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1.14: Behavioral Research in Auditing

*Blinded by the Light: The Effect of ESG Information on Financial Statement Audits***.**

With the surge of environmental, social, and governance (ESG) reports, many stakeholders call for greater consistency in the reported metrics and reliability of ESG information. However, little is known as to how these provisions impact audit quality. We experimentally test whether financially scaled ESG metrics and the presence of ESG assurance jointly impact auditor's task performance on financial statement audits. We find that when clients have assurance on their ESG information and report that information scaled by financial metrics, they inadvertently signal their appreciation for audited financial information, appearing to be more legitimate from the auditor's perspective. Our theory suggests that when auditors view their clients to be more legitimate, they approach audits with lower skepticism relative to when they encounter ESG information that either is reported in nonfinancial terms or is unassured. Our findings provide insights into the implications for best ESG practices.

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1.14: Behavioral Research in Auditing

Effects of Critical Audit Matter Readability on Investor Understanding.

This research investigates the impact of Critical Audit Matters (CAM) presentation on investor comprehension of financial statements, specifically examining readability and quantitative information factors. A 2Ã—2 experiment with 400 investors revealed that CAM readability significantly improves understanding among investors with lower financial literacy levels, while quantitative information unexpectedly reduced comprehension among experienced investors. Based on processing fluency theory, these findings challenge current disclosure practices and suggest that CAM presentation should be tailored to different investor groups. The study advances audit reporting literature by showing that CAM effectiveness varies across investor segments and emphasizes the importance of considering audience characteristics when preparing audit reports. The findings have significant implications for audit practices and CAM standardization policies.

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1.14: Behavioral Research in Auditing

The Effect of Oversight Styles and Social Tie on Auditor Negligence Assessment.

The Public Company Accounting Oversight Board (PCAOB) is considering a new governance approach for accounting firms by including independent directors. This paper explores how independent directors influence auditors' liability in audit failures, focusing on their oversight styles and social ties with in-house partners. The results show that oversight styles significantly impact jurors' views of auditor negligence. Proactive leadership by directors enhances perceptions of quality control (QC) competence and audit quality, lowering negligence assessments. However, social ties with in-house partners diminish perceptions of QC independence and audit quality, increasing negligence assessments. These findings highlight the importance of effective governance with independent directors who demonstrate proactive oversight and avoid compromising relationships. Emphasizing these practices can enhance audit quality, reduce negligence risks, and strengthen stakeholder confidence.

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1.15: AI, Generative Technologies, and Big Data in AIS

Can Machine Learning Improve Goodwill Impairment Prediction?

We use machine learning (ML) methods to predict firm-year level goodwill impairments using predictors from five categories: firm fundamentals, industry features, segment-level performance, transaction characteristics, and macro environment data. Results show that the ML model performs better than the logistic regression with exactly the same predictors. Additionally, ML provides incremental predictive power for subsequent firm performance deterioration, relative to the book-to-market ratio and logistic regression. In the presence of firm performance deterioration in subsequent years, we find that ML provides a more timely prediction of goodwill impairment than the manager's actual impairment decision. Furthermore, we estimate that for 18% of our sample that did not record impairments even though ML predicts an impairment, firms 'should' record impairment charges equivalent to more than 7.4% of their total assets.

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1.15: AI, Generative Technologies, and Big Data in AIS

Digital Human Capital and Management Decision-Making: Evidence from Management Earnings Forecasts.

This study examines the relation between digital human capital-defined as firms' stock of knowledge, skills, and abilities of individuals regarding digital technologies -and management forecast accuracy. We find a positive and economically significant relation between the intensity of digital human capital and management forecast accuracy. This relation remains robust to our instrumental variable analysis, the inclusion of firm fixed effects, and joint industry and year fixed effects estimation, and other sensitivity checks. We further find that digital human capital enhances management forecast accuracy by mitigating optimistic biases. Digital human capital has a more pronounced impact on management forecast accuracy for firms with better-integrated information systems, those with a high internal control risk, and those operating in highly volatile environments. Furthermore, we find that digital human capital positively affects operational efficiency by improving forecasting ability.

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1.16: Corporate Tax Avoidance I

***Bilateral Tax Cooperation and Corporate Tax Avoidance*.**

This paper examines the relationship between bilateral tax cooperation and tax avoidance for U.S. multinational corporations. Using tax treaties as a proxy for bilateral tax cooperation, we analyze associations with worldwide, federal, and foreign tax rates on domestic and foreign pretax incomes, following Dyreng and Lindsey (2009). Firms are linked to treaties based on significant subsidiary disclosures in SEC filings. We find firms in countries with interconnected treaties exhibit greater tax avoidance, particularly during periods of increased treaty activity, for firms in the middle tercile of cooperation intensity, and for those with higher foreign tax rates in the prior year. These results suggest tax cooperation positively impacts corporate tax avoidance, as firms benefit from coordinated tax systems. As global tax reforms such as OECD's global minimum tax advance, this study highlights that firm welfare and tax cooperation may not be in misalignment.

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1.16: Corporate Tax Avoidance I

Local Executives and Foreign Subsidiaries' Tax Avoidance.

I examine whether local executives are associated with tax avoidance of foreign-owned firms in Korea. Place attachment theories predict that local executives have stronger attachment to the local regions than non-local executives, which potentially results in greater local tax compliance and tax morale, while local professional experience proves useful for facilitating greater tax avoidance. Consistent with the local skills theory, I find the locality of executives is positively related to Korean subsidiaries' tax avoidance. Additionally, I find that the positive relation is more pronounced for subsidiaries whose parent companies originate from countries with higher levels of corruption and for subsidiaries likely to benefit from local executives' knowledge and skills. Overall, my results lend support to the role of subsidiary executives' locality in shaping subsidiary firms' tax planning.

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1.17: Tax and Firm Behavior

Dynamic Analysis of Non-Deductible Expenses Generating Temporary Differences on Compensation Contracts.

This study investigates how a tax system that generates temporary differences, such as capitalized R&D, affects corporate behavior. Specifically, we use a two-period principal-agent model to assume a portion of productive costs (e.g., R&D) is not deductible in the first period, but tax benefits are obtained in the second period. Additionally, we consider government behavior to analyze cases in which the government can flexibly change policy variables. We find that the impact of the tax rate and the discount factor on the first-period incentive rate depends on the flexibility of the non-deductible ratio. For example, if the non-deductible ratio is rigid, a rise in the corporate tax rate lowers the first-period incentive rate; however, if it is flexible, a rise in the corporate tax rate can increase tax revenues by lowering the non-deductible ratio and raising the first-period incentive rate to encourage more business activities.

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1.17: Tax and Firm Behavior

The ETF Tax Advantage and Firm Payout Policy.

This study investigates the impact of ETF ownership on firm payout policy. Compared to traditional mutual funds, ETFs have a unique ability to shield their investors from paying taxes on capital gains distributions, but this advantage does not extend to dividend payouts. Consequently, we hypothesize that ETFs discourage portfolio firms from paying dividends to provide higher after-tax returns for their investors and thereby gain market share. We find a robust negative relation between ETF ownership and dividend payouts. Cross-sectionally, we find the effect is stronger for ETFs with a greater capacity to mitigate investors' capital gains taxes via 'heartbeat' trades. Evidence from tests using plausibly exogenous variation in ETF ownership indicates the relation is causal. Moreover, we find that firms with high ETF ownership substitute repurchases for dividends as an alternative payout method that preserves' ETFs' tax advantage.

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1.18: AI and Auditor's Judgement

A Comparison of Artificial Intelligence and Human Responses in Audit Experiments.

Artificial intelligence tools, such as large language models (LLMs), have the potential to transform the audit process. However, the nature and quality of LLM output remains unclear. We use ChatGPT to simulate experimental participants and compare responses to those reported in four audit experimental studies. Broadly speaking, ChatGPT provides a reasonable response to experimental tasks from all four studies, though it tends to provide more conservative responses than humans in audit-related judgements. Moreover, ChatGPT does not generally respond to experimental manipulations like human participants in audit-related settings, though this sometimes reflects a reduced susceptibility to cognitive biases documented in the original studies. In the non-audit-specific decision we consider, ChatGPT closely simulates human responses to manipulations. Our study provides researchers, auditors, and regulators with timely evidence on how LLMs respond to a variety of audit-related scenarios.

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1.18: AI and Auditor's Judgement

Artificial Intelligence Agentic Auditing.

The integration of artificial intelligence (AI) agents in financial auditing has the potential to transform auditing practices. Leveraging large language models (LLMs), these autonomous systems can enhance auditing by managing complex and interdependent tasks. This study explores the progression from co-piloted LLM-enabled auditing to auto-piloted agent-enabled auditing. We introduce a framework for implementing AI agentic workflows in financial auditing. Through a detailed case study on agentic journal entry testing, we demonstrate the practical application of these systems. Our findings highlight how AI agentic audit workflows, characterised by iterative refinement and specialised tool use, can execute advanced audit procedures. We envision this work as an initial step towards the adoption of agents in auditing and advocate for the exploration of AI agents in this domain.

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1.18: AI and Auditor's Judgement

Replicating Reason: The Advent of Human-Like Audit Judgment by Generative AI.

This study investigates the use of generative artificial intelligence (GenAI), specifically GPT-4, in financial auditing. It builds on existing literature across various fields where GenAIs have demonstrated efficacy in human judgment tasks. This study employs five experimental studies to explore GPT-4's performance in auditing tasks. We compare GPT-4's performance with that of human auditors, highlighting its understanding and limitations. Our findings show that while GPT-4 can mirror the judgment of human auditors, it demonstrates distinct understanding in certain auditing contexts, indicating the need for model-specific training in auditing. Our research contributes to discussions on GenAI's potential impact on auditing and the development of GenAI regulations in auditing. This study marks a pioneering effort in comparing human and GenAI auditing judgments, setting a framework for future research in the field.

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1.19: Audit Committees and Financial Reporting Quality

Audit Committee Directors' Related Industry Knowledge and Financial Reporting Quality.

Audit committee (AC) directors often hold outside positions in firms from economically connected industries. We propose and find that such outside positions enable AC directors to acquire valuable related industry knowledge to oversee a focal firm's financial reporting process, particularly related to core revenue/cost items. We also find AC directors' greater knowledge in upstream (downstream) industries is associated with higher quality cost (revenue) items in financial statements. Cross-sectional analyses show that the effect is stronger when the focal firm has more volatile operations, is exposed to greater macroeconomic risk, grows at a rate that deviates more from other firms in related industries, and when the knowledge is more transferable. After financial restatements, firms are more likely to appoint new AC directors with greater related industry knowledge and offer them higher compensation.

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1.19: Audit Committees and Financial Reporting Quality

Audit Committee Governance and Correction of Material Misstatements.

Audit committees (ACs) are responsible for overseeing the accuracy and transparency of financial reporting, but the effectiveness of their governance is frequently questioned by practitioners and academics. When material misstatements in previously issued financial statements are discovered, effective AC governance is expected to lead to corrections using full restatements, but managers and auditors often favor subtle revisions or adjustments to avoid public scrutiny. We find that material misstatements are more likely to be corrected using restatements when AC members also serve on the compensation or nomination committee, have greater relative power over the CEO, or have been involved with a restatement in the past. In contrast, material misstatements are more likely to be corrected using subtle revisions and adjustments when AC members have previously failed to correct a material misstatement using a restatement or serve on multiple boards.

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1.19: Audit Committees and Financial Reporting Quality

The State of Audit Quality: Perspectives and Empirical Evidence.

In this study, we adopt an 'accuracy-centric' perspective of audit quality based on the stated nature of an audit: to provide assurance that financial statements fairly present the financial condition of the auditee. Using a policy-capturing study, we find that audit committee members most value audit accuracy, followed closely by quality of communications, over a variety of other features such as experience, regulatory inspection record, and quality controls. Our research design isolates participants' revealed preferences by examining choices in a series of selection scenarios that require tradeoffs between potential auditors. The policy-capturing findings are corroborated in interviews with audit committee members. Through this lens, the observed level of audit quality seems to have reached historically high levels based on material restatement rates in U.S. public financial markets. Our study indicates that audit committees seem to 'get what they want' in the current audit market.

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1.20: ESG I

Assuring Sustainability: The Association between Independent Assurance and Environmental Performance.

Assuring sustainability reports is increasingly common, and the SEC is expected to mandate assurance of certain disclosures within five years. I study the association between sustainability reporting assurance and future environmental outcomes. I find that, for higher-environmental-impact companies, assurance is associated with lower carbon emissions and fewer regulation violations. However, for lower-environmental-impact companies, the association between assurance and future environmental outcomes is mixed, as I find higher violations. I also find that assurance by accounting firms is associated with lower carbon emissions for higher-impact companies and fewer violations for lower-impact companies. My results are consistent with assurance helping higher-impact companies either improve environmental performance or signal efforts to improve environmental performance. My results are also weakly consistent with accounting firms' assurance processes differing from non-accounting firms'.

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1.20: ESG I

***ESG Assurance and Comparability of Greenhouse Gas Emission Reporting*.**

Recent environmental, social, and governance (ESG) regulations mandate external assurance of reported greenhouse gas (GHG) emissions. Among the potential benefits, regulators stipulate an increase in comparability. We examine the effect of ESG assurance on comparability and find that companies with ESG assurance report more comparable GHG emissions. Comparability is further enhanced when companies use the same assurance provider and when the provider is more experienced. We also find evidence that comparability is higher when assurance is provided by consulting and engineering firms than by accounting firms. Finally, we show that companies with higher GHG comparability receive higher environmental score. We complement our study by interviewing senior environmental assurers that corroborate our empirical findings. Our study provides important insights on the value of ESG assurance to regulators worldwide, and in particular in the U.S., where these regulations are highly controversy.

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1.20: ESG I

Estimating the Value of Auditing Services for Private Firms.

Using voluntary audit decisions of Chinese private firms, we develop a dynamic model that considers both client and audit firm forward-looking behavior. Clients simultaneously assess the decisions to take audits and increase debt, carefully weighing the trade-offs between audit quality and fees offered by Big 10 and non-Big 10 audit firms within an oligopolistic market. Audits, particularly those conducted by Big 10 firms, add value. Our estimates show that clients seeking to increase their debt face a nuanced, dynamic trade-off with their audit decisions. Voluntary audits can signal clients' commitment to transparent financial reporting, lowering lender risk and promoting borrowing. However, higher audit quality may deter clients from taking on more debt, demonstrating the audit's disciplining effect. We conduct two counterfactual analyses to better inform policy decisions.

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1.21: Ethics, Inclusion, and Strategic Oversight in the Evolving Corporate Environment

An Intersection of Oversight: Hospital Governance and Performance Before and After the Affordable Care Act.

We examine the effects of governance on hospital performance, with a specific look into how the not-for-profit (NFP) hospital regulations found in the Affordable Care Act of 2010 (ACA) impact the relationship. The ACA requires NFP hospitals to comply with new billing and collections regulations intended to hold such hospitals more accountable for behaving charitably. To address the research question, we examine the relationship between board composition and social performance (SP) in California hospitals before and after the implementation of the ACA, and we introduce new measures of SP that stem from the legislation's NFP regulations. We find that large boards have a negative association with SP in both non- and for-profit hospitals across the full sample period. We also find that when directorships on large NFP boards are held by a higher proportion of business executives, there is a positive association with SP in the post-ACA period that was not present in the pre-ACA period.

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1.21: Ethics, Inclusion, and Strategic Oversight in the Evolving Corporate Environment

Do Board Sustainable Development Committees Matter to Carbon Emission Reporting Quality?

We explore the relations between the board sustainable development committees (hereafter BSDCs) and carbon emission reporting quality. Using an ISO 14064-1 certification to measure carbon emission reporting quality, we corroborate that firms with BSDCs are more likely to obtain ISO 14064-1 certification. This suggests that firms establishing BSDCs can improve the reliability of carbon emission reporting. When we analyze the components of the BSDCs, we observe that larger committees, those with more independent directors, committees with financial or accounting expertise, female directors, and a greater frequency of board meetings are positively associated with the likelihood of obtaining ISO 14064-1 certification. Moreover, firms with BSDCs exhibiting these characteristics tend to report lower carbon emissions. Collectively, this research offers new insights into how BSDCs can contribute to the reliability of carbon emission reporting.

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1.21: Ethics, Inclusion, and Strategic Oversight in the Evolving Corporate Environment

Gender Diversity in GCC Audit Committees and Financial Reporting Quality.

Gender diversity has gained significant attention in corporate governance research, particularly regarding its role in audit committees. In this article, we examine the impact of gender diversity in the Gulf Cooperation Council audit committees on financial reporting quality. Using a sample of 180 public companies in the GCC region over the period 2013-2022, our findings suggest that greater gender diversity in audit committees is associated with improved financial reporting quality in GCC companies. By including a diverse range of perspectives and insights, gender-diverse audit committees are better equipped to effectively oversee financial reporting processes and mitigate the risks of material misstatements. Keywords: Gender diversity, audit committees, financial reporting quality, GCC region.

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1.21: Ethics, Inclusion, and Strategic Oversight in the Evolving Corporate Environment

Navigating a Path to Career Success: Black Accounting Faculty in U.S. Business Schools.

We interview 24 participants and employ the Seibert et al. (2001) theory of social networks in career success to understand tenured Black accounting faculty (BAF) experiences and contributors to their career success. The accounting profession is facing a talent deficit and declining accounting enrollment. Stakeholders advance that more diverse entrants are key for the accounting profession's future success and that having underrepresented minority faculty is important to attracting diverse students. We focus on the BAF experience to gain insights that can inform other disciplines and minority groups. A picture emerges that BAF lack network centrality and navigate factors (societal, organizational environment and psychological) that inhibit access to the benefits embedded in traditional career-building networks developed at doctoral and employer institutions. In response, BAF utilize self-reliance and affinity networks as alternative strategies to achieve career success.

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1.22: Analyst Forecast Quality

Ambiguity and Strategic Forecasts.

We introduce a model where analysts disclose forecasts strategically to minimize forecast errors and help ambiguity-averse investors form correct beliefs. The model predicts a positive (negative) correlation between forecast errors and negative (positive) forecast revisions, which is confirmed by our empirical analyses for the US and international markets, for short- and long-term forecasts, and further supported by empirical analyses in settings where investors face varying degrees of ambiguity and empirical analyses of market reactions. Our results highlight the strategic nature of analyst forecasts and suggest a new channel to understand when analyst forecasts have higher market impact.

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1.22: Analyst Forecast Quality

Beyond the Research Department: Brokerage Branchesâ€™ Local Information Advantage and Analyst Forecast Quality.

This paper examines whether non-local analysts can benefit from the local information advantage of their brokerage firms' brokerage branches. Using hand-collected data on Chinese brokerage firms' brokerage branches, we find that analysts' forecast quality increases after their brokerage firms establish a branch in the headquarters cities of the covered firms, consistent with the benefit of brokerage branches' local information advantage. This effect is more pronounced when brokerage branches can more easily observe covered firms' operations and have higher exposure to retail clients, suggesting a greater benefit when brokerage branches are more likely to supply information with incremental value. This effect is also more pronounced when analysts are farther away from covered firms and face higher capacity constraints, consistent with analysts' greater reliance on brokerage branches' local information under such circumstances.

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1.23: Earnings Measurement and Processing

Implications of Segment Profit/Loss Measurement for Real Activities.

The ASC 280 requires firms to follow a management approach, i.e., to use segment profit/loss measures that decision-makers use internally for external reporting. Because segment managers are evaluated based on segment profit/loss, we hypothesize that managers have incentives to focus on improving segment profit/loss measures and underweight items that are excluded when they make investment decisions. We find that variations in segment profit/loss measurement are associated with firms' real activities. Firms using operating profit (EBIT) to measure segment profit/loss are more likely to pursue large acquisitions and incur restructuring expenses, which do not directly affect segment operating profit. Firms using gross profit that excludes operating expenses such as R&D invest more in R&D relative to firms using EBITDA. Our findings suggest that the discretion granted by the current segment reporting standard on profit/loss measurement has implications for firms' real activities.

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1.23: Earnings Measurement and Processing

News Media Disagreement Around Earnings Announcements and Capital Market Consequences.

News media is generally considered as a homogenous entity in research. However, media outlets significantly differ in their processing of information. We focus on the disagreement among media outlets around earnings announcements and investigate the consequences of changes in their disagreement. We find that both pre-earnings announcement disagreement and change in disagreement are positively associated with trading volume and volatility around earnings announcement. Furthermore, we find that stock price crash risk is positively associated with both pre-earnings announcement disagreement and change in disagreement after the earnings announcement. Analysis of retail trading suggests that retail trading activity is positively associated with media disagreement around earnings announcement.

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1.23: Earnings Measurement and Processing

***Using Aggregate Non-GAAP Earnings to Forecast Future Economic Growth*.**

We conduct analyses of non-GAAP earnings at a macroeconomic level. Our results suggest that aggregate non-GAAP earnings better predict future GDP growth than GAAP earnings. However, macroeconomic forecasters do not appear to fully use the information from aggregate non-GAAP earnings. Further, when examining GDP growth components separately, we document that aggregate non-GAP earnings both directly predict leading corporate profits and indirectly predict future economic activities (taxes and wages). Finally, we use a time-series decomposition to clarify why non-GAAP earnings outperform GAAP and uncover that non-GAAP earnings contain richer business cycle information while GAAP is more susceptible to short-term disturbances, likely because non-GAAP adjustments are closely linked to managers' investment decisions. Our evidence contributes to the growing literature on aggregate earnings and the macro-economy and extends prior research on firm-level non-GAAP earnings to the aggregate level.

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1.24: Corporate Governance and Proxy Activity

Beyond the Ballot: When Do Corporate Governance Disclosures Inform Trading Decisions?

Prior research and regulators often assume that investors rely on corporate governance disclosures primarily to inform voting decisions. However, theory suggests information about corporate governance should be relevant to trading decisions, especially in the presence of agency concerns. In this study, we evaluate patterns in proxy statement downloads throughout the year to provide insight into governance information acquisition. We document more download activity throughout the year for firms with high levels of dissenting votes and ISS against recommendations in director elections. We also document that proxy statement downloads increase around information events, especially when these events are more likely to involve agency concerns (e.g., M&A, extreme bad news, governance incidents). Finally, we observe a positive relation between acquisition and intraperiod timeliness around information events. Collectively, our evidence suggests governance disclosures inform trading decisions.

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1.24: Corporate Governance and Proxy Activity

***Brick or Treat: Shareholder Activism and Corporate Leasing*.**

This paper studies the role of shareholder activism on corporate leases. We find that the presence of shareholder activists is associated with large increases in leasing. This association is stronger in periods of high real estate prices and for firms with larger amounts of real estate assets. We also find that it is accompanied by higher dividend payments and lower investment. The leasing activity associated with shareholder activism is less common when the target firm is acquired or when there is a proxy fight. Finally, we find little evidence that this type of activism is related to corporate governance characteristics.

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1.24: Corporate Governance and Proxy Activity

Firm Responses to Proxy Advisor Recommendations: Evidence from Supplemental Proxy Filings.

Proxy advisors play a key role in shareholder voting, with negative proxy advisor recommendations leading to significant voting dissent against management proposals. We examine firms' decisions to respond to Against recommendations on Say-on-Pay proposals by Institutional Shareholder Services (ISS) and Glass Lewis (GL), the most influential proxy advisory firms. We find that approximately 10% of firms respond to these recommendations by filing a DEFA14A, a supplementary proxy filing; firms are more likely to respond if ISS or both proxy advisors recommend Against than if only GL does. Larger firms and those with more institutional ownership are more likely to file DEFA14As. We document positive market reactions in the two-day window around the filing date when both proxy advisors recommend Against, but do not find filings are associated with more favorable voting outcomes after controlling for the underlying concerns expressed by ISS.

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1.25: Customer Information

Constituency Statutes and Voluntary Disclosure: Evidence from Major Customer Identities.

Corporate constituency statutes are legislation that allows persons with fiduciary duties to consider the interests of non-owner stakeholders (e.g., suppliers, employees, creditors, and communities) in decision making. We examine whether the adoption of these statutes affects the voluntary disclosure of information desired by non-owner stakeholders. The information item of our interest is a company's disclosure of the identities of its major customers, because this information is typically desired by non-owner stakeholders but its disclosure could incur proprietary costs to shareholders. Ex ante, the relation is unclear because the statutes are permissive and the effects of the statutes have been debated. Exploiting the staggered adoptions of constituency statutes across states, we find that a state's adoption results in a significant increase in the disclosure of major customer identities by firms incorporated in that state. The increase is more pronounced for firms that rely more upo

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1.25: Customer Information

Privacy Lost? Consumer Digital Privacy and Earnings Benchmarks.

This study examines whether earnings benchmarks influence firms' aggressiveness toward consumer digital privacy and how these approaches interact with traditional earnings management (EM) channels. I find that firms narrowly beating the previous year's earnings engage in significantly higher third-party online tracking within their domains, even after controlling for conventional accrual-based and real activity-based EM methods. Moreover, consumer data collection and sharing intensify when traditional EM channels are constrained. Using the SASB's materiality indicator as a summary measure of costs, I show that the main finding weakens when consumer privacy constitutes a material sustainability risk or when board committees oversee data governance. Overall, this study sheds light on firms' responses to earnings benchmarks in the increasingly important yet hidden digital space, affecting nearly everyone through the Internet.

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1.26: ESG Investing

Is the Woke Mob Coming for the Hard-Earned Retirement Dollars of American Government Workers? An Analysis of ESG Investing in U.S. Public Pension Funds.

ESG investing has become the subject of polarized political debate in the US, with a flurry of anti-ESG initiatives led by legislatures, governors, and Attorneys General of Republican-leaning states. Gathering investment data on state-administered pension funds, we first aim to understand what they invest in : the most-held stocks are near-identical across Red and Blue states, with technology and finance sectors held the most but Red states holding more energy stocks. We then evaluate the stated motivations behind anti-ESG initiatives : that ESG investing hurts pension beneficiaries' financial interests. We find no evidence that ESG-based investing is accompanied by lower returns at the portfolio level; to the contrary, it oftens associates with higher returns. We conclude that some Red states' characterization of ESG investing as 'robbing Americans of their retirement dollars' is not empirically supported.

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1.26: ESG Investing

Politics, CSR Investment, and Real Effects.

We examine whether politicians sway firms' corporate social responsibility (CSR) investments and whether doing so has implications for local communities. Leveraging detailed district-level CSR project data from India, we exploit the timing of state elections to reveal that firms significantly increase CSR investment-particularly in health, education, and employment-related projects-during election years compared to non-election years. This effect is more pronounced for publicly listed firms, in districts aligned with the state's ruling party, and in districts with closely contested elections. We find that election-year CSR investments are positively correlated with improved electoral performance for incumbents. Post-election, ruling party districts continue to attract higher CSR investment and exhibit greater improvements in health, education, and living standards compared to other districts. Additionally, we present suggestive evidence that firms facing financial constraints

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1.26: ESG Investing

The Price to be Green: Evidence from Securities Lending by ESG Funds.

The literature and anecdotal evidence offer conflicting predictions regarding the relationship between ESG investing and securities lending. Despite the increasing incidence of securities lending by passive funds generally, we find that this is not the case for passive ESG funds. Using high-dimensional fixed effects, we show that passive ESG funds lend 30% less than non-ESG funds at both the fund and stock levels, even when they are holding the same stocks. The forgone revenue is equivalent to 20% of their expenses. We evaluate several explanations and find that our results are consistent with the idea of social norms in investing, where the negative connotation of short-selling labels lending as undesirable behavior for investors pursuing ESG. We add to the understanding of ESG investors' nonpecuniary motivations by quantifying the financial benefits that ESG investors forgo in the securities lending market.

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1.27: Fraud Detection, Expert Witness Credibility, and Financial Advisor Misconduct

AI in Accounting: Advancing Fraud Detection Through Neuroevolution of Augmenting Topologies.

The integration of artificial intelligence (AI) into accounting information systems (AIS) is revolutionizing audit practices. AI-powered platforms can be used in detecting potential accounting fraud with neural networks (NNs). Selecting the appropriate network architecture, the number of layers, neurons, and learning algorithms is particularly challenging. To address these challenges, this study employs an adapted implementation of the neuroevolution of augmenting topologies (NEAT) technique to automatically design, train, and optimize NNs. The approach minimizes premature convergence and avoids local minimum pitfalls. The results demonstrate that the proposed NEAT-based methodology outperforms manually designed NNs in terms of prediction accuracy while significantly reducing the required time and effort. This study offers valuable insights into the efficiency of neuroevolution techniques in advancing AI capabilities, paving the way for future research in AI applications within account

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1.27: Fraud Detection, Expert Witness Credibility, and Financial Advisor Misconduct

Does Text Vectorization Provide New Insights into Financial Statement Fraud During COVID-19?

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

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1.27: Fraud Detection, Expert Witness Credibility, and Financial Advisor Misconduct

The Effect of Expert Witness's Credentials on Jurors' Perceived Credibility of Expert Witness's Testimony.

Expert witnesses play a pivotal role in legal proceedings by helping judges and juries understand complex technical, scientific, or economic matters. The credibility of expert witnesses is paramount, as it can significantly affect case outcomes. Understanding the factors that influence perceived credibility of expert witnesses and reliance on expert witness testimony can assist attorneys in identifying the right experts. We find that there is no difference in the perceived credibility of the experts based on their credentials. While jurors reported greater reliance on testimony from CPA than from Ph.D. experts, jurors' actual reliance on both credentials is the same. Our results inform the legal community about the influence of such credentials on jurors' perception of expert witness credibility and reliance on expert witness testimony.

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1.27: Fraud Detection, Expert Witness Credibility, and Financial Advisor Misconduct

Using Approximate Entropy to Detect Financial Advisor Misconduct.

The purpose of this study is to explore the use of Approximate Entropy (ApEn) as a novel detection control for monitoring undetected broker-dealer (BD) misconduct. Using ApEn to quantify the degree of unpredictability in the time series of BD firms' prior earnings, we find that higher entropy serves as an early indicator of financial advisor misconduct, reported within the subsequent one to three years, with a 1% increase in entropy associated with potential damages from misconduct of roughly $281 ($443, $338) thousand dollars in each of the following three years. Given that entropy likely is less vulnerable to manipulation, our findings have implications for practice, compliance and for future research that wishes to explore the potential of ApEn in control monitoring settings.

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1.28: Work-Life Balance and Culture

Is Corporate Culture Related to Financial Misreporting? Evidence from Sexual Harassment Disclosures.

Using a novel dataset of sexual harassment (SH), I investigate the association between corporate culture and financial misreporting (real activities manipulation). SH allegations highlight weaknesses in culture because incidents reflect deficiencies with the informal social norms in companies. It is possible that there may be spillover from these events to financial reporting, especially in a company's departures from normal operational practices and earnings manipulation. I find that firms with publicly disclosed SH are more likely to engage in real earnings management. I also develop a prediction model to assess sexual harassment risk and determine firms with high predicted SH risk are more likely to manipulate through real activities. This study contributes to the literature on corporate culture and its relation to financial information. This study also has implications for ESG, particularly how social issues embodying culture in the workplace can relate to finance and operations.

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1.28: Work-Life Balance and Culture

What is the Meaning of All of This? Constructing Work in the Accounting Profession.

The accounting profession faces challenges in sustaining talent due to an aging workforce, demanding environments, technological disruptions, and shifting generational priorities. This study explores how professionals find meaning in their work through 32 interviews with accounting partners and academics. Partners derive meaning from synchronizing life and work, external validation, and firm-driven demands, while academics value work-life flexibility, internal validation, and self-directed pursuits post-tenure. Despite differences, both groups are entrenched in a work culture where meaningfulness is assumed rather than consciously reflected upon. The study highlights that the all-consuming nature of work in accounting complicates efforts to attract younger professionals who value meaningfulness. It underscores the need for cultural transformation in the accounting profession to align with evolving work aspirations.

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1.29: Topics in Nonprofit Accounting and Auditing

Differences in Audit Quality Between Partners and Non-Partners in The Nonprofit Sector.

While extensive research has examined factors affecting audit quality, U.S.-based studies have not yet explored how audit quality may differ in audits led by non-partner engagement leaders (Almer, Harris, Higgs, and Rakestraw 2022). Unlike public company audits, shifting career trajectories in accounting firms have led to high-level non-partner auditors-such as directors, managing directors, and principals-overseeing many engagements, including those for nonprofits. The availability of nonprofit data offers a distinct opportunity to investigate these alternative dynamics. Without equity stakes in the firm, non-partners may have different incentives than partners, potentially affecting audit quality. Drawing on studies on degree of partner equity ownership in South Korean (Kim and Kwack 2023), Chinese (Lennox, Wang, and Wu 2020) and Belgian (Vandenhaute and Hardies 2024), settings, we predict and observe that nonprofit audits led by non-partners exhibit lower audit quality than those le

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1.29: Topics in Nonprofit Accounting and Auditing

Do Nonprofits Benefit from Having Audit Partners with Public Company Auditing Experience?

Using field research and empirical analyses, we investigate how auditors' public company auditing experience affects their nonprofit auditees' operations. To gather insights into nonprofit auditor selection and the role of public company experience on nonprofits and audit partners, we interviewed 20 U.S. nonprofit directors and audit partners who audit both public companies and nonprofits ('straddlers'). Then, guided by theory, prior literature, and our field evidence, we develop and test hypotheses using combined nonprofit and public company audit data. We find that while nonprofit directors indicate they prioritize nonprofit and industry experience when selecting audit partners, nonprofits audited by straddlers have stronger internal controls and greater operating efficiency than those audited by non-straddlers. This paper is among the first to provide evidence that audit partners have a positive effect on auditee operations beyond improved financial reporting and that auditors serve

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1.29: Topics in Nonprofit Accounting and Auditing

The Role of Grantmakers and Accounting Information in the Private Foundation Grantmaking Process.

U.S. private foundations distribute over $100 billion annually, but their grantmaking process has been described as a black box (Diaz 1999; Jung 2016). We interview grantmakers from 20 large private foundations to understand how they use accounting information in their evaluation of nonprofits' grant applications and performance. We find that grantmakers use accounting information in sophisticated ways as they strive to serve the board while reducing the burden on nonprofit applicants and grantees. Using stewardship and agency theories, we uncover the methods that grantmakers use to serve the interests of both parties. This manifests in their nuanced use of nonprofits' readily available accounting information, rather than requiring burdensome reports such as audits as a condition for grant funding. Our findings have implications for nonprofits seeking funding and foundations seeking to understand best practices.

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1.30: Management Controls in the Field

Drilldown Data Access Rates and Managerial Target Achievement.

Despite the rapid growth in the availability of highly detailed performance information intended to support managers' decision-making, practitioners and academics have debated whether greater managerial data usage translates into improved decision-making and performance. I provide evidence on this debate by using proprietary click-level data on the rate at which frontline managers at a large U.S. footwear and apparel retailer access different types of detailed data underlying the retailer's top-level key performance indicators ('drilldown data'). I find results consistent with frontline managers accessing drilldown data to support their performance. I also use survey data on District Managers' (frontline managers' superiors) focus on top-level key performance indicators to show that the interaction between the decision-supporting and supervisory roles of performance information depends on the type of information and how frontline managers and District Managers use it.

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1.30: Management Controls in the Field

Driving Fluid Teams' Performance: Field Evidence from Operating Room Turnover.

Team composition varies from stable teams with consistent members and roles to fluid teams that change with each project. Using field data from a hospital, we study how relative performance information (RPI) and tangible incentives affect operating room (OR) turnover team performance. As prior research shows, less fluidity (greater familiarity) improves performance, shortening time between surgeries. However, implicit RPI incentives alone do not enhance fluid team performance. Instead, RPI improves performance only in highly familiar teams. Adding explicit tangible rewards, such as gift cards, boosts performance in fluid teams, achieving improvements comparable to those of stable teams. This highlights the effectiveness of modest tangible incentives in fluid team settings. Since fluid teams are prevalent across industries, our findings provide practical insights for managers seeking to enhance team performance in dynamic environments.

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1.30: Management Controls in the Field

The Impact of Collaborating with Female Mentors on Promotion Opportunities.

This study examines the effects of mentor gender on promotion outcomes in the Chinese auditing industry, where collaboration roles are clearly defined through audit engagements. Results indicate that managers collaborating more frequently with female partners are significantly less likely to be promoted to partner positions. Furthermore, we investigate how a critical mass of women in senior roles - female partners within the audit firm and industry, as well as female executives in the city where the audit firm is located - moderates these effects. Our findings indicate that a critical mass of female leaders positively influences promotion outcomes for managers working with female partners. Our findings contribute to understanding the complexities of mentorship dynamics and emphasize the importance of achieving gender balance in senior leadership to optimize mentoring effectiveness and mitigate biases in promotion decisions.

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1.31: Accounting Profession

***Student and Practitioner Cheating: A Crisis for the Accounting Profession*.**

In this essay, we propose that the prevalence of cheating by accounting students and serial cheating by accounting practitioners at Big-4 accounting firms are related. Our model of this problem suggests that students who cheat in school, become practitioners who cheat in practice, and that practitioners, in turn, model dishonest behavior for students. We propose that this vicious cycle of dishonesty poses a threat to the publics' trust in the accounting profession and that this crisis calls for drastic measures, both in academia and in practice, akin to measures like Sarbanes-Oxley 2002. As an honorable profession, dishonesty cannot be tolerated. Brief overviews are presented of the prevalence of cheating, both by students and by accounting practitioners, notably, the recent Big-4 cheating scandals. Suggestions are included for a three-prong approach by accounting stakeholders to reduce this egregious ethical problem-a problem that, we suggest, is causing a new crisis in confidence.

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1.31: Accounting Profession

Tech Industry Growth and Accounting Labor Supply: Evidence from Local Tech Industry Subsidies.

We examine whether and how tech industry growth affects the supply of accounting labor. While tech industry growth might draw students away from accounting, it can also stimulate economic activity that increases demand for accounting services, encouraging more students to pursue accounting degrees. To answer this empirical question, we exploit state and local subsidies awarded to digital tech firms as a shock to local tech industry growth. We find that the number of accounting graduates increases following the award of these subsidies, suggesting that students respond to rising demand for accounting services driven by local tech industry and economic growth. This positive effect is concentrated in regions with higher local economic growth after the subsidies are awarded and in universities with more in-state students, who are more likely to benefit from local opportunities. This effect is mitigated by the 150-hour CPA requirement, low wage growth, and long working hours in accounting.

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1.31: Accounting Profession

What We Are is Not Them: The Negativist Identity of the Non-Big Four Practice Segment in the U.S. Accounting Profession.

Attempting to correct the tendency of the accounting literature to focus only upon the largest practice entities, this paper explores the collective social identity of the non-Big Four segment. The existence of such an identity is contextualized by an evolving professionalism and a still emergent commercialism. For these purposes, a confluence of theoretical contributions is identified. Organizational identity is distinguished from organizational culture and image. Based on interview data, we find that the essential non-Big Four identity is negativist in that the first and foremost element of it is to establish that the non-Big Four firms are different from the Big Four practice segment.

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1.32: Collusion and Social Performance

Employee Governance or Tacit Collusion? The Effect of Stakeholder Orientation on Labor Investment Efficiency.

We investigate whether stakeholder orientation incentivizes self-interested managers to form alliances with employees with significant representation and how such alliances impact labor investment efficiency, defined as the inverse of abnormal net hiring. By exploiting the staggered enactment of state-level constituency statutes from 1983 to 2018 as an exogenous increase in stakeholder orientation, we find that firms experience decreased labor investment efficiency following the adoption of constituency statutes. The decline in labor investment efficiency is primarily attributed to underinvestment rather than overinvestment, suggesting that underlying mechanism is driven by quiet life agency problems as opposed to empire building agency problems. Consistently, the effect is driven by firms with weak governance, higher takeover risk, and those located in states with low social capital. Overall, our findings indicate that enhanced employee orientation after the adoption of constituency s

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1.32: Collusion and Social Performance

***Shareholder Gains or Integration Strains? The Social Trade-Offs in Acquisitions*.**

We develop an innovative media-based measure for the social orientation of single entities and apply it to a sample of 4,442 worldwide acquisition targets. Results show that the social orientation of target companies leads to higher cumulative abnormal returns of the acquirer's stock price around the acquisition announcement event, higher bid premium, and longer integration time. The findings suggest that managers tend to trade-off strategic competitive and human integrational benefits with higher transactional and integrational costs. A target's social orientation corresponds to a valuable capability that is recognized by the acquirer and its shareholders. Overall, we contribute a new path for research in accounting and sustainable finance to get around common limitations and reliability problems of ESG databases. Also, we provide a perspective to explain multiple acquisition dependencies related to social sustainability, maintaining a unique strain of theory.

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1.32: Collusion and Social Performance

***The Net Zero Party: Antitrust Risk and Climate Disclosure*.**

We provide large sample evidence on whether US public firms use climate disclosure to collude in a climate cartel. Exploiting the 2021 Anticompetition Executive Order as a shock on antitrust risk, we find increased disclosure frequency of positive tone discussions on climate-related opportunities. The results are driven by firms with strong tacit collusion incentives and during the early stages of product life cycle. Consistent with climate disclosure facilitating marketing collusion, we find that climate disclosure raises public attention to the industry, which in turn increases sales and gross margin at the firm level. Additional analyses of emission outcomes suggest that firms collude for profits rather than to signal for sustainability. Overall, our results support the climate cartel hypothesis that managers use climate disclosure as a coordination mechanism, thereby benefiting their own shareholders but potentially harming consumers and sustainable development.

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1.33: Data Standards and Technologies

Blockchain for Management Accounting and Control.

Introduced in 2009, blockchain was expected to provide many benefits to managerial accounting and control (MAC) users beyond cryptocurrency matters. However, the relevant literature shows few uses beyond cryptocurrencies and other cryptoassets. We discuss blockchain's history and technical foundation; some of its costs and benefits; its myths and limitations, its overall fit with MAC, and its possible uses in MAC.

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1.33: Data Standards and Technologies

Interoperability in Data Standards: A Perspective on the Current Business Issues.

This paper addresses the continuing problems of providing interoperable data standards in business and government while preserving the semantic meanings of the content. These semantics are used to derive business intelligence in the semantic context of the standardized data. Accountants are most familiar with XBRL as a family of financial data standards. XBRL has long held the promise of increasing the usefulness of XBRL tagged data for business analytics and business intelligence. However, due to the use of many different taxonomies and taxonomy extensions, automatically extracting the semantic content from an arbitrary XBRL instance document remains a daunting task. This paper considers new initiatives from XBRL in their Open Information Model standard and the Object Management Group's Request for Information on Semantic Mapping and Typing to discuss the current state of this important space in business.

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1.33: Data Standards and Technologies

***Performance with High-Code and Low-Code Software: SQL Versus Alteryx*.**

This research compares the performance of accounting novices on a ranking task using two different data analytic platforms: high-code SQL and low-code Alteryx. In SQL, the task requires coding correlated subqueries while Alteryx provides an easier technique that is closer to how users think about the task. As predicted, novices performed better with low-code Alteryx than with high-code SQL on the ranking task. On tasks requiring similar operations in the two software systems, novices with greater data analytic training/experience performed better than those with less training/experience. These results are consistent with the growing use of low-code analytic tools in accounting to improve productivity by minimizing the cognitive demands placed on users. This research evaluated data analytics performance with questions that assessed participants' ability to recreate the analysis in their minds. The validity and reliability of such questions can be evaluated with a discrimination index.

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1.34: Bold Beginnings: Shaping Future Accounting Professionals (Accounting)

An Experiential Study of Understanding Business Sophomoresâ€™ Questioning and Decision-Making Skills.

The paper documents an experiential study that aims to understand business sophomores' questioning and decision-making skill levels. The study is motivated by how to use the figures and facts in business organizations where business students will be employed. The study could add value to sophomore-level business students and help improve the skills needed in their careers. A three-step approach is applied to the experience: First, a concise case is provided to students. Second, they participated in the study by responding to the instructions provided. Finally, they participated in a survey to obtain their thoughts and perceptions on the experience they were involved in. The results are empirically analyzed using qualitative and quantitative statistical techniques. The findings are interesting and encouraging because the experience documented in the study would help students improve questioning and decision-making even in the principle-level accounting courses in business schools.

