Yi Huang	National Cheng Kung University
	Sin-Ru Chen	National Cheng Kung University
	Chih-Hsien Liao	National Taiwan University
Discussant:	Holly Yang	Singapore Management University

Abstract:
This study examines the impact of a financial reporting mandate that requires listed companies in Taiwan to issue annual reports in English. Using a difference-in-differences design, we test whether firms subject to the mandate (English-reporting firms) have a lower cost of equity following the regulation. Consistent with our prediction, English-reporting firms experience a greater reduction in the cost of equity after the mandate than their counterparts, and such reduction is more pronounced for firms with lower analyst coverage and firms with lower institutional ownership. Also, English-reporting firms have lower bid-ask spreads and higher foreign ownership after the requirement, indicating that information asymmetry reduction and investor base expansion contribute to the lower cost of equity. Overall, our results show the influence of linguistic distance on foreign investors' home bias and support the benefits of English reporting requirement in non-English-speaking jurisdictions.

02:00 – 02:50 pm	Plenary Session 3	Friday, June 21
Moderator: Omrane Guedhami, University of South Carolina		Room: VIP Room 5-10

National Culture and Internal Carbon Pricing

Presenter:	Xin Tan	Macquarie University
Co-Author(s):	Le Luo	Macquarie University
	Sophia Su	Macquarie University
Discussant:	Christo Karuna	Monash University

Abstract:
zExisting literature primarily focuses on the economic and formal institutional determinants of internal carbon pricing (ICP), yet overlooks the potential influence of informal institutions, such as national culture. To address this gap, our study investigates the relationship between national culture and ICP adoption, analyzing 11,578 firm-year observations across 33 countries from 2014 to 2021. Our findings, based on an analysis using Hofstede's five cultural dimensions, reveal a significant impact of national culture on the adoption of ICP. Furthermore, the study indicates that the influence of national culture on ICP adoption is moderated by factors such as the firm's sector, the existence of a corporate social responsibility committee, and the extent of global operations. The study also examines how national culture affects the ICP price and variety chosen by firms, underscoring the role of culture in steering corporate ICP decisions.

02:50 – 03:40 pm	Plenary Session 4	Friday, June 21
Moderator: Qiang Wu, Hong Kong Polytechnic University		Room: VIP Room 5-10

Agency problem and corporate philanthropy – Evidence from China's anti-corruption campaign

Presenter:	Lihong Liang	Syracuse University
Co-Author(s):	Nian Liu	University of International Business and Economics
	Yaxin Ming	Beihang University
Discussant:	Shail Pandit	University of Illinois at Chicago

Abstract:

In this study, we explore the effect of China's anti-corruption campaign that began in 2013 as a natural experiment for testing the agency cost view of philanthropy. We find that state-owned companies (SOEs), which are more influenced by this campaign, experienced larger declines in philanthropy than non-state-owned companies (non-SOEs), especially the percentage of high-agency-cost donations. The effect is more pronounced for firms with higher agency cost, namely higher levels of perks and located in low legal protection regions. Further, using hand-collected data on firms' disclosure of corporate philanthropy, we find that the campaign leads to more transparent disclosures about corporate philanthropic activities. Specifically, SOEs are more likely to disclose donation information and provide more detailed disclosures when compared with non-SOEs Post-2013. Finally, we find that investors react more positively to SOEs' corporate philanthropic announcements after the campaign when compared with non-SOEs. Overall, our findings support the view that firms engage in unnecessary philanthropy because of agency problems and external monitoring can curb the agency costs associated with such behavior.

04:00 – 04:50 pm	Keynote Speech 3	Friday, June 21

Moderator: Chih-Hsien Liao, National Taiwan University — Room: VIP Room 5-10

ESG contributes to corporate value

Lora Ho, Senior Vice President of Human Resources of TSMC

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