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1.34: Bold Beginnings: Shaping Future Accounting Professionals (Accounting)

Effects of Accounting Education: Comparing Accounting and Management Studentsâ€™ Intentions.

Education entails the development of subject matter competence and fostering shared attitudes and beliefs regarding the subject matter. Eighty-one accounting and 112 management fourth-year students at a large public university who had completed a required accounting course in their first year provided data via a questionnaire for the study. We find important differences between accounting and management students' intention to engage in budgeting, a basic accounting procedure. Specifically, we find differences between the two types of students' competence and shared attitudes and beliefs associated with their intention to engage in budgeting. Collectively, our findings indicate that to educate students in accounting; educators should continue to develop accounting competence and begin fostering shared attitudes and beliefs regarding accounting (procedures).

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1.34: Bold Beginnings: Shaping Future Accounting Professionals (Accounting)

***Introductory Accounting Homework and Student Engagement*.**

This mixed-methods study investigates factors influencing student engagement with homework in an introductory accounting course. Regression analysis (56 students) revealed a significant positive relationship between homework performance/participation and exam grades. Interviews with nine students identified four factors: partial understanding of the homework process; limited organizational skills; unanimous recognition of homework's importance; and positive or negative sentiment towards homework. Findings highlight the interplay between motivation, time management, and perceptions of homework's value. Although students recognized homework's importance, organizational challenges and a superficial understanding of its purpose appeared to hinder engagement. These factors contribute to the discussion of accounting education and practice, suggesting a deeper understanding of student motivations is crucial. Future research should further explore these factors' influence on engagement.

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1.34: Bold Beginnings: Shaping Future Accounting Professionals (Accounting)

Listening to the Students Voice: Reshaping Teaching Excellence in Accounting and Business Education.

Teaching excellence is measured and enacted across global business schools in disparate ways. A voice that remains underrepresented in how teaching excellence is positioned within accounting and business education is that of our business students. This paper aims to prioritize the student voice by comprehensively exploring whether accounting and business student views on teaching excellence vary between countries and across key identified dimensions that relate to individual educator personal qualities, classroom characteristics, and competencies and attributes. We contribute to the accounting and business education literature by providing insights on what teaching excellence means for students, allowing for more informed decision-making processes of business school governance and university administrators on institutional policies relating to teaching excellence. The findings indicate the importance students place on classroom capabilities and highlight a need in developing nuanced, t

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2.13: Student Perceptions of Accounting in the First Course

Changing Majors: The Impact of Experiences in Principles of Accounting Courses.

There are well-documented concerns about the declining pipeline of accounting professionals. Consequently, professional organizations, including the Association of International Certified Professional Accountants, the National Association of State Boards of Accountancy, and state CPA societies, have launched initiatives to understand and develop strategies to reverse the trend. Given the accounting profession's challenges, we explore why students choose to major in accounting. Specifically, our research focuses on factors that encouraged non-accounting majors to change their major to accounting while enrolled in principles of accounting courses. As all business majors are required to complete principles of accounting courses early in their business education, this course is fertile ground to recruit majors or to lose them. As a result, identifying experiences in principles that attracted or deterred enrollment as an accounting major can lead to improvements in the accounting pipeline.

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2.13: Student Perceptions of Accounting in the First Course

Shaping Career Beliefs: How Introductory Accounting Courses Influence Perceptions of the Accounting Profession.

The accounting profession faces declining undergraduate enrollment, prompting exploration of factors such as salary expectations, certification requirements, and career beliefs. Introductory accounting courses, required for most undergraduate business majors, offer a critical opportunity to shape perceptions and attract students to the field. This study examines how perceptions of introductory accounting coursework influence career belief differentials between accounting and other business careers. Using a two-step methodology, we conducted interviews with non-accounting business students who recently completed introductory accounting coursework. These interviews informed a survey distributed to principles of accounting students, featuring open-ended questions and Likert-scale items. Career belief differentials, as defined by Jordan et al. (2023), capture gaps in perceptions of careers in accounting versus other majors. Multivariate analyses assessed whether accounting coursework contributes to these gaps. Our findings reveal that students perceive accounting coursework as more tedious and less engaging than coursework in their chosen majors, which correlates with negative perceptions of accounting careers. This study highlights the influence of introductory courses on career beliefs and provides actionable insights for curriculum design and recruitment strategies to address the accounting pipeline issue.
Key Words: undergraduate enrollment, career beliefs, accounting profession, introductory accounting courses, accounting pipeline, nonaccounting majors

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2.13: Student Perceptions of Accounting in the First Course

What Attracts Gen Z Undergraduate Business Students to Accounting?

This study examines factors that influence undergraduate 'Gen Z' business students' choice to pursue accounting as a major. Using survey data from first-semester business students at a large U.S. public research university, we analyze how social influences and major-related perceptions affect this choice. We find that knowing someone who works in accounting and receiving guidance from college or university academic advisors increases students' likelihood of pursuing accounting. However, students who strongly prioritize professional growth opportunities and value social identification with peers and faculty are less likely to pursue accounting. These findings offer three insights: (1) early professional exposure and academic guidance are key to attracting students to accounting, (2) Gen Z students' career values are potentially misaligned with their perceptions of the accounting profession, and (3) social identification plays a crucial role in students' interest in a major. These insights provide actionable strategies for addressing declining accounting enrollments.

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2.14: AI & Technology in Behavioral Research

Adapting in a Regulated World: Evolutionary Economics and Innovation Adoption in Accounting Firms.

We interview 13 innovation leaders and 10 practicing audit partners from 10 large accounting firms regarding their firms' approach to audit innovation. We develop a theoretical framework based on evolutionary organizational/economic theory to guide our interview analysis. This framework encompasses the evolutionary elements of accounting firms' variation, selection, and retention stages of innovation and how they impact firms' competitiveness. We note significant differences in the maturity of innovation between the Big 4 and Other Large Firms. We also find similarities in terms of the firms' innovation evolution regarding generative artificial intelligence and other emerging technologies. We also note how accounting firms' merger and acquisition activity has impacted their innovation efforts.

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2.14: AI & Technology in Behavioral Research

Does the Inclusion of ESG Analysis in Analyst Reports Influence Investment Willingness? Robo-Analysts Make a Difference.

Sustainable investing and Robo-Analysts have gained significant popularity in recent years. This study investigates how the inclusion of environmental, social, and governance (ESG) analysis in analyst reports affects investors' reliance on analyst recommendations, as well as how this effect varies with the type of analyst (human analyst versus Robo-Analyst). Drawing on the availability heuristic and algorithm aversion theory, we predict and find that, compared to analyst reports without ESG analysis, the inclusion of self-generated ESG analysis in analyst reports increases investors' reliance on analyst recommendations for human analysts but not for Robo-Analysts. Furthermore, we find that, compared to the inclusion of self-generated ESG analysis, the inclusion of third-party generated ESG analysis increases investors' reliance on analyst recommendations for Robo-Analysts but not for human analysts.

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2.14: AI & Technology in Behavioral Research

Dynamic Organizational Readiness for AI Adoption in Accounting Firms: A Proposed SYNC-AI Model.

Prior studies have highlighted how psychological readiness influences the effectiveness of AI integration. Structural readiness also plays a fundamental role in enabling organizations to leverage AI capabilities effectively. By integrating the Technology-Organization-Environment framework with Dynamic Capabilities theory, this study offers a nuanced understanding of readiness as both a static and a dynamic process, advancing theoretical and practical insights into AI adoption. By employing a qualitative research design to explore the challenges of adopting AI in accounting firms, findings reveal that technological infrastructure, organizational culture, and environmental factors are critical enablers of AI adoption. Robust IT systems, continuous training, and strategic partnerships enhance seizing capabilities, while environmental monitoring and regulatory compliance strengthen sensing capabilities, thus highlighting the importance of resource integration and partnership ecosystems.

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2.15: Blockchain and Fintech Innovations

Beyond Financial Audits: Investigating the Quality and Impact of SOC 2 Reports.

Organizations often rely on service providers to host or manage their data. To address whether these service providers are protecting this data, independent auditors may conduct a System Organization and Controls (SOC) 2 attestation. The resulting SOC 2 report describes whether service providers' internal controls are effective, especially over client data. Unlike financial audit reports, SOC 2 reports are only distributed to identified users. Economists suggest that in markets with asymmetric information and stakeholders who are unable to observe product quality, introducing a low-quality product may drive higher quality counterparts out. Examining the quality of current SOC reports and determining whether the market for SOC 2 attestation will encounter this 'lemon' issue predicted by economic theory is difficult. Based upon audit report quality literature, we explore the current SOC 2 market, analyze its differences from the audit market, and develop future research questions.

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2.15: Blockchain and Fintech Innovations

Blockchain Adoption and Tax Avoidance.

This study investigates how blockchain adoption impacts tax avoidance, using agency theory to hypothesize that blockchain's attributes-immutability, transparency, and traceability-reduce managerial discretion and constrain tax avoidance. A practitioner survey and archival analysis provide complementary evidence supporting this hypothesis. Survey results show most respondents observed reduced tax avoidance after blockchain adoption, driven by its core features. Archival analysis corroborates these findings, showing a positive correlation between blockchain adoption and higher cash effective tax rates (CETR), reflecting decreased tax avoidance. This effect is especially significant in firms with weaker governance and poor information environments, where blockchain substitutes traditional monitoring mechanisms. This study offers valuable insights for practitioners, regulators, and policymakers into blockchain's role as a governance tool in corporate tax planning.

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2.15: Blockchain and Fintech Innovations

***Blockchain Adoption and Trade Credit in Supply Chain*.**

We examine the relationship between firm adoption of blockchain technology and the extension of trade credit by suppliers. We find that after the adoption of blockchain technology for supply-chain applications, the trade credit extended to supplier firms declines significantly. This decline is primarily driven by long-term supplier-customer relationships and firms with high operational efficiency, suggesting that blockchain adoption reallocates financial efficiency gains across the supply chain. Using propensity score matching and entropy balancing, we show that our results support a causal interpretation between blockchain adoption and the accounts receivable decline. Our results highlight the broader spillover effects of blockchain technology, emphasizing its role in reshaping financial and operational dynamics within supply chains while increasing overall supply chain efficiency.

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2.16: Tax Uncertainty

Investor Valuation of Reductions in Tax Uncertainty in Corporate Spin-offs: Evidence from Private Letter Ruling Disclosure.

This study examines investor valuation of the reduction in tax uncertainty provided by private letter rulings (PLRs) relative to other forms of assurance. Using a sample of tax-free corporate spin-offs from 1996 to 2019, we find that the market reacts more favorably to corporate spin-off filings that disclose the receipt of a favorable PLR relative to filings without such disclosure. Our findings indicate that the magnitude of abnormal returns is influenced by the relative size of the spun-off entity and the tax sensitivity of the investor base. In addition, returns are influenced by the IRS's breadth of PLR scope, with time periods of broader rulings yielding greater investor confidence. This study contributes to the understanding of investor valuation of tax uncertainty in spin-off transactions and informs the IRS as it continues to assess and improve its PLR program.

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2.16: Tax Uncertainty

Noise and Taxes: The Effect of Industry Noise on the Value of Tax Savings.

We examine how variability in tax outcomes within industries (which we refer to as industry noise) affects investors' valuation of cash tax savings. We predict and find that industry noise lowers investors' value of an additional dollar of tax savings because the benchmarks for assessing the value are less certain to investors. We also find that the negative effect of industry noise on the value of tax savings is more pronounced when the individual focal firm's tax outcomes are more volatile or less effective over time. Finally, we observe that the effect of industry noise on the value of cash tax savings is stronger for firms with greater potential agency conflicts between managers and shareholders. Overall, our results reveal that industry noise directly influences investor valuation of tax savings.

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2.16: Tax Uncertainty

***The Market Perception of Tax Uncertainty Disclosure: Evidence from the Informativeness of Management Forecast*.**

The FASB mandates uniform disclosure of unrecognized tax benefits (UTB) to provide relevant information about tax uncertainty. However, evidence on its effectiveness is mixed. We analyze market perception by examining the informativeness of management forecasts. Past research suggests that management forecasts are more informative in uncertain environments. If UTB disclosures effectively convey tax uncertainty, investors will rely more on managers' unique informational advantages. Our findings show that stock market reactions to management forecast news are larger as UTB additions increase. Specifically, UTB additions are positively associated with the informativeness of bad news forecasts but not good news forecasts, indicating that investors perceive UTB disclosures as signaling downside risks from uncertain tax positions rather than the upside potential of tax savings. UTB additions also enhance the informativeness of management forecasts compared to analyst forecasts, particularly

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2.17: Audit Fees I

Direct and Mediated Association between Workplace Misconduct and Audit Fees: Evidence from Path Analysis.

This study explores the relationship between workplace misconduct and audit fees. We find that firms involved in workplace misconduct pay higher audit fees compared with their nonmisconduct counterparts in the year of incident. This finding aligns with the supply-side risk perspective, suggesting that incumbent auditors respond to increased risk by enhancing audit efforts and charging risk premiums to minimize the potential for audit failure and charge higher audit fees. Our recursive path analyses indicate that workplace misconduct has a direct, significant impact on audit fees, alongside a smaller yet notable indirect effect mediated through industry-specialist audits, Big 4 audits, and litigation risk. However, the nonrecursive path analysis exhibits that workplace misconduct continues to exert an influence on audit fees through both direct and indirect channels whereas audit fees do not have an impact on workplace misconduct, thus eliminating the chance of reverse causality.

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2.18: Audit Quality

***Auditor Fieldwork and Audit Quality: Evidence from Financial Statement Adjustment*.**

This study examines the association between auditor fieldwork intensity and audit quality, drawing on unique fieldwork data from public Korean firms from 2016 to 2020. We assess audit quality through auditors' adjustment of pre-audit financial statements, which enables us to effectively separate the impact of fieldwork intensity from that of client firm characteristics on audit quality. First, we find a positive relationship between fieldwork intensity and audit quality. Second, we find that this relationship is significant only when auditors downwardly adjust pre-audit net income, suggesting more conservative post-audit financial reporting. Third, using subsample tests with Big 4 and non-Big 4 auditors, we find the positive relationship between fieldwork intensity and audit quality only among Big 4 auditors. Fourth, using a natural experiment setting, the adoption of the 'Standard Audit Hour System', we find that this relationship is more pronounced in less competitive audit markets.

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2.18: Audit Quality

Improving Audit Quality through Learning from Audit Failures: Evidence from Big 4 Accounting Firms' Views of SEC Filings.

Employing a unique dataset, we proxy for Big 4 auditors' learning from failures through their viewing of restatement-related SEC filings. Our analysis reveals a significant association between increased views of these filings and a decline in future misstatements, indicating that learning from audit failures enhances audit quality. We find that the audit quality effect of a Big 4's learning is mainly driven by learning from failures of the same firm. Additional analyses show that viewing SEC filings related to a specific type of misstatement is associated with fewer future misstatements of that specific type and that auditors learn from failures of other Big 4 firms when auditors take on new clients. Finally, learning effectiveness is stronger when clients and their auditors are located in the same MSA, when viewing informative Form 8-Ks, and when PCAOB inspection intensity is higher. Our findings have practical implications for audit firms and regulators.

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2.18: Audit Quality

The Examination of the Financial Reporting Quality of DeSPAC IPO and Traditional IPO Using Benford's Law.

The recent rise of Special Purpose Acquisition Companies (SPACs) has reshaped IPO markets, allowing firms to go public via a merger, the DeSPAC process. This study examines financial reporting quality in DeSPAC firms, which face unique challenges due to conflicts of interest, inadequate due diligence, forward-looking disclosures, and complex accounting standards. While previous research suggests DeSPAC firms are more likely to restate their financial statements, whether these restatements stem from unintentional errors or deliberate manipulation remains unclear. Our study applies Benford's Law to assess the quality of financial reporting in DeSPAC and traditional IPOs. The Results reveal that DeSPAC IPO firms generally exhibit reporting quality comparable to traditional IPOs. Our findings suggest that reporting issues in DeSPAC firms are more likely due to unintentional errors stemming from structural and accounting complexities rather than intentional misreporting. This study contribu

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2.19: Critical Audit Matters

How Do Audit Effort and Kam Disclosure Affect an Auditorâ€™s Perceived Responsibility?

This study investigated the effect of reported audit effort (expressed in audit hours and fees), Key Audit Matter (KAM) disclosure, and different types of misstatement on juror's assessment of an auditor's fault for erroneously reported financial statements. Herein, we conducted a 2x2x2 between-subjects mock-juror-experiment with 332 participants. Our findings indicate that a higher audit effort has a significantly negative effect on auditor's perceived fault. This remained stable in all eight conditions meaning that it is primarily independent of the type of misstatement and KAM disclosure. Whereas higher audit effort leads to a lower perceived auditor's fault, this effect cannot be observed in terms of verdicts. Although a higher audit effort seems to slightly reduce the percentage of negative verdicts, this is not significant. Further, related KAMs lead to a lower perceived fault and verdict rate, while unrelated ones have the opposite effect. Deeper analyses of our eight conditio

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2.19: Critical Audit Matters

Reporting Critical Audit Matters: The Effects of Readability and Related Financial Statement on Investorsâ€™ Judgments.

Experimental research finds that audit reports with a critical audit matter (CAM) tend to influence investors' judgments more than those without CAMs. Because CAM reporting is now ubiquitous, we examine investor judgments in response to two factors related to how CAMs are reported. First, CAM Readability is relevant since partner characteristics can influence this factor, and there is room to improve CAM Readability relative to other disclosures. Second, whether the CAM relates to an income statement or balance sheet account is important because investors generally focus more on the income statement. We find that more readable CAMs indirectly reduce investment intentions by increasing investors' perceived risk of material misstatement in the audited financial statements. We extend prior literature by investigating an attribute of CAM reporting controlled by the auditor and offer practical implications regarding the PCAOB's goal that CAMs will facilitate the relevance of audit reports.

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2.19: Critical Audit Matters

The Spillover Effects of Employee Whistleblowing on Audit Fees and Audit Quality.

I examine whether audit fees increase for clients when at least one of their auditors' other clients is subject to employee whistleblowing. Using data from the Occupational Safety and Health Administration and a difference-in-differences (DiD) research design, I find that audit fees for other clients increase because of the positive spillover effects of employee whistleblowing. I also find that the spillover effects of employee whistleblowing are more pronounced when auditors face higher risks, the auditorâ€“client tenure is shorter, and the clients' litigation risk is greater. Finally, I find that audit quality for affected auditors' other clients increases when at least one of the auditors' clients is subject to employee whistleblowing. Taken together, the results provide insights into the spillover effects of employee whistleblowing on audit fees and audit quality at the office or city level.

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2.20: Board and Leadership Diversityâ€”Implications for Governance and Reporting

***Board's Interpersonal Diversity and Financial Misreporting: Evidence From USA*.**

This study delves into the correlation between board interpersonal diversity and financial misreporting. The measure of interpersonal diversity draws from the 'Out of Africa' hypothesis, which examines how ancestral evolution has shaped individual traits such as cognitive skills, abilities, and levels of interpersonal trust. Extensive literature highlights how diversity in cognitive skills and interpersonal trust enhances board performance and monitoring mechanisms among members. Applying the 'Too-Much-of-a-Good-Thing' (TMGT) effect theory, we examine how the interpersonal diversity of board members in US firms from 1999 to 2019 mitigates agency problems and financial misreporting, particularly earnings management. Our primary finding suggests that higher board interpersonal diversity correlates with lower levels of accrual-based earnings management and real earnings management. We utilize various measures of earnings management and employ strategies to ensure the validity of findings.

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2.20: Board and Leadership Diversityâ€"Implications for Governance and Reporting

***The Influence of Gender and Religiosity on Employee Peer-Reporting Intent*.**

We explore the influence of gender and religiosity on the perception of guilt and whistleblowing in suspected workplace wrongdoing. Participants assess the guilt of four possible suspects, two men and two women in relation to a theft committed at a church. Specifically, the participants were asked to determine the most likely suspect at two different stages, before and after being provided details on the suspect's incentives and opportunities to commit the crime. In addition, they were also asked about the likelihood that they would report their suspicions to an investigator. The participants' religiosity was measured using several variables, including church attendance, religious/spiritual identification, and organized religion affiliation. We find that participant religiosity is significantly associated with the likelihood to report. Furthermore, our results suggest that this significance is driven by gender. Religious females are significantly more likely to blow the whistle.

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2.22: Disclosure in Relation to Firm Size

â€œWe Are Big, Join Us!â€ An Examination of Companiesâ€™ Size Advertisement in Job Listings.

This study utilizes Generative Pre-trained Transformer (GPT) to examine how companies present size information in job postings. By analyzing job postings from U.S. public firms, we demonstrate that references to company size in job listings are used strategically. Companies are more likely to emphasize their larger size when they have lower public visibility or when their workforce predominantly comprises low-wage workers who face higher information asymmetry and value job training and security provided by larger employers more than high-wage workers. Additionally, we find that firms highlight their size more frequently when experiencing slower sales growth or facing financial challenges. These findings suggest that companies use size advertisement in job postings when it is likely to be more effective and when they lack other desirable attributes. Notably, these disclosure incentives have a greater impact on larger firms, indicating firms' reluctance to make false claims about size.

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2.22: Disclosure in Relation to Firm Size

Disclosing Barriers: The Deterrence Effects of Voluntary Capital Expenditure Disclosure.

We examine the role that voluntary capital expenditure (capex) disclosures play in shaping firms' competitive environment. Using textual analysis of MD&A sections from 10-K filings, we find that managers exercise significant discretion in the amount of capex disclosure they provide. Consistent with capex disclosures serving a strategic role, we find that greater capex disclosure is associated with reduced product market competition and fewer new entrants in the disclosing firm's industry over the following two years. This deterrent effect exists incrementally to the role of underlying capex investment, suggesting that voluntary qualitative capex disclosures provide a distinct information channel beyond capex investments. Cross-sectional tests reveal the deterrent effect is stronger for larger firms and those with more PP&E. Our findings highlight the importance of qualitative capex disclosure in shaping firms' competitive environment.

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2.22: Disclosure in Relation to Firm Size

Scaled Disclosure and CEO Compensation in Small Reporting Companies.

This study investigates the voluntary executive compensation disclosure choices for a group of Smaller Reporting Companies (SRC) that, following a 2018 SEC regulatory rule change, experienced a reduction in their disclosure requirements. We find (a) that many firms take advantage of the rule change to reduce their overall executive compensation disclosures, but (b) that firms which increase their equity-based and other incentive CEO pay are significantly less likely to do so. Our results thus suggest that firms use voluntary executive compensation disclosures to reduce agency costs by providing transparency about increases in CEO compensation that align shareholder and manager interests.

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2.23: Earnings Management: IPOs, Acquisitions, and Private Firms

Earnings Management and Stealth Acquisitions.

Kepler, Naiker and Stewart (2023) provide evidence that some M&A deals are structured so that the deal values are just below the thresholds triggering antitrust review (stealth acquisitions). We investigate how targets of stealth acquisitions (stealth targets) convince shareholders to accept the low value deals and hypothesize that they resort to downward earnings management to lower the stock price and increase the deal premium ostensibly. Our results indicate that stealth targets manipulate earnings downwards in the quarter prior to the announcement of the M&A deal. Our subsample tests show that managers of stealth targets are more likely to engage in downward earnings management when they receive personal benefits from the completion of the deal (high severance pay or continued employment), are less trusted by the shareholders, and are less constrained by debt covenants and their compensation contracts. Overall, we document earnings management in stealth acquisitions.

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2.23: Earnings Management: IPOs, Acquisitions, and Private Firms

Managers' Self-Reported Earnings Management Practices: Experimental Evidence on the Motivations from a Private Firm Setting.

We examine how managers report underlying motivations conditional on their earnings management practices. We randomly assign firm participants to either a direct question (Direct group), an indirect question (Indirect group), or a list experiment (List group). First, we find that about 20% of the firms report having managed earnings. The prevalence estimates in the Direct group do not differentiate from that in the List group. In the main analysis, however, firm participants in the Direct and the List group report different set of perceived motivations. This implies that firms are reluctant to report social undesirable motivations. Firms in the List group have less pressure to report all relevant motives because their earnings management practices are not directly revealed in the list experiment. We conclude that researchers should use different empirical methods to detect earnings management depending on the social desirability nature of underlying motivations.

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2.23: Earnings Management: IPOs, Acquisitions, and Private Firms

The Government as Venture Capitalist: Implications for Earnings Management in IPO Firms.

This paper examine the impact of government venture capital (GVC) backing on the earnings management behavior of IPO firms in China. While traditional private venture capital funds (PVCs) primarily aim to maximize financial returns over a relatively short horizon, GVCs can provide political connections and often prioritize policy-driven objectives, which may reduce the pressure on portfolio firms to engage in IPO earnings management. We find that GVC presence, similar to reputable PVCs, is associated with lower earnings management at IPO. This effect is more pronounced for firms backed by GVCs established by the central government, those with longer investment durations, and those with board representation. However, despite the reduced earnings management at IPO, GVC-backed firms experience weaker post-IPO stock performance, suggesting that GVCs' political intervention in firms' decision-making processes may undermine shareholder value in the long run.

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2.24: Bridge to Practice: Standard-Setting Topics

Accounting for Leases and Portfolio Decisions of Active Corporate Bond Funds.

This study examines the impact of ASC 842 on the portfolio decisions of active corporate bond funds. Using monthly portfolio holdings, I find that shortly after its implementation, active corporate bond funds reduce holdings of bonds issued by firms with significant exposure to operating lease recognition. Further analyses show the effect is more pronounced for non-sophisticated funds, high-yield funds, issuers with overestimated imputed interest rate and more complex leasing activities questioned by regulators. These findings suggest that operating lease recognition under ASC 842 corrects the underestimation of issuers' de facto credit risks by active corporate bond funds and enhances funds' ability to incorporate operating leases into their in-house fundamental credit analyses. This study is the first to highlight the impact of ASC 842 on the portfolio decisions of active corporate bond funds and provides evidence to FASB during its post-implementation review.

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2.24: Bridge to Practice: Standard-Setting Topics

Do Balance Sheets Misrepresent Shareholder Claims?

To justify the required balance sheet format, FASB (1985 para. 60) states that shareholders have 'ownership rights' and 'ownership interests' in the net assets. Based on a comparative analysis of corporate governance and property law, the results of hypotheses tests imply that shareholders have neither ownership rights nor ownership interests in the net assets. As such, the balance sheet fails to faithfully represent the claims of shareholders and others to net assets. Accordingly, future research should consider a balance sheet that more realistically depicts the corporation as owners of the net assets and shareholders as the owners of shares, with financial interests in the corporation.

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2.24: Bridge to Practice: Standard-Setting Topics

The Impact of Lease Intensity and ASC 842 Adoption on Labor Investment Efficiency.

This paper investigates the impact of ASC 842 adoption on labor investment efficiency among U.S. firms. ASC 842 requires the recognition of operating leases on the balance sheet, potentially reducing firms' financial flexibility. ASC 842 was intended to improve financial transparency and enhance stakeholders' ability to monitor financial practices, but such regulation change also introduces potential constraints on operational decisions, including labor investments. Using a difference-in-differences approach on publicly traded firms from 2014 to 2023, we examine how these changes affect labor investment efficiencies, such as hiring and firing practices. Our findings indicate that heavily leased firms experienced underinvestment in labor during and immediately after the adoption year. This underinvestment manifested itself as under-hiring and over-firing, with over-firing being linked to declines in employee morale and a negative impact on analyst sentiment regarding firm performance. T

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2.25: ESG Disclosure

***Mandatory CSR Disclosures and Real Asset Regulatory Leakage*.**

How concerning is real asset regulatory leakage after corporate social responsibility (CSR) disclosure mandates? We investigate this question by examining changes in firms' real- asset investment decisions and associated safety outcomes following the 2010 Dodd-Frank Section 1503 requirement to disclose mine-safety records in SEC filings (DF1503). Using data on publicly owned (regulated) and privately owned (unregulated) mines from 2002 to 2021, we estimate that after DF1503, the proportion of unsafe mines owned by public firms decreases by 45.3%. Our estimates indicate that 26% of this decline is due to real asset regulatory leakage-i.e., ownership changes and avoided investments in new mines, which are instead taken up by unregulated (private) firms. The remaining 74% comes from mine-level safety improvements.

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2.25: ESG Disclosure

Readability of ESG Topic-Specific Sustainability Reports and Bank Loan Spreads.

We explore the association between the readability of ESG (namely environmental, social, and governance) topic-specific sustainability reports and bank loan spreads using a sample of 4,273 sustainability reports issued by publicly listed companies in Taiwan from 2014 to 2022. Empirical results show that the readability of sustainability reports focused on environmental and social topics are both significantly and negatively related to bank loan spreads when controlling for firm, bank, and loan characteristics variables. We also find that the positive tone of sustainability reports enhances the negative association between the readability of social topic-specific sustainability reports and bank loan spreads while ESG performance weakens the negative association. Besides, these findings hold after addressing endogeneity and sample selection bias issues. Finally, banks are suggested to consider the readability of the E- and S-topic specific sustainability reports in loan practices.

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2.26: Executive Compensation Design

Front-Loaded Equity Awards: An Efficient Contracting or Rent Extraction Tool?

Front-loaded equity awards (FLEAs) are one-time equity grants covering multiple years of CEO compensation. Critics argue they facilitate overcompensation and weaken governance. We manually identify FLEAs and find that 9.1% of the firms in our sample grant the award to their CEOs at least once. Although FLEAs provide substantial compensation in the grant year, they do not result in excess pay over the intended coverage period. Consistent with efficient contracting, firms with growth opportunities, acquisitions, or new CEOs are likelier to grant FLEAs. Stronger shareholder rights reduce FLEA adoption, contradicting rent extraction concerns. Stock markets react positively (1%) to FLEA announcements, but ISS often recommends against say-on-pay post-grant, influencing shareholder votes. Overall, our results are consistent with the survey conducted by Edmans, Gosling, and Jenter (2023), which finds that most directors would sacrifice shareholder value to avoid CEO pay controversy.

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2.26: Executive Compensation Design

***Managerial Talent and Performance Targets: Theory and Evidence*.**

Chief executives face performance targets in their compensation contracts, which deliver bonus payouts to the CEO if their performance clears a specified target. We consider such contracts in the context of CEO talent. In a model of private information, we solve for the optimal bonus and target. First, the optimal bonus and target increase in managerial talent. Second, the optimal bonus increases in risk, in contrast to the standard risk-incentives tradeoff. Third, the optimal bonus increases in talent risk for the high-type managers but not the low-types. We test these results against data and find support for the empirical predictions.

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2.26: Executive Compensation Design

The Puzzle of Zero Equity Pay: Why Do Some Public Firms Skip Equity Compensation for CEOs?

Equity-based pay, a defining feature of executive compensation, is completely absent, on average, in one out of every seven CEO compensation packages for large U.S. public firms. This zero-equity-pay (ZEP) phenomenon cannot be explained by factors such as family firms avoiding ownership dilution, high-ownership CEOs, or periodic gaps in equity grants. Adding to the puzzle, ZEP firms are often those where equity incentives would seemingly be more crucial â€“ such as younger, smaller, and riskier firms. Supporting the importance of investor attention, we find that firms with higher institutional ownership, inclusion in the S&P1500 index, or recent low support in Say-on-Pay votes are less likely to skip equity pay for CEOs. Despite the absence of equity incentives, ZEP firms exhibit performance and pay-for-performance sensitivity comparable to those of non-ZEP firms. Our findings challenge the conventional wisdom that equity-based compensation is essential for aligning executive incentives

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2.27: Executives, Corporate Decision-Making, and Incentive Contracts

Executive Mental Health and Corporate Bankruptcy.

We explore the implications of executives' mental health challenges on their firms and careers in the context of corporate bankruptcy. Our analysis of novel data on the medical records of CEOs and directors from Finland shows that executives' mental health diagnoses are associated with an increase in the probability of future corporate bankruptcy. This finding is concentrated in firms operating in competitive industries and in those whose executives experience more severe conditions or possess weaker leadership skills. We also document an important non-pecuniary cost of corporate bankruptcy that has received virtually no attention in the literature: the deterioration of executives' mental health. Specifically, executives are more often diagnosed with mental health conditions when their firms file for bankruptcy. These executives are also more likely to exit the executive labor market, suggesting that mental health challenges may explain the high exit rate of such executives.

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2.27: Executives, Corporate Decision-Making, and Incentive Contracts

Internal Information Quality and Performance Metric Selection.

This paper focuses on the role of firms' internal information quality in designing executive incentive contracts by testing the hypothesis that the quality of a firm's internal information is a binding factor for performance metric selection. Supporting this hypothesis, we show that higher internal information quality is associated with boards enlarging the set of performance metrics and incorporating metrics that are more dissimilar to what industry peers use, particularly non-financial performance metrics. These relations hold when we examine changes in internal information quality that are likely induced by plausibly exogenous shifts in two financial accounting standards. We further find that incorporation of more numerous and more dissimilar non-financial metrics is associated with higher levels of future performance, but only when accompanied by higher internal information quality.

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2.27: Executives, Corporate Decision-Making, and Incentive Contracts

The Impact of CEOs' Social Ties on The Quality of Corporate M&A Decisions and the Timeliness of Goodwill Impairments.

This study first examines whether CEOs' external social ties between the CEO and auditor firms (external social ties) affect the timeliness of goodwill impairments. This study also examines whether CEOs' external social ties affect the quality of their corporate M&A decisions. Future goodwill impairment is a proxy for the quality of managers' M&A decisions. Furthermore, the study examines whether a Big 4 audit firm would improve the relationship between CEOs' external social ties and the timeliness/amount of goodwill impairments. Using a sample of US firms from 2006 to 2018, this study finds that the external social ties between the CEO and auditor firms decrease the timeliness of goodwill impairments and the quality of M&A decisions. In addition, the study finds that Big 4 audit firms would improve the relationship between CEOs' external social ties and the timeliness/amount of goodwill impairments.

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2.28: Financial Reporting Properties I

Coordination Risk and Accounting Asymmetry.

This study investigates the mean and variance effects of accounting asymmetry on creditors' strategic foreclosure/rollover decisions. We find that to mitigate creditors' coordination risk, the nature of accounting asymmetry (downward or upward) must be matched with the nature of investment prospect (poor or good). In particular, for firms receiving unfavorable news, coordination risk is minimized by an upward asymmetry for poor prospects and a downward asymmetry for good prospects. Our results inform financial market regulators and accounting standard setters.

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2.28: Financial Reporting Properties I

***Disrupting Consistency in Accounting*.**

I show that the issuance of a new accounting standard disrupts the cycle of consistency within accounting organizations, leading to improved accounting information. For the recent FASB Revenue Recognition and Leases standards, I show they lead to more error disclosures and more updates to legacy policies within the standards' topic areas before the accounting standard change is implemented. I do not find a difference in the effects between firms more or less affected by a standard, consistent with the standards being broadly disruptive for all firms. I further demonstrate that the policy updates identified following the disruption result in improvements to accounting information. My results show that accounting standard-setting activity affects financial reporting processes and outcomes even prior to the adoption of the standard in a way that is distinct from the effects of the actual changes in accounting guidance.

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2.28: Financial Reporting Properties I

Is the Value-Earnings Convexity Monotonic?

This paper explores how off-balance-sheet intangible investment affects the way accounting profitability maps into equity valuation. Understanding the mechanism by which accounting profitability reflects the functional relationship between earnings and value is important as internally developed intangibles serve as the primary source of value creation in the knowledge-based new economy. While the static real options-based valuation model predicts a monotonic value-earnings convexity, we find the value-earnings convexity is not unbounded from above. Next, we find that financial constraints attenuate the value-earnings convexity and stock option vega enhances the value-earnings convexity in low investment growth rates firms.

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2.29: Fraud, Overconfidence and Learning in Debt Markets

***Accounting Fraud and Individual Financial Health*.**

We examine the impact of accounting fraud on spatially exposed individuals, including peripheral stakeholders of fraudulent firms. Using a consumer credit panel, we find significant increases in financial distress-measured by debt in collection, credit card delinquencies, and consumer bankruptcies-upon fraud revelation. Post-revelation contagion and pre-revelation positive news explain the impact of fraud on individuals' financial health. Finally, we reveal that misinformed financial decisions before fraud revelation increase individuals' financial distress after revelation. Overall, our results not only demonstrate fraud's detrimental impact on local financial health but also carry important implications for fraud enforcement.

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2.29: Fraud, Overconfidence and Learning in Debt Markets

***Digitalization of Tax Information and Its Impact on Mitigating Debt Default Riskâ€"Insights from Overdue Bank Loans of Publicly Traded Firms in China*.**

This study investigates the combined effect of two major government initiatives in China -- the Golden Tax Project III (GTP III) and the Bank-Tax Interaction (BTI) -- on overdue bank loans. We document a significant reduction in corporate debt default risk after the implementation of GTP III and BTI. This improvement is attributed to enhanced information disclosure, better regulation of lending practices, and reduced agency costs. The impact of these initiatives is particularly notable among firms with strong tax credit ratings and in regions with weaker legal frameworks. This study underscores the benefits of enhanced data-sharing systems in reducing loan default risks and improving financial stability. However, it also highlights the need for better coordination to ensure equitable benefits across all banks, regardless of ownership structure or location.

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2.29: Fraud, Overconfidence and Learning in Debt Markets

Real Effects of Overconfidence and Debt Covenants.

We investigate the impact of managerial overconfidence on the efficacy of debt contracting when overconfidence relates to productive ability. We explore a setting with a classic conflict of interests between debt and equity holders to examine the allocation of control rights. We find that the lenders are willing to accept ` ` looser'' debt covenants but demand a higher face value of debt. Given a competitive debt market, we show that this real effect of effort-related overconfidence benefits shareholders. We also explore how accounting conservatism affects the interplay between managerial overconfidence and debt contracting. We find that purely from a debt contracting perspective, (i) the degree of accounting conservatism affects who has the control rights, (ii) the optimal degree of conservatism is interior, and (iii) there is a stronger demand for conservatism when managers are overconfident.

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2.30: Cost Management

***Asymmetric Cost Behavior and Corporate Environmental Commitments*.**

We examine whether asymmetric cost behavior affects corporate environmental commitments. Environmental commitments require multi-year resource investments that are challenging to scale back during sales downturns, and reductions in such commitments provoke negative investor reactions. We predict and find that firms with higher cost stickiness make lower initial environmental commitments, anticipating difficulties in sustaining them during future sales downturns. To address endogeneity concerns, we employ two quasi-experimental designs leveraging exogenous variations in labor adjustment costs from wrongful discharge laws and close-call union elections, yielding consistent results. Cross-sectional analyses support our proposed mechanisms. Furthermore, we show that greater cost stickiness is associated with increased industrial pollution, reduced green innovations, and lower environmental performance ratings.

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2.30: Cost Management

***Conservatism in Hiring*.**

We investigate how firms' hiring activities respond to changes in expected labor demand using job posting data. Our analysis reveals that while hiring significantly decreases following declines in expected demand, the response to increases in expected demand is considerably more muted. This asymmetry is apparent in hiring responses to both future demand shifts, as reflected in recent stock returns, and immediate demand shifts, as indicated by concurrent sales growth. We attribute this conservative hiring behavior to labor market frictions associated with both downsizing and expansion. Consistent with our predictions, we find that the asymmetric hiring pattern is more pronounced in firms facing higher labor downsizing costs (e.g., strong unions or financial constraints) and in firms with lower hiring costs for the majority of their workforce (e.g., low-skill positions). Overall, our findings suggest that firms exercise caution in their hiring practices due to labor adjustment costs.

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2.30: Cost Management

***Social and Financial Incentives and Labor Cost Management: The Case of Credit Unions*.**

This study examines how social and financial incentives influence credit unions' labor cost management. We first document credit unions exhibit labor cost stickiness (i.e., costs are more resistant to decreases in activity than to increases). We then explore three key incentives and their connections to labor cost stickiness: worker welfare, community social welfare, and financial pressure. We find that labor costs exhibit greater stickiness for credit unions in states with higher minimum wage, no right-to-work laws and paid sick leave legislation, in counties with higher social capital, and in those serving more minority and low-income members. However, we observe lower labor cost stickiness when credit unions report losses, have low regulatory capital, or in response to the financial crisis, suggesting that they are not immune to financial pressure. Our paper sheds light on how nonprofit financial institutions like credit unions consider social and financial incentives in their labor

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2.31: Employee Skill Development

Management Control Systems and Employee Performance: Using Informal Controls to Motivate Employee Learning Goal Orientation.

This study examines the interactive effect of two management controls, superstar recognition with and without strategy signals and performance value statements, on an employee's learning goal orientation. I predict recognizing superstar employees together with a signal of how a superstar achieves outstanding performance increases peer employees' learning goal orientation. I predict performance value statements undermine the effect of the strategy signal by shifting employee focus from learning to output. I expect this moderation effect has contrasting effects on employees' learning goal orientation based on whether it occurs directly or indirectly through peer employees' expectations about the payoffs for learning. Results of an abstract experiment support these predictions. Further, I show these effects ultimately impact peer employees' realized learning and highlight how performance values can undermine management's attempt to encourage productivity when recognizing their superstars.

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2.31: Employee Skill Development

Managers' Usage of Management Control Instruments and Employees' Engagement in Skill Development.

We examine how performance goals set by managers and the presence and timing (intra-period vs. beginning-of-period) of managers' training recommendations interact to influence employees' willingness to take training. We predict and find that performance goals negatively affect employees' willingness to take training that boosts future productivity as these goals focus both managers and employees narrowly on current as opposed to future performance. We also predict and find that intra-period training recommendations increase employees' willingness to take training, but only when performance goals are absent. Finally, we find that compared to intra-period recommendations, beginning-of-period recommendations make managers better balance the resources needed to achieve current performance vs. develop skills to boost future productivity, which increases employees' willingness to take training when performance goals are present.

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2.31: Employee Skill Development

***The Effects of Reward Nature and Reward Contingency on Employee Voluntary Training*.**

As employees' skills fall behind what firms need, managers must motivate employees to allocate more effort toward voluntary training. In a multi-task setting where effort allocated to both production and voluntary training can increase performance, I theorize and find from a lab experiment that the effect of hedonic (vs. utilitarian) reward nature on employee total effort is more positive when the reward contingency is goal-based than piece-rate. However, the effect of hedonic (vs. utilitarian) reward nature on the proportion of effort allocated to voluntary training is more negative when the reward contingency is goal-based than piece-rate. I do not find the main effect of hedonic (vs. utilitarian) reward nature on employee total effort implied by prior literature. My results suggest that managers should consider both reward nature and reward contingency when motivating both production and voluntary training with performance-based rewards.

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2.32: Earnings Quality I

***Climate Change Risk Disclosure and Non-GAAP Earnings*.**

Climate change risk disclosure conveys a company's commitment to environmental protection, which creates intrinsic value for stakeholders. We posit that managers may report low non-GAAP earnings to account for the ongoing expenses linked to these enduring commitments. Non-GAAP earnings serve to exclude unusual and non-recurring earnings, reflecting a company's business sustainability. Our analysis supports the conjecture of lower non-GAAP earnings for firms disclosing climate change risk. The negative relationship is more pronounced for firms with strong corporate governance, including low incentive compensation and boards with effective monitoring (low co-opted boards). Furthermore, we find lower aggressive non-GAAP earnings for firms disclosing climate change risk. Our results indicate that managers leverage non-GAAP earnings as a mechanism to communicate their long-term environmental enhancement commitments to shareholders.

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2.32: Earnings Quality I

Earnings Quality, ESG Disclosure, and the Moderating Effect of Product Market Competition.

This study investigates whether earnings quality is related to ESG disclosure and further explores the moderating role of product market competition in this relationship. Using a sample of listed companies in Taiwan from 2015 to 2020, the study measures earnings quality through accrual-based and real earnings management. Product market competition is measured using the HHI, industry concentration, and market power. The empirical results show that ESG disclosure is negatively correlated with discretionary accruals and real earnings management. This suggests that better ESG disclosure leads to lower levels of accrual-based and real earnings management, thereby improving earnings quality. Furthermore, stronger product market competition reinforces the negative relationship between accrual-based earnings management and ESG disclosure, confirming that the intensity of product market competition has a moderating effect.

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2.32: Earnings Quality I

Inside Earnings Management: An Institutional Theory Examination of 'Guidance.'

Although earnings management serves as a cornerstone of accounting research, it remains surprisingly underexplored as a behavioral phenomenon. This paper uses an institutional theory template to posit an under-recognized implicit partnership between top-level corporate managers and financial analysts to assure investors of corporate goal achievement and stability. The expectations generated by this theory are operationalized as a set of choices for the interaction between these groups and tested with data from a survey of corporate managers. The results suggest that while the extent of guidance is associated with earnings management, the relationship is also indirectly affected by corporate attention to a broader investor relations effort. Surprisingly, public companies are not more likely to have guidance impact earnings management.

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2.33: Environmental Disclosure I

***Biodiversity and Credit Rating*.**

This study examines the impact of biodiversity risks on credit ratings. While previous studies have addressed environmental risks, the specific role of biodiversity-related pressures in shaping creditworthiness has been insufficiently investigated. This research seeks to address this gap by analysing credit rating data with biodiversity risk indicators. Using an ordered probit model, we show that biodiversity risks have different effect on credit ratings across industries, with the effect more prominent in low biodiversity-sensitive industries. These findings contribute to the understanding of biodiversity risks in financial assessments, offering valuable insights for credit rating agency and investors aiming to enhance risk evaluation frameworks.

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2.33: Environmental Disclosure I

Board Diversity and Water-Energy Disclosure Quality: A Study of Pacific Alliance Firms.

This study explores the impact of board diversity on non-financial disclosure in Latin American companies, focusing on environmental transparency in water and energy management. Using a sample of 95 non-financial companies from Pacific Alliance countries between 2018 and 2023, mixed-effects regression analysis assessed how board characteristics influence disclosure quality. Results show that gender diversity plays a crucial role, with a higher percentage of women directors and female board chairs linked to superior disclosure, particularly in quantitative reporting and target-setting. Other key factors include board independence, international experience, tenure, and size, all of which significantly affect disclosure quality. The study emphasizes the importance of board diversity in enhancing transparency and decision-making, aligning with the Sustainable Development Goals.

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2.33: Environmental Disclosure I

Firm-Level Biodiversity Risk Exposure and Earnings Smoothing.

This study examines the link between firm-level biodiversity risk exposure and earnings smoothing using 28,261 firm-year observations from U.S. publicly listed firms over the period 2001â€“2023. Consistent with the argument that exposure to biodiversity risk increases earnings volatility and information asymmetry which enhance managers' incentives and opportunities to manage earnings, our results reveal a positive association between biodiversity risk exposure and earnings smoothing. The effect is stronger for firms facing greater financial constraints or more intense product market competition. In contrast, stronger corporate governance mechanisms and external monitoring by institutional investors mitigate the impact of biodiversity risk on earnings smoothing. Our findings have implications for policymakers and stakeholders, emphasizing the need for more comprehensive and transparent biodiversity-related disclosures to lower information asymmetry and curb managerial opportunism.

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3.12: Impact of Curriculum on the Accounting Pipeline

Disruption, Adaptation, and the Accounting Labor Supply.

The accounting profession has long attracted people seeking secure careers, but we hypothesize that fear of technological disruption has, in recent years, made accounting less attractive to students sensitive about job security. Using exposure to contemporaneous mass layoffs in hometowns as a shock to the salience of job security, we first show that layoff-exposed college freshmen were more likely to choose accounting during the 1990s but became less likely in the 2000s. This pattern is stronger when layoffs are attributable to automation. The long-run impact of technological change on the accounting profession likely depends, in part, on the extent to which it adapts. We next measure the extent to which accounting curricula have adapted to technological change using course catalogs from a large sample of U.S. universities from 2009-2020. We show that accounting curricula have been slower to incorporate instruction about new technologies than other business disciplines and that attrition from the accounting major is significantly attenuated in universities where accounting courses quickly come to cover new technologies. Together, our results suggest that accounting education, which was once especially attractive to security-focused students, has recently become less appealing to them because they fear technological disruption and that this phenomenon is likely exacerbated by the failure of the accounting education system to quickly adapt.

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3.12: Impact of Curriculum on the Accounting Pipeline

Toward Equitable Accounting Education Throughout the Curriculum: Insights from a Natural Experiment in Financial Accounting and Beyond.

To address the accounting pipeline problem, most focus has been on the endpoints, the 'first course' in accounting and the CPA Exam, including accompanying educational requirements for testing/licensure. Even so, any hole or bottleneck in the middle of the pipeline could be disastrous to these efforts, especially for at-risk students. Often referred to as a 'weed-out' course, the first intermediate course is a pain point for many. Critically, this may affect at-risk students differentially, potentially widening equity gaps and sabotaging efforts to attract and retain accounting students. In this study, we extend Brockbank et al. (2023), focusing on the impact of an intermediate accounting bridge course on at-risk students. We find that a bridge course is the superior method of support for all students, including members of at-risk populations. Our results identify another critical point in the pipeline that demands attention from those with the power to effect change.

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3.13: Biographical Research

Remembering a Forgotten Leader and New York's First African-American CPA: General Wilmer F. Lucas.

When Brigadier General Wilmer F. Lucas retired from the United States Army Reserve, he did so as a war hero who had led the Harlem Hellfighters at the World War II battle for Okinawa. For his heroics, he won the Army's Legion of Merit and other awards, but he was also a hero on the home front too as he was the first African-American CPA in the state of New York, and the third in the nation, and his firm made it possible for many other African-American CPAs to receive the necessary audit experience to qualify for certification. He was a trailblazer in the accounting profession.

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3.13: Biographical Research

The Road to Regulation: Charles Francis Adams Jr. and the National Railway Conventions of the 1870's.

Existing literature on the establishment of uniformity of accounting practices and public policy within the first wave of federal regulation involving the Interstate Commerce Commission has historical roots in the work of Charles Francis Adams Jr. These origins are contained within the financial reporting requirements established through state regulation in the Annual Reports of the Board of Railroad Commissioners in The Commonwealth of Massachusetts 1870 â€“ 1879. Adams' leadership within the National Conventions of Railroad Commissioners and Accountants held in Springfield (1875), Columbus (1878) and Saratoga (1879) are also of note. Historians should also attend to Adams' restatement of his experience and thought in Railroads: Their Origin and Problems, an aggressive summation of his commission years.

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3.13: Biographical Research

W.E.B. Du Bois and Joseph A. Pierce, Sr.: Unsung Pioneers of Data Analytics.

Biographies and lists of accounting exemplars may either inspire pride in professional ideals or exacerbate perceptions of accounting as a 'White collar' profession. If one agrees with the American Accounting Association's tagline that 'Accounting IS Data Analytics,' then W.E.B. Du Bois and Joseph A. Pierce, Sr. were pioneers in creating and applying Big Data methods to address social, business, and educational problems. This paper details two African American scholars' use of large-scale survey and data visualization techniques to capture early twentieth century business conditions including Black entrepreneurs' desire for more accounting education. This paper celebrates Du Bois' and Pierce's efforts to use empirical evidence to reshape opportunities for Black entrepreneurs but also provides a cautionary note about the limitations of data analytics in the face of 'silences of the social' that protect the extant power structure.

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3.14: Behavioral (Archival) Research

A Slap Doesn't Make a Sound: Managerial Overconfidence and Accounting Conservatism.

This paper investigates whether and how the false consensus effect of managerial overconfidence influences accounting conservatism. Specifically, this paper is focused on non-discretionary accounting conservatism and discretionary accounting conservatism. The findings show that companies with both overconfident CEOs and CFOs exhibit higher non-discretionary accounting conservatism than other companies. The findings also show that companies with both overconfident CEOs and CFOs exhibit lower discretionary accounting conservatism than other companies. The findings suggest that managerial overconfidence is harmful if companies' CEO and CFO are both overconfident. The findings also suggest that companies with both overconfident CEO and CFO tend to apply less conservative accounting policies in ways that maximize their own interests.

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3.14: Behavioral (Archival) Research

Does Employee Social Media Influence CEO Risk-Taking Incentives? Evidence from Glassdoor Coverage.

This study examines how corporate boards adjust CEO compensation structures in response to a firm's coverage on Glassdoor.com, a platform for employee reviews. Using the staggered introduction of first-time reviews and a stacked difference-in-differences empirical design, we find strong evidence that CEO portfolio vega increases following an initial review. This suggests that employee reviews pressure CEOs to become more risk-averse, prompting boards to enhance risk-taking incentives as a counterbalance. The increase in vega is moderated by higher employee ratings, lower reliance on human capital, superior financial performance, and entrenched boards, and amplified in firms with more industry peers reviewed, or younger and less tenured CEOs. Further analysis shows that overall CEO risk-taking does not change after Glassdoor coverage, indicating that boards' adjustments effectively offset the CEOs' increased risk aversion.

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3.14: Behavioral (Archival) Research

The Elephant in the Ledger: Why Effect Size Is Too Big to Ignore and How to Report it in Experimental Accounting Studies.

Statistical significance testing, specifically null hypothesis significance testing (NHST), continues to be a fundamental component of experimental accounting research. However, despite its widespread use, NHST is also associated with controversy. Statistical reform practices known as the 'new statistics' have been proposed to address some of the deficiencies associated with NHTS. These reforms go beyond significance testing and typically include estimation based on effect sizes, confidence intervals, power considerations, and meta-analysis. In this study, we focus on one aspect of the 'new statistics:' effect sizes. The purpose of this study is two-fold. First, we perform a literature review from a sample of three accounting journals to assess the extent of usage of effect sizes in experimental accounting research. Second, we provide a tutorial on appropriate effect sizes and usage for two common statistical tests used in experimental accounting research: t-tests and ANOVA.

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3.14: Behavioral (Archival) Research

Wage Restrictions on Talent and Debt Contracting: Evidence from State-Level Pay Transparency Laws.

We examine the causal effect of wage restrictions on talent on a firm's cost of borrowing. Our analyses exploit the staggered state-level enactment of pay transparency legislation, which exogenously reduces the compensation of highly skilled employees. We find that firms headquartered in states that have adopted pay transparency laws incur significantly higher loan spreads compared to firms in other states. This relation is more pronounced for firms with a lower industry concentration, greater information risk, and weaker corporate culture. We further demonstrate that pay transparency laws increase a firm's cost of debt through the channels of losing key talent, increasing earnings volatility, and exacerbating a firm's operating performance. Additionally, we find that wage restrictions on talent lead to tightened nonprice loan terms and higher yields on corporate bonds. We conclude that both lenders view wage restrictions on talent as a risk factor, leading to higher borrowing costs.

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3.15: Analysts and Technologies

Artificial Intelligence and Analyst Productivity.

We provide evidence on the impact of AI on sell-side analysts' productivity, focusing on earnings forecasts. Our results show that AI investments by investment banks lead to an increase in production, as measured by a higher frequency of earning forecasts for covered firms, and an improvement in quality, as measured by more accurate earnings forecasts. Cross-sectional analyses show that the effect of AI investments is stronger when the forecasting task is more complex, due to either fundamental firm uncertainty or a poor information environment. These results suggest that the positive effect of AI on analyst productivity is primarily driven by task complementarity - allowing analysts to focus their efforts on tasks that benefit most from their human skills - rather than automation. Finally, we observe similar effects on productivity with the introduction of ChatGPT, an alternative proxy for the increased use of AI by analysts.

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3.15: Analysts and Technologies

***Virtual Analyst Private Meetings*.**

This study examines whether and how financial analysts benefit from attending virtual private meetings held by companies. Using Chinese data, we find that analysts who attend virtual private meetings issue more accurate forecasts after the meetings compared to analysts who attend site visits. When private meetings accommodate a larger number of and more diverse participants, analysts benefit more from virtual meetings while benefiting less from site visits. Additional analyses show that analysts attending virtual meetings issue more timely forecast revisions than analysts attending site visits. Furthermore, while analysts attending virtual meetings and site visits both reduce their forecast optimism, forecast optimism of analysts attending virtual meetings is more likely to be positively affected by managers' tone during the meetings. This paper underscores the significance of virtual analyst meetings in the context of analyst forecasts.

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3.16: Gatekeepers and Corporate Decisions

Free Speech and Corporate Investment and Employment.

Theory shows that the freedom of speech can have real effects on investment and labor policies. Using the passage of state-level anti-SLAPP legislation as a plausible exogenous shock to firm stakeholders' free speech and the right to petition, we hypothesize that the efficiency of corporate employment and investment improves after the passage. Supporting this view, we find that following the enactment of anti-SLAPP laws, external and human capital investment becomes more sensitive to firm growth opportunities and less sensitive to firm internal resources. Additionally, we document an increase in acquisition surplus, the excess value that a bidder achieves when acquiring a target firm when the target's headquarters are located in states with passage of anti-SLAPP laws. Our results further suggest that the increase occurs by permitting corporate employees to disclose negative news more freely through social media after the passage of the anti-SLAPP laws. Our results hold under a series o

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3.16: Gatekeepers and Corporate Decisions

The Effect of Newspaper Entry and Exit on Firm Behavior.

National newspapers' regional bureaus open and close over time, facilitating an examination of newspaper entry and exit into local markets. We find that after Wall Street Journal's Boston bureau closure, local firms are more likely to report material misstatements, suggesting that the business press plays a monitoring role. We find that after New York Times' Nashville bureau opening, local firms are less likely to report immaterial misstatements, suggesting firms make cosmetic changes to placate the popular press without changing the substance of misreporting. Our collective evidence suggests that business and popular press play a distinctive role in shaping financial misreporting.

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3.16: Gatekeepers and Corporate Decisions

You Are Being Targeted: Board and Auditor Networks and SEC Comment Letters.

We find that firms are more likely to receive comment letters from the SEC when they share common directors or auditors with firms that received comment letters. Firms are more likely to receive comment letters on a specific topic when connected firms receive comment letters on the same issue. These firms are also more likely to have their 10-K filings reviewed by the same SEC staff, are more likely to share the same issues, and are less likely to receive comment letters after removing contagious common directors or auditors. The contagion effect is stronger when a firm is audited by a Big 4 auditor and is mitigated by external scrutiny from institutional shareholders. Finally, sharing common directors or auditors with firms that received comment letters increases a firm's propensity to restate their 10-K filings. Overall, our findings suggest that the SEC tends to focus on firms associated with those receiving comment letters through common directors or auditors.

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3.17: Greenwashing

ESG Assurance Providers as Greenwashing Advisors.

This paper provides international evidence that ESG assurance providers facilitate corporate greenwashing. We argue that the lack of standardized assurance practices and the voluntary nature of ESG assurance enable some providers to assist clients in corporate greenwashing. Using a difference-in-differences design, we find that firms increase greenwashing when they begin a relationship with ESG assurance providers whose existing clients engage in above-median greenwashing. The effects are more pronounced: when ESG assurance providers are not Big 4 accounting firms, have expertise in facilitating greenwashing; and when client firms are faced with stronger demand for ESG information. We also find evidence consistent with conflicts of interest incentivize ESG assurance providers to facilitate greenwashing. Our results suggest that some ESG assurance providers function as de facto greenwashing advisors, offering valuable insights for both policymakers and practitioners.

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3.17: Greenwashing

Greenwashing: Detection and Implications for Future Firm Performance.

A growing trend among market participants, researchers, and regulators is the increasing focus on public firms' ESG profiles and their implications for performance and value. Assessing a company's ESG performance is challenging and often relies on scores provided by intermediaries. However, evidence suggests these scores can be misleading due to greenwashing-the practice of exaggerating a company's ESG policies, operations, products, or services. This study introduces a straightforward methodology for detecting greenwashing. Our findings reveal that firms with less readable financial statements, as measured by the Fog Index, are more likely to engage in greenwashing. This measure predicts environmental and social misconduct as well as ESG rating downgrades. Cross-sectional analyses show that our greenwashing metric is particularly strong for firms with greater incentives to greenwash. Finally, extensive sensitivity tests validate the robustness of our results across alternative speci

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3.17: Greenwashing

Why do Firms Post Environmental Messages on Social Media?

This study examines why firms post environmental messages on social media. Theories on signaling and discretionary disclosure predict that eco-friendly firms would post more messages about the environment to distinguish themselves from less eco-friendly firms, while social-political theories predict that less eco-friendly firms would post more environmental messages to mitigate a negative image by informing diverse stakeholders about their environmental awareness and efforts to reduce their impact. Analyzing a large sample of firms' Facebook posts and environmental impact metrics, we find that less eco-friendly firms post more environmental messages, consistent with an effort to appear 'less environmentally bad' in the eyes of social media. A beneficial consequence appears to be increased future sales for some firms. We also document nuanced results depending on whether the messages relate to climate change, natural resources, or pollution and waste, as well as interactive effects base

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3.18: Human Factors in Earnings Management

Dare to Say No? Externalities of Employee Employment Protection on Financial Misreporting.

Rank-and-file employees often succumb to fraudulent directives from managers, participating in financial misreporting schemes. However, our understanding of the factors that empower employees to resist such directives remains limited. Many U.S. states have adopted wrongful discharge laws (WDLs) to enhance employee protection against unjust dismissals. We exploit this judicial setting to investigate the impact of employee employment protection on financial misreporting. Our findings reveal a substantial decrease in the likelihood of financial misreporting among firms operated in states with WDLs compared to those in other states. This decline becomes evident one year after WDL adoption and persists in subsequent years. In addition, we demonstrate that firms near one side of a state border governed by WDLs exhibit lower likelihood of financial misreporting and lower tendencies for accounting irregularities compared to firms near the opposite side of the border without WDLs. Our mechanism

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3.18: Human Factors in Earnings Management

Determinants and Consequences of Financial Accounting Teams with Prior Auditing Experience.

We examine the determinants and consequences of the characteristics of financial reporting teams. We find that the rate of the teams with prior audit experience has increased dramatically from 5.4% in 2000 to 67.4% in 2020. Accounting teams are more likely to be larger and to have prior auditing experience when their firms are bigger, more levered, and have more accounting reporting complexity. We then investigate the financial reporting outcomes of teams with prior auditing experience. Our tests indicate that accounting teams with prior auditing experience have (do not have) more aggressive non-GAAP (GAAP) financial reporting than teams with no prior auditing experience. We infer that prior auditors joining accounting teams bring their insights about external auditors' scrutiny over non-GAAP and GAAP information, the former which is not reviewed nor audited. The results are stronger when prior auditors have more years of audit experience, and they join more powerful positions.

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3.19: Information processing, Disclosure, and Investor Response

Corporate Voluntary Disclosure and Retail Option Trading.

Retail option trading volume has experienced an unprecedented growth over the last years, yet evidence on factors that affect retail option trading is still sparse. We empirically examine the change in individual option trading around firms' voluntary 8-K filings with the SEC. Using an event-study design and controlling for firm-specific time trends in trading, we document four key results. First, a statistically and economically significant increase in retail option trading on the filing day of a voluntary 8-K. Second, that these effects are more pronounced for the release of voluntary disclosure with a positive market-adjusted buy-and-hold return. Third, that the demand for access of disclosures on EDGAR rises concurrently with the increase in retail option trading volume. Finally, that retail option traders react faster to the voluntary disclosure news compared to less sophisticated and more attention-induced Robinhood traders in equity markets.

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3.19: Information processing, Disclosure, and Investor Response

Disclosure Acquisition Costs, Volume Reactions, and Differential Interpretationsâ€"A Natural Experiment.

We provide plausibly causal evidence of the effects of disclosure acquisition costs on volume reactions around earnings announcements. Our identification strategy exploits the SEC's implementation of the EDGAR system that reduces investors' acquisition costs of mandatory disclosures. Within the theoretical framework of Kim and Verrecchia (1997), we find that firms with lower disclosure acquisition costs have lower trading volume driven by differential interpretations, and this effect dominates increases in pre-announcement differential precision. Our results point to lower overall investor heterogeneity with easier access to mandatory disclosures. The reduction of differential interpretations is especially strong when the news is bad and when the firm's information environment is poor. The policy beneficiaries are primarily retail investors.

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3.20: Information, Media, and Market Reactions

After-Hours Market Reactions and Media Coverage of Firms' Earnings Announcements.

This study examines the dynamic relation between the market's demand for information about firm performance and the media's supply of information. Using the immediate after-hours trading following firms' earnings announcements as a novel setting, I find evidence that stronger initial reactions trigger greater media attention, especially for smaller firms and firms with limited information environments. Consistent with the media reinforcing the initial market reactions, I document a positive relation between the initial after-hours market reactions and media article sentiment. In addition, I find that the media intensifies firms' initial after-hours market reactions and affects their regular-hours market returns on the next trading day. Overall, these results shed important light on the economic consequences arising from the dynamic interactions between the media and capital markets.

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3.20: Information, Media, and Market Reactions

***Media Attention, Political Risk, and Share Repurchases*.**

As a flexible and tax-efficient way to return cash to shareholders, share repurchases have nonetheless attracted increasingly negative media headlines. We find that media attention is associated with reduced share repurchase activity. The deterrence effect of media attention is stronger for firms facing higher political risk, using general measures of political risk or measures that capture the specific risk of losing government funding and of antagonizing influential voter blocks. The media attention-induced share repurchase reductions can aggravate agency problems. Instead of returning cash to shareholders, firms hold excess cash, which is associated with a lower market valuation and suggests diminished shareholder welfare. Besides reducing share repurchases, media attention induces firms to change disclosure practices related to repurchases, as they are more likely to voluntarily disclose the suspension of share repurchase plans. Our evidence suggests a deterrence role of media.

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3.20: Information, Media, and Market Reactions

Private Firm Information Dissemination and Analysts' Public Firm Forecast Accuracy.

Using the mandated adoption of electronic business registers (EBR) in the European Union as a plausibly exogenous shock, we study the impact of private firm information dissemination on analysts' public firm forecast accuracy. We find an improvement in analysts' public firm forecast accuracy post EBR, with the effect being more pronounced in industries where private firms collectively disclose more information, suggesting positive information spillovers. At the same time, however, analysts display diminished incentives to cover public firms post EBR, which is attributable to the crowding out of public firms in financial markets as private firms become more informationally transparent, thus negatively affecting analyst forecast accuracy. This analyst incentive effect significantly attenuates the positive information effect for public firms most susceptible to being crowded out.

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3.21: Litigation

Antitrust Litigation and Corporate Disclosure.

I study how firms' disclosure behavior in capital markets relates to antitrust enforcement in product markets. I construct a comprehensive dataset of antitrust lawsuits filed by government authorities and private plaintiffs and empirically examine whether and how firms adjust their capital markets disclosure in response to antitrust litigation. I show that firms share more detailed information about product market competition in their disclosures after the initiation of antitrust lawsuits. This relation is stronger when firms face a higher degree of litigation activity. Further, I find that the likelihood of receiving an unfavorable judgment significantly decreases when the amount of qualitative information provided is greater. My results support the notion that managers have incentives to strategically adjust their disclosures and manipulate reported earnings, presumably to influence the litigation process and avoid further attention from antitrust authorities and plaintiffs, highligh

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3.21: Litigation

SEC's Regulatory Oversight and Private Investor Monitoring: Evidence from Class-Action Lawsuits Against Cross-Listed Foreign Firms.

We investigate the effect of regulatory oversight on private investors' monitoring, using the MMoU as a natural experiment and class-action lawsuits as a proxy for private monitoring. The MMoU enhances cross-border enforcement of securities laws, enabling the SEC to take more stringent punitive actions against cross-listed foreign firms. Our findings indicate that enhanced SEC oversight increases the likelihood of litigation. In cross-sectional tests, we find that the effect of the MMoU is less pronounced for firms subject to stronger private scrutiny and more pronounced for firms from countries where the SEC benefits from stronger regulatory cooperation. Our evidence empirically validates the complementary relationship between public oversight and private monitoring. These findings are of potential interest to investors and regulators concerned with the efficacy of monitoring and corporate accountability, as well as to academics exploring the broader consequences of SEC oversight.

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3.21: Litigation

The Impact of Immaterial Error Corrections on Litigation and SEC Investigations.

Firms frequently report corrections of errors deemed immaterial to prior period financial statements. In this study, I examine whether reporting these immaterial error corrections increases firms' risk of litigation and regulatory scrutiny. I find that reporting an immaterial error correction increases the likelihood that a firm faces subsequent securities litigation by 19% and an SEC investigation by 61%, relative to the average likelihood. Further analysis reveals that the outcomes of immaterial error-induced lawsuits and investigations are at least as severe as those of no misstatement firms, suggesting that these lawsuits and investigations are not baseless. However, the heightened litigation and investigation risk after reporting immaterial error corrections is smaller than of restatements, which correct for material errors. Overall, these results suggest that even seemingly minor error corrections can impose legal and regulatory costs on firms.

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3.22: Generative AI and Digital Innovation

Blockchain-Induced Supply Chain Transparency and Firm Performance: The Role of Capacity Utilization.

This study empirically investigates how blockchain adoption affects firm profitability with a specific focus on the role of capacity utilization. Employing a quasi-experimental design triggered by regulatory changes across the United States, we test the theory presented by \cite{cui2023supply}, suggesting that blockchain adoption increases profitability when capacity is large and reduces profitability when capacity is low. Using industry-level data on capacity utilization, we find evidence supporting this theory. Further tests indicate that blockchain-enabled transparency affects firms' profitability by reducing costs, with no significant effect on firms' sales. Finally, we find that competition across manufacturers and buyers is an essential factor in understanding the impact of blockchain technologies on firms. Collectively, our study is one of remarkably few large sample empirical papers examining the implications of blockchain adoption for firm performance.

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3.22: Generative AI and Digital Innovation

Does Generative AI Facilitate Investor Trading? Evidence from ChatGPT Outages.

In this paper, we use ChatGPT outages to investigate whether investors rely on generative artificial intelligence (GAI) to perform trading-related tasks and the associated impact on stock price informativeness. We first document a significant decline in stock trading volume during ChatGPT outages and find that the effect is stronger for firms with corporate news released immediately before or during the outages. We further document similar declines in the short-run price impact, return variance, and bid-ask spreads, consistent with a reduction in informed trading during the outage periods. Lastly, we use trading volume changes during outages to construct a firm-level measure of the intensity of GAI-assisted trading and provide early evidence of a positive effect of GAI-assisted trading on long-run stock price informativeness. Overall, our findings contribute to the debate on the potential effects of AI trading models on financial market stability.

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3.22: Generative AI and Digital Innovation

***The Promise and Peril of Generative AI: Evidence from GPT-4 as Sell-Side Analysts*.**

We investigate how advanced large language models (LLMs), specifically GPT-4, process corporate disclosures to forecast earnings. Using earnings press releases issued around GPT-4's knowledge cutoff date, we address two questions: (1) Do GPT-generated earnings forecasts outperform analysts in accuracy? (2) How is GPT's performance related to its processing of textual and quantitative information? Our findings suggest that GPT forecasts are significantly less accurate than those of analysts. This underperformance can be traced to GPT's distinct textual and quantitative approaches: its textual processing follows a consistent, generalized pattern across firms, highlighting its strengths in language tasks. In contrast, its quantitative processing capabilities vary significantly across firms, revealing limitations tied to the uneven availability of domain-specific training data. Additionally, there is some evidence that GPT's forecast accuracy diminishes beyond its knowledge cutoff, undersc

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3.23: Mergers and Acquisitions

Acquisition-Year Earnings and Operating Cash Flow as Measures of Firm Performance.

Motivated by contrasting views about acquirers' earnings, I investigate earnings usefulness as a performance measure in the year of acquisition. Using a hand-collected sample of firms from 19 IFRS adoption countries, I find that earnings usefulness decreases relative to operating cash flow in the acquisition year. In some cases, operating cash flow overtakes earnings to be a more useful measure. Nonetheless, these findings are not supported by the persistence property. In fact, acquisition-year accruals are more persistent than cash flow. The persistence of accruals relative to cash flow increases in the size of the acquisition and the incremental change is under-priced. Put together, the results suggest that earnings are still a useful measure in the acquisition year, better than operating cash flow.

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3.23: Mergers and Acquisitions

Do Analysts Understand Mergers & Acquisitions?

In this study we examine the role financial analysts play in processing and disseminating information related to merger and acquisition (M&A) transactions. In sharp contrast to prior literature which focuses on the short term and documents that analyst struggle with understanding implications of M&A transactions, we document that analysts exhibit a good understanding of the long-term implications of M&A transaction as demonstrated by the association of their change in price target around M&A announcement and long-term operating performance of the transaction. Beyond traditional analyst forecast measures, we show that the tone of analysts' discussions regarding transaction synergies provides incremental predictive value for long term performance of the transaction. Furthermore, we find that the market only partially incorporates the information embedded in analyst output.

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3.23: Mergers and Acquisitions

Firm Visibility and Acquisition Likelihood: Evidence from Seeking Alpha Coverage.

This study investigates whether social media coverage influences a firm's likelihood of being acquired. Specifically, we hypothesize that coverage of a firm on the Seeking Alpha platform raises its visibility to potential acquirers and M&A advisers (i.e., investment banks), increasing the likelihood of becoming a target. Employing a novel setting in which Seeking Alpha contributors were incentivized to write articles about small firms, which historically had received relatively little coverage, we find evidence consistent with our prediction. Moreover, the increased coverage leads to deals between acquirers and targets that are 1) more geographically distant from each other, and 2) less likely to be in the same industry, consistent with a firm visibility channel. We validate our inference by showing such coverage leads to increased financial statement downloads by potential acquirers and investment banks.

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3.24: Topics in state and federal governmental accounting

***Demonstrating Fiscal Accountability through Financial Reporting: The Relevance of GAAP-Based Aggregate Spending Measures in Explaining State Economic Growth*.**

This study investigates the relevance of state governments' aggregate spending to state economic performance. Utilizing a dynamic panel model to address endogeneity and heterogeneity, the study examines the informativeness of full-accrual (FA) and modified-accrual (MA) accounting measures for governmental activities, along with FA measures for business-type activities. The results reveal a significantly negative relationship between GAAP-based spending measures and state economic growth, suggesting that these measures are informative of economic performance. Additionally, controlling for state-specific heterogeneity enhances the model's explanatory power by 18%, underscoring the importance of accounting for cross-sectional differences in state economies. The findings also show that FA does not provide incremental informational relevance beyond MA in explaining state economic growth, aligning with the GASB's view that MA MA accounting is more relevant for evaluating fiscal performance.

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3.24: Topics in state and federal governmental accounting

State Governments Take a Bath: Earnings Management in State Governments.

Governmental financial and operational information influences the decisions made by various stakeholders including lawmakers, debt issuers, taxpayers, and voters. This study aims to measure the existence of earnings management within state governments in the U.S. after the implementation of GASB Statement No. 34. We examine two measures of earnings management in state ACFRs: discretionary accruals in full accrual- and other financial sources and uses (OFSU) in modified accrual financial statements. We apply political party control variables to determine if government control affects the magnitude and direction of discretionary accruals in ACFRs. Our results show a significant relationship between discretionary accruals and the financial results before discretionary accruals in both full- and modified accrual financial statements. Furthermore, our results reveal a significant difference in the use of discretion associated with elected state officials' political party affiliation.

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3.24: Topics in state and federal governmental accounting

The Role of Federal Agency Accounting Quality in Federal Budget Allocation.

This study examines the role of the accounting quality of U.S. federal agencies, measured with audit opinions, in federal budget allocation to agencies. Using a difference-in-differences design, we find that when an agency receives a modified audit opinion, the President proposes and Congress passes a lower budget for the agency, and the budgetary disagreement between the President and Congress increases. These effects are stronger when the President and Congress have stronger incentives to demonstrate accountability in federal spending. To enhance identification, we exploit the enactment of the Department of Homeland Security (DHS) Audit Requirement Target Act, which required DHS to end its longstanding modified audit opinions. These findings suggest that high-quality federal agency accounting plays a significant role in shaping budgetary decisions by reducing information asymmetry between bureaucrats (agencies) and politicians (the President and Congress).

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3.25: Corporate Governance Issues

CEO Network Connections and Real Earnings Management: International Evidence.

This study investigates the effect of CEO network connections on non-US firms' decision to manage earnings with the alteration of real operating activities, as well as the firms' future operating performance, for the period of 2002-2017. We document a significant negative association between CEO network connections and the level of real earnings management (REM) used in a firm and that the association is stronger in countries with lower country-level governance quality, thus suggesting a potential collusion channel through which CEO network connections can affect firm and market outcomes in the international market. Further analysis unveils that, compared with the REM activities used in other firms, the ones used in the firms led by 'more connected' CEOs are associated with better future operating performance. Overall, our results suggest that CEOs network connections have a positive effect on the overall information environment of non-US firms.

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3.25: Corporate Governance Issues

Information Asymmetry, Expropriation Risks, and Executive-to-Firm Matches.

Prior studies on executive-to-firm matching focus on large firms. We provide new dimensions and determinants of executive-to-firm matching for small, homogeneous firms characterised by high information asymmetry. They exhibit differential demand for board advice, less agency concerns, and significant exposure to insecure property rights. Using a unique hand-collected sample of CEO appointments by Australian early-stage mining exploration entities , we find that board human capital, project-specific characteristics, and institutional quality relating to expropriation risks play an important role in the matching. Specifically, expropriation risks distort the previously observed pattern of homogenization in human capital, forcing firms to select executives whose expertise differs slightly from that of the board, thereby increasing the diversity in firms' human capital. Overall, wealth effects of the match depend on how the CEO and the board combine in an 'optimal firm expertise' bundle.

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3.25: Corporate Governance Issues

Social Credit System Construction and Related Party Transactions: Evidence from China.

Using a difference-in-differences framework based on the construction of China's Social Credit System (SCS), a major reform aimed at enhancing societal credibility, we examine its impact on related party transactions (RPTs). We find that the number of RPTs increases significantly for firms in the treatment group compared to those in the control group following the initiation of the SCS. This effect is more pronounced for firms facing greater financing pressure and possessing stronger competitive advantages, highlighting the channels through which the SCS influences RPTs. Further analysis reveals that the effect of the SCS on RPTs is primarily driven by external opportunism, and these RPTs significantly reduce firms' profitability. Overall, we document a causal effect of trust deterioration on external opportunism-driven RPTs, providing novel evidence on corporate behavior and its economic consequences in the context of credit discrimination.

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3.25: Corporate Governance Issues

***Unspoken Words, Fragrance Like Orchids: A Study of Government Officials' Facial Features and Local Government Debt in China*.**

This study explores the impact of government officials' personality traits on local government debt based on a Chinese sample from 2010 to 2020, motivated by Western psychology and Chinese physiognomy theories. Applying machine learning techniques with Baidu AI Cloud's image clarity enhancement API, we analyze 201 facial key points of officials to assess traits such as leadership ability, aggressiveness, stress resistance, and public affinity. Our findings suggest that government officials with higher leadership ability, aggressiveness, and public affinity significantly reduce local government debt, while government officials with stronger stress resistance increase debt. In addition, government officials' leadership ability is more effective in reducing local government debt level in western regions and low-marketization regions of China.

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3.26: Global Accounting & Auditing

Corporate Tax Avoidance: Do Tax-Related Key Audit Matters Make a Difference?

In this study, we investigate the impact of tax related key audit matters (KAM) on corporate tax avoidance in Chinese capital market. Based on hand-collected KAM data disclosed by Chinese firms, we show that firms present a lower degree of tax avoidance in the reporting period after they receive a tax related KAM in the auditor's report. The results are more significant in firms facing higher level product market competition, higher dependency on major customers, less political connections and smaller firms. It suggests that, after receiving tax related KAMs, firms tend to reduce the degree of tax avoidance to control proprietary costs and political costs. This effect of tax KAMs on corporate tax avoidance presents in the years subsequent to the receipt of tax KAMs, but not in the concurrent year. The results are more pronounced in firms with better corporate governance, in areas with stronger tax enforcement, firms with greater media attention and non-state-owned firms.

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3.26: Global Accounting & Auditing

Do Words Matter? Linguistic Characteristics of IFRS and Financial Reporting Quality.

This paper explores whether the writing quality of International Financial Reporting Standards (IFRS) affects financial reporting quality. Standard setters assert that good writing quality both makes the guidance understandable and constrains the variance of permissible accounting outcomes within the IFRS framework. We use Grammarly's textual analysis of the complete body of IFRS each year to explore whether certain writing quality affects financial reporting quality. Using a sample of global firms that use IFRS, we find that increases in overall writing quality are associated with significantly higher measures of financial reporting quality. To provide more insight into this finding, we decompose the overall measure of writing quality and find that higher grammatical correctness and readability drive this association. However, increased writing clarity is surprisingly associated with lower financial reporting quality. In exploring this finding further, we also find that more uncertain

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3.26: Global Accounting & Auditing

Financial Statement Audit and Crisis Response Among Small Businesses During Covid-19: An International Study.

This study examines whether private SMEs voluntarily commissioning financial statement audits before the COVID-19 pandemic are better equipped to navigate COVID-era operational challenges, access financial support, and avoid permanent business closures. Using survey data from the World Bank, our results reveal that SMEs with audits exhibit greater operational responses to the pandemic and enjoy enhanced access to financial support. These factors in turn lead to lower rates of business closures compared to unaudited SMEs. Further analysis reveals that audited SMEs are better situated to minimize the impact of COVID-19 and experience fewer weeks of temporary closure than unaudited peers. The effect is stronger for SMEs in developing economies where the regulatory environment is weaker and asymmetries are greater. The results are robust to propensity score matching and Heckman specifications. Overall, this study provides novel insights into the influence of financial statement audit on bu

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3.27: Global Issues

Artificial Intelligence and The Emergence of New Quality Productive Forces: A Machine Learning Perspective.

In the digital economy, AI technology is a key driver of new quality productivity for enterprises. Using Chinese enterprise-level data from 2009 to 2022, this study explores the impact of AI on productivity, finding that AI significantly enhances new quality productivity. Further analysis shows that factors like enterprise director background, digital industry agglomeration, and financial agglomeration positively moderate this relationship. Heterogeneity analysis reveals that the effect is more pronounced in high-tech, state-owned, and policy-supported enterprises. This study provides valuable insights into how AI innovation drives new quality productivity, particularly for emerging economy enterprises undergoing digital transformation.

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3.28: International Accounting Issues

Accounting Research: Taking a Closer Look at Funding Sources.

We evaluate the financial sources, that currently supports accounting research, in the six top-ranked accounting journals. These journals are published in the U.S., Canada, the U.K. and Netherland. For the period 2010-2017, we analyze the acknowledgements made by the authors of articles published in these journals to identify the financial sources of the accounting research. We find that less than half of the articles acknowledged some form of financial support, i.e. funding. However, funded articles are cited in total more than the articles that did not acknowledge any financial support. Funding from outside the academic institution sources is approximately 16 percent of the entire sample, of which a majority is obtained from foreign government entities, located in over 17 different countries. This study identifies potential opportunities where funding can be an avenue to promote accounting practice-oriented research.

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3.28: International Accounting Issues

How Does Delegated Main Bank Monitoring Substitute for Accounting Information in The Bond Market?

While prior studies suggest a substitutive relationship between bank monitoring with private information and stakeholders' use of public accounting information, they do not clarify the specific content of the substituted accounting information. We examine whether and how main bank monitoring with private information affects the use of accounting information by bondholders in the Japanese bond market. First, consistent with prior studies, we find that the explanatory power of accounting information is generally lower for firms with a main bank, especially when the firm's default risk is high. This suggests that the delegation of monitoring to the main bank occurs. Second, we find that bond investors of firms without a main bank place more importance on accounting information that is highly relevant to firm's debt repayment ability, such as interest and discount payments. This suggests that the bank monitoring with private information substitutes for these accounting items.

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3.28: International Accounting Issues

***Media Coverage and Goodwill Impairment*.**

This study investigates how media coverage affects the reporting of goodwill impairment in China. We posit that media scrutiny constrains managers' opportunistic goodwill impairment decisions through information, reputation, and regulatory sanction mechanisms. Results show that firms with higher media coverage report less abnormal goodwill impairment, aligning disclosures with economic realities. Both policy- and market-oriented media coverage contribute to this reduction. Media coverage significantly inhibits goodwill impairment avoidance rather than overstating impairment. Evidence also suggests a substitution effect between media coverage and alternative corporate governance mechanisms. To alleviate endogeneity concerns, we adopt an instrumental variable approach, Heckman procedure, and propensity score matching. Overall, our findings support that media scrutiny plays a monitoring role in curbing managerial opportunistic reporting, thereby reducing abnormal goodwill impairment.

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3.28: International Accounting Issues

The Impact of Corporate Tax Evasion on Tax Avoidance Behavior of Industrial Peer Firms.

This study examines the influence of corporate tax evasion litigation by focal firms on the tax avoidance behaviors of their industry peers. Leveraging data from the Taiwan Judicial Yuan judgment system and the Taiwan Economic Journal (TEJ), the findings reveal that when a firm is convicted of tax evasion, peer firms tend to reduce their tax avoidance activities. Furthermore, the extent of tax evasion by the focal firm is positively correlated with the magnitude of reductions in tax avoidance among its peers, suggesting heightened awareness of potential tax risks and reputational concerns. The findings underscore the interconnectedness of corporate tax behavior and the importance of considering industry-wide dynamics in the study of tax planning.

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3.29: International Governance I

Effectiveness of Board Governance for Affiliated Firms in Pyramidal Groups: Evidence from Hong Kong Stock Market.

Pyramidal structures create varying agency costs within the hierarchy, with affiliated firms lower in a pyramid having higher agency costs than top-pyramidal firms, because ultimate owners can exert control with minimal investment. Using unique data on pyramidal structures and board data of Hong Kong-listed companies, we examine how these differential agency costs within pyramids influence board structure and firm outcomes. We find that governance worsens with high agency cost pyramidal structures in terms of reduced board independence, diminished independent director activity and lower meeting efficiency. We also find increased tunneling in pyramid structures with higher agency costs. However, investors do not discount pyramidal firms and only partially demand higher dividends. As Hong Kong serves as a major global capital market and a gateway to China, these findings have implications for markets worldwide, where pyramidal ownership is common in both developed and emerging economies.

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3.29: International Governance I

Regulatory Distance and Insider Trading.

This study examines the role of regulatory distance in persistent insider trading in China's securities market. We find that increased regulatory distance exacerbates insider trading, particularly in the selling direction. Two main drivers-regulatory deterrence and information asymmetry-contribute to this impact, with deterrence being more significant. Stock exchanges and internal controls help offset the lack of deterrence from distant regulation, while investor and analyst attention does not deter trading. Instead, insiders manipulate media coverage to exploit such attention. Additionally, China's unique institutional (Party organizations) and cultural (Confucianism) environments mitigate the negative effect of regulatory distance on insider trading.

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3.30: Emerging Audit Tools and Technologies

Artificial Intelligence in Audit: A Tool Rather Than a Substitute for Human Beings.

There are numerous benefits and risks associated with artificial intelligence (AI) being embedded into the auditing profession and the audit process. With regard to auditing, AI is neither inherently good nor inherently bad, but rather it should be evaluated on how it is applied This paper assesses the potential risks and benefits of the technology. The paper concludes although there are numerous risks to using AI in auditing such as potential bias, errors, and cyber-attacks, these risks can be mitigated. The paper makes the case that AI can be implemented in such a way that it does not replace accountants but rather serves as a tool for them. The paper proposes that Auditors will use AI in a manner that will help them with repetitive and numerical tasks that involve large volumes of data by saving time and increasing accuracy within the audit. When it comes to the judgement side of the audit, this will remain the purview/responsibility of the auditors themselves.

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3.30: Emerging Audit Tools and Technologies

Collaborative AI-Based Multimodal Auditing: Integrating Foundation Models into Robotic Process Automation.

Audit procedures involve complex datasets across tabular, textual, and visual formats, but existing Robotic Process Automation (RPA) frameworks lack the flexibility to handle diverse procedures efficiently. This paper proposes a collaborative AI-based multimodal auditing system that integrates foundation models into RPA to automate audit processes. The approach reduces the complex involvement of industry experts and programmers by enabling the processing of multiple data types within a single system. Auditors can issue natural language instructions and collaborate with the system to perform various procedures. Experiments from different preset scenarios demonstrate the system's effectiveness, highlighting the potential for future collaborative relationship between auditors and AI.

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3.30: Emerging Audit Tools and Technologies

Leveraging Machine Learning to Enhance the Accuracy of Abnormal Audit Fee Predictions.

This study examines the differences in prediction accuracy between Ordinary Least Squares (OLS) regression and machine learning models, specifically focusing on their impact on the relationship between abnormal audit fees and audit quality, a topic with mixed evidence in the existing research. Our study found that the XGBoost, a machine learning model, significantly outperforms OLS regression in predicting audit fees. Further improvements in prediction accuracy are achieved by incorporating additional financial data and applying data-driven feature selection techniques in XGBoost. The association between abnormal audit fees and audit quality also appears to be contingent on the choice of prediction model and the set of variables used in these models, whether chosen based on prior research or through feature selection. Our findings underscore the critical importance of modeling approaches and variable selection in accounting and auditing research that relies on predicted values.

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3.31: Innovative Research Methods

Is China's Policy of Allowing Wholly Foreign-Owned Enterprises a Sugar or Poison? A Perspective from Biotechnology, Pharmaceutical, and Medical Industries.

This study evaluates the impact of China's policy opening to wholly foreign-owned firms in the biotechnology, pharmaceutical, and medical sectors, analyzing whether it acts as a 'sugar' or a 'poison.' Combining the random forest method with rolling prediction models to optimize Altman Z-Score prediction, it investigates financial risks and information asymmetry. The study applies the EKO microstructure model to assess asymmetry through the PIN variable. The sample, hand-collected from Shanghai and Shenzhen stock exchange websites, includes insider trading volumes from 169 companies during 2023-2024. Results show the pharmaceutical industry benefits most due to high technical barriers, IP protections, and policy support. Biotechnology sees short-term gains but faces long-term risks, while the medical sector remains neutral. Findings highlight the dual nature of policy liberalization and offer actionable insights for foreign investors.

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3.31: Innovative Research Methods

Smart City and Firm Value.

This study develops a Smart City Index (SMC) tailored for business research, using publicly available data for 60 major North American cities between 2010 and 2023. The index captures four key dimensions of city smartness: information technology infrastructure, mobility infrastructure, knowledge resources, and sustainability resources. We investigate the relationship between city smartness and firm performance, finding a significant and positive association between the SMC and both firm value and innovation performance. Our finding suggests a positive spillover effect from smart cities to local firms. Robustness tests using alternative measures and additional macroeconomic controls confirm our results. This study contributes to business and smart city literature by providing a comprehensive, empirical measure of city smartness and identifying a city-level technology spillover mechanism influencing firm outcomes.

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4.12: History: Double-Entry

Digital Reconstruction of the Procedure of Formation of the Financial Result of a Venetian Merchant in Constantinople (1436â€“1440).

This paper expounds on the potential of digital technologies to facilitate historical research. A case study is provided, examining the digitization of the Libro dei conti of Venetian merchant JaÑhomo Badoer, who conducted commercial activities in Constantinople from September 1436 to February 1440. The digitization process was facilitated by proprietary software developed by the authors, enabling a comprehensive analysis of Badoer's accounting system. This system meticulously documented his trading activities. This approach made it possible to recover information missing from the Libro dei conti, restore missing pages, and identify data that had lost visibility due to damage. Particular attention was paid to the procedure for the formation of the financial result of Badoer's activities, which led to the recovery of a digital version of the final karta of the Utile e dano account, which had been lost. Overall, the application of the digital methodology has greatly improved the clarity

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4.12: History: Double-Entry

The Mystery of Double-Entry.

This article explores the historical and theoretical dimensions of double-entry bookkeeping, focusing on its intellectual evolution and significance in the development of capitalism. Werner Sombart's influential thesis is central to the discussion, which asserts that double-entry bookkeeping fundamentally shaped modern economic systems. By examining over three centuries of definitions, the study reveals the technique's mathematical rigor, systematic organization, and the duality of debit and credit entries while highlighting persistent ambiguities in its interpretation. The findings underscore its multifaceted nature-alternatively regarded as a scientific method, philosophical construct, or pragmatic tool-and its adaptability to diverse contexts. This exploration enriches our understanding of double-entry bookkeeping, not merely as a technical mechanism but as a pivotal force in shaping economic thought and practice. The article contributes to ongoing debates by situating double entry

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4.12: History: Double-Entry

The Reality of Pre-Modern Double Entry Accounting Historiographyâ€”Misunderstanding, Illusions, and Myths.

The literature of the history of double entry accounting before 1800, especially in English, is beset with illusion and myth. This occurred because scholars misinterpreted a definition of double entry formulated in the late 19th century by an Italian accounting theorist, Fabio Besta who emphasised the importance of using double entry â€“ partita doppia â€“ if accounting was to be considered an economic science. He believed the goal of anyone using the method should be to identify movement in wealth, being the net assets â€“ the difference between assets and labilities â€“ over time, so that their management and the management of those who administered them could be efficiently monitored and controlled. 20th century accounting historians misinterpreted Besta's definition focus on net assets as a focus on movements in capital resulting from profit, creating a myth about why double entry was used. It guided all their research creating a historiography of myths and illusions.

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4.13: Behavioral (Qualitative) Research in Accounting

Reflections on the Ontology and Epistemology of Goodwill: Exploring Key Stakeholder Perspectives.

We analyze the arguments employed by key stakeholders concerning the accounting treatment for goodwill during the parliamentary-led public inquiry oral evidence sessions into two failed companies. Specifically, we explore how the ontological and epistemological positions differ via an analysis of stakeholder responses with regards to two questions: 'what is goodwill?', and 'what is the nature of this knowledge?'. At one extreme, investors challenge the underlying reality of goodwill and heavily discount it in their valuation models. By contrast, preparers and auditors advocate for the current treatment of goodwill, viewing it as a crucial accounting construct. Members of the Committee challenge that the rules 'work'. Instead, they raise doubts about recognition, measurement, and how the information might be (mis)interpreted. Regulators point to the inherent complexity of the rules and refuse a definition.

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4.13: Behavioral (Qualitative) Research in Accounting

The Commercialization of a Financial NGO: The Interaction Between Prudential Supervisory Logic and Management Control Systems.

We qualitatively study a case where changes in management control systems and accounting practices are implemented in an FNGO which transformed from a donor-fund dependent financial NGO to a profit-oriented institution operating with investor funds. We show how new management control systems and accounting tools are implemented and how they shape this organization to help it survive and be accountable to investors. Our evidence suggests that to manage the tension between two logics in our hybrid organization there is a third institutional logic (prudential regulatory logic) that helps this social enterprise to manage the tension. In addition our evidence suggest improved accountability through increased financial reporting, budgeting, increased internal and external auditing, and improved corporate governance structure.

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4.13: Behavioral (Qualitative) Research in Accounting

The Link Between Strategic Positioning and Operational Control: A Field Study of a Restaurant Business.

This study builds on the strategy and control framework and proposes a conceptual framework for the link between strategic positioning and operational control for hybrid organizations that pursue both the social impact and financial sustainability. By conducting a field study, we document three main findings. First, a hybrid organization strategically positions itself by striking a unique balance between social mission and profit goals. Second, hybrid organizations with different strategic positioning mobilize different dimensions of operational control to monitor their operating activities that support the unique balance between social impact and profitability. Third, using the content analysis, we document that managerial attention placed on various dimensions of operational control on a daily basis vary across hybrid organizations with different strategic positioning as they configure different sets of operating activities to support its own unique hybridity.

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4.14: Cybersecurity, Risk, and Governance in AIS

Are Strong IT Governance and Recent Breach Experience Determinants of Purchasing Cyber Insurance?

Cyber insurance (CI) is the fastest growing insurance product on the market today. Related accounting research is still evolving and has not yet identified determinants of CI coverage. Successful application for CI is not imminent. Both insurers and applicants need to weigh their own financial incentives to avoid costly breach fallout. Consequently, we investigate two potential CI determinants: information technology (IT) expertise at the top management team and board levels as well as recent breach experience. Consistent results suggest that strong IT governance (ITG) and recent breach experience represent determinants of CI ownership. Additional analyses involving endogeneity testing and alternative variables confirm our main results. Nuanced results involving the Chief Executive Officer inform the literature regarding when CI is first purchased and stock market reaction findings suggest that the market positively views CI ownership when a firm was previously breached.

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4.14: Cybersecurity, Risk, and Governance in AIS

Balancing Growth and Security: Exploring the Impact of Growth Opportunities on Data Breaches.

Based on textual analysis that captures firms' growth opportunities, this paper examines whether firms with high growth opportunities are more vulnerable to data breaches than their low growth counterparts. Our analysis using a first-difference, propensity-score matched design generates the following results: (a) firms with high growth opportunities are more likely to sustain data breaches than firms with low growth opportunities; (b) data breaches affect the ability of high growth opportunity firms to execute their investments; (c) high growth opportunity firms with greater IT awareness better defend themselves against data breaches. In additional analysis, we show that common hallmarks of growth opportunity (product development, acquisitiveness, and prioritization of growth over investment in cyber security) are associated with greater likelihood of data breaches. Overall, this study provides novel insights into specific firm attributes that increase cybersecurity risk.

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4.14: Cybersecurity, Risk, and Governance in AIS

Bankruptcy Prediction Using Machine Learning Models: Analyst Forecast Information Content Perspective.

Unlike previous bankruptcy prediction studies based on Barboza's et al. (2017) financial variables, we aim to explore whether the inclusion of analyst forecasts information improves bankruptcy prediction effectiveness with machine learning models by applying them to U.S. firm data from 1993 to 2022. The empirical results demonstrate that incorporating analyst forecast information significantly reduces Type I errors (misjudging bankrupt firms as non-bankrupt), particularly in long-term bankruptcy prediction periods, reflecting the forward-looking nature of analyst forecasts. This finding complements Chen et al. (2023), which focuses on reducing Type II errors and improving the effectiveness of short-term bankruptcy predictions. In addition, the results of feature engineering indicate that analyst forecast information variables significantly influence bankruptcy prediction, particularly regarding analyst forecast dispersion, as well as the mean and standard deviation of forecast errors.

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4.14: Cybersecurity, Risk, and Governance in AIS

From Threat to Opportunity: Understanding Accountantsâ€™ Reactions to Artificial Intelligence

ABSTRACT: Artificial Intelligence (AI) is anticipated to transform and disrupt the accounting industry, by promising gains in efficiency and by potentially eliminating many accounting positions. We use a qualitative approach to examine data extracted from the social network Reddit to propose a framework for how accountants appraise the threat of AI and their reactions to the threat. Our framework illustrates how three sets of factors, environmental factors, personal factors, and time horizon come together to explain how accountants appraise the threat of AI, and their subsequent coping responses. Three threat appraisals emerge: no/minor threat, moderate threat with associated opportunities, and strong major threat. Corresponding coping strategies include ignoring, adapting, or escaping. Based on our findings we discuss the implications to the accounting research and practice.

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4.15: Methodological Advances in AIS Research

Harnessing LLM Toward Intelligent Automation: A Case Study on Municipal Financial Report Review Automation.

This paper introduces an intelligent automation framework by integrating a large language model (LLM) and robotic process automation (RPA) to enhance the review of municipal financial reports. We apply the intelligent automation framework to a case study where the Government Finance Officers Association (GFOA) annually evaluates financial reports for Certificates of Achievement in Financial Reporting. The diversity in report formats is an obstacle for traditional RPA, but GenAI, especially LLMs, is more adept at interpreting unstructured data. The project converts GFOA's rules into structured prompts for LLMs, uses RPA to execute assessments, and evaluates the intelligent process automation (IPA) system's accuracy, cost-effectiveness, and efficiency against traditional methods, aiming to generalize this methodology across similar applications.

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4.15: Methodological Advances in AIS Research

Improving LLM Performance in Tabular Data Processing: Design Retrieval-Augmented-Generation (RAG)â€”Enhanced AI Agents for Auditing.

Integrating large language models (LLMs) into accounting and auditing workflows has garnered significant attention due to their potential to enhance efficiency. However, standalone LLMs face critical limitations in handling structured tabular data and maintaining task-specific context, especially in auditing procedures. This study introduces a conceptual framework for developing Retrieval-Augmented Generation (RAG)--enhanced AI agents for tabular data processing in auditing. Following design science research methodology, we develop and evaluate two AI agent variations-baseline RAG and Graph RAG-utilizing a knowledge base of 162 auditing procedure files from a US-based IPO auditing firm. Our experimental results show that RAG-enhanced AI agents achieve 82.5 percent accuracy in complex tasks, significantly outperforming standalone LLMs at 25 percent. This research extends the theoretical understanding of RAG-enhanced LLMs in professional auditing contexts and provides a scalable solution

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4.15: Methodological Advances in AIS Research

***The Development of a Generative Artificial Intelligence (AI) Governance Framework*.**

Generative artificial intelligence (GenAI) is rapidly disrupting the business world, with companies using the technology to transform their operations and product offerings. In this paper, we develop and validate a GenAI governance framework designed to help companies manage the risks associated with this technology. The framework outlines 69 control considerations across 5 governance domains, and provides a maturity model to assess readiness for each control consideration. To develop and validate the framework, we conducted surveys, in-depth discussions, and structured interviews with more than 1,000 practitioners; including GenAI specialists, audit committee members, C-suite executives, internal and external auditors, and regulators. We also report results of 18 diverse organizations that have used the framework after its release. Our evidence suggests the GenAI governance framework is valuable to organizations of diverse sizes in helping them effectively manage GenAI risks.

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4.16: Complex Audit Tasks and Auditor Judgment

After Audit: Perceptions of Future Identity and Task Utility on Auditors' Complex Task Performance.

Auditors commonly see themselves leaving the profession in the future for other career opportunities. Theory suggests auditors who see their future selves leaving audit (i.e., future non-auditors) value audit tasks less, leading to lower elaboration and performance on complex audit tasks. I experimentally examine whether reminding these auditors of an audit task's broader usefulness (i.e., utility) to both audit and other business careers [audit careers only] restores [reduces] elaboration and performance compared to auditors with future auditor identities. Contrary to expectations, future non-auditor identities and/or broader utility inspire more task value and elaboration compared to future auditor identities/audit career utility. Auditors with higher elaboration perform better when skeptical about the client's assertions. However, in the future non-auditor/broader utility condition, auditors focus their higher elaboration on client-supporting evidence, leading to worse performance.

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4.16: Complex Audit Tasks and Auditor Judgment

Four Decades Experimental Research on Audit Judgment: A Systematic Literature Review.

This study systematically reviews experimental research on audit judgment, focusing on the types of audit judgment examined, theories explaining determinants and biases, factors influencing audit judgment, and unexplored research avenues. A total of 129 articles published between 1985 and 2024 were analyzed, focusing on journals in business, management, and accounting to ensure relevance. This study classified audit judgment types by audit phase, identifies 60 theories explaining how various factors affect judgment, and highlights several essential avenues for future research. This study fills a significant gap in the literature by synthesizing findings from multiple studies, offering a clear direction for future research, and emphasizing the importance of experimental methods in understanding causal relationships in audit judgment.

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4.16: Complex Audit Tasks and Auditor Judgment

Tell Me What to Do: The Advisor's Role in Auditing Complex Estimates.

Auditing complex estimates is an ongoing challenge for auditors. In addition to existing approaches, e.g. by means of prompting, we are pursuing a radically practice-oriented approach. Based on mindset theory that has already been successfully applied in auditing, we experimentally examine the benefits of a formal (informal) advisor perspective when auditing goodwill. We exclusively use experienced certified auditors as participants. We particularly find that a formal advisor evaluates an overstated goodwill significantly more appropriately than an auditor who is in charge of the audit (decider). The advisor role is created exclusively by addressing participants as advisors in the audit task of our case. We thus present advice-seeking from an auditor colleague as a feasible tool for audit practice that enables more appropriate judgments and, hence, can improve audit quality when auditing complex estimates. We also directly compare the effects of a formal vs. an informal advisor role.

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4.17: Internal Control over Financial Reporting

Adoption of Accounting for Current Expected Credit Losses and Reporting of Internal Control Weakness.

The FASB issued ASU 2016-13 to enhance the timely recognition of credit losses using the current expected credit loss model (CECL) instead of the incurred loss model. This new standard is principles-based, uses a forward-looking approach to estimate credit losses, and is expected to have a significant impact on banks' data gathering, credit management, and financial reporting. We contribute to the growing literature on the consequences of CECL adoption by examining its impact on the reporting of internal control weaknesses. Using a D-i-D design, we find that banks that adopted the CECL standard in the first quarter of 2020 are more likely to report a material weakness in internal control under Section 302 of SOX than a sample of banks that did not adopt CECL. This finding is driven by banks that are subject to greater external monitoring, larger, audited by Big Four auditors, and have higher non-performing loans.

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4.17: Internal Control over Financial Reporting

Do Net Losses Contribute to Material Control Weaknesses.

Prior research has shown that a relationship exists between the occurrence of reported material control weaknesses and net losses for corporations. However, so far, research has attributed net losses to be the result of material control weaknesses and not vice versa. We theorize that managers can be distressed by pending or realized annual income statement net losses and, under this distress, are more likely to deemphasize internal controls to reduce costs to improve profitability. Our research hypothesis is that a priori net losses are positively and significantly associated with the existence of one or more ex-ante material control weaknesses. We present results from our empirical analyses that support this hypothesis. Our findings support the hypothesis that enterprises are more likely to have material internal control weaknesses when facing pending net losses or after net losses have occurred.

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4.17: Internal Control over Financial Reporting

Shocked but Not Awed: The Impact of Internal Control Material Weaknesses on Employee Turnover.

This study investigates the impact of internal control material weaknesses (ICMW) on employee turnover. Drawing on the Unfolding Model of Voluntary Employee Turnover (UMVET), we argue that ICMWs act as organizational shocks prompting voluntary turnover. Our findings reveal that ICMWs are associated with a 2.6% to 4.5% increase in employee turnover, and improvements in internal controls significantly reduce turnover. Additionally, we examine how employee turnover impacts audit fees, providing evidence that a 1% increase in turnover corresponds to a 31.50% rise in audit fees. This study contributes to the literature by extending the scope of ICMW research to include employee turnover, offering empirical support for UMVET, and identifying employee turnover as a key factor influencing audit fees. Practical implications include the need for auditors to consider workforce stability in risk assessments, audit planning, and disclosure requirements.

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4.18: International Audits

Environmental Risks in the Spotlight: How Auditor and Company Characteristics Shape Key Audit Matters in Sensitive Industries.

This study investigates whether auditors include environmental risks in Key Audit Matters (KAMs) and how auditor and client characteristics influence their disclosure. Analyzing 137 companies from environmentally sensitive sectors in the UK, France, and the Netherlands (2014â€“2022), it reveals disparities in EnvKAM inclusion across countries, sectors, and auditor types. Big Four auditors excel in reporting environmental risks, especially in regulated sectors. Firms with high ESG scores and large assets are more likely to disclose EnvKAMs. The study highlights the need for stronger regulations and auditor training to ensure consistent integration of environmental risks in audit practices.

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4.18: International Audits

Research on Expanded Information in Audit Reports.

This study investigates the economic impact, particularly on the cost of capital, of increased disclosure information stemming from significant regulatory changes regarding the disclosure of Key Audit Matters (KAM) in the audit report. Leveraging a unique dataset of Japanese-listed firms, this study employs a difference-in-differences (DID) methodology to test three hypotheses concerning the economic consequences of KAM implementation in audit reports. The findings provide valuable insights for regulators, highlighting the importance of considering multiple cases when developing regulations. The other contributions of this study include empirical evidence on these relationships.

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4.20: Network Effects

Customer Base Concentration, Investment Efficiency, and Growth Options.

We hypothesize that customer base concentration (CC) is a source of operational inflexibility that impedes firms' capital investment and thus reduces their ability to exploit real options. Supporting this hypothesis, we empirically document a negative relation between CC and the responsiveness of capital investment to profitability signals. Along with reduced investment responsiveness, firm value as a function of profitability becomes less convex, suggesting that CC hinders the ability to utilize growth options. Our results are robust to using an instrumental variable approach that mitigates endogeneity concerns. We also find that the documented effects are stronger when firms have low bargaining power vis-Ã -vis their customers, while muted where firms' major customers are governments (which are likely to be less opportunistic). Finally, the effects of CC are stronger in industries of high (versus low) capital asset reusability.

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4.20: Network Effects

Identifying Peer Firms Based on Consumer Visits to Related Stores.

We propose a novel way of identifying economically related firms based on consumer visits and credit and debit card spending. Tracking consumer visits between stores identifies economic ties between firms not captured by their industry membership. We show that (i) consumer traffic growth at the related firm stores and (ii) credit card and debit card sales growth at the related firm stores predict the focal firms' growth in sales. This effect persists for up to six months ahead. The between-firms economic ties we identify are stronger for (i) brands that co-locate in geographic proximity and (ii) in counties with higher population density and disposable income. Contrasting sales growth patterns of consumer-based peers with industry peers selected on the NAICS classification shows the former captures complementarities in spending while the latter captures the substitution effect. Finally, we show that consumer-based peers are also useful in the valuation of the focal firm.

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4.20: Network Effects

Managerial Learning and Goodwill Impairments: The Impact of Sector ETF Ownership.

We examine whether sector ETF ownership affects the likelihood and timeliness of goodwill impairments. As sector ETFs transmit industry-specific information to their underlying stocks, we hypothesize that managers of firms with higher sector ETF ownership are more likely to rely on stock prices as a source of industry information when making goodwill impairment decisions. Our findings show that as sector ETF ownership increases, the association between market-based signals of expected impairments and the likelihood of recognizing goodwill impairments strengthens. Cross-sectional analyses suggest that this effect is more pronounced in subsamples with limited external information and where industry-wide information is more valuable. Furthermore, using the exogenous variation in sector ETF ownership resulting from Blackrock's acquisition of iShares, we provide evidence that increased sector ETF ownership leads to a greater likelihood of goodwill impairments.

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4.21: Non-GAAP Voluntary Disclosures

***Bank Stress Tests and Borrower Non-GAAP Reporting*.**

Bank stress testing is a key bank supervisory tool that affects large banks in the United States. We examine the effect of bank stress tests on borrowing firms' non-GAAP reporting. We find that firms borrowing from stress-tested banks are more likely to report non-GAAP earnings than control firms. The effect is stronger when stress-tested banks have lower capital ratios under stress scenarios and when firms have higher credit risk. In addition, we find that treated firms provide higher-quality non-GAAP reporting based on the nature of exclusions made to calculate non-GAAP earnings and the presentation of non-GAAP earnings in earnings announcements. Lastly, non-GAAP reporting helps treated firms rely less on bank loans and more on public bonds for external financing. Our evidence suggests that bank stress testing affects borrowing firms' disclosure practices.

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4.21: Non-GAAP Voluntary Disclosures

Can Managers Influence Street Earnings Absent Explicit Proforma Earnings Guidance? Evidence From a Novel Dataset.

Prior research documents that managers influence how analysts define 'street' earnings by guiding on non-GAAP earnings. Most managers, however, do not explicitly guide on non-GAAP earnings, raising the question of how managers communicate their expectations of core earnings to capital markets. Using LSEG Guidance Reports, a novel dataset of managerial guidance, we document that for 73 percent of the examined firm-years, managers provide individual guidance on special items and recurring items that are often not considered part of firms' core earnings (SIRI). Interestingly, among the firm-years where managers do not guide on non-GAAP earnings, 65 percent have guidance on SIRI. Our analyses indicate that SIRI guidance influences analysts' forecasted street earnings exclusions, even in the absence of managerial non-GAAP earnings guidance. Our findings speak to a broad audience, informing the active regulatory agenda on non-GAAP reporting.

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4.21: Non-GAAP Voluntary Disclosures

Forecasting the Gap Between Street and Bottom-Line Earnings.

We evaluate the determinants and consequences of managers' decision to forecast exclusions. The presence of special items, which represent earnings components that are more difficult to forecast, is negatively associated with the likelihood that managers will provide an exclusions forecast, while the presence of other (e.g., recurring) exclusions is positively associated with this decision. We also explore how managers' decision to forecast exclusions influences analysts' forecasting ability. Generally, we find that when managers forecast exclusions, analysts' ability to accurately forecast these items improves. Managers' own forecast accuracy also improves, particularly when they forecast special items. When managers forecast exclusions, they are more transparent in their non-GAAP reporting, which is associated with higher quality non-GAAP performance metrics. We conclude that when managers incur the effort to forecast exclusions, analysts, investors, and managers themselves benefit.

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4.22: Non-Traditional Disclosures

Investor Reaction to Information Generated Over the Reporting Cycle.

Using natural language processing, we examine how information is generated over the reporting cycle and its effect on market efficiency. We show that the underreaction to new information in mandated filings is restricted to quarterly filings. Returns and liquidity are lower in the three months following the filing of quarterly reports but insignificant for annual reports and this relationship is not driven by returns around the filing date. Investor underreaction is attenuated when the firm has a more robust information environment. Our findings highlight the central tension in the debate about reporting frequency. Interim reports provide valuable information and are therefore useful, but investors appear to either ignore or have trouble understanding the new disclosure, reducing its benefit for efficient price formation.

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4.22: Non-Traditional Disclosures

Managed Pay Ratios.

We provide evidence that firms engage in downward CEO pay ratio management. Our estimate suggests that 50-60% of firms with small increases in pre-managed pay ratios adjust their pay ratios downward to avoid reporting a slightly larger pay ratio than the previous year. Pay ratio management primarily involves reducing CEO compensation rather than increasing median-worker pay, with the changes in CEO pay appearing superficial rather than substantive. The cross-sectional test suggests that the primary motivation for pay ratio management is to minimize potential costs associated with the unwanted attention resulting from increasing ratios. However, downward pay ratio management can start a slippery slope and lead to a spike in future pay ratio volatility that firms would find undesirable. Overall, our study uncovers the phenomenon of downward pay ratio management and has policy implications.

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4.23: Policy Considerations and Disclosure

Climate Regulatory Risk and Management Earnings Forecast Errors: Evidence from State-Level Climate Adaptation Plans.

We examine the relationship between climate regulatory risk and management earnings forecast errors. Our study uses the staggered implementation of different state-level climate adaptation plans (SCAP) as an exogenous shock; thus, leading to an escalation in climate regulatory risk. We observe that the finalization of SCAP is associated with larger management earnings forecast errors. Further analysis indicates that these larger errors stem from an exaggerated level of pessimism; this pessimism aligns with the principles of loss aversion in the prospect theory as proposed by Kahneman and Tversky (1979).

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4.23: Policy Considerations and Disclosure

The Effect of Sovereignty Protection on Voluntary Disclosure.

We explore whether government contractors change their voluntary disclosures when sovereignty protection is prioritized or overemphasized by governments. We define a sovereignty-protection-focused political environment as beginning with Trump's assumption of office in 2017, during which he consistently placed a strong emphasis on sovereignty protection. Using a difference-in-differences design, we find that the number of management forecasts for annual earnings per share and capital expenditures decrease more for government contractors than for those without such contracts. This effect is more pronounced for (1) firms with contracts involving sensitive information, and (2) firms with sovereignty-threatening ties. Furthermore, we find that CEOs and CFOs of government contractors engaged in high insider trading profits during the post-period, suggesting that they may exploit the increased opacity in the information environment.

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4.23: Policy Considerations and Disclosure

Uncovering Fund Trade: Evidence from Fund Returns Between Portfolio Disclosures.

The SEC mandates portfolio disclosures to inform investors, but how much information they disseminate to investors is difficult to ascertain, in part because funds trade to affect their disclosed portfolios. We propose a novel method that employs the association between daily fund returns and portfolio returns to jointly estimate the average informativeness of portfolios, as well as the time of intra-period trade. We find that fund disclosures are highly informative, explaining 99.2% of fund returns. In contrast to theories that funds trade late to conceal low skill, late-trading funds have stronger future performance. We find the funds with the least informative portfolio disclosures have the most persistent returns, suggesting fund returns are persistent when fund portfolios conceal their strategy. Collectively, our findings suggest that portfolio disclosures, in conjunction with fund returns, provide information both about fund trade timing and skill.

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4.24: Politics, Regulation, and Financial Markets

'Capitol Market' Effects of Congressional Stock Trades.

Congressional stock trading and its potential for the use of private information for personal gain have been a long-debated topic in the U.S. In 2012, the STOCK Act was passed, requiring timely public disclosure of all trades. We examine the market response to these disclosures and find evidence of a significant reaction based on abnormal returns, abnormal volume, and abnormal volatility measures. This reaction indicates that the market views these trades as informed despite mixed evidence on whether such trades achieve superior returns. Furthermore, we show that our primary results are at least partially driven by the reaction of retail investors, including evidence that retail investors attempt to replicate Congressional trades upon disclosure. We identify several characteristics of trades and disclosures that elicit a greater market reaction, including trades made in highly regulated firms and trades that may represent a potential conflict of interest based on committee membership.

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4.24: Politics, Regulation, and Financial Markets

More Constraints, More Consensus? How Regulation Shapes Investor Information Asymmetry.

We examine the relation between product market regulation (PMR) and information asymmetry among investors. Contrary to expectations that heightened PMR increases information asymmetry, our novel text-based measure of firms' regulatory exposure indicates that greater PMR significantly reduces bid-ask spreads and insider trading. This reduction in information asymmetry is driven by decreased operating profit volatility, which lowers uncertainty about firm operations. However, the impact of PMR diminishes when government commitment to regulation is weak, particularly during periods of elevated economic policy uncertainty or among politically active firms capable of strategically influencing regulation. Additionally, we explore whether PMR complements or substitutes for firm-level transparency, finding that increased regulatory exposure reduces the likelihood of managerial forecasting.

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4.24: Politics, Regulation, and Financial Markets

Rationalizing Fraud: The Role of Income Inequality in Local Government Fraud.

We examine the role of local income inequality on local government fraud. On average, we find local government fraud perpetrators misappropriate over $1 million for 3.8 years. Using hand-collected data from U.S. D.O.J. press releases and income inequality data from the U.S. Census, we show that county-level income inequality is positively associated with local government misappropriation. Additionally, we find this association is stronger when local government employees are facing greater financial pressure (i.e., when they have greater incentives). We also find this association is weaker when local government employees are more constrained through increased monitoring (i.e., when they have less opportunity). Our results should help governments and auditors understand when local government misappropriation is more likely to occur.

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4.25: Gender Issues and Leadership

Board Gender Diversity and Corporate Equality Policies: Insights from Critical Mass Theory.

This study examines the impact of board gender diversity on the adoption of corporate equality policies using data from US Fortune 500 firms between 2009 and 2022. Drawing on social identity theory, we posit that the presence of women on corporate boards enhances awareness of gender-based inequalities, leading to more effective equality policies. The findings show a positive association between board gender diversity and the adoption of corporate equality policies. Additionally, drawing on critical mass theory, our study demonstrates that boards with three or more female directors significantly improve the inclusivity and comprehensiveness of decision-making processes. This diversity helps identify and address gender biases within organizations, supporting the development and implementation of more effective equality policies. The results highlight the importance of achieving a critical mass of female directors to positively influence the adoption of corporate equality policies.

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4.25: Gender Issues and Leadership

Transition to Female Leadership: Implications for Employee Satisfaction and Firm Performance.

This study examines the impact of CEO gender transitions on employee satisfaction and firm performance, exploring the underrecognized connection between female leadership and employee outcomes. Despite growing emphasis on diversity, equity, and inclusion (DEI) in the corporate sector, top leadership positions remain predominantly male, prompting questions about the influence of female leadership on organizational culture. Grounded in Social Capital Theory and Psychological Contract Theory, this research hypothesizes that a shift from male to female leadership boosts employee satisfaction, which in turn enhances firm performance. By analyzing CEO gender transitions, the study emphasizes the critical role of leadership changes in fostering positive employee experiences, promoting inclusivity, improving employee well-being, and achieving long-term organizational success.

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4.26: Nonprofit, Governmental, and Healthcare Accounting Topics

***Improving Transparency and Accountability: The Role of Media and Audit Communication in Enhancing Public Sector Audit Quality in Indonesia*.**

This study investigates how media and audit communication enhance the quality of performance audits. The research employed an online survey to collect data from auditees in ministries/agencies and local governments that underwent performance audits between 2018 and 2022. A total of 120 valid responses were analysed to test the hypothesis using Structural Equation Modelling. The findings indicate a positive relationship between the quality of performance audits and changes in performance. Additionally, we observed a positive correlation between media exposure and audit communication with audit quality. Media pressure drives public policy changes; entities under media scrutiny are more likely to implement improvements based on audit recommendations, leading to better performance. Furthermore, effective audit communication addresses audit challenges and enhances auditors' ability to provide high-quality recommendations, thereby improving auditees' performance.

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4.26: Nonprofit, Governmental, and Healthcare Accounting Topics

The Impact of Nonprofit SORP Reporting on Accounting Fees.

Nonprofit organizations must carefully balance providing donors and grantors with information useful to their contribution decisions while minimizing administrative expenses such as accounting costs. Capitalizing on a unique setting where additional disclosures are recommended, but not required, we study Irish charity organizations and the adoption of Charities Statement of Recommended Practice (SORP) to understand whether expanded reporting imposes higher accounting costs. Our findings reveal that the voluntary adoption of Charities SORP is associated with higher total, audit and non-audit fees for SORP-adopting organizations. We also show that there is an initial investment in the first year a nonprofit adopts SORP, that organizations soon to be required to adopt SORP have higher audit and non-audit fees, and that more complex organizations reporting under the SORP framework have significantly higher non-audit fees.

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4.27: Creativity

Meaningful Purpose and Financial Incentives: Complements or Substitutes for Motivating Creativity?

In practice, creative tasks often serve a meaningful purpose, as their solutions are designed to help others. While prior accounting literature has examined the role of financial incentives in motivating creative output, it has largely overlooked the impact of a meaningful purpose. This study explores whether financial incentives complement or substitute a meaningful purpose in enhancing creative performance. We find that quantity incentives complement a meaningful purpose in boosting productivity on a creative task, though neither factor affects creativity. Conversely, creativity incentives act as a substitute for a meaningful purpose. While each factor independently improves the care taken in crafting creative solutions, their combination backfires. Additionally, we find that creativity incentives increase creativity and novelty, but only in the absence of a meaningful purpose. Vice versa, a meaningful purpose increases usefulness, but only in the absence of financial incentives.

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4.27: Creativity

Time Budget Uncertainty and Creativity.

We investigate how uncertainty in time budgets affects individuals' creative task approach and their creative performance. We argue that uncertainty in time budgets reduces initial idea generation, which, depending on the available time for a task, affects creative task performance. In a 2x3 between-participants laboratory experiment, we manipulate the presence of uncertainty in the time budget, as well as whether individuals have an adequate amount of time for completing the task, or insufficient or excessive time. Consistent with our theory we find that uncertainty in time budgets reduces initial idea generation of individuals (self-reported, time spent on initial idea generation, and quantity of ideas produced early on). This alternated task approach hampers creative performance even if there is an adequate amount of time available. These results show how commonly observed uncertainty in time budgets affects individual creativity.

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4.27: Creativity

What If We Get What We Want? Feedback Format Preference and Its Effect on Individual Performance.

Managers seek to design feedback systems to elicit performance responses from employees that best align with firm objectives. We experimentally investigate how performance varies when individuals are provided feedback in formats for which we have elicited ex ante individual preferences, allowing us to directly observe how feedback preference matching affects individual performance. Overall, we find that matching the format of feedback with individuals' preference increases performance. Further, we find that for feedback formatted as numeric ratings or in qualitative words, the beneficial effect of matched feedback preference is more pronounced for negative sign feedback relative to positive sign feedback. These findings underscore the importance of knowing employee preferences for variations in control system features and the value of adaptive control systems to match with these preferences.

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4.28: Customer-Supplier Relationships

Do Supplier Non-GAAP Earnings Disclosures Matter to Customers?

We explore whether the suppliers' disclosures of non-GAAP earnings affect customers' perceptions by examining the relation between the supplier firms' disclosure of non-GAAP earnings and the customer firms' relationship-specific investments. Supplier firms' disclosures of non-GAAP earnings positively (negatively) relate to customer firms' consequent relationship-specific investments. Further, supplier firms' frequent and consistent disclosures of non-GAAP earnings raise customer firms' consequent R&D investments and reduce the termination of customer-supplier relationships. Finally, we corroborate that this effect of a supplier firm's non-GAAP earnings disclosures is more likely to be observed when the customer firm faces lower switching costs. We provide new insights that suppliers' non-GAAP earnings disclosures serve as an alternative source of information that helps customers better understand supplier firms' performance, reducing the uncertainty of relationship-specific investment.

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4.28: Customer-Supplier Relationships

Friend or Foe? The Impact of Major Customers on Supplier Firms' Workplace Safety.

This paper investigates the effect of having major customers on workplace safety within supplier firms. Based on our analysis of establishment-level data provided by the OSHA, we find that the presence of major customers is associated with a significant increase in workplace injuries among supplier firms. Further analyses show that the reduction in safety spending is the underlying mechanism that drives the detrimental effect on suppliers' workplace safety. This detrimental effect is (1) stronger for firms under greater pressure to achieve earnings targets and facing more severe financial constraints, and (2) weaker for firms with stronger unions. Together, our findings indicate that firms tend to transfer the costs imposed by major customers onto employees by reducing workplace safety expenditures. These results hold significant implications for operations managers and policymakers.

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4.28: Customer-Supplier Relationships

Lost in Translation? The Role of CEO Cultural Similarity in Supply Chain Relationship Duration.

We find that shared cultural origins between customer and supplier CEOs are positively associated with the duration of their supply chain relationships. This association is particularly pronounced among partners whose CEOs come from cultures with lower inherent levels of trust and when firms have higher information asymmetry. Path analysis reveals that cultural similarity between CEOs extends partnership duration by reducing transaction costs, as indicated by lower suppliers' selling, general, and administrative expenses and higher inventory turnover. These findings align with transaction cost theory, suggesting that firms optimize supply chain decisions by minimizing transaction costs.

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4.29: Managerial Decisions

Blindly Buying In? The Impact of Unwarranted and Reckless CEO Confidence.

Dominance suggests that stakeholders will support confident CEOs, even in the presence of evidence signaling unwarranted or reckless confidence-i.e. overconfidence. In contrast, functionalist theory argues that stakeholders will support confidence only when the confidence is consistent with revealed ability. Using a sample of 21,062 customer-supplier pairs from 1992 to 2023 this paper examines the actual behaviors of suppliers when faced with confident customer CEOs signaling unwarranted or reckless confidence. Consistent with prior research, we find that suppliers support confident CEOs. However, when additional information suggests overconfidence suppliers withdraw support. For example, information suggesting overconfidence such as excessive debt financing, capital expenditures, and financial distress. This evidence is consistent with an adaptative protective response from suppliers, suggesting that confident CEOs attract increased supplier investments contingent on the absence of th

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4.29: Managerial Decisions

Do Innovation and Quality Mediate Investments in Human Capital and Technology?

Building on the resource-based view, we conceptualize the bundling of resources to create intangible assets as the source of an organization's sustainable competitive advantage. Drawing on the ordering of activities in the balanced scorecard, our empirical model captures value creation in a sequential manner from investments in human capital and information technology through innovation of products and processes to higher quality and customer value. Our model captures value appropriation from quality and customer value to improved financial outcomes. Our empirical strategy involves estimation of structural equation models for a large sample of business establishments in Canada using longitudinal survey data from Statistics Canada. We demonstrate that investment in employee training and intensity of computer usage are fundamental to value creation through innovation of products and processes and that quality is pivotal in translating value creation into value appropriation.

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4.29: Managerial Decisions

***Tainted Beginnings, Risky Endings: The Effect of Inadvertent Prenatal Pollution Exposure on CEO Risk-Taking*.**

We examine the impact of prenatal exposure to pollution on CEO risk-taking behavior, focusing on individuals born in areas later designated as Superfund sites. Pollution acts as an exogenous factor influencing CEO risk preferences, independent of parental or CEO decisions. We find that firms led by these CEOs exhibit a clear contrast in policy outcomes: while externally focused financial and investment policies tend to be riskier and fail to deliver higher returns, harming firm performance and CEO tenure, internally focused policies demonstrate efficiency gains. These CEOs are also more likely to be promoted internally, reflecting the apparent success of their internal risk-taking, which often relies on elements of uncertainty and luck. Once in top executive roles, however, their externally directed risk-taking tends to produce uneven results. Our study sheds light on how exogenous environmental factors shape decision-making and career trajectories at the top of corporate governance.

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4.30: ESG and Financial Performance

Exposure to Gun Violence and Corporate Default Risk.

Using a novel Gun Violence Archive (GVA) dataset, we find that a one standard deviation increase in a firm's exposure to gun violence is associated with a 1.41% increase in future default risk. This result remains robust across various model specifications, alternative proxies of default risk, and multiple endogeneity tests. We identify two key mechanisms through which gun violence impacts default risk: a firm's future innovation quality and performance volatility. Higher levels of organizational capital, prior exposure to extreme traumatic experience and local attitudes favoring gun rights help reduce the adverse effects of gun violence on default risk. The negative impacts of gun violence are more pronounced for firms located in states with higher rate of violent crimes, but not in states with widespread property crimes. Overall, our study highlights the detrimental impact of exposure to adverse societal issues - gun violence - on a firm's operation and performance.

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4.30: ESG and Financial Performance

Green Scores, Red Flags: Are ESG Ratings Concealing Poor Financial Performance in Sensitive Industries?

This study examines the link between ESG ratings and financial reporting quality (FRQ) in U.S. listed companies, focusing on industry-specific contexts. Using MSCI data, ESG ratings are divided into the E, S, and G pillars to assess their impact on FRQ, measured by earnings persistence and cash flow predictability. Companies are categorized into 'sensitive' and 'nonsensitive' industries based on their socio-environmental impact. Findings indicate a nuanced ESG-FRQ relationship, with implications for investors and policymakers. Firms in sensitive industries may leverage high ESG ratings to obscure poor financial performance, aligning with legitimacy theory. Following the 2019 Business Roundtable statement, which emphasized a stakeholder-oriented approach, the ESG-FRQ relationship strengthened significantly in nonsensitive industries but remained comparatively weaker in sensitive sectors. Among the three pillars, the S pillar exhibited the strongest correlation with FRQ.

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4.30: ESG and Financial Performance

When Disaster Strikes: How Climate Events Influence Employment Preferences.

This paper examines how experiences with salient climate events affect workers' employment preferences. Using data on job vacancy duration and plausibly exogenous variation in the exposure of firms to climate events, we find that it takes longer for exposed firms with lower environmental (E) performance to fill their job vacancies compared with their counterparts with better E performance, consistent with exposure to climate disasters heightening job seekers' awareness of climate change, leading them to place greater importance on employers' E responsibility in their employment decisions. Moreover, employee reviews decline for E underperforming firms and exposed workers are more likely to move to firms with better E performance after climate events, suggesting that experiences with climate disasters also change current employees' perceptions of their employers. Our findings highlight the economic consequences of climate risk from the perspective of employment decisions.

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4.31: ESG and Investor Preference

Environmental and Social Convergence Through Cross-border Acquisitions: Evidence from Emerging Market Multinationals.

Emerging market multinational firms (EMNEs) have increased their access into developed markets over the recent years through cross-border acquisitions. Since there is a growing emphasis on stakeholder approach and sustainability in current business practices, we examine the changes in environmental, social and governance (ESG) measures of EMNEs after accessing developed markets. Our results suggest that EMNE acquirers substantially improve on environmental and social performance in two years after acquiring developed market targets. We provide support for bonding and legitimacy-enhancing as EMNE firms improve the ESG attributes that are more prominent in the target country of acquisition. Furthermore, we explore the sensitivity of the post-event performance to various sustainability aspects and find that environmental and social changes also have value implications.

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4.31: ESG and Investor Preference

***Investor Responses to Social Conflict Between CSR and Bailout*.**

This study explores how non-professional investors react to employee layoffs by firms engaged in Corporate Social Responsibility (CSR) and receiving government bailouts, such as those under the Paycheck Protection Program (PPP) during the COVID-19 pandemic. Using a 2x2 experimental design with 222 participants, the research examines the effects of CSR performance (high vs. low) and bailout levels (large vs. small) on investor perceptions and stock investment intentions. Results reveal that high CSR firms are evaluated more favorably during layoffs, especially when receiving larger bailouts. Furthermore, CSR enhances investor trust and comfort, mediating assessments and decisions while reducing perceived risks and improving reputation and future performance expectations. Motivated by Affect-as-Information Theory, the study underscores CSR's role as a reputational buffer, mitigating the negative impact of socially sensitive decisions.

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4.32: Ethical Dilemma

Does ChatGPT Enhance Accounting Ethics Education?

ChatGPT is increasingly being used by students to complete assignments. We examined ten cases in a leading accounting ethics textbook to answer the question: Is ChatGPT a reliable measure of responses to ethical issues? The responses are in the author's instructor's manual and compared to the responses of ChatGPT. We found that ChatGPT was most successful in recognizing relevant issues in cases that dealt with one's professional career (i.e., non-technical) and less successful in general ethical dilemma cases and technical accounting cases. We examined individual cases and found the scores varied from a low of 63 percent recognition to 100 percent. In our study, ChatGPT was not as proficient in identifying ethical reasoning methods. ChatGPT scores better when the requirements are more specific whereas nuanced information requires the application of critical thinking skills, which is not the strong point for ChatGPT.

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4.32: Ethical Dilemma

The Art of the Close.

This case challenges students' ability to analyze a difference of opinion on reporting earnings per share between a CFO and another senior executive. The CFO is being pressured by the senior executive to improperly inflate EPS to meet financial analysts' projections. The CFO is considering reducing reserve accounts reported on the balance sheet to smooth out earnings over time. He is reluctant to do so because adequate documentation does not exist. The CFO went along with the request in one quarter but is agonizing over being asked to make adjustments again. He must consider his ethical responsibilities under the IMA Statement of Ethical Professional Practice and generally accepted accounting principles. This case is based upon actual events that occurred at a large public company. Names were changed in the case but were disclosed to students during a class discussion after students completed their case assignment.

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4.32: Ethical Dilemma

***The Effect of Private Pressure on Corporate Disclosures: Evidence from a Field Experiment*.**

Section 1502 of the Dodd-Frank Act requires SEC filers to disclose their use of conflict minerals in their products to ensure supply chain transparency on minerals that could contribute to financing armed groups. Motivated by the continuous decline in conflict minerals disclosures (CMD) filings, we examine the effect of private pressure on the disclosures. Specifically, we investigate whether and how exerting private pressure on firms through their grievance mechanisms, in the form of an anonymous person informing a firm that one of its suppliers is, in fact, sanctioned, affects its subsequent CMD choices. Using a randomized field experiment, we find that informing firms of the potential sanction violation causes them to remove the sanctioned entity from, or explain why it remains in, their CMD. Overall, we find some evidence that private pressure through grievance mechanisms affects corporate disclosure choices.

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4.33: External Scrutiny and Emissions

***Disaggregation of Emissions Reduction Targets and Investor Decision-Making*.**

Sustainability reporting standard setting bodies are demanding increasingly comprehensive disclosures about companies' sustainability activities, including their emissions and emissions reduction strategies. This study examines how disaggregating emissions reduction target reporting (i.e., providing emissions reduction actions to achieve these targets) affects target credibility as perceived by investors. Using an online experiment, we manipulate the reporting format of a hypothetical company's emissions reduction target (aggregated vs. disaggregated) and the company's sustainability reporting reputation (high vs. low). Our findings reveal that disaggregated targets are perceived as significantly more credible than aggregated ones, particularly for companies with low sustainability reporting reputation. Using an SEM, we find the effect is mediated by enhanced perceptions of management's commitment and ability to achieve emissions reductions.

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4.33: External Scrutiny and Emissions

Environmentally Unfriendly Firms: Do Social and Financial Connections Affect Media Scrutiny?

Motivated by prominent research on the influence of firms on media coverage decisions, this study investigates whether firms' CO_2 emissions (CO2E) affect media scrutiny and the moderating effects of board members' social and financial connections. Utilizing European data (2011-2020), we show that higher CO2E triggers increased media scrutiny. However, high CO_2-emitting firms maintaining extensive external networks through board members' affiliations receive less negative media scrutiny, highlighting the protective influence of well-connected boards. High-emitting firms engage more in charitable donations and political contributions. While these contributions mitigate media scrutiny, they often exacerbate it when perceived as insincere. Our findings emphasize the strategic importance of environmental management, board composition, and genuine corporate philanthropy in mitigating adverse media coverage. This research uses a holistic interdisciplinary view and has practical implications.

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4.33: External Scrutiny and Emissions

Freedom of Information and Corporate Pollution.

We document a significant reduction in facility-level toxic emissions when state-level Freedom of Information Act (FOIA) laws are enacted and strengthened. Such laws reduce the costs of obtaining quasi-private information. Strengthening FOIA laws are associated with more FOIA requests to state-level environmental protection agencies, which are negatively related to local toxic emissions. Tests using paired facilities across state borders support a causal interpretation of our findings. Notably, the negative association between the strength of FOIA laws and pollution emissions is concentrated in states with higher preexisting pollution abatement costs, higher preexisting levels of public corruption, and more lenient environmental policies. Our empirical evidence suggests that reducing the costs of accessing information on governmental activities, especially those related to the regulation and monitoring of corporate emissions, mitigates polluting behavior.

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4.34: Effects of GenAI

AI (ChatGPT) Democratization, Return Predictability, and Trading Inequality.

We present the first analysis of democratized AI's (ChatGPT) role in investors' trading using a 19-year dataset of earnings call transcripts. First, AI-sentiment based on full transcript context predicts 1% monthly return persisting 12 months, while human-dictionary-based (HD) sentiment shows little or negative predictive power. Second, before ChatGPT's wide-deployment, short sellers already traded in alignment with AI-sentiment after earnings calls, while retail traders had not. Post-deployment, retail-AI alignment increases up to 23-fold, while short sellers' alignment can diminish. Third, stocks with higher retail-AI alignment witness significant bid-ask spread reductions. Fourth, exogenous ChatGPT outages notably reduce retail-AI alignment. Fifth, AI-sentiment provides long-term return insights by leveraging long-text context and discerning between genuinely and excessively positive HD-sentiment. We highlight the critical role of AI democratization in leveling the playing field.

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4.34: Effects of GenAI

Generative Artificial Intelligence in Accounting and Auditing: Risks, Governance, and the Future of Practice.

â™¦Îœ This study examines the transformative potential of generative AI in accounting and auditing. The analysis highlights the influence of organizational AI policies, adoption practices, and AI governance using survey data from CPAs and corporate accountants in Japan. The findings indicate that younger and less experienced professionals demonstrate higher adaptability to AI compared to senior counterparts and that organizational roles significantly shape AI usage patterns. Effective AI governance, encompassing risk awareness, process validation, and training programs, emerges as critical for mitigating risks and maximizing efficiency gains. Emphasis is placed on the need for AI policies and education systems to address organizational generational and positional disparities. Inadequate AI governance can exacerbate risks. This study provides actionable insights for policymakers and practitioners seeking to integrate generative AI into accounting and auditing responsibly.

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4.35: Building Ethics in Education and Practice

Business and Accounting Student Academic Dishonesty: Ethical Theory-Related Rationalizations and Cheating Perceptions.

This study extends ethics research on the Fraud Triangle element of rationalization, by applying it to academic cheating by students. Using six theory-related scenarios, student perceptions of academic misconduct are examined. An alarming percentages of students, between about 10 and 37 percent, evoked an interpretation of these theories to rationalize cheating behavior. The highest incidences of unethical rationalizations applied to the theories of Kantian and utilitarian ethics. Also troubling, students who were accounting majors and those who had previously taken an ethics course did not differ from other students in evoking cheating rationalizations. We additionally discuss insights from students' opinions on cheating reporting and punishments. Overall, the findings are relevant to academicians and administrators concerned with accounting pedagogies that include ethical theories and strategies to disincentivize academic cheating.

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4.35: Building Ethics in Education and Practice

The Effect of An Integrity Statement on Exam Cheating by Introductory Accounting Students.

This study tests the effect of an integrity statement included at the beginning of online examinations taken by students in introductory financial accounting classes. The results suggest that integrity statements significantly reduce cheating behaviors. Furthermore, exam cheating by students who take examinations online differs based on the mode of class delivery: students enrolled in fully online classes, compared to students enrolled in face-to-face classes, display significantly higher academic misconduct. Significant differences are also found across multiple exams taken during a semester, with the final exam presenting significantly higher indications of academic cheating. Among the demographic variables, age and student status (higher student seniority) are consistently associated with higher academic misconduct. Our findings have implications for reducing cheating behaviors in all testing environments-both academic and non-academic.

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4.35: Building Ethics in Education and Practice

Trouble on the Tracks for Thomas: Mattel's Tax Accounting Woes.

This real-world case demonstrates how Mattel, Inc., once the largest toy company in the world, manipulated its quarterly earnings by improperly reclassifying Thomas & Company, an indefinite-lived intangible asset, as a definite-lived asset. The reclassification led to a misstatement of the valuation allowance for deferred tax assets, income tax expenses, and net income for Q3, and Q4, 2017. The case requires students to apply higher-order learning skills, apply FASB's Conceptual Framework in a specific context and understand how Mattel used reclassification as an earnings management tool. It also asks students to construct financial statements for retrospective restatements in a real-world setting and prepare correcting journal entries. The case is most appropriate for the intermediate accounting, professional research or capstone accounting courses.

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5.15: What Impacts Employee Retention in the Profession?

Job Stressors and Career Commitment in Early-Career Auditorsâ€™ Work Experiences.

This study investigates job stressors and their influence on psychological detachment (mentally disengaging from work during non-work hours) and career commitment among early-career auditors. Despite practices intended to enhance efficiency and flexibility in the audit work environment, some practices contribute to job stress for early-career auditors. We explore potential stressors such as communication technologies and norms that hinder psychological detachment, and the misalignment between expected and actual work assignments. We identify real-world examples and contextual features of job stressors in the work experiences of early-career auditors through an experiential questionnaire. Through regression and structural equation modeling analysis, we identify relevant job stressors. These identified job stressors have a significant relationship with elements of burnout in early-career auditors. By identifying the context of both positive and negative early-career work experiences, this study informs theory-driven interventions aimed at improving job satisfaction and commitment to the auditing profession, thus strengthening the talent pipeline.

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5.15: What Impacts Employee Retention in the Profession?

Solving the Accounting Pipeline Shortage: Are We Making Progress?

The accounting profession faces a critical talent shortage with a 16.6% decline in accounting graduates and a 27.6% drop in CPA candidates over the past decade. This shortage, driven in part by stagnant salaries and demanding workloads, threatens the quality of auditing, tax, and financial reporting. To assess whether firms are making changes to address these challenges, we examine changes in total compensation and average weekly workload using a novel dataset of over 17,000 individual-year observations from 2021-2024. Findings show significant investment by the firms to improve both salaries and workloads, with an increase in average annual compensation of $12,236 or 13.2% over the period and a decrease in weekly hours of 2.4 or 5.0%. The study highlights the broader implications for attracting and retaining accounting professionals and ensuring the sustainability of the profession.

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5.16: International Accounting History

Financials of the First Decade (the 1930s) of the Central Bank of the Republic of TÃ¼rkiye and Understanding Its Impacts.

The paper has a twofold purpose: First, it examines the financials of the Central Bank of the Republic of TÃ¼rkiye (CBRT) (TCMB TÃ¼rkiye Cumhuriyet Merkez BankasÄ±) during the first decade of its operations. First, we scanned the original financial information in the published CBRT's annual reports including balance sheets and profit/loss statements which were submitted to the general assembly. Then we translated that information and statements into English. Then we categorized balance sheet items of both sides into four categories to make that information analyzable. The balance sheets and profit/loss statements of CBRT for the first decade of its operations were analyzed for the first part of the study. Second, the paper will seek correlations or relationships between the financials of the CBRT and the macroeconomic indicators of the 1930s of the Republic of TÃ¼rkiye. Since the second part of the paper has yet to be completed, we believe that the CBRT played a major role in the macro-eco

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5.16: International Accounting History

The Expansion and Implosion of a Bankâ€”Bayerische Raiffeisen-Zentralbank Ag Plays Va Banque, Covers up and Loses.

As one of the largest and most important co-operative banks in the German banking market, Bayerische Raiffeisen-Zentralbank AG (BRZ) has made history in the almost one hundred years of its existence (1893 to 1986) â€“ but in opposite ways. On the one hand, it performed financing and money equalisation functions for decades as the central cooperative bank of the Bavarian rural cooperative banks ('Raiffeisenbanken'). On the other hand, its demise was a scandal: at the end of 1985, there was a completely unexpected threat of insolvency for this bank, which was considered stable and with a strong credit rating. Accompanied and surrounded was the downfall of the BRZ by myths and even veritable conspiracy theories since the beginning of the bank's demise. This study therefore aims to analyse which economic and financial circumstances led to BRZ's economic difficulties and whether the high need for value adjustments, which ultimately led to BRZ's demise, can be explained accordingly.

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5.16: International Accounting History

***The Post-World War I U.S. Accounting Profession and Its Recruiting Problem*.**

The career achievements of seventy-five New York CPAs granted certificates in 1919-20 illustrated positive business conditions for post-WWI public accountants. Business street addresses revealed accounting firms in existence when the license was granted. Record linkage methodology traced the life courses of CPA fathers and their children through records that provided occupation and kinship data. First generation, father CPAs were both domestic and foreign-born. Immigrant CPAs were from central Europe and Russia in contrast to early CPA immigrants from England and Scotland. CPAs remained in public accounting or closely related financial fields through 1950. Few children became CPAs or worked in financial jobs. Most children attend college and sons' non-accountant occupations were in medicine or white collar, higher paying jobs.

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5.16: International Accounting History

The Roles of Accounting in Society in India Before British Colonization.

This paper focuses on the roles of accounting in society in the Indian sub-continent prior to British colonialization. The Indian sub-continent is relatively protected against invasions by foreign armies. As a result, while the Indian sub-continent has been often divided into kingdoms and empires, domination by foreign entities has been rare. There have been three significant periods during which there has been domination of the Indian sub-continent by foreign military forces, namely: the Delhi Sultanate (1200-1525), the Mughal Empire (1525-1720), and the British Empire aj (1720-1947). This paper discusses the social roles of accounting first in the Mauryan Empire, (c. 324 BCE-c. 200 CE), then the Delhi Sultanate, and the finally Mughal Empire. The paper is based on historical research pertaining to these empires in the period from approximately 300 BCE to 1700 CE.

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5.17: Disclosures & External Users

Government Handouts or Awards? The Impact of Government Funding on Investors' Judgments.

We experimentally investigate how the accounting treatment of government funding and the labeling of the funding impact investment willingness. We find that investors are less willing to invest when a company recognizes government funding by increasing other income rather than by decreasing an expense. This is because investors scrutinize the company's use of government funding more when the funding is used to increase other income compared to decrease expenses, and the scrutiny will lead investors to perceive the company did not achieve its operational performance independently, lowering investment willingness. Furthermore, we find that while the accounting treatment affects lower-knowledge investors' investment willingness irrespective of the labels used to describe government funding, the impact of accounting treatment on higher-knowledge investors' investment willingness is stronger when the company uses 'government assistance' (versus 'government grants') as the label.

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5.17: Disclosures & External Users

Is the Road to Sustainability Paved with Good Intentions? Effects of Scenario Analysis and Sustainability Actions on Managersâ€™ Climate Risk Disclosures.

Climate risk disclosure regimes differ in whether managers must use scenario analyses to analyze the impact of potential climate risks. For example, IFRS S2 (ISSB 2023) mandates the use of scenario analysis in assessing climate risks while the SEC (2024) climate disclosure rule does not. Meanwhile, firms increasingly engage in sustainability actions aimed at reducing their environmental impact. With an experiment, we examine the use of scenario analysis and the implementation of sustainability actions on managers' climate risk disclosure decisions. We predict and find that conducting scenario analysis makes managers less likely to disclose a climate risk in the absence of sustainability actions. In the presence of sustainability actions, scenario analysis has no effect on managers' risk disclosure likelihood. The results suggest that scenario analysis and sustainability actions disproportionately affect managers' disclosure decisions and have implications for theory and practice.

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5.17: Disclosures & External Users

Narrative Disclosures: The Effects of Persuasion Strategy and Perceived Manager Age on Investor Judgments.

I use a controlled experiment to examine, in the narrative disclosure setting, whether investors' investment judgments are jointly influenced by persuasion strategy and perceived manager age. Results suggest that when a persuasion strategy highlights a firm's competence- (trust-) related traits, investors' investment judgments are more positive (no different) when the manager is perceived to be younger versus older. When a manager is perceived to be younger (older), investment judgments are more positive (negative) when a persuasion strategy highlights a firm's competence-related traits versus trust-related traits. These findings highlight potentially important implications for managers who may seek to influence investor reactions to their firms' narrative disclosures by strategically adopting persuasion strategies.

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5.18: Corporate Tax Avoidance II

Cost Uniqueness and Tax Avoidance.

This study examines whether a firm's cost uniqueness, defined by its distinctive operating characteristics, affects its tax avoidance. We hypothesize that cost uniqueness reduces detection risks by increasing information opacity, thus promoting tax avoidance. Based on firm-year observations for the period 1994-2021, we find that cost uniqueness is negatively associated with cash effective tax rates (ETR) and GAAP ETR, suggesting that firms with more cost uniqueness tend to engage in greater tax avoidance. Further, we find this negative association to be stronger when the firm has a higher level of information opacity and weaker when the firm has a higher percentage of institutional ownership. Our results are robust to endogeneity and reverse causality tests, using alternative metrics of tax avoidance, and including additional control variables. Overall, our findings aid to our understanding of how a firm's internal operational characteristics can affect its tax decisions.

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5.18: Corporate Tax Avoidance II

Customer Satisfaction and Tax Compliance.

We investigate the relationship between customer satisfaction and corporate tax compliance, focusing on the role of customer satisfaction as a determinant of tax behavior. Customer satisfaction is a key intangible asset that influences firm reputation, and tax avoidance is a well-known practice that may damage this reputation. We argue that firms with higher customer satisfaction are less likely to engage in aggressive tax avoidance strategies. Using data from the American Customer Satisfaction Index (ACSI) and various measures of tax avoidance, including cash effective tax rates (CASH ETR) and uncertain tax benefits (UTB), we find a significant negative association between customer satisfaction and UTB, as well as a positive association with CASH ETR. These findings suggest that firms with high customer satisfaction tend to comply with tax regulations and avoid engaging in aggressive tax avoidance practices. Our results are robust to using Heckman two-stage specification.

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5.18: Corporate Tax Avoidance II

Options Trading Activities and Underlying Firmsâ€™ Tax Avoidance Behavior.

We investigate whether options trading activities affect underlying firms' tax avoidance behavior. Focusing on a panel of US firms, we find that options trading activities reduce the underlying firms' level of tax avoidance. Our findings are robust to alternative proxies for options trading activities and tax avoidance, two-stage least-squares regression, two quasi-natural experiments, and the entropy balancing method. Mediator analyses indicate that information asymmetry and financial constraints are two potential channels through which options trading activities negatively impact underlying firms' tax avoidance behavior. Cross-sectional analyses show that the negative effect of options trading activities on tax avoidance is more pronounced for firms with lower analyst coverage and audit quality. Overall, our findings provide policymakers with valuable insights into the potential implications of ongoing development of the options trading markets.

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5.19: Financial Institutions and Taxes

Do Consumers Care About Corporate Tax Payments? Evidence from Bank Deposit Customers.

This study examines depositors' responses to banks' tax avoidance levels. Due to data limitations, the nascent literature provides inconclusive and indirect evidence on consumer response to corporate tax avoidance. Using bank deposit customers allows us to observe a large sample of real responses of consumers to corporate tax avoidance. We document that bank tax avoidance is associated with negative deposit growth. This effect is pronounced among high-risk banks and banks in high-social norm U.S. states. Furthermore, the negative relation between bank tax avoidance and deposit growth is primarily concentrated among small banks. We also show that our results are not driven by a reduction of bank deposit rates and banks with declining deposit holdings. Overall, this study provides direct evidence of consumer response to corporate tax avoidance.

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5.19: Financial Institutions and Taxes

***Robbing the Neighborhood of Local Lending? Community Banks in their TCJA Era*.**

We examine the effect of the 2017 Tax Cuts and Jobs Act (TCJA) on community bank lending practices through changes in organizational form. First, we corroborate prior literature and find that approximately 5% of community banks forgo their S-election to become C Corps post-TCJA. Second, we provide evidence on the determinants of the TCJA's effect on organizational form choice. Third, we utilize difference-in-differences models to study both the changes in net assets and the lending practices between the newly converted C Corp (i.e. switcher) banks and non-switchers. Consistent with avoiding double taxation, we find that switcher banks retain higher earnings and distribute fewer dividends. Finally, we find that switcher banks prioritize high-yield commercial loan products at the expense of agricultural personal lending. Overall, we find economically significant changes in both the net assets and lending practices of newly converted C Corp banks due to the TCJA.

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5.19: Financial Institutions and Taxes

The Pass-Through of Corporate Tax Cuts to Consumer Loans: Evidence from the TCJA.

Using data from TransUnion, a large U.S. credit bureau, we analyze whether and how cuts in bank income taxation are passed through to the interest rates and size of consumer loans. Exploiting the change in bank corporate income taxation from the Tax Cuts and Jobs Act and utilizing tax-exempt credit unions as a control group, we find that corporate tax cuts lead to lower interest rates for consumers obtaining auto loans from banks. We also find greater pass-through for individuals with higher credit quality. We develop a parsimonious model to identify the economic mechanisms influencing the pass-through of corporate tax cuts to interest rates. Our empirical tests reveal that pass-through declines with banks' market power and leverage, while we find only a limited role for selection in consumer credit markets.

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5.21: Audit Quality Experimental

***Enhancing the Educative Function of Regulatory Audit Quality Inspections*.**

Auditing regulators across the world underscore the importance of the educative function of their inspection programs in promoting improvement and consistency of the quality of audit work. We propose that the detail contained in publicly reported inspection findings (how specific the findings are), and the frame of the inspection findings (how critical the findings are), combine to affect the potential for auditors not involved in the specific inspection to learn from the findings and improve future audit quality. We investigate this in an experiment with practising auditors serving as participants. We do not find that the enhanced specificity called for by auditors improves learning attitudes toward inspection findings. Our results further highlight auditors' focus on inspection risk management increases when the inspection findings are less specific and reported in a more critical frame. These findings inform regulators' decision-making on their reporting of inspection findings.

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5.21: Audit Quality Experimental

The Effect of Autonomy on Auditors' Underreporting of Hours and the Impact of an Emphasis on Harm.

Recent audit research has demonstrated that providing auditors with a higher level of autonomy leads to a variety of benefits, and audit firms themselves have expressed a desire to provide their employees with more autonomy. Using an experiment with professional auditor participants, I examine how autonomy impacts auditor time underreporting-a counterproductive workplace behavior with negative implications for audit quality. I find that, in the current environment, higher autonomy leads to increased underreporting. However, I also develop and test a theory-based intervention that eliminates this effect. This intervention relies on the firm emphasizing the harm that can be caused by underreporting. My results encourage a more nuanced interpretation of the potential risks and benefits of increasing auditor autonomy, and they have significant implications for audit firms determining whether and how to provide auditors with more autonomy.

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5.23: Presentation Strategies and Earnings Management

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

This study investigates whether income statement line items and their comparability with peer firms mitigate classification shifting. Analyzing data from 2003 to 2023, we find that firms with more detailed income statement line items and those with items comparable to their peers engage in less classification shifting. These results are robust when using XBRL data and after considering potential endogeneity. Further analysis reveals that income statement line items are more effective in reducing classification shifting when the interests of investors and managers are misaligned. Conversely, these items tend to increase classification shifting when firms face a complex and challenging audit environment. We also find that income statement line items are effective in mitigating classification shifting through material and shiftable special items but not through discontinued operations. Overall, our findings suggest that more disaggregated and comparable income stateme

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5.23: Presentation Strategies and Earnings Management

Does Income Statement Presentation Affect Earnings Management?

Prior research suggests that greater financial reporting transparency facilitates the detection of earnings management. The multiple-step income statement format provides a more transparent and informative presentation of earnings information than other income statement formats. Employing a sample from the 2010-2019 period, we find that the multiple-step income statement is associated with less classification shifting and accruals management than the single-step or other income statement formats. Results are robust after controlling for potential endogeneity issues. Over the past two decades, the FASB and the IASB have undertaken several projects aimed at enhancing financial statement presentation. They have recommended for more cohesive and multi-step financial statements. Our findings provide direct evidence of how income statement presentation may affect the level of accounting-based earnings management.

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5.23: Presentation Strategies and Earnings Management

Perception Management: The Joint Use of Non-GAAP Reporting and Classification Shifting.

We investigate the joint use of two perception management tools: non-GAAP disclosure and classification shifting. We find that classification shifting is concentrated in firms that disclose non-GAAP earnings. In fact, we do not find evidence of classification shifting among GAAP-only firms. While prior research has explored both tools, we provide novel evidence that classification shifting generally only occurs when firms plan to exclude the shifted items in calculating non-GAAP earnings. Moreover, we disaggregate special items into those that are economically determined (i.e., predicted) and those that are simply misclassified (i.e., unpredicted) and find that only misclassified special items are associated with the reversal of inflated core earnings in the future. Additional analyses reveal that (1) only economically determined special items are persistent, (2) the evidence of classification shifting is concentrated among consistent non-GAAP reporters, and (3) non-GAAP reporting with

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5.24: Reassessing the Role of Financial Statements

A Few Ratios Do Not Tell the Whole Story: Financial Statements Informativeness Evolution and Bankruptcy Predictions.

Past literature has raised concern that the increase in financial reporting discretion (FRD) over the last decades might have led to a significant worsening of the information content of financial statements for predicting bankruptcy. We hypothesize that, while some ratios prone to FRD have indeed lost their informational content, the full financial statement information (FSI) has not experienced such a decline. To test our hypothesis, we develop a new accounting model for bankruptcy prediction, whose predictors are purposefully chosen to alleviate the impact of FRD and make a better use of FSI. We show that this model has a significantly higher predicting power than previous models based on FSI: previous models were far from extracting all the relevant information. More importantly, it does not experience the same decline in predictive power observed in past models over time. Increased FRD over the last decades has not meaningfully impaired the ability of FSI to predict bankruptcies.

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5.24: Reassessing the Role of Financial Statements

***Beyond Earnings: The Role of Operating Performance in Shaping Dividend Policies*.**

We explore the impact of persistent adverse operating performance on corporate payout policies. We document that three consecutive years of revenue declines are negatively associated with dividend payouts, controlling for earnings decline over the same period. Among firms with adverse earnings performance, dividend payouts are more negatively related to accompanying revenue declines than expense increases. We also document that the impact of revenue declines in poorly performing firms on dividend cuts is mitigated in firms that are more efficient in generating revenue and those with higher growth opportunities. Overall, these findings deepen our understanding of the forces impacting the difficult decision that poorly performing firms face when considering the need for dividend cuts and suggest that the specific circumstances underlying adverse earnings performance, particularly operating activities, are important inputs into dividend decisions.

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5.24: Reassessing the Role of Financial Statements

Improving the Fed Model.

The Fed Model suggests a positive relationship between the earnings-to-price (E/P) ratio and treasury bond yields, guiding investment decisions in equity markets. While effective for decades from the 1960s, the correlation has declined since the late 1990s and even turned negative in some years. More critically, the Fed Model's ability to predict future market returns has vanished. We believe these declines stem from the mismeasurement of earnings due to inadequate accounting for intangible investments. By adjusting earnings for capitalized intangibles, we recalibrate the Fed Model, showing a stronger correlation between the E/P ratio and bond yields and yield better signals for future returns. Our study enhances methods for accounting and the interpretation of financial statements for users' decisions.

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5.25: Regulation for Sustainability

Disclosure Regulation and ESG Rating Disagreement.

Despite the increasing prevalence of environmental, social, and governance (ESG) disclosure mandates, there is limited research evidence on how these regulations vary in their requirements and how that affects their usefulness for stakeholders. This study attempts to fill this gap by developing a measure of regulation specificity and investigating its impact on a key user of ESG information-rating agencies. Focusing on the environmental component of ESG disclosure mandates introduced between 2007 and 2020, we document significant variations in regulation specificity across jurisdictions. Consistent with our expectation that regulation specificity increases the comparability of firm disclosures and reduces subjectivity involved in the rating process, we find that sufficiently specific regulations reduce rating disagreements among ESG rating agencies and increase institutional investors' reliance on average environmental ratings.

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5.25: Regulation for Sustainability

***Distinguishing Managed Earnings from Imagined Earnings Management*.**

We propose an empirical design that distinguishes real earnings management (REM) and accrual earnings management (AEM) from normal earnings. Distillation of REM and AEM is accomplished by identifying unique effects that REM and AEM have on the components of future earnings. Our design formalizes the 'real costs' of REM, showing two potential effects of REM actions on future earnings, one that has a modest single period effect on future sales and the second that has a multiperiod effect on future sales and expenses. In simulations, both REM actions are costly and more strongly affect future earnings than AEM. In empirical settings, the estimated parameters from our model suggest that AEM can explain differential patterns around quarterly benchmarks, but REM and AEM cannot match observed patterns under reasonable ranges of parameter values in an annual reporting context.

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5.25: Regulation for Sustainability

Pollution Information Program, Public Awareness, and Corporate Environmental Investments.

Exploiting the staggered adoption of a pollution information program in China, which provides the public real-time, city-level air pollution information, we examine the effect of the availability of pollution information on firms' environmental investments. We find that compared with control firms, affected firms increase environmental investments after the implementation of the information program. The effect is more pronounced for the affected firms in cities with higher public awareness of pollution and for affected firms under stronger pressure from city governments to cut pollution. We further document that governments use both 'carrots and sticks' â€“ environmental subsidies and penalties â€“ to incentivize firms to improve environmental practices. Furthermore, affected firms increase pollution-related disclosures and reduce the ambient PM2.5 concentrations. Lastly, we find that affected firms experience a decline in financial performance. These findings indicate that when armed with

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5.26: Regulations, Accounting Standards, and Banking

Did the Current Expected Credit Loss Accounting Standard Increase Non-bank and FinTech Market Share?

This study investigates the unintended consequences of the Current Expected Credit Losses (CECL) accounting standard on U.S. mortgage market competition. We find that counties with higher CECL exposure have a higher increase in non-bank and FinTech lender market share post-implementation. This effect is more pronounced in areas with more undercapitalized banks and high non-bank penetration, consistent with banks facing higher capital costs due to regulatory capital constraints and borrowers being more receptive with non-bank financing options. The non-bank market share increase due to CECL is stronger in the market for loans likely to remain on traditional banks' balance sheets. While CECL banks lose market share in high-exposure counties, total lending volume does not decrease, indicating active expansion by non-bank lenders rather than market contraction. Overall, these findings suggest that accounting standards, even if not intended, can influence market competition.

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5.26: Regulations, Accounting Standards, and Banking

Risk Migration from the Banking Industry to the Real Economy: An Examination of Spillover from Basel III.

This study examines the potential risk migration from the banking industry to the real economy resulting from bank regulations. Specifically, the study investigates whether borrowers in fact increase their risk-taking behavior in response to higher borrowing costs imposed by Basel III. Employing a difference-in-differences research design, the analysis compares borrowers of banks more affected by Basel III (i.e., banks with $250 billion or more in total consolidated assets) with borrowers of less affected banks. The findings reveal that when confronted with a relative increase in loan costs, borrowers more impacted by Basel III regulations (a) exhibited a relative rise in accounting- and market-based volatility, (b) demonstrated a relative surge in risk-taking activities, and (c) had higher default amounts. These results suggest that borrowers tend to undertake higher risks to pursue elevated expected returns, compensating for the increased borrowing costs imposed by bank regulations.

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5.26: Regulations, Accounting Standards, and Banking

Trust in Banks and Borrower Behavior: Evidence from Supervisory Actions and Local Information Quality.

We study how consumers' trust in banks influences their borrowing decisions. We use bank enforcement actions as a shock to bank reputation, undermining consumers' trust in banks. Utilizing granular loan data from a credit reporting agency that links borrowers to banks, we find a decline in borrower and loan quality for loans issued by banks facing reputational shocks. Notably, this decline is absent in news deserts, counties experiencing newspaper closures, and those with fewer newspaper establishments, consistent with poor local information environments mitigating the reputational damage from enforcement. Our findings are not attributable to supply-side factors such as increased loan volume or loosened credit terms. Additionally, survey data indicate that enforcement actions are associated with declining local trust in banks and bankers. Overall, our results suggest that trust in banks influences borrower behavior.

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5.27: SEC Investigations

Does SEC Racial and Gender Diversity Impact Investigations?

Can diversity within regulatory agencies influence regulatory outcomes? We examine whether SEC Division of Enforcement (DOE) racial and gender diversity is associated with SEC investigation outcomes. We document a positive and significant association between DOE racial diversity within an SEC regional office and the likelihood the SEC opens an investigation. Further, we find regional offices with higher racial diversity are more likely to open an investigation that leads to an enforcement action, and investigations are completed more efficiently within these offices. In contrast, we fail to find an association between DOE gender diversity and any of these investigation measures. However, we do find the impact of racial diversity depends on the level of gender diversity in a regional office, implying overall diversity is important in enabling racially diverse teams to influence investigation outcomes.

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5.27: SEC Investigations

Private Lending During SEC Investigations.

We examine how SEC investigations impact private lending decisions using syndicated loan data. We provide evidence that firms under investigation are less likely to secure financing, and those that do face unfavorable terms. This result holds for both disclosed and undisclosed investigations, suggesting lenders are aware of even nonpublic investigations. We find that relationship lenders partially mitigate these effects by providing capital during periods of high uncertainty, but they charge higher spreads and often strain the borrower-lender relationship. Our findings indicate that lenders seek to avoid or compensate for the reputational risks linked to firms suspected of financial misconduct. Overall, SEC investigations impose significant costs on firms, and while relationship lenders can reduce these costs, the negative consequences often persist.

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5.28: Spillover Effects of Corporate Disclosure

***Beyond Disclosure: Social Role of Social Media*.**

This study sheds light on the 'social' aspect of social media. We present novel evidence that firms engage in corporate 'social signaling' on social media, i.e., strategically strengthening and signaling connections with other firms. Focusing on firms that disclose positive peer firm information on Twitter (now X), we investigate the determinants, information content, and capital market consequences of positive peer tweeting. We find that positive peer tweeting is associated with economic relatedness, the demand for legitimacy, and expected litigation risk. Positive peer tweets signal stronger interfirm economic ties and predict future collaborations, conveying information not readily available from traditional disclosures. This social media signaling elicits significantly positive market reactions for both tweeting and tweeted firms. However, this public signaling of increased inter-firm connection is not without cost: tweeting firms experience a decline in value when the firms they t

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5.28: Spillover Effects of Corporate Disclosure

Product Market Networks and the Take-up of Government Programs.

We investigate how information spillovers in product market networks increase the take-up of government programs. We exploit the introduction in Italy of the Legality Rating (LR), a government certification rewarding firms without convictions and criminal infiltration. Using a novel definition of product market peers based on firms' common bids for public procurement contracts, we show that firms are more likely to obtain the LR after competing in a public procurement contract with an LR-certified peer. Cross-sectional results reveal that firms obtain the certification primarily to reduce LR-certified peers' competitive advantage. Overall, this paper suggests that information spillovers among product market peers mitigate firms' information frictions regarding government programs.

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5.28: Spillover Effects of Corporate Disclosure

Spillover Effect of Government Subsidies on Peer Firm Disclosures.

The federal and state governments of the United States frequently utilize government subsidies to support businesses. While previous studies have focused on how subsidies affect the recipient firms, the spillover effects on other non-recipient peer firms within the same industry have received less attention. This research investigates how peer firms respond to government subsidies awarded to their competitors, particularly through changes in their disclosures. The findings reveal that peer firms significantly increase their disclosures in 10-K filings, corporate website content, and 8-K filings. This increase in transparency is the response to their declining firm performance, including sales growth and stock performance. These findings reveal how peer firms strategically enhance transparency to navigate the challenges posed by subsidized competition.

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5.29: GNP Accountingâ€"A Variety of Topics

Accounting for Destruction: Governmental Rationality in Times of War.

This paper aims to investigate the emergence of the accounting of the destruction, and the consequent funding, accountability and control practices for the reconstruction of Ukrainian damaged or destroyed properties. Using a Foucauldian governmentality approach, the analysis seeks to illuminate the role played by accounting and calculative technologies associated to citizens repaired or re-bought houses. The paper builds on a broad range of consulted official documents, and uses semi-structured interviews with diverse key-actors. Accounting worked in tandem with lists for calculating destruction and reconstruction reliefs. The compensation procedures intertwined calculative practices and engineering/architectural surveys of the damages incurred by the houses. Performance dashboards were launched by the reconstruction project team for time-space control purposes. The research highlights the contributions provided by experts coming from diverse professional areas.

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5.29: GNP Accountingâ€"A Variety of Topics

Income Inequality and the Municipal Bond Market.

We study how income inequality affects the bond yields of counties in the United States. While greater inequality may increase productivity and demand for tax-exempt bonds, there is also evidence to suggest that it negatively impact a region's economy by lowering overall consumption, growth, and social cohesion. We find that the bond yields of U.S. counties with high income inequality exhibit significantly higher bond yields. A county with income inequality in the 75th percentile pays 5.32 percent more in bond yields compared to an issuer in a county with income inequality in the 25th percentile. Counties with high income inequality are also more likely to purchase bond insurance.

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5.29: GNP Accountingâ€”A Variety of Topics

***Ownership Type and Hospital Efficiency: A Stochastic Frontier Analysis*.**

A hospital is a vital powerhouse for the economic growth of a region, thus its efficient operation is important for the health of local citizens of the region and the local economy. We examine whether ownership indicators can significantly explain either production or cost inefficiency. Using California hospitals' annual financial and patient information at the facility level from the Office of Statewide Health Planning and Development, we find that for-profit hospitals have more production efficiency than government-owned hospitals while government hospitals have higher cost efficiency than the other two types. Our evidence supports the agency theory that private interests of hospital administrators decrease the efficiency of healthcare to patients, but not the property rights theory that private hospitals would demonstrate stronger efficiency than publicly owned institutions, nor the public choice theory that hospital administration and operations would be influenced by politicians t

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5.30: Green Washing

***CEO Narcissism and Corporate ESG Greenwashing*.**

Using a sample of A-share companies listed on the Shanghai and Shenzhen exchanges from 2011 to 2021, this study examines the relationship between CEO narcissism and corporate ESG greenwashing. After improving the measurement method for signature size, we use the size of CEO handwritten signatures as a proxy for CEO narcissism and find that CEO narcissism is positively associated with ESG greenwashing, particularly in the areas of environmental and governance. We find that firms led by narcissistic CEOs are more likely to misrepresent their ESG performance by providing exaggerated or misleading information in annual or ESG reports. Further analyses show CEO myopia further exacerbates the impact of narcissistic CEOs on greenwashing, while strengthened external oversight inhibit narcissistic CEOs from engaging in greenwashing. We also find that academic experience, stock ownership, and the dual roles of the CEO can mitigate the risk of greenwashing in firms with narcissistic CEOs.

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5.30: Green Washing

Hidden in Plain Sight: Geographical Proximity and Corporate Greenwashing Behaviors.

This paper examines the relationship between regulatory distance and corporate greenwashing behaviors using data from Chinese listed companies (2009-2021). It finds a dual 'attenuation effect' of geographical distance: while greater distance hinders government regulation and increases greenwashing, it also reduces rent-seeking opportunities, thus decreasing greenwashing. The study identifies that reduced rent-seeking is the key mechanism and finds that low marketization, high political connections, and latent corruption exacerbate greenwashing. Results remain robust across various methods, addressing endogeneity concerns. This research expands the traditional greenwashing framework by integrating geographical and institutional economics.

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5.30: Green Washing

The Relationship between Negative ESG News and Analysts' Recommendation Downgrades: The Moderating Role of Corporate Image Repair.

This study investigates the impact of negative ESG news on analysts' stock recommendation downgrades and the moderating role of corporate image repair. Using a sample of Taiwan's listed and Over-the-Counter companies from 2014 to 2022, we find that negative ESG news leads to downward revisions in analysts' stock recommendations. Moreover, corporate image repair mitigates the impact of negative ESG news on analysts' stock recommendation downgrades. Further analyses indicate that more-experienced analysts are more likely to downgrade stocks for firms facing negative ESG-related events, suggesting that analysts' experience matters in the context of stock recommendation revision. We also find that investors perceive firms' efforts in corporate image repair positively, particularly when these firms are facing negative ESG news accompanied by analyst downgrades. Overall, our study offers new insights into the role of corporate image repair in shaping analysts' stock recommendation behavior.

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5.31: International Governance 2

Interactive Investor Platform and Corporate Violations.

Interactive investor platform (IIP) provides an easy access for investors to voice and dialogue with management, which exerts pressure on corporate misconduct. We investigate the effect of Hudongyi, an exchange-sponsored IIP, on corporate violations of security laws and regulations. We find that IIP is negatively associated with the number and likelihood of corporate violations, and effects of IIP are significant for violations related to financial misreporting or misrepresentation, but not those related to stock-trading activities. In addition, we find that the effects of IIP on violations is stronger for higher quality interactions measured by the timeliness and length of management response to investors' inquiry. Finally, we find the impact of IIP is stronger for firms with weak governance and high information asymmetry. Taken together, our results suggest that IIP has enhanced corporate compliance and decreased corporate violations.

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5.31: International Governance 2

***Is Remote Reporting Oversight Effective? Early Evidence from Supervisory Board Meetings*.**

This study examines whether the meeting policy â€“ either onsite face-to-face, remote, or a blended mixture â€“ of the supervisory board of German firms is associated with the level of earnings management. We use data from firms' declarations of conformity with the recommendation of the German Corporate Governance Code to disclose the meeting policy of the supervisory board. Controlling for other mechanisms and applying a matched sample, we find that average earnings management steadily increases with the percentage of remote plenary meetings. We document the lowest average earnings management when the supervisory board plenary meetings are generally held onsite with hybrid participation possibility in reasonable cases. We take this result as initial empirical evidence that an elaborated combination of the advantages of different meeting types enables the supervisory board to constrain earnings management most effectively.

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5.32: Employee and Social Media Platforms

Echoes of Employee Voice: Employee Review Platform as a Communication Channel between Employers and Employees.

This paper investigates whether employee review platforms function as effective communication channels between employers and employees by analyzing variations in firms' responses to employee reviews and the associated consequences. Using a dataset of 367,749 reviews from 237 firms from 2007 to 2024, the study addresses three key research questions: (1) Do firms respond to employee reviews on these platforms? (2) How do firms respond-are these responses indicative of genuine engagement with employee concerns, or are they primarily strategies aimed at managing reputation? (3) Are firms' response behaviors associated with tangible changes in the internal working environment or improvements in external labor market reputation? The findings reveal significant variation in whether and how firms engage with employee feedback and show that specific response behaviors are linked to key outcomes, including improved employee satisfaction, reduced turnover, and enhanced labor market attractiveness

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5.32: Employee and Social Media Platforms

Looking Through the GlassDoor: Enhanced Workplace Transparency and Corporate Resource Allocation.

We examine how increased workplace transparency shapes resource-allocation decisions within public firms. Using the advent of Glassdoor.com as an exogenous shock to workplace transparency, we find that firms become more reluctant to reduce slack resources when experiencing sales declines. Specifically, human-capital related resource adjustments, as measured by changes in SG&A expenses, become less sensitive to sales declines after Glassdoor.com coverage. This change in cost behavior is more pronounced for firms that initially receive negative reviews and are in early or growth stages. Firms with greater market power are less likely to be impacted by the increased workplace transparency. Further evidence suggests that firms respond to increased reputation-maintenance costs by shifting their reliance on human capital from internal to external sources. Overall, our results suggest that the firm's workplace reputation influences managers' resource-allocation decisions.

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5.32: Employee and Social Media Platforms

Social Media Engagement as Non-Financial Indicator of Firm Performance: An Empirical Study.

In this paper, we examine whether followers' engagement with firm-initiated tweets is incrementally informative about the firm's performance measured as sales growth, unexpected sales growth, and stock returns. We use approximately 343 million engagement actions â€“ likes, retweets, and replies â€“ collected from the Primary Twitter accounts of all publicly traded US firms for the empirical analysis. Results suggest that, for firms with Twitter presence, quarterly changes in followers' engagement incrementally explain sales growth and unexpected sales growth. We also find that monthly changes in engagement represent value-relevant information that gets impounded into stock prices contemporaneously, beyond the dissemination effect of tweets and other sources of information. Furthermore, followers' engagement is a forward-looking indicator of stock prices: monthly changes in engagement predict the subsequent two months' stock returns. Overall, our results suggest that social media engagement

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5.33: Field Studies

Individual Consequences of Joining Cross-Functional Teams: Perspectives from Multitasking and Learning.

This study examines the impact of implementing cross-functional teams on individual employee performance in a field setting. I find that employees tend to sacrifice the performance of routine tasks-that are explicitly incentivized and have clearer performance measures-when they are involved in C-F teams that only offer implicit incentives. Cross-sectional analysis shows that this temporary decline stems from active experimentation, with weaker effects for employees with stronger career concerns. Despite initial performance sacrifices, employees ultimately improve long-term routine task performance and are more likely to achieve professional or educational qualifications. At the organizational level, while team implementation initially leads to more manufacturing incidents, it results in greater operational efficiency and stability over time. These findings reveal the trade-offs in multitasking, showing how employees prioritize tasks in a team setting.

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5.33: Field Studies

Job Design Imbalance and Workers' Burnout: Evidence from a Hospital Setting.

This study explores the relationship between job design imbalance and workers' burnout. Building on Simons' job design optimization theory and the Maslach Burnout Inventory, we develop a survey to assess workers' perceptions of job design, work conditions, and burnout manifestations. In a healthcare field setting, we find job design imbalance is linked to burnout, reflected in reduced ability to decompress and increased emotional exhaustion. These effects stem from unmet collaboration expectations across work units and functions. However, we find no significant link between job imbalance and professional fulfillment, indicating job design balance is a hygienic factor. Our findings highlight how managerial practices affecting collaboration culture can negatively impact workers' wellbeing.

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5.34: Multi-Agent

How Does Career Mobility Influence Task Assignment.

This study examines how managers assign undesirable, noncontracted tasks and how employees react to the task assignment. We focus on two factors influencing the task assignment: (1) promotion opportunities and (2) the task's potential to enhance the assigned employee's marketability to external employers. We further examine whether the assigned employees choose to remain with the current firm or seek employment elsewhere. We find that managers are more likely to assign these tasks to stronger performers when promotion opportunities exist or when tasks could increase employee marketability, signaling trust and seeking reciprocal actions from employees. However, employees often do not respond as expected. Instead of reciprocating, most employees leave, particularly when tasks enhance their external marketability. Internal promotion opportunities, however, reduce this turnover. This study extends our understanding of employment relationships and task assignment in management accounting.

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5.34: Multi-Agent

***The Dynamics of Upward Knowledge Sharing: An Experimental Examination*.**

Knowledge sharing is a powerful component of organizational success. However, in a hierarchical structure, supervisor's resistance to receiving knowledge from their subordinates can stifle knowledge sharing, negatively impacting organizations' performance. Overcoming the deeply ingrained power imbalance resulting from hierarchy is essential for facilitating effective knowledge sharing and fully leveraging the teams' diverse expertise and perspectives. Accordingly, we use an experiment to explore upward knowledge sharing within the supervisor-subordinate relationship and examine how supervisors respond when they receive knowledge shared from their subordinate. We draw on power dependency theory to predict and find that supervisors respond more negatively to upward knowledge sharing when they have overlapping expertise with their subordinate. However, we also provide good news in that we find that when supervisors who have overlapping expertise receive subordinate-contingent incentives

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5.34: Multi-Agent

The Effects of Prosocial Motive and Peer Influences on Employee Effort in Team Settings.

Firms have increasingly focused on employee-organization value-fit through employee selection. While prior research highlights the benefits of hiring prosocial employees, it is unclear how these benefits change in group settings. We experimentally investigate how employees' effort choices are influenced by observing coworkers' prosocial motives under incomplete contracts. Drawing on psychological theory, we predict that more prosocial employees will have a higher level of moral responsibility in their effort choices. However, their moral responsibility will be diffused, leading to lower effort, when the coworker is more prosocial than when the coworker is less prosocial or the coworker's type is unknown. In contrast, less prosocial employees may withhold effort when the coworker is also less prosocial than when the coworker is more prosocial or the coworker's prosocial motive is unknown. Experimental results are partially consistent with our predictions.

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5.35: Innovation and Sustainability

Climate Disasters, Managerial Perception, and Green Innovation.

We examine the impact of climate disasters on firms' green innovation, as reflected in patents related to climate change adaptation technologies. We document a significant positive association between the occurrence of climate disasters and subsequent green innovation. Furthermore, we observe a more prominent increase in green innovation when management, during earnings conference calls, emphasizes topics related to climate change exposure, expresses optimism toward technological opportunities, and demonstrates heightened awareness of associated uncertain risks. Additionally, we find that the association between climate disasters and green innovation is particularly pronounced for firms with lower climate sensitivity, those not experiencing excessive property damage, or those located in counties with high climate awareness. These findings shed light on the impact of fundamental physical exposure to climate change on corporate innovation and provide investors and regulators with insight

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5.35: Innovation and Sustainability

Exploring Innovation in CSR Practice: Carbon-Water Synergistic Management and Performance.

This study investigates the impact of carbon-water synergistic management on corporate carbon reduction and water conservation. As climate change and water scarcity become increasingly pressing global issues, companies are under increasing pressure to manage their carbon emissions and water usage more integrated and sustainably. Drawing on stakeholder theory, legitimacy theory, and natural resource perspective, we hypothesize that companies with high-quality carbon-water synergistic management demonstrate superior environmental performance regarding carbon reduction and water conservation. Our results show that companies with higher-quality carbon-water synergistic management achieve better carbon-water synergy performance than firms with poor carbon-water synergy. Our findings highlight the importance of an integrated approach to managing carbon and water resources and provide valuable insights for companies, investors, and policymakers in promoting corporate sustainability.

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5.35: Innovation and Sustainability

The Paradox of Creative Culture: Financial Gains at The Cost of Sustainable Social Performance.

This study investigates the paradox of creative culture within organizations, exploring its dual impact on financial performance and social sustainability. While creative culture, characterized by innovation and adaptability, is often credited with driving financial growth, our analysis reveals a complex trade-off: firms embracing a strong creative culture tend to underperform in critical areas of ESG metrics, particularly in social responsibilities. Leveraging a dataset of U.S.-based publicly listed companies, this study demonstrates that creative culture, despite its financial benefits, may inadvertently encourage governance challenges and social performance risks. These findings highlight the need for management to balance innovation-driven culture with strategic oversight of social and ethical practices. For leaders and policymakers, this study underscores the importance of integrating sustainability into the strategic management of creative cultures.

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5.36: Internal Control and Operation Efficiency

A Re-Examination of the Impact of Corporate Governance on Internal Control Quality.

We investigate the relation between corporate governance mechanisms and the quality of internal control over financial reporting (ICFR) by analyzing a sample of nearly 20,000 U.S. firm-years spanning 2004 to 2023. Consistent with prior research, our results reveal a negative association between overall corporate governance quality and the likelihood of material internal control weakness (ICW) disclosures. Contrary to prior research, however, specific board characteristics do not exhibit a significant relation with ICW likelihood, potentially due to interactions among governance dimensions such as pay policies and ownership structures. Our study extends the temporal scope of prior studies and incorporates composite governance measures to explore their collective impact on ICFR, addressing gaps in understanding how governance mechanisms interact to influence financial reporting quality.

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5.36: Internal Control and Operation Efficiency

Assessing Mutual Influences on Sustainability Behaviors in Corporate Supply Chains.

This study explores customers' and suppliers' mutual influences on sustainability behaviors within the sustainable supply chain management (SSCM) framework. I leverages institutional, resource-based, and stakeholder theories to investigate whether SSCM implementation is unilateral or mutual. The research uses data from FactSet Revere, Refinitiv's ESG scores, and Compustat for North American companies from 2003-2023 to find significant bidirectional impacts between customers and suppliers on sustainability practices. The results challenge the traditional view that only customers influence suppliers, demonstrating that mutual influence is critical for effective SSCM implementation, mainly when both parties are significant stakeholders.

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5.36: Internal Control and Operation Efficiency

From Climate Change Exposure to Operational Efficiency: The Role of Investor Preferences, Internal Controls, and Product Competition.

This study investigates the association between firm-level climate change exposure (CCE), as discussed in earnings conference calls, and operational efficiency. Our findings reveal that climate-related discussions on technological opportunities and physical risks signal short-term inefficiencies in firms' operations, driven by the substantial costs of transitioning to green technologies and managing climate risks. In the mid-term, these inefficiencies persist, particularly for firms with heightened exposure to regulatory and physical risks framed with uncertainty or negativity. Cross-sectional analyses reveal that, for a given level of CCE, firms' operational efficiency varies depending on moderating factors. Firms in SASB Materiality industries benefit from nonpecuniary-motivated investments, enhancing their operational efficiency, while firms with ineffective internal controls or operating in low-competition markets experience greater inefficiencies.

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5.37: Current Issues in Accounting

***Decoding CEO Interviews: The Forward-Looking Insights from Verbal and Non-Verbal Cues*.**

Experimental studies reveal that speakers' vocal and facial expressions convey additional insights beyond the transcript. Building on these findings, we examine how verbal and non-verbal features extracted from the forward-looking part of CEO interviews correlate with a firm's future performance. Our results show that non-verbal cues, particularly negative facial expressions, dominate in signaling a firm's future performance. Additionally, negative vocal and facial cues collectively diminish the positive sentiment conveyed by verbal content. Furthermore, CEOs with longer tenures are less likely to express optimism about their company's future through words or expressions. Male CEOs exhibit fewer facial expressions of happiness compared to their female counterparts. Finally, CEOs with dual positions, graduated from Ivy League institutions, or possessing broader connections are more likely to display sadness during the forward-looking portions of interviews.

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5.37: Current Issues in Accounting

Exploratory Experiments in Generating Bag of Word Dictionaries Using Word2Vec and ChatGPT.

This paper investigates the use of machine learning as a means of generating 'bag of words' using two text corpora from accounting applications. We use Word2Vec to generate words / dictionaries, that are 'similar' to a seed word that captures a concept. As part of our analysis, we perform several experiments using text from Form 10Ks and earnings calls. We investigate several activities including choice of the seed word(s), choosing word sources (corpora), analysis of resulting word lists, and other concerns. We also examine the notion of 'human-in-the-loop' and the roles that a person would need to perform while generating a dictionary. Further, we investigate the impact of using accounting and financial corpuses on the different semantic and syntactic relationships, in contrast to Wikipedia. We then extend the analysis to compare those findings to ChatGPT another source of words and investigate some of the advantages and disadvantages of that approach.

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6.11: Student Perceptions of the Accounting Profession and Labor Market Consequences of Accounting Scandals

Labor Market Consequences of Accounting Scandals at Audit Clients for Audit Professionals.

Motivated by the viewpoint that many audit professionals view employment in large audit firms as a steppingstone to lucrative appointments in other firms, this study finds that Accounting and Auditing Enforcement Releases (AAERs) issued by the Securities and Exchange Commission to audit clients reduce the likelihood of audit professional transitions from their audit firms to other firms and diminish the likelihood of transitioning professionals securing positions in prestigious firms. Additional tests suggest that tainted audit professionals are associated with lower salaries, regardless of whether they stay or transition from their audit offices. We also find that the greater experience and expertise of senior auditors lower their exposure to reduced transition rates, and that the negative labor market consequences following AAERs are more pronounced in the presence of more severe AAERs and when AAER clients attract negative media coverage. Finally, we show that these labor market consequences do not extend to non-audit professionals from the same office. Collectively, these findings shed valuable insights into how client AAERs can create contagion effects in the labor market for audit professionals.

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6.11: Student Perceptions of the Accounting Profession and Labor Market Consequences of Accounting Scandals

New York State's Career Opportunities in Accounting Program (COAP): Expanding the Pipeline.

This research examines the impact of a structured program on student perceptions of accounting careers. The study employed pre- and post-program surveys to evaluate changes in student attitudes towards the field. The program highlighted the variety of accounting careers, the dynamic and impactful nature of the profession, the role of accountants in promoting sustainability, and the economic advantages of an accounting career. Pre-program data revealed limited understanding of accounting beyond its association with math and desk work, alongside skepticism about its relevance to personal interests. Post-program findings indicated a significant shift, with 64% of participants reporting increased interest in accounting. Students expressed surprise at the versatility of accounting roles, the importance of networking, and the opportunity for global impact. These results suggest that targeted interventions can effectively enhance the appeal of accounting as a career, addressing misconceptions and inspiring a new generation of professionals.

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6.11: Student Perceptions of the Accounting Profession and Labor Market Consequences of Accounting Scandals

***Re-Decoding the Decline: An Updated View of the CPA Pipeline Crisis*.**

Using the proprietary data from the Illinois CPA Society's pipeline survey, we explore factors affecting the decision to pursue a Certified Public Accountant (CPA) credential. The survey asked about their intention to pursue a CPA, whether they expected to be a CPA, the value of the CPA, and their intention to pursue credentials other than the CPA. From 7,780 survey responses from students and young professionals, we find that the decision about the CPA is associated with the challenges of obtaining it, its perceived value, job criteria, and sources of influence. We also perform textual analysis using responses to open-ended questions and find that participants identify financial concerns, mental health, work-life balance, and perceived value of the credential as factors in their decision. Overall, our results provide insight into why young professionals choose to pursue a CPA credential and suggest areas of focus for improving the accounting pipeline.

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6.12: Slavery, Jim Crow, and Imperialism

Accounting for Extractive Imperialism: Roan Antelope Copper Mines Ltd 1931â€“1939.

This study examines the financial performance of Roan Antelope Copper Mines Ltd (RACM) in Northern Rhodesia from 1931-1939, revealing how accounting practices both documented and enabled colonial exploitation. Through analysis of annual reports, the study demonstrates RACM's extraordinary profitability, with return on capital employed exceeding 40% by 1937/38. The segregated presentation of European and African facilities in balance sheets reflected and reinforced colonial hierarchies, while corporate communications attempted to justify racial inequalities through paternalistic narratives. Despite claims of financial constraints, accounting records show that racially discriminatory practices were a choice rather than economic necessity. Using Porter's Five Forces framework, the study illustrates how imperial structures created exceptional competitive advantages through restricted market access, suppressed labor costs, and protected demand.

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6.12: Slavery, Jim Crow, and Imperialism

***Accounting to Persuade: An Account Stated on the Manumission of Slaves*.**

Accounting is not usually classified as a form of rhetoric. Yet, despite its grounding in facts, accounting can be employed to actively convince readers of a particular viewpoint. During the late 18th century, Americans published numerous pamphlets on the burning issues of the day, including self-government and slavery. These arguments typically did not employ accounting, but in 1773 an example was published that tried to convince Americans to reconsider the costs associated with manumission by employing accounting terms and using cost-benefit analysis. This occurred 75 years before cost-benefit analysis is generally considered to have been first employed by an economist.

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6.12: Slavery, Jim Crow, and Imperialism

An Inch of Progress: Black Business and Black Accountants Fighting Jim Crow Violence.

Historically, Black accountants have uplifted communities both economically and socially. Black accountants, primarily working within Black businesses, played a pivotal role in transforming economic opportunities for the Black community from the Jazz Age to the Post-Civil Rights era. This article situates major racialized acts of violence against Black people in America against the backdrop of accountancy innovations and practices that buoyed Black economic entrepreneurship. We construct a Racial Violence Triangle which we use as an analytical framework to examine how systemic forces of pressure, opportunity, and rationalization contributed to acts of violence targeting Black accountants. Pressure stemmed from the societal and economic anxieties provoked by Black success, opportunity was created by systemic legal and institutional biases that allowed racial violence to occur with impunity, and rationalization was fueled by cultural narratives framing Black progress as a threat.

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6.13: ESG Disclosures

Communicating ESG Outcomes to Employees: The Role of Language Formality and ESG Context in Shaping Employee Reactions.

This study examines how the formality of language used to communicate ESG (Environmental, Social, and Governance) outcomes influences employees' perceptions and behavioral intentions, focusing on two key variables: the ESG context (positive vs. negative) and the outcome (success vs. failure). Drawing on Communication Accommodation Theory (CAT), we predict and find that formal language, which signals professionalism and seriousness, is more effective in negative ESG contexts (e.g., reactively addressing child or forced labor) or when the ESG outcome is a failure. In these situations, formal communication demonstrates the firm's commitment to addressing critical issues, fostering more favorable employee perceptions and behavioral intentions. In positive ESG contexts (e.g., proactively engaging sustainability efforts) and when the ESG outcome is a success, informal language is expected to outperform formal language by fostering relational closeness and approachability. However, our findin

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6.13: ESG Disclosures

Scorecard Integration and Organisational Synergy: Joint Effects on Managerial Commitment to ESG Goals

This study investigates how Balanced Scorecard (BSC) presentation format and organizational synergy influence mid-level managers' commitment to assigned Environmental, Social, and Governance (ESG)-related goals during strategy execution. Using an experimental research design, we find that presenting an ESG-integrated BSC, as opposed to a standalone format, enhances managers' commitment by positioning ESG as a critical component of business success. We also find that a high-synergy environment strengthens commitment by enhancing self-efficacy. Additionally, we observe a significant interaction effect between the two factors, indicating that an ESG-integrated BSC, when combined with a high-synergy environment, fosters even stronger commitment. These findings highlight the critical role of an ESG-integrated BSC in deepening managers' understanding of how ESG contributes to overarching business objectives, as well as the significance of organizational synergy to bolster commitment.

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6.14: General Topics in Accounting Information Systems

Data Breach and Corporate Liquidity.

This study investigates how data breaches affect corporate liquidity. Using a difference-in-differences approach with propensity score matching on a sample of first-time U.S. data breaches from 2005 to 2019, results reveal a significant post-breach liquidity decline. This pattern holds across various liquidity measures, estimation models, and fixed effects, and persists when analyzing the entire sample without matching. Short-term liquidity also exhibits a substantial negative response. Further analysis suggests that proactive cybersecurity communication can mitigate these adverse effects, highlighting the importance of managerial tone in preserving investor confidence and liquidity.

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6.14: General Topics in Accounting Information Systems

Do Women on the Board Mitigate Cybersecurity Risk?

We examine the effect of board gender diversity and IT expertise of female board members on data breaches. Using data from US firms for the period 2005- 2022, we find that gender diverse boards having female IT expertise are significantly and negatively associated with data breaches. Our results hold when we run several endogeneity and robustness tests. The findings of cross-sectional analysis suggest that the main results hold only for female independent board members as opposed to female executive members, and a critical mass of female members on board is needed to generate the main effect. Moreover, auditors do not charge increased audit fees for data breaches for firms having gender diverse boards with female IT expertise. The channel analysis suggests that gender diverse boards with female IT expertise are positively associated with cybersecurity investments, which highlight the mechanisms by which female board members mitigate cybersecurity risks.

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6.14: General Topics in Accounting Information Systems

Examining the Effect of Cybersecurity Breaches on the Timing of Earnings Announcements.

Given, recent regulatory attention on cybersecurity breaches (CSBs) and disclosure timeliness, this study examines whether and how CSBs are associated with changes in earnings announcement (EA) timing. I use OLS and logistic regressions to test my hypotheses that CSBs are associated with less timely EAs and 10-Ks. I predict and find results indicating that cybersecurity breaches are associated with longer subsequent earnings announcement lags or less timely earnings announcements by 1.147 days. I find that that CSBs are only marginally associated with the change in the 10-K report lag, but overall the results do not indicate CSBs have a large magnitude impact on the 10-K report lag change. I also examine the effect in firms with positive, negative or extreme earnings surprises in supplemental analysis. This study provides greater insight into firm response to CSBs reflected in the EA and 10-K timing and have implications for researchers, investors and regulators.

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6.15: ESG and Taxes

Diversity in Decision-Making: How Board Composition Shapes Tax Risk and Effectiveness.

Diversity, Equity, and Inclusion (DEI) has recently garnered significant attention in the corporate sector. And recent initiatives threaten to roll back DEI requirements on boards. Thus, examining the benefits of DEI beyond the social justice realm has become even more important. This paper examines whether board diversity in nationality, gender, and age influence firm tax outcomes. We examine tax effectiveness (Schwab, Stomberg, and Williams, 2022) and tax risk as our measures of tax outcomes. Following upper echelons theory, we find that diversity of all three types examined are related to better firm tax outcomes. Our results suggest that board diversity is important to improving firm level outcomes.

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6.15: ESG and Taxes

Energy Investment Tax Credits and Environmental Outcomes: Evidence from Electric Utilities.

The Investment Tax Credit ('ITC') is an essential part of U.S. policymakers' strategy to encourage investment in clean energy. We investigate the effect of Investment Tax Credits on firms' electricity generation and emissions with a sample of electric utilities from 2001-2022. Using a stacked cohort difference-in-differences design, we find that firms generate less electricity from renewable sources than peer firms after claiming ITC, a roughly 2% decrease in renewable electricity generated relative to pre-ITC generation levels. This effect appears driven by substituting away from wind and other renewable sources to solar, consistent with selective technology provisions in the ITC. We also observe ITC firms employ 7% more people following initial adoption and observe similar patterns as firms claim more ITCs. We also observe declines in ESG scores following ITC usage.

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6.15: ESG and Taxes

***Frequent CEO Turnover and Effective Tax Planning*.**

This study investigates the impact of frequent CEO turnover on the effectiveness of firms' overall tax-planning strategies by considering both tax-related and non-tax-related costs. We find that firms experiencing higher rates of CEO turnover tend to have higher effective tax rates (ETRs), lower tax planning effectiveness, and greater volatility in future ETRs, suggesting that frequent CEO changes disrupt the development and implementation of effective tax strategies. Additionally, we find that auditor-provided tax services (APTS) can mitigate the negative impact of frequent CEO turnover on tax planning, supporting the knowledge spillover theory. Our research underscores the importance of leadership stability in maintaining effective tax strategies and highlights the potential benefits of APTS in periods of executive instability. These findings contribute to the literature on executive turnover and corporate tax planning, offering insights into the broader implications of leadership ch

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6.16: Tax Law Firms and Tax Litigation

Balancing Tax Aggressiveness and Litigation Risk: Lessons from Brazil.

The present study analyzes the relationship between tax aggressiveness and tax litigation in the Brazilian environment,â€‚focusing on firms listed on B3 during the period between 2017 and 2022. Using metrics includingâ€‚the Effective Tax Rate (ETR), Book-Tax Differences (BTD), and Tax Burden on Value Added (TBVA), we show that tax aggressiveness is positively related to an increased frequency of legal disputes. TBVA hasâ€‚the most pronounced effect on litigation, implying that attempts to minimize aggregate tax burden might intensify disputes with the tax authorities. These findings reflectâ€‚a tension for accounting providers between strategic tax management and legal compliance in a complex tax environment. This study adds to the accounting and tax law literature by providing empirical information to assist with the development of public policiesâ€‚that can create better efficiency for the developed tax system while reducing litigation costs and promoting regulatory compliance.

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6.16: Tax Law Firms and Tax Litigation

***Intellectual Property Law Firm Networks and Tax Haven Strategies*.**

We explore the network role of intellectual property (IP) law firms in proliferating tax haven strategies for their corporate clients. In examining patent assignment filings from the U.S. Patent and Trademark Office (USPTO), we reliably identify IP law firms, known for protecting client IP value, advising client companies on assigning patents to tax havens. Results from our network analysis imply that companies assigning patents to tax havens are abnormally clustered through law firm links relative to a random network. We provide strong, robust evidence that companies are more likely to assign patents to tax havens if they are linked through law firms to another company doing the same. Importantly, we find that IP law firms develop distinctive tax haven strategies evident in the variation in preferred tax havens across different law firms. However, other results imply that the network role that law firms play in disseminating tax haven strategies subsides after Exchange of Information.

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6.16: Tax Law Firms and Tax Litigation

Tax Litigation as a Signal of Accounting Confidence.

This study explores whether the decision to engage in tax litigation against the Internal Revenue Service (IRS) serves as a meaningful signal regarding the likelihood of fraud, and accounting quality more generally. Given that tax litigation involves scrutiny of financial information by a third-party and the possible deposition of management, we predict that firms will only take this step if they are confident in the quality and integrity of their financial reporting. Using a novel dataset of cases filed against the IRS, we find that tax litigation is associated with a lower likelihood of fraud, restatements, and corporate violations. Furthermore, the signal is stronger when the cases are conducted in court venues where the discovery process is more extensive. We contribute to the literature on predictors of accounting fraud and signals of accounting quality by examining the signal contained in a management action rather than financial disclosures or ratios.

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6.17: Audit Personnel I

How Does Auditor Workload Affect Employee Spending and Turnover? Evidence from Micro-Level Transaction Data.

Long hours and excessive workload have long been a concern in public accounting. We investigate the effect of audit office busyness on individual auditor consumption patterns and turnover using unique micro-level data on individual Big 4 firm employees' bank and credit card transactions. We find that individual auditors reduce their overall spending when their audit office is busier, consistent with intense workload impacting individual auditors' personal lives. This reduction is particularly salient in certain categories, including discretionary and health related expenditures, and is stronger for lower-paid employees, i.e., junior auditors, and in smaller audit offices. We also find that individual auditors in offices with greater workload imbalance are more likely to leave their firms and exit the audit profession. Overall, our results suggest that greater workload negatively impacts auditors' personal lives and contributes to a talent exodus from the audit profession.

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6.17: Audit Personnel I

The Impact of School Ties on Entry-Level Auditors' Professional Development and Future Performance.

This study examines the impact of school ties on auditors' career development and future performance. We find that entry-level (junior) auditors who have school ties with the senior partners in the audit firms are promoted at a faster speed. We also show that the effect of school ties is stronger in less developed regions and non-Big Four firms. We further find that two mechanisms underlie the positive relation between school ties and auditors' career development: client sharing and collaborative work between senior and junior auditors. Also, promoting junior auditors with school ties increases senior partners' revenue generation ability and audit quality. Finally, we find that connected junior auditors generate more audit fee revenue without compromising audit quality, indicating a potentially beneficial sorting process in the promotion of auditors with school ties. Overall, this study highlights the importance of school ties in career development and audit performance.

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6.18: Critical Audit Matters II

Can Bad News be Good News? Investor Reactions to Going Concern Critical Audit Matters.

A going concern critical audit matter (CAM) differs from other CAMs because it involves deciding whether the company is likely to become insolvent instead of evaluating whether the financial statements are in accordance with Generally Accepted Accounting Principles. When assessing a company's financial viability, the auditor has three options in the going concern decision: (1) no going concern CAM or audit report modification, (2) a going concern CAM with no audit report modification, or (3) a going concern report modification. We examine investors' reactions to an audit report containing a going concern CAM without an accompanying going concern audit report modification. Investors interpret this event as a positive signal (i.e., the auditors assessed that the company will remain solvent). Our results suggest that going concern CAMs provide decision-relevant information to investors about the solvency of an auditor's clients.

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6.18: Critical Audit Matters II

Evaluating the Usefulness of Going Concern Critical Audit Matters: Insights into Auditor Uncertainty and Management Mitigation Plans.

Auditors play a crucial role in evaluating a company's going concern status by issuing opinions and, more recently, disclosing Critical Audit Matters (CAMs) that highlight areas involving high levels of uncertainty and significant auditor judgment. A key aspect of auditors' going concern evaluations is their assessment of management's mitigation plans. This research examines how going concern CAMs provide useful information by allowing auditors to highlight 'close call' judgments where they are hovering around the threshold of substantial doubt. I predict and find that going concern CAMs provide useful information regarding the future success of management's mitigation plans â€“ specifically as it relates to a company's likelihood to file for bankruptcy or delist from their stock exchange as well as changes in a company's future profitability, liquidity, and solvency. Overall, these findings suggest that going concern CAMs offer financial statement users valuable insight into auditors' uncertainties surrounding a company's viability.

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6.18: Critical Audit Matters II

Seeing Through a New Lens: A Differential Analysis of the Impact of Critical Audit Matters Reporting on Audit Delay Across Audit Seasons.

We investigate how auditors' workloads during early adoption (FYEs from June to November 2019), busy season adoption (FYE in December 2019), and late adoption (FYEs from January to May 2020) â€“ moderate the relationship between Critical Audit Matters (CAMs) reporting and audit delays. We find that early adopters experience increased audit delays, whereas busy season adopters experience no significant change in audit delays, consistent with the expectation that auditors dedicate additional effort to CAMs reporting during the non-busy season but reduce efforts during the busy season due to time pressure. Late adopters, despite having capacity for additional work, also show no increase in audit delays, possibly due to imitating previous CAMs for symbolic comfort. Early adopters report more total and unexpected CAMs, and produce longer reports, suggesting that insufficient audit effort, particularly during the busy season, may lead to less comprehensive CAMs reports.

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6.19: Strategic Disclosure

Combating Insider Trading in the Pharmaceutical Industry: Does FDA-mandated Clinical Trial Disclosure Provide a Remedy?

This paper examines the effect of mandatory clinical trial disclosures on the profits of insider trading, which is prevalent in the pharmaceutical industry. Using the implementation of the U.S. Food and Drug Administration Amendments Act (FDAAA) of 2007, which significantly increased the disclosure of clinical trials at Phase II or above, as an exogenous shock, I find a decrease in insider trading profits in affected firms. The cross-sectional analyses indicate that the effect is more pronounced for firms with higher uncertainty, poorer information environment, more detailed description of clinical trials, a higher degree of clinical trial completion, and an earlier submission of clinical trial results. Additionally, I find that the decrease in insider trading profits is concentrated among non-routine insider trades. These findings suggest that the increased disclosure under the FDAAA reduces the informational advantage of insiders.

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6.19: Strategic Disclosure

***Congruent Photographs and Text in Annual Reports*.**

We investigate management's strategic use of photographs and text in annual reports. Communications research shows that when text and adjacent photographs share similar meanings (are congruent), they improve understanding and memorability. Using the deep-learning Bootstrapping Language-Image Pre-Training (BLIP) model to measure photo-text congruence, we find that poorly performing firms tend to enhance the photo-text congruence in their annual reports, suggesting an emphasis on favorable data. This strategy mitigates the negative impact of their poor performance, as evidenced by higher shareholder supporting rates for director elections and say-on-pay proposals at the next annual meeting. The higher photo-text congruence is also correlated with better future firm performance. By exploiting a quasi-natural experiment that involves ISS scrutiny, we provide some some causal evidence. Enhancing photo-text congruence of favorable data can facilitate communication to shareholders.

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6.20: Strategic Response to Sustainability

***ESG Risks and Financial Statement Verification in Bank Lending*.**

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

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6.20: Strategic Response to Sustainability

Financial Innovation via Sustainable Lending.

We examine the incentives that drive banks to introduce Sustainability-Linked Loans (SLLs). By analyzing a comprehensive dataset of banks leading these deals, we find that multinational banks, especially top players in the global syndicated markets, are more likely to offer SLLs than domestically focused banks. While multinational banks are more inclined to offer SLLs in their home markets, their international expansion strategies prioritize economically important credit markets, where they hold leading market positions but face stagnating growth. Leading an SLL transaction, particularly by taking on a prominent role as a sustainability agent, strengthens foreign banks' market positions in local syndicated loan markets. This is achieved by retaining relationship borrowers and attracting new clients, even though such activities contribute little to banks' profitability. Our findings underscore the strategic motivations behind banks' introduction of SLL products, highlighting their effor

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6.20: Strategic Response to Sustainability

Proactive Suppliers: Negative Environmental & Social-Related Media Coverage and Strategic Responses in Supply Chains.

This study investigates whether and how suppliers protect their customers from spillovers of environmental & social (ES) risks in supply chains. We find that suppliers respond strategically to negative media coverage of ES practices by withholding the disclosure of their major customers' identities and extending more trade credit. The channel tests show that suppliers' strategic responses are driven by the salience of spillover effects of the negative ES-related media exposure in supply chains and the dependence on customer-supplier relationships. We also find that suppliers use these strategies particularly when fewer of their industry peers receive ES-related media criticism. Furthermore, suppliers adjust their disclosure and trade credit policies based on media sentiment and the attenuation of media exposure over time. Overall, our findings suggest that suppliers are proactive in protecting their major customers from the anticipated spillover of ES risks in supply chains.

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6.21: Strategic Voluntary Disclosure Choices

Cooperative Strategic Disclosure.

Recent research finds that firms use disclosure to weaken their competitors. However, I hypothesize that in settings with repeated interactions and strong cooperation incentives, firms will instead strategically use disclosure to strengthen their competitors. In support of this hypothesis, I find that unionized firms disclose bad news about their own financial outlooks to increase their unionized peers' bargaining power during labor negotiations. Consistent with game theory predictions, I further find that this peer-strengthening disclosure appears to be based on reciprocity and concentrated in firms facing credible and severe threats of retaliation, as well as firms poised to benefit more from cooperation. These findings provide novel evidence that firms use disclosure to strengthen their competitors under certain circumstances, broadening our understanding of firms' strategic disclosure incentives.

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6.21: Strategic Voluntary Disclosure Choices

Sequential Voluntary Disclosure.

I examine the interplay between peer firm effects and strategic behavior within a dynamic setting where two firms sequentially make voluntary disclosures in a multistage game with either exogenous or endogenous timing. The game features unknown and correlated information endowments ('the Dye friction' as in Dye, 1985; Jung and Kwon, 1988) and independent liquidation values. In the exogenous timing setting, I show that the presence of a peer firm as a strategic information source induces more disclosure by the focal firm; this effect is more pronounced when the correlation of information endowments is higher. In the strategic timing setting, I demonstrate that three pure strategy perfect Bayesian equilibria can be sustained; in these equilibria, signaling effects and real option values arise from strategic timing, and firms tend to delay the disclosure of bad news. Additionally, in both settings, when the probability of being uninformed is high (low), the first mover i

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6.21: Strategic Voluntary Disclosure Choices

Strategic Communication with a Myopically Loss Averse Investor.

We study a dynamic communication model with a myopically loss averse investor as the information recipient. In a multi-period setting, the manager learns about the firm's fundamental value earlier than the investor and can report this additional information either truthfully or with a bias. We assume that the manager's communication strategy aims at optimizing the investor's perception of firm performance. Our model predicts that the manager will try to avoid downward price movements, which are disproportionally detrimental to the loss averse investor. In particular, the manager will claim stock values close to the investor's prior expectation to avoid immediate or future down movements. We examine the asset pricing implications of this communication strategy and find that strategic managerial behavior can reduce stock return volatility and cause stock price momentum.

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6.22: Technology and Disclosure

Artificially Intelligent or Artificially Inflated? Determinants and Informativeness of Corporate AI Disclosures.

As Artificial Intelligence (AI) emerges as a transformative General Purpose Technology (GPT) with substantial market enthusiasm, the need for firm-specific investments to leverage AI capabilities creates both opportunities for innovation and risks of AI washing. Using textual analysis and individual-level AI employment data from 2016 to 2023, we provide evidence that AI disclosures are more likely among firms with higher R&D and analyst coverage and those that operate in AI-intensive industries. AI disclosures correlate positively with operational efficiency and AI patent filings and negatively with dividend payout policies. A subset of firms suspected of AI washing-those with high disclosure but low AI employment-do not experience these benefits. These firms tend to be smaller, with lower R&D and external monitoring. We also provide evidence that firms that heavily invest in firm-specific AI employment significantly outperform suspected AI washers using long-term buy-and-hold returns.

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6.22: Technology and Disclosure

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

In this paper, we examine whether machine-readable disclosures enhance the regulatory scrutiny of the Securities and Exchange Commission (SEC). Using firms' mandatory adoption of Inline XBRL (iXBRL), which significantly increases the machine readability of firms' financial reports, we find that the SEC is more likely to issue comment letters to firms mandated to adopt iXBRL following the adoption compared with those not subject to the mandate. This increase is more pronounced when the SEC is busy, when filings are ex ante less machine-comparable, less machine-readable and more complex, and when SEC staff members have more experience. These results suggest that machine-readable filings improve the SEC's review efficiency. Furthermore, we find that the comment letters sent to firms that adopt iXBRL cover a broader range of topics and that the SEC spends less time initiating comment letters after the mandate compared with the letters sent to firms that do not adopt iXBRL.

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6.22: Technology and Disclosure

Does Investors' Utilization of Technologies Discourage Firms' Disclosure? Evidence from Archival and Experimental Analyses.

This paper examines whether investorsÂ´ utilization of advanced technologies to process corporate filings discourages corporate disclosure. Our archival evidence suggests that firms are more likely to redact information and underâ€"report R&D expenses when machines more frequently download their historical filings. We also find that the tendency to redact material information is more pronounced for firms with high proprietary costs. We find similar results when employing XBRL adoption as an exogenous shock reducing automated systemsÂ´ information processing costs. Our experimental analysis identifies the causal link behind the empirical phenomenon: participants are concerned about (1) information misinterpretation and (2) the leakage of competitive information to competitors. This study provides insights into how technological advancements may inadvertently incentivize firms to limit transparency.

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6.23: Textual Analysis and Disclosure Properties I

Beyond Regulation Fair Disclosure: Strategic Communication and Investor Reactions to Earnings Downgrades.

This study investigates how Form 8-K filings and conference calls influence information asymmetry when firms announce downward revisions in their financial performance guidance. Analyzing 9,671 instances of lowered earnings guidance issued by U.S. firms from 2005 to 2022, the research reveals that firms relying solely on press releases face more negative abnormal returns compared to those supplementing disclosures with conference calls and SEC Form 8-K filings. By employing readability indices and sentiment analysis, the study evaluates the tone and complexity of these communications. The findings indicate that positive-toned Form 8-K filings help mitigate the adverse effects on abnormal returns, whereas the complexity of the text or the tone of the conference call shows less definitive impact. These results highlight the role of detailed and positively framed disclosures in reducing information asymmetry and alleviating negative market reactions.

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6.23: Textual Analysis and Disclosure Properties I

Internally Generated Intangible Capital and Information Uncertainty: The Mediating Role of Narrative Disclosures.

This study examines how narrative disclosures mediate the relationship between internal intangible investments and information uncertainty in capital markets. We quantify and classify narrative disclosures into three categories-human capital, relational capital, and structural capital-and analyze their mediating effects using structural equation modeling. Our findings show that while both R&D and operational SG&A increase idiosyncratic stock return volatility, they have opposing effects on disclosure levels: R&D is positively associated with disclosures while operational SG&A is negatively associated. More importantly, intangible capital disclosures, particularly human capital disclosures, help reduce information uncertainty driven by internal intangible investments. Cross-sectional analyses reveal that the effectiveness of these disclosures varies across industries, firm characteristics, and time periods. These findings have important implications for managers in designing disclosure

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6.23: Textual Analysis and Disclosure Properties I

Risk Disclosures and Readability: Insights from U.S. Banks and Insurance Companies.

Risk disclosures and their readability play a vital role in the financial reporting processes of banks and insurance companies. This study investigates how the frequency of risk-related keywords in risk disclosures influences the readability of 10-K reports in U.S. banks and insurance firms. Utilizing a dataset comprising 5,128 firm-year observations from Thomson Reuters Eikon (2005â€“2023), we employed textual analysis to explore the implications of detailed risk disclosures. Readability was quantified using the Bog Index, which evaluates sentence length and word familiarity. The findings indicate that an increased frequency of risk-related keywords significantly diminishes readability, supporting the theoretical frameworks of information asymmetry and signaling. Robustness tests and alternative readability metrics corroborate these results. Moreover, we find that a positive disclosure tone and strong board governance can alleviate the adverse effects of risk disclosures.

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6.24: Transparency, Capital Allocation, and Cost Dynamics

Anywhere But Here: Pay Transparency and Human Capital Allocation.

We examine the effect of pay transparency on employers' human capital allocation decisions using Colorado's recent Equal Pay for Equal Work Act (EPEWA), which mandates job-specific pay disclosure for job postings in Colorado. Using a difference-in-differences approach, we find that firms reduce job postings in Colorado by 3.4% compared to other states following the law's implementation. The reduction is more pronounced for firms with greater proprietary and labor cost concerns, suggesting that these disclosure costs are the main drivers of hiring changes. In addition, firms affected by the law increase job postings in non-Colorado states compared to unaffected firms, indicating a shift in hiring away from Colorado. Firms with lower shifting costs experience a sharper decline in Colorado job postings. Moreover, firms facing higher disclosure costs are also more likely to provide uninformative pay ranges or withhold pay range disclosure in job postings altogether.

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6.24: Transparency, Capital Allocation, and Cost Dynamics

Cost-Shifting in Healthcare: Insights from Organ Procurement Organization Cost Reports.

This study examines the incentives influencing strategic cost allocation and subsequent outcomes within the nonprofit organ transplantation system in the United States. Using comprehensive data from annual organ procurement organization (OPO) cost reports, we conduct an analysis of the costs associated with organ procurement. We employ a variance decomposition analysis to examine the costs of the four most sought-after organs (kidneys, livers, hearts, and lungs). We discover that although the Centers for Medicare & Medicaid Services (CMS) mandate that costs be uniformly allocated across organs, OPOs allocate costs differently between kidneys, which are fully reimbursed by Medicare through end-of-year reconciliations, and other organs, whose prices are set according to a predetermined fee schedule and reimbursed by public and private insurances. Our research shows a mechanism that enables OPOs to potentially engage in cost-shifting from other organs to kidneys. Our paper provides a comp

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6.24: Transparency, Capital Allocation, and Cost Dynamics

Do Customer Disclosures Affect Suppliers' Internal Capital Allocation Decisions?

This study investigates whether suppliers' internal capital allocations are affected by increases in customers' public disclosures. Suppliers often hold private information about their customers, which provides a competitive advantage over potential suppliers. However, mandated disclosures of potentially proprietary information, e.g., SFAS 131, can attract new entrants to the supplier market. The findings suggest that suppliers invest in production capacity in response to competitive threats spurred by greater customer disclosures. Furthermore, suppliers amend internal capital decisions to favor segments involving customers with increased disclosures, contrary to what Tobin's q prescribes. Using segment-level data, I show that supplier segments invest significantly more ('over-invest') relative to growth signals when they have customers who expanded disclosures. Additional analyses confirm that my results are driven by strategic entry deterrence incentives.

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6.25: Transparency, Disclosure, and Decision-Making

IFRS 17 and the Decision-Usefulness of Insurers' Financial Reporting Information.

We investigate the impact of IFRS 17, the new accounting standard for insurance contracts, on the decision usefulness of insurers' financial reporting information. IFRS 17 replaces IFRS 4 and aims to enhance decision usefulness by requiring timely and transparent recognition of economic changes and providing improved information on current and future profitability. Using a global sample of publicly listed insurers, we find that IFRS 17 adoption increases earnings informativeness and reduces information asymmetry. These information benefits accrue primarily to firms previously not reporting under market-consistent regulatory or voluntary reporting frameworks and life insurers, consistent with more significant financial reporting changes for their long-term insurance contracts. However, we also observe slower resolution of investor disagreement and uncertainty around earnings announcements, highlighting transitional challenges due to IFRS 17's complexity.

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6.25: Transparency, Disclosure, and Decision-Making

Shadow Leverage via Minority Equity.

Shadow leverage, a hybrid financing method common in China, involves an equity issuance-buyback agreement with debt-like traits between a parent firm and its minority shareholders. We evaluate the extent of shadow leverage via minority equity using consolidated and parent financial statements. Our findings reveal that shadow leverage is positively correlated with regular leverage and negatively correlated with state ownership, suggesting it complements traditional debt. Unlike regular leverage, shadow leverage payouts are not tax-deductible, leading to a negative association with corporate tax rates. Additionally, creditor-level tax influences the availability of shadow leverage. Following a 2013 reform that raised costs for shadow fund providers, firms reduced their reliance on this financing method. While shadow leverage can help ease financial constraints, its use is associated with inefficient investments, increased default risk, and a a heightened stock price crash risk.

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6.26: Value Relevance of Accounting Information

Cash Flow Hedges in Other Comprehensive Income.

Whether gains and losses of cash flow hedges reported in other comprehensive income (OCI) convey information about future firm performance and whether market participants understand these information signals (if any) remain open questions. We examine these issues after taking into account the unique nature and characteristics of hedge accounting that are overlooked in the prior literature. Examining cash flow hedges of U.S. oil and gas exploration and production firms, we find that these disclosures contain relevant information about the subsequent year's earnings and operating cash flows. Moreover, we find that analysts and investors understand the distinct information signals provided in OCI regarding the future performance implications of unhedged and hedged positions of oil and gas output. Our findings suggest that disclosures provided under current hedge accounting standards provide value relevant information to capital market participants.

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6.26: Value Relevance of Accounting Information

Does the Stock Market Effectively Leverage Disaggregated Manufacturing Cost Information? Evidence from a Mandatory Regime.

The Financial Accounting Standards Board (FASB) has highlighted income statement disaggregation with its Accounting Standards Update 2024-03, mandating expense disaggregation, including cost of goods sold. However, empirical evidence on the price implications of disaggregated manufacturing cost disclosures remains scarce due to confidentiality. Using Japan's unique setting, where such disclosures were mandatory until 2013, we assess their impact on stock price efficiency. Surprisingly, we find little evidence that the stock market effectively leverages disaggregated manufacturing cost information, even for firms where cost structure information is highly relevant. Additionally, disaggregated costs do not necessarily represent heterogeneous information. Furthermore, the repeal of mandatory disclosure did not result in significant stock price reactions. Our findings contribute to the regulatory debate regarding the mandatory disaggregation of income statement expenses.

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6.26: Value Relevance of Accounting Information

***The Value-Relevance of Short-Window Fluctuations in Brand Perception*.**

This study extends prior research on the value-relevance of brand values by examining whether investors incorporate the volatility of these measures into stock valuations. We find that smaller firms, those with lower marketing investment, and higher competition experience more volatile brand perceptions. In our main analysis, we find that the volatility in brand perception weakens the positive relationship between brand perception and stock price, indicating that the market discounts volatile brand perceptions. Such volatility is not associated with systematically lower future payoffs to brand perception but is associated with more volatile future payoffs, providing a plausible explanation for the investor discount. The discount is attributable to stocks owned by more institutional investors, who are more likely to access alternative data on such volatility. Our evidence provides important insights for developing a comprehensive reporting model for brands and other intangible assets.

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6.27: Gender Implications in Audit and Valuation

Gender Diversity Implications on Oil and Gas Companies' Value.

Purpose This research investigates the impact of gender diversity on the value of Oil and Gas Companies (OGCs), focusing on data from the New York Stock Exchange (NYSE) in the USA and the London Stock Exchange (LSE) in the UK. Design/methodology/approach The study employs panel data regression on 110 observations collected from 2013 to 2022, alongside descriptive statistics and hypothesis testing. It uses metrics such as the percentage of women in leadership roles and gender diversity indices to analyze their relationship with Tobin's Q-a proxy for firm value. Findings Gender diversity within OGCs listed on the LSE positively impacts firm value, as evidenced by a significant relationship with Tobin's Q. Conversely, no significant impact of gender diversity on firm value is observed for NYSE-listed OGCs. Tobin's Q mean value for NYSE-listed OGCs remains higher than that of LSE-listed OGCs, suggesting other factors may overshadow diversity's effect in the US market.

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6.27: Gender Implications in Audit and Valuation

In the Risk We Trust: Reconciling Gender Differences in Internal Audit Risk Assessment.

Prior research suggests that women and men may exhibit gender differences depending on their social roles and contexts. In this study, we explore the role of gender in internal audit risk assessments. Specifically, we examine how internal auditors perform youth program audits, a type of audit addressing risks prompted by several child abuse scandals in U.S. higher education, and the association between chief audit executives' (CAEs') gender and their decisions regarding youth program audits. Analyzing hand-collected internal audit plans and reports from public U.S. universities, we find that male CAEs are as likely as female CAEs to plan youth program audits. However, female CAEs tend to plan more youth program audits than their male counterparts to ensure that the risks associated with youth programs are fully mitigated. This study sheds light on internal audit practices in U.S. higher education and provides insights into gender differences in internal audit risk assessment.

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6.27: Gender Implications in Audit and Valuation

The True Cost of Auditor Burnout.

While demands of the audit profession have been increasing, resources needed to meet those demands have not kept pace. Consequently, more and more auditors experience burnout, a syndrome characterized by emotional exhaustion, depersonalization, and reduced personal accomplishment. Although audit firms and the PCAOB are aware exhausted auditors may not deliver sufficient audit quality and may choose to leave the firm, if not the audit profession entirely, they have not taken the steps needed to decrease the prevalence of auditor burnout. One explanation for this lack of action may be the presumption that the costs of solving the problem (i.e., designing and implementing appropriate management controls over auditor burnout) outweigh the costs of tolerating auditor burnout. In this paper, we offer a comprehensive analysis of the costs of auditor burnout so audit firms, professional associations, and regulators may make more informed decisions going forward.

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6.28: Assorted Methods

Bridging the Gap: A Content Analysis of Management Accounting Research and Its Relevance to Practice.

The objective of this research paper is to bridge the gap between scholarly and practitioner research and provide relevant summaries of results that have implications for practitioners. First, we explore the applicability and relevance of managerial accounting research in the past decade. We present the summary content analysis of 500 academic articles and more than 2000 practitioner-oriented articles and provide trends, topics, and some comparisons. Second, we present a framework of the relationship that can be established between practice and academia, current challenges, and factors that can contribute to flourishing a mutually beneficial relationship between practitioners and academicians. In addition, we discuss examples of academic research studies that have potential benefits for practitioners and provide insights for areas that need future research. The paper has crucial implications for academics and practitioners.

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6.28: Assorted Methods

Indigenous Institutions in A Manufacturing Control Systemâ€”Strategy Implementation with Multiple Goal Setters.

We examine how the management accounting control system implements strategy in a large manufacturer. Institutional theory helps us to understand how control processes impact strategy. We show that the interplay between the formal and indigenous institution (e.g., Havenevik and HÃ¥rmar, 1999) steer strategy implementation. Strategy implementation, which is usually understood to be a separate, activity, is in this case the content of a set of communications that flow through the indigenous institution and are filtered and transformed in such a way that the implemented strategy is not the same as the strategy prescribed by the formal institution. We show that the indigenous institution has a long-term engagement with the issue of where control should be located, and it introduces operating strategies unrelated to the formal strategy. The metaphorical concept of the indigenous institution reifies the underlying interactions of the participants in an understandable and useable way.

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6.28: Assorted Methods

The Asymmetric Effect of Uncertainty on Managers' Investment Decisions.

Economic theory predicts that managers will reduce or delay investment in the presence of uncertainty. However, most research aiming to test this hypothesis uses the variance of stock returns to proxy for uncertainty in expected investment outcomes, neglecting the fact that the distribution of expected investment outcomes is often asymmetric. This study relaxes the implicit assumption of symmetry and explores whether the association between uncertainty and investment depends on the shape (i.e., skewness) of uncertainty. I find that positively skewed expected investment outcomes are positively associated with future investment, while controlling for expected payoff and uncertainty. I further investigate possible channels behind this relationship by showing that board of directors and creditors prefer positive skewness, incorporating their preferences into debt and CEO compensation contracts. Taken together, the study reveals that the effects of uncertainty on investment are more nuanced

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6.29: Feedback and Incentives

Managersâ€™ Feedback Provision to Employees: The Impact of Feedback Culture and Employee Performance on Feedback Scope and Feedback Content.

In addition to formal feedback, managers' provision of informal feedback such as direct, task-related feedback is crucial in organizations, especially in dynamically evolving environments. Despite its importance, managers often hesitate to provide such feedback to their employees because the provision is time-consuming and hardly controllable. Drawing from the theory of reasoned action, this experimental study explores how (1) a company's feedback culture and (2) employee performance affect managers' cost-benefit-balance and, consequently, their decision to provide feedback and the respective feedback scope. As predicted, we find that the feedback scope is greater when the feedback culture encourages informal feedback than when it does not. Further, we show that the feedback scope increases when employee performance declines. Lastly, we also predict and find that the company's feedback culture moderates the effect of performance level on feedback scope.

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6.29: Feedback and Incentives

Paying Employees to Stay: The Influence of Retention Bonuses on Employees.

A retention bonus is an incentive paid to employees to stay with an organization during a critical business cycle. Despite the frequent use of retention bonuses in practice, a paucity of research examines how they can influence employee behaviors. In this multi-study research, we explore how one feature of retention bonuses, the basis of selection, can influence employee retention decisions and effort. Using an effort-sensitive task, we observe that when individuals receive a retention bonus selected based on merit, their post-bonus performance is less than those selected for a retention bonus based on factors other than merit. Our research contributes to the rising literature of employee retention mechanisms and provides a better understanding of how retention bonus can influence retained employees' intentions and motivations.

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6.29: Feedback and Incentives

Productivity versus Efficiency: The Effect of Incentive Frame on Target Setting in Participative Budgets.

We examine how incentive frame and outcome uncertainty affect performance targets employees incorporate into their participative budgets. We predict and find that employees perceive an efficiency contract that rewards input minimization as riskier than an equivalent productivity contract that rewards output maximization, and that this heightened risk perception leads to lower performance targets. Furthermore, consistent with expectations we find that outcome uncertainty leads to lower targets under both incentive frames, but the effect is symmetric across the two contracts. That is, the framing effect is robust to production environments with low uncertainty. Our findings have implications for organizations that use budget-based incentives and participative budgeting systems as utilizing productivity incentives instead of efficiency incentives may lead to lower levels of risk-reducing budgetary and higher performance targets.

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6.30: Firms and Stakeholders

Corporate vs. Community: The Impact of Partisan Discord on Labor and Firm Performance.

Americans have experienced a widening divide in political ideology, and political polarization has attracted increasing attention. We study the effect of partisan discord, i.e., the misalignment between a firm's political positioning and the political ideology of its local community, on firm performance. We predict and find that partisan discord is negatively associated with firm performance because it reduces trust and cooperation from local stakeholders. This negative association is more pronounced in firms that rely more on intra-firm communication, consistent with the increased importance of employees' trust and collaboration for these firms. The negative association is also stronger for firms with higher political risks. We also find that partisan discord damages employees' perceptions of their employer, worsening the 'best-employer' rankings of these firms. Firms with high levels of partisan discord also report more internal control material weaknesses.

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6.30: Firms and Stakeholders

Determinants and Consequences of ESG Target Difficulty in CEO Compensation Contracts.

Despite investor demand for corporations' commitment to ESG issues, there is a lack of empirical evidence on how ESG targets are set in compensation contracts. Using hand-collected data on ESG targets disclosed in U.S. public firms' proxy statements, we examine the determinants and consequences of ESG target difficulty in CEO compensation contracts. We have the following findings: First, we provide large-sample descriptive analysis of the frequency, type and difficulty of ESG targets used in CEO compensation. Second, ESG target difficulty increases in prior-year ESG target difficulty, financial performance target difficulty, and board independence. Third, although socially responsible investors are more likely to invest in firms that meet or beat their ESG targets, lower ESG target difficulty is associated with worse ESG outcomes. Results of our study have important implications for firms' design of executive compensation contracts as well as for investors and stakeholders.

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6.31: Models

How Does Board Network Centrality Affect Bullwhip Effect? Based on Social Network Analysis.

This study examines the impact of director network centrality on a firm's bullwhip effect. Using network analysis, we explore multiple dimensions of centrality and find that firms with well-connected boards experience lower levels of bullwhip effect. We argue that board network centrality mitigates the bullwhip effect by reducing information asymmetry. Specifically, it reduces supply chain concentration, increases supply chain discourse power and efficiency. Additionally, the main effect is more pronounced in firms operating in more competitive industries and challenging market conditions, in non-SOEs, or in manufacturing firms with better corporate governance, poor digital transformation, higher transparency, or during the decline stage. Moreover, the network dynamics can significantly impact both daily operations and corporate culture. Firms with centralized board networks tend to allocate fewer resources to maintain supply chain relationships and cultivate a culture of cooperation.

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6.31: Models

Queuing Management for the Cost of Congestion and the Profit Potential.

Congestion costs refer to opportunity losses (profit losses) caused by customer's balking or reneging behavior due to congestion; a study by Hirai and Kataoka (2024) modeled congestion costs and showed that profits decrease when utilization rates increase too much. This makes it clear that controlling the rate of balking or reneging is essential to maximizing a business profits. Proper queuing management can prevent customer's balking or reneging due to wait times and contribute to improved profits and a better customer experience. This has attracted attention as a means of building competitive advantage. The purpose of this paper is to extend the preceding model and explore the significance of controlling customer's balking or reneging behavior during congestion through simulation. It also discusses the profit potential and ways of control and explores the role of queuing management in addressing congestion problems.

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6.31: Models

Quiet Investment: Overconfident CEOs and Capex Guidance.

We study how CEOs' overconfidence affects their propensity to issue capex guidance using a combination of analytical modeling and archival analyses. Perhaps surprisingly, our model predicts that overconfident CEOs are less likely to issue capex guidance. The broad intuition is that overconfident CEOs overinvest from the shareholders' perspective, and this perceived overinvestment is particularly strong for disclosing CEOs. Empirical analysis confirms this prediction. Cross-sectional tests confirm other major model predictions that overconfident CEOs are especially unlikely to issue capex guidance when shareholders have lower confidence in the firm or there is a large proportion of institutional shareholders. Exploratory analysis finds that even among disclosing CEOs, overconfident CEOs tend to bias their capex disclosures downward. Our results provide nuance to prior research, which shows that overconfident CEOs are more likely to engage in voluntary disclosure.

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6.32: Investor and Analyst Impact

Analyst Demand and Corporate E&S Performance.

Motivated by growing anecdotal evidence, we investigate whether career-concerned analysts' demand induces stronger environmental and social (E&S) performance. Analysts may demand stronger E&S performance because it enhances their careers. We find a positive association between analyst career concerns and firms' E&S performance, which is further corroborated by tests using exogenous variation in analyst career concerns. This association is limited to low-profile firms (e.g., non-S&P 500 firms, 75% of the sample). Additional evidence suggests that leveraging stock promotion efforts is the mechanism through which career-concerned analysts influence E&S performance. Lastly, we find that analysts' careers benefit from stronger E&S performance.

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6.32: Investor and Analyst Impact

Exit vs Voice vs Denial of (Re)Entry: Assessing Investor Impact Mechanisms on Corporate Climate Transition Across Asset Classes.

The Voice versus Exit debate largely focuses on existing equity shareholders. This neglects debt capital, which due to its refinancing cycle represents a key lever for investors who aim to have an impact. We propose a new investor impact mechanism, Denial of (Re)Entry, and assess all mechanisms regarding cash flow and profitability effects, retention of legal rights, as well as security price and symbolic effect across listed debt and equity. Debt Denial has a direct cash flow effect which is particularly strong when the company needs to repay existing debt at the end of its maturity. Investors can use this key moment to influence by withholding fresh cash unless Paris-Alignment is ensured in the re-financing by imposing a sustainability-linked covenant.

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6.33: Monitoring Effects

Community Religiosity and Board Monitoring: Evidence from the Structure of Board Committees.

This study aims to investigate the impact of community religiosity on the internal composition of corporate boards. Based on extant scholarly literature, it has been posited that the degree of religiosity could potentially exert influence on the composition of monitoring directors both in terms of augmenting and diminishing. The findings of our analysis indicate that there exists a positive relationship between community religiosity and the monitoring intensity of directors. This positive association is found to be influenced by public performance represented by credit ratings, KLD ratings and ESG ratings, as well as external supervision represented by market competition, analysts counts, and institutional holdings. Overall, our findings are consistent with the idea that community religiosity accompanied by higher corporate monitoring tendencies, increases the focus on corporate board monitoring directors.

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6.33: Monitoring Effects

The Monitoring Role of Online Petitions in Corporate Social Responsibility.

This study examines whether and how online petitions affect target firms' corporate social responsibility (CSR) performance using data from Change.org, the world's largest petition platform. I find that firms subject to CSR petitions are more likely to show improvements in subsequent CSR performance, especially when the petitions attract greater public support, as reflected in the number of signatures. The effect is more pronounced in firms in industries with higher union membership, less regulated industries, counties with fewer local newspapers, and counties with fewer civic organizations. The effect is not significantly different between the consumer goods sector and other sectors.The evidence suggests that online petitions can effectively pressure firms to improve CSR practices, with the influence shaped by monitoring from various key socially responsible stakeholder groups, depending on whether these groups' monitoring substitutes or complements the monitoring of online petitions.

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6.34: Design Science Research

Addressing the Chasm: Direct IoT Circular Measures of ESG.

Most currently proposed Environmental, Social and Governance (ESG) measures are based on indirect measures, that is, they are based on the measurement of resources associated with the ESG object of interest (carbon) which is the source of the pollutant or the item of concern. A formula is then used to compute the standard level of the object of interest's amount which is in play. For example, such indirect measures could be determining the amount of CO_2 emissions measured by the consumption of fuel or capturing diverse outcomes in board decision making measured by the diversity of the board itself. Using the work of Leontief (1991), Tenuta and Cambrea (2022), Dai and Vasarhelyi (2016); Alzamil, et al. (2020); and others, we propose using IoT sensors to directly measure objects of interest in ESG processes thereby reducing measurement error and estimation problem. The paper uses the idea of circular flows in the economy to propose how IoT can be used to drive measurement improvements.

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6.34: Design Science Research

Assessing the Risk: A Comprehensive Methodology for Evaluating Laundering Likelihood in Crypto Exchanges.

This study develops a methodology for evaluating the likelihood of problematic transactions in cryptocurrency exchanges. Drawing on traditional currency/stocks literature and regulatory frameworks, we propose a crypto specific risk assessment model that incorporates both quantitative and qualitative factors. This approach integrates a weighted risk score to create a more robust evaluation framework. We discuss cryptocurrency exchanges and the interplay between the technological and behavioral determinants of illegal activities in the cryptocurrency ecosystem. The study contributes to the growing body of AIS research on cryptocurrency risks by providing a scalable, adaptable tool for regulators, financial institutions, and law enforcement agencies. Our findings have important implications for the development of more effective risk management strategies in the rapidly evolving cryptocurrency market.

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6.34: Design Science Research

***Diving into Accounting Scientific Knowledge: Insights from the ASK Agent*.**

The increasing volume of scientific literature makes it difficult for researchers to stay up-to-date, identify key papers, synthesize existing knowledge, and discover meaningful connections between different research streams. Using the Design Science Research method, this study focuses on this problem by creating and evaluating a systematic literature review agent, for accounting research, employing elements of algorithmic structure, natural language processing, and bibliometric techniques to automate the identification, ranking, and categorization of relevant articles. Findings are based on a five-year Web of Science dataset (n= 1,040), and a comprehensive framework for assessing the performance of the ASK Agent and large language models (ChatGPT and GEMINI) in conducting systematic literature reviews of sustainability reporting research. The agent outperformed both LLMs. The major claim and academic contributions are identified and registered.

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6.35: Skillset Evolution: Boldly Advancing Public Accounting (Accounting)

Careers in Public Accounting: An Empirical Analysis of Pathways to Partnership.

The academic literature on achieving partnership in the elite segment of public accounting is sparse. This accomplishment, perhaps the pinnacle attainment in the profession, is the result of several important career decisions made by the individual that have not been sufficiently studied. This paper considers the efficiency of various ways that partnership has been achieved as well as how that has been influenced by ascribed conditions. The results contradict some conventional beliefs that exist among people in the accounting community and illustrates how public accounting careers have changed in recent times.

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6.35: Skillset Evolution: Boldly Advancing Public Accounting (Accounting)

Integrating Professional Skills Using Self-Managed Skills (Elaboration, Problem-Based Learning, & Team-Based Learning) into Intermediate Accounting II(III).

Professional skills (e.g., critical thinking, decision making, communication, teamwork,) were integrated into Intermediate Accounting II(III) using self-managed skills. Students learn by performing the elaboration assignment (i.e., Topic Project), PBL (i.e., Journal Article Project), and TBL Project. Projects and feedback/assessment activities were created using the Backward Design technique. The AICPA, Pathways Commission, CGMA, and IFAC professional skill sets were the basis for students' projects. Pre-Post-Test assessment showed that the TBL Project significantly improved students' learning of financial statement analysis topics. On the end of the semester survey, students generally 'strongly agree' or 'agree' that the 50+ desired professional skills were accomplished while preparing the Topic Project, Journal Project, and TBL Project.

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6.35: Skillset Evolution: Boldly Advancing Public Accounting (Accounting)

Using Accounting Hall of Fame Profiles and Videos to Inspire Interest in Accounting.

The Accounting Hall of Fame (AHOF) is commemorating its 75th anniversary in 2025. Profiles and videos of the members of the AHOF are available at the American Accounting Association (AAA) website. There are inspiring stories in these profiles that highlight the accomplishments of these celebrated accountants and the adversities that they overcame to reach the pinnacle of their profession. Students in accounting classes may find motivation in learning about these achievements.

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7.08: Impact of Professional Credentials, Career Videos and Major Name on Students' Perceptions of Accounting

Accounting and Business Advisory.

Owing largely to productivity-enhancing technological advancements, the time required for accountants' traditional duties has fallen in recent decades. This shift has freed the profession to focus on providing higher value-added advisory services to their clients and organizations. However, to date, accounting academia has largely failed to reflect this notable change to accounting practice. To better convey the nature of professional opportunities available to current and prospective students, this paper proposes repositioning the accounting major as 'Accounting and Business Advisory.' Survey results of first- and second-year undergraduates indicate this framing is less susceptible to traditional negative accounting stereotypes. Substantive changes to coursework and curriculum designed to assist with inculcating an 'advisory mindset' in students are suggested.

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7.08: Impact of Professional Credentials, Career Videos and Major Name on Students' Perceptions of Accounting

Accounting Studentsâ€™ Judgments and Perceptions of Professional Credentials: Survey Evidence.

Many practitioners are concerned about students' declining interest in becoming a Certified Public Accountant (CPA), and about the proliferation of alternatives, such as the Certified Management Accountant (CMA) certificate. Yet little is known about the factors that impact accounting students' credentialing judgments. We present the survey results of junior-year accounting students that explore three research questions. First, we examine how demographic characteristics impact students' credentialing intentions and find that internships and participating in student groups (among other factors) are positively associated with the intent to become a CPA. Second, we examine how beliefs impact credentialing intentions and find that familiarity with licensing is important. Third, we compare credentialing judgments for the CPA to those for the CMA and find that students are more aware of, and perceive greater benefits in, the CPA certification. Educators and professional societies can use our results to develop students' interest in obtaining accounting credentials.

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7.08: Impact of Professional Credentials, Career Videos and Major Name on Students' Perceptions of Accounting

Snap! Shorts! Reels! Exploring Studentsâ€™ Response to Accounting Career Short-Form Videos as User-Generated vs. Firm-Generated Content.

This study investigates how short-form videos (SFVs) on social media can address the declining enrollment in accounting programs by appealing to Gen Z's values and preferences. Employing the Elaboration Likelihood Model (ELM) theory, we examine the effects of content source (firm-generated vs. user-generated) and thematic focus (wellness vs. sustainability) on trust-building and interest in accounting careers. Our findings reveal that wellness content significantly enhances cognitive trust, particularly when presented through user-generated videos. Cognitive trust then leads to intent to gain more information\seek out accounting as a major. In contrast, firm-generated videos evoke affective trust due to their polished and professional nature. These results refine ELM by linking trust pathways to generational preferences and highlight wellness messaging as a key strategy to attract Gen Z to accounting when using social media SFV promotional formats. This study provides actionable insights for practitioners and theoretical contributions for accounting education literature.

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7.09: Contemporary Accounting History

***Institutional Reactions to the 1923 Bankruptcy of the Home Bank of Canada*.**

The bankruptcy of Canada's Home Bank in 1923 signaled that Canadian chartered banks needed independent audits. Appropriate audits had been adopted as attested by the lack of subsequent chartered bank bankruptcies, especially during the 1930-1933 years. At the time of the Home Bank bankruptcy, there were three institutions capable of appropriate standards that would include independent audits. First, the Chartered Accountants were the most logical option, but as an emerging profession they were not inclined to develop the necessary standards for chartered banks before 1946. Second, the Canadian Bankers Association compiled a list of 40 auditors for chartered banks. However, as the list was compiled by bank managers, it lacked independence as attested by the 1923 bankruptcy of the Home Bank. Third, the relatively low probability of Canadian Chartered Banks suffering bankruptcy after 1923 was due to the audits introduced in 1924 by the Inspector General to provide independent oversight.

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7.09: Contemporary Accounting History

The Future of Accounting History.

This article argues for a future in accounting history that embraces a broader scope of research topics. It suggests that accounting historians should explore a diversity of subjects, including those of interest to accounting researchers who may not typically engage with historical scholarship. Using three accounting history articles published in generalist accounting journals, we develop a model to guide future research in accounting history. This model emphasizes rigorous archival and oral history research, theoretical pluralism, and engagement with broader accounting concerns, making a case for the relevance of historical inquiry in contemporary accounting discourse. By integrating these elements, we aim to inspire accounting historians to produce work that not only enriches historical understanding but also resonates with and informs the broader accounting field.

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7.10: Investor Decision Making

Disaggregating Cash Flows: The Effect of Increased Proximity and Similarity on Investorsâ€™ Use of the Statement of Cash Flows.

A critical input to valuation are operating cash flows. The most common method of presenting operating cash flows, the indirect method, could be improved to better communicate this information to users. However, standard setters have indicated a lack of clarity about the underlying issues with the indirect method, hindering efforts to improve its decision usefulness. We examine whether two theoretically-motivated factors represent shortcomings of the indirect method: insufficient proximity between related components of net income and changes in working capital accounts, and insufficient similarity between the income-statement labeling used for components of net income and the balance-sheet labeling used for working capital changes. We predict and find that improvements to both factors can improve the decision usefulness of the operating section of the statement of cash flows, allowing users to better distinguish between firms with different economics.

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7.10: Investor Decision Making

***How Do Investors Evaluate C-Suite Diversity? An Experimental Investigation*.**

Diversity, equity, and inclusion (DEI) goals have been an important focus for many organizations in recent years. Yet, organizations continue to struggle with achieving diversity in the C-Suite (i.e., the top management team). We conduct an experiment to examine a setting where an organization's C-Suite is more diverse versus less diverse, and where the organization proposes different justifications for undertaking diversity initiatives. As organizations undertake diversity initiatives, they often justify their efforts by highlighting performance benefits or fairness perspectives for diversity. Regardless of the justification for advancing diversity, we expect that more diverse C-Suites will activate racial stereotypes among investors, which are applied through denial of racial discrimination, and ultimately lower willingness to invest. Our results show that C-Suite diversity levels matter to investment decisions, particularly when controlling for investors' support for diversity.

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7.10: Investor Decision Making

Opposite Effects of ESG Ratings Divergence on Current and Potential Investors' Perceptions of ESG Performance.

Recent empirical research has documented striking levels of divergence in ESG ratings produced by different rating agencies evaluating the same company. We use an experiment to examine how different types of investors respond to ESG ratings divergence. Specifically, we find that ESG ratings divergence negatively impacts potential investors' assessments of a company's ESG performance and positively impacts current investors' assessments. Process evidence indicates that these opposite reactions to ratings divergence are mediated by the effect of ratings divergence and investor type on the perceived credibility of the rating agencies. Also consistent with our theory, we find that the effect of ESG ratings divergence on ESG performance assessments is more negative (less positive) among investors with a higher level of individual support for ESG investment. Our findings inform rating agencies, firms, and investors on the impact of these inputs.

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7.11: Pedagogy, Disclosure, and Emerging Topics in AIS

Bankruptcy Prediction Using the Text-Based Communicative Value of Earnings Call Transcripts.

We examine whether incorporating the text-based communicative value (TCV) of earnings call transcripts enhances the effectiveness of bankruptcy prediction models within machine learning frameworks, utilizing U.S. firm data from 2005 to 2020. Our findings indicate that the inclusion of earnings call transcripts TCV variables significantly improves the overall bankruptcy prediction effectiveness in addition to Barboza's et al. (2017) financial variables and Chen's et al. (2023a) annual report TCV variables. Notably, the incremental contribution of earnings call transcripts TCV variables is more pronounced in the future longer-term bankruptcy predictions, aligning with the forward-looking nature of earnings call transcripts and complementing the findings of Chen et al. (2023a). Furthermore, feature engineering results also suggest that this improvement is primarily driven by the positive tone and uncertainty tone variables.

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7.11: Pedagogy, Disclosure, and Emerging Topics in AIS

Colonial Pipeline: An Instructional Case Involving Ransomware in the Energy Sector.

Surveys suggest that almost half of recent cyberattacks involve ransomware. This case examines the May 2021 cyberattack on Colonial Pipeline and reveals a complex web of vulnerabilities in the energy company's cybersecurity infrastructure. Prompted by a ransom note demanding 75 bitcoins ($4.4 million), Colonial Pipeline took action by shutting down pipelines and calling in a security consultant to investigate. The attackers, identified as the DarkSide group, exploited a reused password leaked in another data breach, gaining access to an inactive Virtual Private Network (VPN) employee account lacking two-factor authentication. This ransomware incident underscores the imperative of cybersecurity measures, including enhanced user authorization management and multi-factor authentication, in an ever-evolving threat landscape. The case serves as a critical examination of the Colonial Pipeline cyberattack, offering insights into mitigating cyber threats and addressing ransomware demands for o

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7.11: Pedagogy, Disclosure, and Emerging Topics in AIS

From Spreadsheets to Dashboards: Teaching Budgetary Variance Analysis with Excel and Power BI.

This case study introduces students to data analytics through a practical, hands-on exercise simulating real-world business scenario. Focusing on an electronic components company, students are provided with budgetary and financial data and tasked with preparing a visual budgetary variance analysis. The case enhances analytical skills by guiding students through activities in Excel and Microsoft Power BI. Learning tasks include creating complex Excel formulas, interpreting data results, importing data into Power BI, establishing relationships between tables, creating DAX, and developing interactive dashboards. Students learn to format and filter data, construct graphs, publish analyses to the Power BI server, and distribute presentations via hyperlinks. Implemented initially in an Advanced Information Systems course for Master of Accountancy students, the case received highly positive evaluations and is recommended for undergraduate or graduate accounting or business programs.

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7.11: Pedagogy, Disclosure, and Emerging Topics in AIS

The Impact of Space Weather on Trading Behavior in the Crypto Market.

We examine the impact of space weather on investor trading behavior in the cryptocurrency market. We use the Kp and Ap-indices to capture a measure of geomagnetic activity and examine its association with the trading volume of Bitcoin for the period 2015 to 2023. We find a significant and negative relation between both the Kp and Ap-indices and Bitcoin trading volume, suggesting that more intense space weather is associated with lower investor activity in the cryptocurrency market. We further document a significant change in trading volume relative to the days immediately preceding the increased geomagnetic activity. Collectively, our results suggest space weather may represent a significant exogenous characteristic impacting crypto investor behavior.

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7.12: Audit and Tax

Do Audit Partners Affect Clientsâ€™ Tax Reporting?

Our study investigates the extent to which audit partners influence clients' tax reporting and their relative importance compared to audit firm and office-level resources. Prior research identifies the audit partner as the most critical auditor-related factor in determining financial reporting quality (Cameran, Campa, and Francis 2020). However, auditing tax accounts requires task-specific knowledge (Goldman, Harris, and Omer 2022), which frequently involves a separate office-level tax team. This reliance raises the possibility that audit partners may delegate some or all of their tax-related audit responsibilities to others within the firm. Using four distinct measures of tax reporting â€“ GAAP effective tax rate, cash-based effective tax rate, tax misstatements, and tax accruals quality â€“ we show that audit partner variation adds explanatory power beyond that of the audit firm and audit office. Moreover, the audit partner emerges as the most significant audit-related factor.

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7.12: Audit and Tax

Tax-Related Regulations and Auditing in Europe: The Relationship between Tax Complexity and Audit Fees.

Prior research shows mixed results on how tax matters affect audit fees. This study examines the relationship between tax-regulation complexity and audit pricing decisions across EU27 countries. Using 18,836 firm-year observations from 2016â€“2021 we find that greater tax framework complexity is associated with higher audit fees and longer reporting lags. In contrast, tax code complexity and overall tax complexity show no significant relationship with audit fees but also contribute to longer reporting lags. The findings suggest that tax complexity generally drives the reporting lag, but its effect only partially extends to audit fees. The evidence is most consistent with extensive documentation and interactions required by complex tax frameworks driving audit effort. This study contributes the first country-level evidence on the differential effects of tax-related regulation complexities on audit outcomes, and offers new perspectives on the reporting lag as a surrogate for audit effort.

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7.13: Audit Committee Network

Tapestry Networks: A Mosaic of Audit Committee Connectedness and its Impacts on Audit Quality.

We test an EY sponsored audit committee professional network, Tapestry Networks, to examine the differences in audit quality between Tapestry firms versus unaffiliated firms. We further compare the effects of Tapestry membership on audit committee chair centrality. We find that audit committee chairs who participate in Tapestry Networks have increased audit quality as compared to those who do not participate. When audit committee chairs join Tapestry, their clients have increased audit quality in subsequent periods. Tapestry audit committee chairs have greater dimensions of connectedness and larger, more focused networks. Finally, when examining Tapestry audit committee members' response with a difference-in-differences analysis during the COVID pandemic period, we find that Tapestry member firms had better audit quality prior to the pandemic as compared to during the pandemic, demonstrating the importance of in-person Tapestry resources within the network.

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7.13: Audit Committee Network

The Impact of Board and Audit Committee Interlocks on Internal Control Weaknesses: An Empirical Study of U.S.-Listed Companies.

This study investigates the relationship between board and audit committee interlocks and internal control weaknesses (ICWs) in U.S.-listed firms following the enactment of the Sarbanes-Oxley Act of 2002 (SOX). Despite SOX's reforms, ICWs remain a concern for firms and investors. Drawing on resource dependence theory and social network theory, this paper explores whether directors serving on multiple boards or audit committees can transfer governance expertise and risk management practices to their home companies, reducing the likelihood of ICWs. Based on a 2004 to 2022 sample of U.S.-listed companies after the Sarbanes-Oxley Act, the findings show that board and audit committee interlocks, especially those within the same industry, are significantly negatively associated with ICWs. Directors serving on audit committees of other firms, particularly within the same industry, also demonstrate a negative association with ICWs. The study also employs a hurdle model to address the zero-inf

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7.13: Audit Committee Network

The Ties that Thrive: Audit Committee Affiliated Donations and Financial Reporting Quality.

We find evidence implying that when firms donate to charities affiliated with their audit committee members, financial reporting quality improves. Consistent with a genuine link between such donations and the directors on the audit committee, affiliated donations are likely to be initiated when the directors join the audit committee and be terminated when the directors leave. Evidence from directors with multiple board seats suggests that directors' philanthropic preferences cannot explain all the effects. The results are also in line with a reputation channel whereby directors receiving donations strengthen financial reporting to protect their valuable reputation and an incentive channel whereby affiliated donations help attract and retain talented directors while motivating them to closely monitor the financial reporting process.

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7.14: Audit Fees II

Audit Pricing Strategies.

We use clusterwise linear regression (CLR), a machine learning method, to identify distinct audit pricing strategies based on client, engagement, and environmental attributes. Our analysis reveals five distinct pricing strategies, a baseline approach and four variations we characterize as 'brand-focused,' 'balanced,' 'high-touch,' and 'growth-oriented,' which we label based on how these groups weigh various fee determinants. Our evidence suggests pricing strategies are not driven by industry membership or time effects. Importantly, our evidence suggests different approaches to audit pricing are associated with differences in financial reporting quality. Finally, we document that the interpretation of fee premiums (or abnormal fees) and whether they reflect risk or quality-enhancing work, varies with pricing strategy. Overall, we provide the first evidence of distinct approaches to audit pricing that yield differences in audit market outcomes.

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7.14: Audit Fees II

***New Client Acquisitions and Audit Pricing of Continuing Clients*.**

This study examines how new client acquisitions impact audit pricing for continuing clients within the same local office. While prior research has focused on initial fees for new clients, limited attention has been given to the influence of new client additions on continuing clients' audit fees. We propose that the financial health of newly acquired clients influences existing clients differently, predicting a differential impact on audit pricing depending on the financial condition of the new clients. Our findings reveal that acquiring financially distressed clients is linked to lower fees for existing clients, while financially healthy client acquisitions are associated with higher audit fees. Further analysis shows that this spillover effect is more pronounced in smaller audit offices, where resource constraints and reputation shifts are more impactful.

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7.14: Audit Fees II

***Organizational Form and Audit Pricing*.**

The conventional view in accounting is that diversification increases audit complexity and, hence, audit fees. Conversely, the coinsurance effect of diversification hypothesis suggests that combining multiple business segments with imperfectly correlated earnings provides a coinsurance that may alleviate the adverse impact of several audit fee determinants. We examine the impact of organizational form on audit fees and find that diversified firms incur less audit fees than comparable portfolios of single firms. This negative effect is stronger for Big-N audit firms, consistent with these auditors benefitting more (suffering less) from the coinsurance (complexity) effect of diversification than non-Big N auditors. However, the benefits of diversification fade in the presence of financial constraints, consistent with the notion that auditing financially constrained clients that are also diversified entails additional risk. We confirm our results using a battery of sensitivity analyses.

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7.14: Audit Fees II

The Impact of Reforms on PCAOB Inspection Reports

This study investigates whether the PCAOB's 2020 reforms to inspection reports enhance their informativeness. By analyzing inspection reports from 2009 to 2023, the findings reveal that improved transparency and readability strengthen the link between inspection deficiencies and audit market responses, particularly for annually inspected firms. The study highlights three key insights: (1) market share decreases are more significant for annually inspected firms with higher deficiency rates under more readable reports; (2) annually inspected firms increase audit efforts in response to deficiencies, while triennially inspected firms' responses vary depending on client bargaining power; and (3) auditor turnover rises following deficiencies, driven primarily by dismissals and resignations among annually inspected firms. These results contribute to the audit oversight literature by demonstrating how enhanced regulatory transparency can amplify audit market responses to inspection reports.

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7.15: Data Security

***Compliance Requirements and Bank Demand for Audits*.**

We examine whether and how changes in compliance requirements affect banks' demand for financial statement audits. Using the staggered passage of state-level data breach disclosure laws as a regulatory change setting, we find a negative association between law passage and banks' demand for a voluntary financial statement audit. We also find that the law passage is associated with an increased likelihood of ceasing to obtain an audit and a decreased likelihood of beginning to obtain an audit. These effects are stronger in those banks that are facing financial constraints, consistent with banks choosing to allocate limited resources away from the financial statement audit when facing increased regulatory compliance costs. We also find the effects are weaker in banks for which the audit is less likely to be viewed as a discretionary expense.

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7.15: Data Security

Cybersecurity Breaches and Audit Outcomes.

Cybersecurity breaches present significant operational, reputational, and financial challenges, raising questions about how firms and their auditors respond under heightened risk. This study examines whether breaches influence three key audit outcomes: auditor changes, engagement partner rotations, and going concern opinions. Contrary to expectations, the findings show that breached firms are less likely to change auditors or engagement partners and are also less likely to receive going concern opinions. These results suggest that rather than signaling reform through frequent turnover or cautionary opinions, firms and auditors may rely on established relationships and the auditor's in-depth knowledge to navigate post-breach complexities. Notably, technology firms experiencing breaches are more inclined to switch auditors, reflecting distinct accountability pressures in industries where cybersecurity risks are particularly salient. Overall, these findings highlight that stability, rathe

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7.15: Data Security

The Association between IT Personnel Investment and Audit Quality.

This study examines the association between information technology (IT) personnel investment on audit quality. Drawing from the resource-based view, this study posits that IT personnel serves as valuable resources that provide specialized expertise to assist auditors to improve audit efficiency and effectiveness. Our findings indicate that greater IT personnel investment is associated with improved audit quality as demonstrated by lower discretionary accruals and a reduced likelihood of financial statement restatements. Moreover, this study finds that the positive effects of IT personnel investment in audit offices are more pronounced in high-growth offices since they face significant resource constraint challenges. Our findings are robust using alternative measures of audit quality, IT personnel investment and matching methods to alleviate endogeneity issues. Results contribute to the IT and audit quality literature and present policy, practice, and research implications.

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7.16: Modeling in Audit Research

Leveraging Artificial Intelligence in Audit Planning: Optimizing Risk Assessment and Enhancing Audit Efficiency.

This paper presents a framework that leverages Artificial Intelligence (AI) to develop a comprehensive approach to risk assessment in audit planning. The framework integrates advanced technologies, including Large Language Models (LLMs), Machine Learning (ML), and Data Analytics, to enhance various audit tasks such as document review, transaction analysis, and risk prediction, including fraud detection. While AI holds significant potential to transform financial statement audits by improving efficiency and accuracy, its true value lies in combining AI capabilities with human expertise to deliver a robust and reliable audit process.

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7.16: Modeling in Audit Research

The Impact of Mandatory Auditor Rotation on Reported Accruals and Audit Fees.

In this study, we examine the extent to which mandatory auditor rotation impacts the negotiations between the auditor and client-manager on the reported accruals and the related audit fees. We compare a setting with no mandatory auditor rotation, which we refer to as the Status-Quo (SQ) setting, to a Mandatory Auditor Rotation (MR) setting that restricts the audit to a fixed maximum number of consecutive periods. We find that reported accruals are more conservative in the MR setting than in the SQ setting, and increasingly more conservative over time as the rotation threshold nears. This also implies that low-balling in the SQ setting is greater than in the MR setting. Audit fees are generally higher in the initial period(s) in the MR setting, but the conservatism of the MR setting implies that audit fees are lower for later periods of the auditor's tenure.

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7.17: Financial Reporting Properties II

Changing Accounting Landscape: Gig Economy's Role.

This study examines whether the rise of the gig economy reshapes fundamental accounting dynamics. Specifically, I hypothesize that the availability of gig job opportunities weakens the well-documented negative association between contemporaneous accruals and cash flows â€“ a core feature of accrual accounting's timing function. Using Uber's staggered entry as an exogenous shock, I find evidence that this association is attenuated, driven in part by increased employee related intangible investments. The effect is more pronounced when the existing labor market is less favorable. These findings offer insights on how real economic shifts, such as labor market innovations, influence financial reporting. The results also reveal that firms' ESG-driven workforce strategies can impact accounting outcomes. Furthermore, this study highlights the relevance of the SEC's 2020 amendment to Regulation S-K, which calls for enhanced disclosure of human capital investments.

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7.17: Financial Reporting Properties II

Does ASC 842 Increase the Usefulness of Balance Sheetâ€"Evidence from Private Debt Markets.

In this study, we respond to these discussions by examining the impact of ASC 842 on loan contracting, especially considering the change in the use of different debt covenants. Our results indicate that after adopting the new operating lease standards, lessee firms experienced more leverage-related (balance sheet-related) covenants than performance-related (income statement-related) covenants in new loan agreements. The shift from performance-related covenants to leverage-related covenants is more pronounced for firms with a higher level of financial constraints, with greater reporting incentives to use operating leases, and with higher quality accounting information before adopting the new guidance. We also find evidence that the cost of borrowing increased after adopting ASC 842. However, we find no evidence that adopting ASC 842 leads to changes in the number of covenants amendments, accounting quality, or sales growth.

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7.17: Financial Reporting Properties II

***Managerial Facial Traits and Accounting Conservatism: A Machine Learning Approach*.**

This study explores the impact of managerial personality traits on accounting conservatism, leveraging state-of-the-art machine learning techniques to infer personality traits from facial features. We hypothesize that CFOs, given their central role in financial statement preparation, have a large influence on accounting conservatism. Drawing on social psychology research, we propose that firms adopt more conservative reporting practices when led by CFOs with higher measured humility, egotism, or atypicality, or lower measured trustworthiness. Our findings are partially consistent with these predictions. Moreover, we show that the influence of most CFO personality traits is mitigated under conditions of high information asymmetry or strong corporate governance. However, CFOs with lower measured trustworthiness in high-asymmetry environments and higher measured atypicality under strong governance tend to report more conservatively.

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7.18: Labor and Regulation in Debt Markets

Real-Time Indicators for Local Labor Demand: Online Job Postings and Municipal Finance.

Local labor demand is crucial for economic planning and management by policymakers, businesses, and investors; however, timely and reliable regional employment data remain frustratingly scarce. We construct a monthly index of county-level labor demand using real-time online job postings, and demonstrate its role as a leading indicator of local employment and economic conditions. Our analysis shows that this online job index provides incremental information beyond traditional employment metrics and is relevant to municipal financing cost. Specifically, a higher number of job postings is associated with lower municipal bond offering and trading spreads, indicating improved economic conditions and reduced credit risk. The effect is more pronounced for bonds with higher credit risks and longer maturities, as well as in counties with greater demand for skilled labor and more diverse job opportunities.

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7.18: Labor and Regulation in Debt Markets

Rolling Back Dodd-Frank: Investors' and Banks' Responses to Financial Market Deregulation.

Studying key events related to the repeal of Dodd-Frank policies we find that banking deregulation can create shareholder value. We document positive stock returns for banks around these events. The returns are larger for small banks with assets below $10 billion suggesting that their shareholders expect greater benefits. Furthermore, we observe improvements in capital strength and accounting performance, an expansion in external financing and lending activity, and positive asset growth for only small banks. The eased regulation for large banks with assets above $50 billion likely made small banks more willing to grow again and cross the $10 billion threshold.

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7.19: SEC Regulation & Enforcement

***Broken Windows Securities Enforcement*.**

Broken windows policing is predicated on the idea that detecting and prosecuting minor violations will deter severe misconduct. I study whether a broken windows approach to securities enforcement is associated with a decrease in severe financial misconduct. I create a measure of broken windows enforcement actions and corroborate public statements by SEC Chair Mary Jo White that the SEC implemented this policy during her tenure. Examining this period, I find evidence that is consistent with broken windows securities enforcement policies deterring accounting fraud. Results concentrate in firms located in regions covered by SEC offices involved in broken windows actions and reverse during the subsequent SEC administration. Overall, my results suggest benefits to a broken windows approach to securities enforcement.

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7.19: SEC Regulation & Enforcement

Tick Size and Corporate Investment Efficiency in Small-Cap Firms: Evidence from SEC's Tick Size Pilot Program.

Using the SEC's 2016 Tick Size Pilot Program (TSPP) as a quasi-natural experiment, we provide evidence supporting a causal relationship between tick size and corporate investment efficiency. Using the difference-in-differences research design, we find that the treated firms experience an improved level of corporate investment efficiency after the launch of the program. We also find that the effect of tick size on investment efficiency is concentrated in firms with reduced algorithmic trading and increased fundamental information acquisition. Additional analysis shows that the cost of information acquisition and the level of monitoring over managerial incentives have moderating effects on the observed tick sizeâ€“investment efficiency relationship. Overall, our findings add to the literature on the consequence of widening tick size as well as investors' roles in reducing agency problem for small-cap companies.

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7.19: SEC Regulation & Enforcement

***Where Thereâ€™s Smoke: The Role of Tax Information in SEC Enforcement*.**

This study examines whether and how the SEC incorporates tax information into its enforcement process, specifically in issuing comment letters. We find that the SEC is more likely to target tax aggressive firms, with this effect being stronger under greater resource constraints and in firms with higher operational and informational complexity. Leveraging two regulatory changes to tax disclosures, our difference-in-differences analysis shows that the SEC increased its focus on tax aggressive firms following the enhanced tax disclosure under FIN 48, while its scrutiny decreased after the reduced transparency under Schedule UTP. Furthermore, tax information not only accelerates the SEC's review process but also uncovers more restatements and broadens the scope of regulatory scrutiny. Lastly, analysis of the SEC's 10-K downloads confirms that the SEC allocates more attention to tax aggressive firms. Our findings suggest tax information is a critical factor in guiding the SEC's enforcement.

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7.20: Textual Analysis and Disclosure Properties II

***Analyzing the Misclassification of Negative Disclosures in Form 8-K Filings*.**

This study investigates a previously unexplored disclosure tool that firms use strategically to exploit investor cognitive constraints when disclosing unfavorable material events. Leveraging large language model and machine learning, we analyze unstructured text data from Form 8-K filings to detect misclassification. Rooted in rational inattention theory, we predict and find that managers strategically exploit the unique characteristics of Item 8.01 to misclassify negative material events, thereby increasing processing costs for investors and reducing immediate price responsiveness. This behavior is more pronounced when managerial incentives, such as upcoming insider sales or earnings announcements, are present. By increasing investor processing costs, this strategy effectively leads to immediate market underreactions. Our findings illuminate a mechanism through which managers may obfuscate adverse material events, impacting price formation and transparency.

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7.20: Textual Analysis and Disclosure Properties II

The Predictive Power of SOX 404 Textual Disclosures: Using Internal Control Reports to Detect Financial Misreporting.

This study examines the informativeness of Internal Control over Financial Reporting (ICFR) disclosures under Section 404 of the Sarbanes-Oxley Act (SOX). Using FinBERT, a financial text language model, it investigates whether ICFR reports predict uncovered misstatements and provide insights beyond assessment outcomes. Analyzing 208,054 ICFR reports from 2004â€“2022, the findings reveal ICFR disclosures significantly improve prediction accuracy, outperforming random classifiers by 22.6â€“27.1 percentage points. Auditor-reported text exhibits stronger predictive power than management-reported text. Additionally, ICFR reports enhance models with assessment outcomes and predict misstatements even when no material weaknesses are disclosed. Nuanced textual features are identified as key indicators of future restatements. These results highlight the standalone and incremental value of ICFR disclosures as early warning signals of financial misstatements.

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7.21: Voluntary Disclosure Quality

Audits of Non-GAAP Earnings: Evidence from Adjusted EBITDA in Segment Disclosures.

We provide evidence on an important question to capital markets: 'Would subjecting non-GAAP metrics to audit affect the quality of the metrics?' Focusing on instances where adjusted EBITDA is disclosed in firms' segment notes, which subjects the EBITDA metric to audit requirements, we find that the adjustments made when calculating EBITDA are of higher quality when subject to audit. Further tests help rule out concerns that the results are driven by a firm commitment to having high-quality adjusted EBITDA or firms with more informative EBITDA being more likely to use adjusted EBITDA in segment notes. We also find that analysts follow manager-provided adjusted EBITDA more when the measures are audited and that managers disclose audited EBITDA metrics more prominently in their earnings announcements. Overall, our evidence indicates that, at least in the context of our study, the answer to our research question is yes-auditing non-GAAP metrics affects their quality.

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7.21: Voluntary Disclosure Quality

Beyond Earnings Quality: Evaluating the Quality of Voluntary Corporate Financial Reporting Practices.

Managers use multiple reporting practices to convey their financial performance to investors. Just as there is variation in 'earnings quality' of GAAP financial reporting, these other 'generally accepted' reporting practices also vary in quality. We propose a framework to assess the quality of generally accepted reporting practices. Using evidence from academic research we provide checklists of indicators to assess the quality of the mosaic of heterogeneous information reported by management. We focus on three reporting practices: non-GAAP earnings (alternative performance measures), management guidance (forward-looking information), and conference calls (interactive communication channels). We compare the reporting practices of two firm to illustrate the usefulness of our checklist in identifying quality differences. Our framework can be applied to additional reporting practices and to reporting practices in other settings (e.g., IFRS or countries with unique institutional details).

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7.21: Voluntary Disclosure Quality

Decoding Managers' Overconfidence.

Overconfidence is pervasive in business decision-making. However, prior studies primarily focus on the return overestimation aspect of overconfidence (i.e., optimism) while neglecting the risk underestimation aspect (i.e., miscalibration). They also fail to consider that overconfidence is influenced by the external environment and thus fluctuates over time. To address these issues, I use statistical machine-learning tools to create two measures that quantify time-varying optimism and miscalibration. Using these measures, I find that miscalibration has a stronger positive association with capital expenditure and R&D investment than optimism and increases the likelihood of overinvestment in capital expenditure. I also show that optimism negatively predicts return on assets, while miscalibration is positively associated with future earnings volatility. These findings highlight the importance of considering miscalibration when evaluating the effects of overconfidence.

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7.22: Voting Dynamics and Outcomes

Market Reaction to Voting Intention Disclosures.

This study examines the stock market reaction to voting intentions disclosed publicly by Norges Bank Investment Management (NBIM), ahead of its portfolio firms' annual general meetings (AGMs). We categorize NBIM's voting intention as 'dissent' when it disagrees with the management's vote recommendation for a proxy proposal at the upcoming AGM. We focus on the proposals where NBIM's votes are more likely to influence outcomes, i.e., those that pass or fail marginally. We find positive abnormal returns around the announcements of dissent voting intentions by NBIM, especially for portfolio firms with weaker corporate governance, larger NBIM ownership stakes, and proposals related to capital structure and board independence. Our findings suggest that investors perceive dissent votes by an influential institutional shareholder as value-enhancing. This study contributes to the ongoing discussion on enhancing transparency in institutional investors' voting practices.

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7.22: Voting Dynamics and Outcomes

***The Power of Patience: Geography and Negotiation Dynamics in Proxy Voting*.**

This paper investigates a nuanced negotiation dynamics in proxy voting, where proponents, mutual funds, and invested companies interact extensively throughout the process. We develop and empirically test propositions derived from a dynamic model to explore how companies strategically choose to engage in or delay negotiation with shareholders at different stages of the voting process. By leveraging geographic proximity as a determinant of negotiation costs, we introduce a novel measure of travel time between U.S. Core-Based Statistical Areas (CBSA), which considers both flights and driving as key transportation modes. Consistent with our theoretical framework, the empirical results first suggest that shorter travel time fosters coordination between two parties and significantly influences both mutual funds' voting behavior and proponents' decisions to withdraw proposals.

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7.22: Voting Dynamics and Outcomes

Value or Values: The Effect of Environmental and Social Proposal Framing on Voting Outcomes.

We examine how the framing of environmental and social (E&S) shareholder proposals and board responses to those proposals relate to the subsequent investor voting. Using hand-collected proposal and board recommendation sections from annual proxy statements, we employ an attention-based natural language processing model to differentiate between conceptual arguments and assess how voting behavior varies with the content of the texts. Controlling for proposal characteristics and quality to isolate the role of framing, our results show that proposals relying more heavily on financial arguments instead of non-financial arguments ('value' instead of 'values') are associated with higher shareholder support. These effects are salient for firms with a strong track record of ESG performance, firms headquartered in Republican states, and firms headquartered in states less concerned about climate change issues.

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7.23: Disclosure

Corporate Disclosures and Real Responses to Geopolitical Risk: Evidence from the War in Ukraine.

I investigate the implications of geopolitical uncertainty for stakeholders. Focusing on the US capital markets, I study how the recent war between Russia and Ukraine affects the demand and supply of SEC filings with information on Russia. As the geopolitical threat of Russia's invasion increases (March 3, 2021), the search volume for filings with information on Russia also increases. Although geopolitical uncertainty increases stakeholders' demand for information on firm-specific geopolitical risk exposures, most firms supply novel information only after Russia invades Ukraine on February 24, 2022. Material consequences of geopolitical risk manifest in firms' stock prices, impairments due to the war, and decreased employment in Russia, confirming stakeholders' concerns about geopolitical risk. These findings are both important and timely and add to the understanding of a major source of geopolitical uncertainty today and its capital market consequences in the United States.

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7.23: Disclosure

Shaping Firm Scope through ESG Disclosure: The Impact of Non-Financial Information on Corporate Diversification in China.

While extensive strategy research on factors influencing firm scope has been conducted in developed countries, many developing economies still face challenges such as underdeveloped capital markets and low transparency. This study fills a research gap by exploring the impact of Environmental, Social, and Governance (ESG) disclosures on corporate diversification using data from Chinese listed companies. The findings reveal a strong negative relationship between ESG disclosures and diversification. Further analysis shows that ESG influences firm strategy by reducing agency problems, strengthening external monitoring, and alleviating financing constraints, particularly impacting unrelated diversification. This study offers valuable insights into the role of non-financial information in shaping corporate decisions in developing contexts.

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7.24: ESG I (IAS)

***Promoting or Inhibiting? Competition Policy and Corporate Greenwashing*.**

This study examines Chinese A-share listed firms from 2011 to 2021, exploring the impact of increased competition on corporate greenwashing. Using a difference-in-differences design, results show a significant rise in greenwashing behavior in administrative monopoly industries after the implementation of the Fair Competition Review System (FCRS). This is indicated by increased ESG disclosures without corresponding improvements in actual ESG performance. The effect is stronger in firms with short-term pressures, such as those with higher financing constraints, those following cost leadership or defender strategies, and firms with greater managerial myopia or lower ability. Factors like higher visibility, operating in consumer-sensitive industries, and being in regions with higher social trust reduce greenwashing, possibly due to perceived risks. This study contributes to the literature on market competition and corporate sustainability.

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7.24: ESG I (IAS)

***The Role of Societal Trust in Dividend Smoothing*.**

This study examines whether societal trust affects information communication between managers and external investors, with a focus on dividend smoothing as a firm-level commitment to future dividend payouts. Using a large cross-country sample, we find that firms in high-trust countries are more inclined to engage in dividend smoothing. Additionally, we observe that the positive effect of societal trust on dividend smoothing is less pronounced in countries with stronger formal institutions, suggesting that trust acts as a substitute for formal institutions. Furthermore, we find that the positive relationship between dividend smoothing and firm value reported in prior research is driven primarily by firms in more trusting countries. Overall, this research enriches our understanding of how societal trust influences dividend smoothing as a distinct mechanism for information communication on a global scale.

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7.25: AI

Do Monetary and Accountability Controls Matter in Artificial Intelligence-Assisted Decision-Making?

Using monetary and accountability incentives to motivate employee behavior in traditional decision-making (decisions without AI assistance) is well-established in accounting, economics, and psychology. However, with the rise of AI in decision-making, it is unclear whether these controls have the same effect on AI-assisted decision-making. Given the changes in traditional decision-making, we predict that the positive effects of these incentives on decision accuracy would diminish with AI incorporation. Contrary to our theory, an experiment with loan managers from commercial banks using an AI-assisted system for personal loan assessments showed that both monetary and accountability incentives reduced their overreliance on AI. This suggests that these management controls remain effective in motivating managers' behavior even in AI-assisted contexts, despite the changes AI brings to decision-making processes.

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7.25: AI

Reluctant Overtime for Ai: The Effects of Ai Manager' Form Realism and Behavioral Realism on Employee Engagement and Performance.

The existing literature examines the effectiveness of algorithm management, but a gap exists in understanding anthropomorphic design. Our study employs the form-behavioral realism framework to explore how an AI manager's design elements (varying form realism and behavioral realism of AI agents) induce emotional and cognitive engagement and impact employee performance . We conducted a two-stage 3Ã—2 between-subjects experimental design. We found that an AI manager exhibiting high form realism triggered heightened employee emotional engagement during the formal task stage, increasing in-role performance. However, these effects weakened during the subsequent voluntary overtime task stage, leading to a decay effect of form realism. Conversely, the results suggested that higher behavioral realism of the AI manager enhanced higher extra-role performance through the cognitive engagement mechanism, triggering an incubation effect of behavioral realism.

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7.25: AI

When Emotions Empower AI Design: Effects of Anthropomorphic Feedback Source and Feedback Valence on Employee Advice-Taking Behavior.

Companies are increasingly using artificial intelligence (AI) to provide employees with performance feedback, but its efficacy is inconsistent. Drawing upon the theories of mind perception and feedback intervention, we examine the effects of AI anthropomorphism and feedback valence in conveying performance feedback on employees' advice-taking behaviors. We conducted a 2*2 experiment in which we manipulated anthropomorphism (more versus less) and examined how feedback valence (positive versus negative) affect subsequent performance. We have predicted and found that receiving positive feedback statements from a less anthropomorphic system results in lower emotional arousal, which leads to less subsequent advice-taking behavior. However, under a negative feedback valence, employees' emotional arousal and subsequent advice-taking behavior do not differ between a more anthropomorphic system and less anthropomorphic counterpart.

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7.26: Incentives and Pressure

CEO Bonus Contract and Earnings Management: New Evidence from Last Chance Earnings Management.

Using the framework of last chance earnings management (LCEM), we explore how managers leverage LCEM to maximize the present value of bonus plan payouts. This novel LCEM setting enables an estimate of firm-level 'pre-managed' earnings, allowing us to measure the gap between these earnings and various performance goals in CEO bonus contracts. Our findings reveal that (1) firms manipulate earnings upwards when earnings fall between the bonus lower and upper bounds, and (2) firms manipulate earnings downwards when earnings are below the lower bound. No evidence supports downward earnings manipulation when pre-managed earnings exceed the bonus upper bound. Further analysis shows that CEOs' ability to engage in LCEM intensifies when they are more powerful. Additionally, managers' incentives to manipulate earnings diminish significantly when pre-managed earnings reach the bonus threshold. Our study highlights the nuanced interplay between CEO bonus contracts and earnings management.

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7.26: Incentives and Pressure

Earnings Pressure and Rank-and-File Employee Decisions: Evidence from Pharmacists' Opioid Dispensing Activities.

We examine the influence of earnings pressure on employees' professional judgment, focusing on opioid dispensing in pharmacies. We find pharmacies under earnings pressure-those whose parent companies meet or narrowly beat earnings forecasts-dispense more opioids, while pharmacies whose parent companies exceed earnings forecasts by a large margin dispense fewer opioids. For pharmacies under earnings pressure, the increase in opioid dispensing is greater when there is less local newspaper presence and when pharmacies are located farther from DEA offices. The introduction of an abuse-deterrent formulation of OxyContin in 2010, which reduced nonmedical demand, led to a significant reduction in OxyContin dispensing in pharmacies under earnings pressure, suggesting their pursuit of profits from nonmedical opioid use, at least partly, explain overdispensing. Additionally, we find the presence of pharmacies under earnings pressure in a state is positively correlated with future opioid-related

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7.26: Incentives and Pressure

***Incentive and Sorting Effects of Challenging Performance Targets: Evidence from the Field*.**

It has been well documented that challenging performance targets increase effort and performance in laboratory experiments. However, there is not much evidence on the effects of target difficulty in real-world settings where employees carry out complex tasks over a long period of time. We use data on daily sales of retail store employees who are evaluated based on predetermined monthly targets and exposed to random fluctuations in sales due to weather. We provide support for several predictions motivated by economic theory. First, challenging but achievable targets increase effort and this effect is particularly strong when it is driven by abnormal weather. Second, challenging but achievable targets have much stronger incentive effects of at the end of the month than at the beginning. At the same time, the likelihood that targets remain challenging but achievable at the end of the month is much lower than at the beginning. Finally, challenging targets facilitate sorting in that highly

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7.27: Corruption and CSR

Greasing a Hollow Wheel: Political Corruption and Innovation Strategy.

We examine the potential impacts of local political corruption on innovation strategies, using the number of corruption convictions at the federal juridical district level. Consistent with the 'greasing the wheel' hypothesis, we show that corruption can drive firms toward exploratory rather than exploitative innovations. Corruption also broadens firms' innovation scope while reducing their focus on depth, leading to a greater reliance on new rather than known patents. Our results identify lobbying efforts and government contracts as key channels through which corruption fosters riskier innovation strategies. However, we also find that political corruption is negatively associated with innovation efficiency, market value, and the development of breakthrough innovations, suggesting that corruption greases a hollow wheel. Our results are robust to alternative model specifications, endogeneity concerns, and different measures of local corruption and innovation strategies.

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7.27: Corruption and CSR

Research on The Relationship Between Corporate Philanthropy and Executive Hidden Corruption.

Based on a sample data of A-share listed companies from 2012-2022, this paper examines the relationship between corporate philanthropy, the effectiveness of internal control and executive hidden corruption. We find that as corporate charitable donations increase, the likelihood of executive hidden corruption increases accordingly. Moreover, the effectiveness of internal control plays a mitigating role between the two. Multiple regression analysis shows that only in non-state-owned enterprises, corporate philanthropy is positively correlated with executive hidden corruption, and the mitigating effect of effective internal control over the relationship is more profound. Further tests show that regardless of the intensity of media attention, there is a positive correlation between corporate philanthropy and executive hidden corruption

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7.28: CSR and Whistleblowing

Corporate Social Responsibility and Whistleblowing.

We document a seemingly counterintuitive positive association between a firm's performance in corporate social responsibility (CSR) and whistleblowing. Although CSR performance reduces financial wrongdoing, employees in firms with stronger CSR performance are more likely to whistleblow when they observe wrongdoing. Whistleblowing is more frequent in firms with recent restatements and lawsuits, consistent with the speak-up culture. The positive relation is weaker in states with greater increases in unemployment benefits, consistent with CSR performance reducing retaliation risk. Additionally, better CSR performance lowers employee disgruntlement. Cases filed against these firms are more likely to have merit, associated with more negative market reactions, and more effective in deterring future financial misconduct.

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7.28: CSR and Whistleblowing

Non-Disclosure Agreements, Whistleblowing, and Workplace Safety.

This paper examines whether narrowing the scope of employees' non-disclosure agreements (NDAs) affects employees' whistleblowing to the regulators and, ultimately, workplace safety. While broad NDAs prevent employees from disclosing adverse information about their companies, recent legislative changes in several U.S. states have narrowed the scope of NDAs. Using difference-in-differences analyses, we find that facilities in states with these changes exhibit a significant increase in Occupational Safety and Health Administration (OSHA) inspections initiated by employee whistleblowers, and a rise in reported violations. Notably, following the adoption of narrowed NDAs, facilities subject to whistleblowing-initiated inspections exhibit a reduction in employee injuries. By contrast, comparable facilities within the same company but located in states where the legislative changes do not apply experience an increase in injuries once whistleblowing-initiated inspections occur at facilities in

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7.29: Sustainability Disclosure and Pricing

Interaction Between Public and Private Interventions in Sustainability Debt.

We compare valuation changes of sustainability loans issued by U.S. borrowers with those issued by European borrowers before and after amendments to privately established sustainability contracting guidelines followed by both sets of borrowers. U.S. borrowers operate under looser sustainability regulations, creating a unique quasi-experiment to disentangle the effects of public and private interventions. We find that the guideline amendment improved both the expected and actual values of sustainability loans for U.S. borrowers relative to conventional loans. Sustainability loans issued by European borrowers are not affected by changes to the private guidelines, suggesting that private interventions have little impact in the presence of strong public regulations. The differential amendment effect is driven mostly by U.S. firms without European subsidiaries, reflecting a regulatory spillover effect. The effect is weaker for U.S. firms in states with more stringent climate regulations.

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7.29: Sustainability Disclosure and Pricing

Pricing Sustainability: Are TCFD-Supporting Banks Truly Committed or Just Greenwashing?

This study explores whether banks supporting the TCFD integrate environmental performance into lending decisions or engage in symbolic sustainability. Analyzing US banks' corporate loans from 2015â€“2022, findings show no significant difference between TCFD-supporting and non-supporting banks in pricing borrowers' overall environmental performance. However, both reward companies with superior emission performance through lower lending rates, highlighting emissions as a key metric. Notably, TCFD-supporting banks seem inconsistent in considering borrowers' environmental performance after joining TCFD, raising doubts about their commitment to aligning actions with stated goals. The results challenge the assumptions about TCFD participation and suggest it may serve more as a symbolic act. This study highlights the gap between stated environmental commitments and actual financial practices, offering valuable insights for policymakers, stakeholders, and scholars in sustainable finance.

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7.29: Sustainability Disclosure and Pricing

***When Speed Trumps Sustainability: Environmental Disclosure Frequency and Environmental Investment Myopia*.**

This study explores how increasing mandatory environmental disclosure frequency influences firms' environmental investment decisions between short-term solutions (end-of-pipe) and long-term investments (clean technologies). Clean technologies, such as renewable energy adoption, prevent pollution at the source but require time to implement. In contrast, end-of-pipe solutions, like filters, provide immediate remedies for pollutants but lack sustainability. Using a Chinese regulation that shifted from annual to daily emission reporting, the findings reveal that firms increase end-of-pipe investments while reducing clean technology adoption. While this reduces regulated pollutants, it raises unregulated carbon emissions, highlighting a trade-off. The effect is stronger in firms under higher public scrutiny or at risk of severe penalties but weaker in those receiving subsidies for clean technologies. This study underscores the unintended consequences of frequent disclosure mandates.

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7.30: Textual Analyses

Decoding Accounting Conventions: Insights from SEC Filings.

This study investigates the conventions for labeling financial statement line items, a crucial aspect of financial disclosure clarity. We classify each accounting labels (line item) in the financial statements of all Form 10-K filings according to its underlying accounting concept. We then determine the most frequently used labels associated with each accounting concept, as defined by their associated XBRL tag. Our approach parallels a key concept used in Large Language Models and contributes to the extensive literature on readability by offering a simpler and more intuitive method compared to previous approaches. Our findings are valuable to practitioners, educators, and textbook authors. Finally, our inverse analysis reveals that some labels can correspond to multiple XBRL tags, indicating potential ambiguity. Contrary to prior assumptions that XBRL tags are unnecessary, our study emphasizes the importance of examining both labels and XBRL tags to fully understand a company's finan

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7.30: Textual Analyses

Do Regulatory Disclosures Matter in Times of Uncertainty? Evidence from U.S. Gubernatorial Elections.

Using US gubernatorial election induced policy and regulatory uncertainty, we examine whether and how historical firm regulatory disclosures assist investors in coping with heightened uncertainty prior to the elections. We construct two distinct text-based measures to capture quantitative and qualitative aspects of historical regulatory disclosures: a discussion frequency index derived from the bag-of-words approach, and a concreteness index using the GenAI method. We show that these two measures capture largely orthogonal aspects of regulatory disclosures, and both measures significantly mitigate intensified firm volatility and information asymmetry leading up to elections. The mitigating effects of regulatory disclosures are more pronounced when the discussion is state-related and when fewer alternative information sources are available. Overall, our findings highlight the usefulness of both quantitative and qualitative historical disclosures in helping investors navigate uncertainty

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7.30: Textual Analyses

Sentiment in Analyst Reports and Its Relationship with Quantitative Forecasts.

We study the relationship between the sentiment expressed in analyst report text and their quantitative forecasts. First, we observe that analyst sentiment is positively associated with their enhanced target price and EPS estimation, suggesting that analysts tailor the sentiment in their research reports based on the forecasts they make, aligning the tone and language with the anticipated outcomes of their predictions. Second, we hypothesize that analysts tend to express strong positive sentiment when making significant upward revisions and significant negative sentiment when making large downward revisions. Using machine learning techniques, we find that sentiment is positively associated with high innovation forecasts when the analyst's current forecast exceeds both their prior forecast and the consensus forecast. Conversely, sentiment is negatively associated with high innovation forecasts when the analyst's current forecast is lower than both their prior forecast and the consensus.

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8.01: Experimental (Managerial) Research

Do Big Prizes Attract Talent or Big Heads? The Role of Narcissism, Skill Level and Relative Performance Information in Public and Private Tournament Choice.

Tournaments with large prize spreads might attract those who are either the most talented or the most narcissistic. Using a laboratory experiment, we find evidence that when tournament choice is public and relative performance information is unavailable, more narcissistic participants do differentially prefer tournaments with the largest prize spreads. However, when either of these conditions is removed (i.e., when tournament choice is private or relative performance information is available), we find that participant narcissism does not predict tournament choice. Instead, consistent with economic sorting theory, skill level predicts tournament choice when relative performance information is available. In addition, our results suggest that top-level positions (which presumably have large prize spreads) will likely attract more narcissistic applicants when hiring tournament choice is public and when little relative performance information is available.

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8.01: Experimental (Managerial) Research

Donâ€™t Boss Me Around: Mandated CSR Investing and Managersâ€™ Allocation Decisions.

This study experimentally investigates the relationship among mandated investing in Corporate Social Responsibility (CSR), manager attitudes toward CSR, and organizational efficiency. While companies' CSR initiatives are known to yield positive societal and organizational outcomes, such successes hinge on the participation of managers at various hierarchical levels. Drawing from psychological reactance theory, we posit that mandated CSR investing might inadvertently trigger negative reactions from managers by infringing upon their perceived freedom, leading them to seek opportunities to reclaim their freedom in other organizational decisions. Specifically, we predict and find that mandated CSR investing has a more negative effect (from the top management's perspective) on the profit allocation decisions made by managers who are personally supportive of CSR than on the profit allocation decisions made by managers who are not supportive of CSR. This effect is... [Characters maxed out.]

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8.01: Experimental (Managerial) Research

The Effect of Monitoring on Teleworkers' and Office Workers' Behavior.

Today's working environment is shaped by two megatrends: telecommuting and surveillance. While both are widespread in practice, research on how telecommuting affects employee behavior and interacts with monitoring remains scarce. In an experiment, we examine differences in effort and misreporting between teleworkers and office workers. We manipulate the presence of monitoring and incorporate a setting that allows employees to reciprocate or retaliate against their employer. Consistent with our predictions, teleworkers exhibit greater effort and misreport less than office workers. A mediation analysis reveals that these effects are driven by reciprocity. Further, we find that monitoring leads to a greater reduction in effort and misreporting among office workers compared to teleworkers. This is explained by the crowding-out of intrinsic motivation and the self-awareness effect. Our study provides important implications for the design and implementation of management control systems.

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8.02: Emerging Issues in AIS

Data Breaches, Debt Costs, and Public Service Provision: Evidence from U.S. Municipalities.

We investigate the consequences of data breaches on the cost of debt and real outcomes of the U.S. municipalities. We find that affected municipalities experienced a 7 basis point increase in municipal bond spreads after the breach. Examining different types of data breaches, we find that breaches caused by government employee misconduct generate a larger increase in municipal spreads than external cyberattacks. Municipal spreads after the breach increase more for municipalities with internal control weaknesses, lack of hiring demand for IT professionals, and capital constraints. Consistent with data breaches exerting substantial financial costs and forcing expenditure reallocation, financially constrained municipalities experience a significant rise in debt interest payments while simultaneously reducing expenditure on government administration, public safety, and waste management.

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8.02: Emerging Issues in AIS

On the Tower of Babel: Borrower-Lender Financial Management System Similarity and Debt Contracting.

How does information technology affect the price of financial assets? By studying the borrower-lender financial management systems (FMS), we show that banks charge lower loan spreads to borrowers with similar FMS to their own. This effect is stronger for borrowers in poorer information environments and for lenders with less lending experience or higher risk exposure. Although lenders impose more financial covenants on borrowers with greater FMS similarity, a structural estimation analysis shows that the price-covenant trade-off does not diminish the impact of FMS similarity on loan spreads. Furthermore, borrowers are more likely to secure loans from banks with similar FMS.

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8.02: Emerging Issues in AIS

The REACT Framework to Digital Transformation: A Cross-Sector Qualitative Analysis of Resource and Capability Integration.

This study explores how organizational resources and capabilities facilitate digital transformation through the lenses of Resource-Based View (RBV) and Dynamic Capabilities Theory (DCT). Using qualitative data from 30 semi-structured interviews across 13 industries, we propose a comprehensive framework conceptualizing digital transformation as the interaction between resources, enabling factors, adaptive capabilities, capability development, and transformation outcomes. Our study extends RBV and DCT by offering a nuanced perspective on resource orchestration in digital contexts and revealing dynamic relationships between transformation components. By integrating theoretical insights with practical implications, the framework advances scholarly understanding of digital transformation and provides actionable guidance for organizations aiming to achieve a sustained competitive advantage in dynamic environments.

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8.02: Emerging Issues in AIS

When Capable Managers Know Tech: Managerial Ability, IT Expertise, and Cybersecurity Risk Management.

This study examines the relationship between managerial ability, managers' IT expertise, and cybersecurity incidents in U.S. listed companies from 2007 to 2022. Our findings indicate that higher managerial ability and IT expertise are associated with lower cybersecurity incident rates. Subsample analysis reveals a significant interaction effect, showing that companies with high managerial ability and IT- expertise managers have a lower likelihood of experiencing cybersecurity incidents. Robustness tests using alternative measures of managerial ability and incident response times support these results. Further analysis distinguishing between internal and external incidents demonstrates that managerial ability and IT expertise are particularly effective in preventing external cybersecurity events. These findings offer new insights into the influence of managerial characteristics on corporate cybersecurity performance.

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8.03: International Tax

Does Country-by-Country Reporting Make Multinational Firms Smarter?

This study examines whether multinational enterprises (MNEs) enjoy positive spillover from the costs incurred to meet the Country-by-Country Reporting (CbCR) requirements, in the form of an improved internal information environment. Exploiting the institutional difference in the adoption of CbCR between EU countries and the U.S., we document a positive externality from the implementation of CbCR on EU MNEs' internal information environment. Specifically, we find EU MNEs issue more accurate management guidance and increase their earnings announcement speed relative to their U.S. counterparts after the adoption of CbCR. Also consistent with an improvement in managers' information sets following the adoption of CbCR, we document an increase in investment responsiveness for the EU MNEs. Further, we find indirect evidence this improvement in firms' internal information environment translates to a better external information environment as investors react more strongly to reported earnings b

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8.03: International Tax

The Rich Get Richer: An Examination of Tax Haven Concentration and the New 'Top 7.'

This study examines which tax haven countries have the largest impact on the U.S. corporate tax landscape and how separately examining these countries can produce different inferences regarding international tax policy. Our study modernizes the commonly used Hines and Rice (1994) â€œBig 7â€ classification to capture the global tax landscapeâ€™s renewed focus on economic nexus. We identify seven tax havens that attract the most activity, along with their unique attributes. These â€œTop 7â€ tax havens hold a combined 78 percent of all U.S. corporate tax haven subsidiaries in 2021. Top 7 havens are well-governed with relatively low transaction costs but not necessarily zero corporate tax. We also find the tax benefits of operating in a tax haven documented in prior literature is entirely attributed to the Top 7 tax havens. Importantly, separately examine the Top 7 havens changes inferences related to the TCJA, and we provide guidance regarding other settings that could be similarly impacted.

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8.04: Politics and Taxes

Institutional Investors' Political Orientation and Tax Aggressiveness.

Despite the fact that institutional investor regularly makes political contributions, prior research has not examined whether these contributions relate to the corporate tax policies of investee firms. In line with the argument that Republicans generally prefer lower taxes, we find that Republican-oriented institutional investors influence investee firms towards increased tax aggressiveness. We further find that this effect is driven by firms located in Republican-leaning areas, highlighting the harmonization of the political ideology of both institutional investors and the investee firms. Overall, our findings reveal the profound impact of political ideology on corporate financial practices, particularly in the realm of tax aggressiveness, highlighting an important area for further research and regulatory consideration.

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8.04: Politics and Taxes

Political Advertisements and Personal Income Tax Compliance.

We examine the relation between the tone of political advertisements and federal personal income tax compliance. We expect more negative political advertisements will reduce tax morale and therefore be associated with lower levels of individual tax compliance. Using data on televised political advertisements by metropolitan broadcast area and tax return outcomes from the IRS Statistics of Income individual taxpayer dataset, we find that a higher concentration of advertisements that criticize one candidate while promoting another is associated with lower levels of self-reported income. We find a similar association between the concentration of taxrelated political advertisements and self-reported income, indicating that the topical content of advertisements may also influence tax morale. Results from this study contribute to the literature on tax morale by enhancing our understanding of the effects of political polarization and media political campaigns on tax compliance in the U.S.

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8.05: Audit Considerations

***Auditorsâ€™ Strategic Career Choices: Evidence from the Wuyang Bond Case in China*.**

This paper investigates how auditors make strategic career decisions in the wake of the Wuyang Bond audit failure case in China. Unlike catastrophic failures such as Enron, the Wuyang Bond case does not lead to the firm's collapse, allowing auditors to weigh the risks and rewards of staying with or leaving their firm. Using a comprehensive dataset from the Chinese Institute of Certified Public Accountants (CICPA), we find that auditors, especially those with high exposure to risk, are more likely to leave after the failure. This effect is more pronounced among signatory auditors, associates, managers, and older employees. Meanwhile, those who choose to stay are more likely to advance in their careers. Our study provides insights into how auditors navigate post-failure career decisions, highlighting both the risks of staying in a troubled firm and the potential rewards of persevering through a crisis.

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8.05: Audit Considerations

Client Firmsâ€™ Asset Impairment Decisions: Does Partner-Level Industry Expertise Matter?

Using data from Taiwan, where the identities of two-signing audit-partners are known, I examine the association between partner-level industry expertise, measured by the lead-partner's market shares based on client-firms' total assets, and asset impairments, measured by the sum total of long-lived, definite-lived intangible, and other asset impairments. After controlling for impairment-loss reversals, I document that partner-level industry expertise is economically and significantly positively associated with the likelihood and magnitude of asset impairments. I also find that the attribution of recording timely impairment losses to auditor industry expertise is mainly driven by lead-partner industry expertise alone, by the joint firm- and partner-level expertise, or by the joint lead- and concurring-partner expertise. My results should be informative to regulators,practitioners, and academics interested in the effects of partner industry specialists on timely impairment-decisions.

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8.05: Audit Considerations

Synergy between auditors and AI

As AI ushers in another industrial revolution, how to adopt AI is vital for every industry. Both auditors and machines have their relative advantages and weaknesses. Auditors have expertise and private information, while machines can avoid heuristics and capture complex interactions through large datasets. I find that combining the strengths of auditors and machines can enhance bankruptcy predictions because machines can incorporate auditors' expertise while mitigating heuristics by capturing their situational variations. This complementarity enables collaboration between auditors and AI to outperform auditors or machines alone. The findings on the relative strengths of auditors and AI offer insight into redefining roles in auditing. Auditing teams can shift tasks from areas where machines excel to those where auditors add the most value.

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8.07: ESG II

Auditors Climate-Related Risk Disclosures: Evidence from Key Audit Matters.

This study explores how auditors assess climate-related risks in extended audit reporting, introducing Climate-Related Key Audit Matters (Climate KAMs) as a novel indicator. Using ClimateBERT, a cutting-edge language model, we identify climate-related content within KAMs. Our findings reveal significant variation in auditors' climate risk reporting across European countries and industries, with an increasing focus on environmentally related domains. Clients' climate risk exposure strongly influences the presence of Climate KAMs, demonstrating that auditors align their assessments with clients' actual risk exposure, while auditor characteristics play a lesser role. This study provides new insights into how auditors recognize and communicate climate risks, enhancing understanding of climate considerations in auditing practices.

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8.07: ESG II

The Role of Sustainability Governance on the Sustainability Assurance Quality: Evidence from Emerging Countries.

The aim of this study is to investigate the role of sustainability governance on sustainability assurance quality. We examine firm-level and country-level variables. Firm-level variables include sustainability performance, board characteristics, and assurance providers' characteristics. We include SDG score, EPI, and WGI for country-level variables. Our samples are 1,168 firm-years from 19 emerging countries with periods from 2017 to 2023. Sustainability assurance quality was assessed through content analysis of assurance statements. We find that board size, board attendance, and board independence are positively associated with sustainability assurance quality. We find positive associations between all country-level variables and sustainability assurance quality. We find little evidence of the positive effect of board gender diversity. However, we failed to document a significant positive effect of the presence of the sustainability committee and assurance providers' characteristics.

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8.08: Macroeconomic Factors

***Client-Level COVID Exposure and Audit Production*.**

the objective of this manuscript is to examine how differences in the way the pandemic affected client's operations led to differences in audit production. Results in this study show that clients with higher COVID exposure were riskier (higher going concern likelihood and higher total accruals) and that the auditor responded with greater audit effort (higher audit fees and greater audit lag). However, while greater audit effort is normally associated with higher audit quality, we find that in a setting that required complex judgments and no auditor had prior experience, this relation did not hold.

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8.08: Macroeconomic Factors

***COVID-19 Store Closures and Audit Fees*.**

This study examines the effect of strategic store closures, driven by the COVID-19 pandemic, on audit fees. We argue that store closures accelerate firms' restructuring efforts and add complexity to audit engagements, leading to higher audit fees. While extant research doesn't find evidence of audit fee changes during the COVID-19, focusing on brick-and-mortar stores, we find that firms with store closures during the COVID-19 experience audit fees increase after the pandemic. In line with the restructuring effort of firms with store closures, we find that firms with store closures during the COVID-19 have higher restructuring expenses. However, we don't find significant change in operating performance and audit quality for firms with store closures, suggesting the increased audit fees are unlikely to be driven by increased audit risk. Additional analysis shows that firms with store closure experience reduced foot traffic at their remaining stores, consistent with their strategic shift.

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8.08: Macroeconomic Factors

Does CEO's Early Adverse Experience Affect Corporate Audit Fees? Evidence from Chinese Great Famine.

Prior research on CEOs' childhood famine experience focuses on firm outcomes. We expand this by examining auditors' responses to CEOs with famine experience and find a significant positive effect on audit fees. This positive association is particularly pronounced in firms that are non-state-owned and high bankruptcy risk, and cases where auditors lack industry expertise or have shorter tenures. Potential channels test indicating that firms with famine-experienced CEOs are more likely to engage in financial fraud and earnings management and risk taking, which may explain the higher audit fees. Additional analyses indicate that that the severity of the CEO's childhood famine experience, the longer duration of famine exposure, and childhood exposure during ages 3â€“8 are all associated with a greater increase in audit fees. Moreover, such childhood famine experiences also raise the likelihood of companies receiving modified audit opinions.

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8.08: Macroeconomic Factors

How Does Clientsâ€™ â€œSingle-Stepâ€ Disclosure Strategy Influence Resource Competition in Audit Offices?

Public issuers are increasingly releasing their annual reports concurrently with their earnings announcements, accelerating the filing of annual reports. This study examines how the concentration of concurrent filers within an audit office affects the audit quality of other clients, focusing on the auditor's broader client portfolio rather than the decision of any single firm. We find that resource allocation within audit offices shifts from non-concurrent to concurrent filers, and when the concentration of concurrent filers is extremely high, the concurrent filers also face resource competition. Moreover, heightened resource allocation from non-concurrent to concurrent filers and resource competition among concurrent filers increases the likelihood of misstatements for clients in offices with a high concentration of concurrent filers, regardless of the client's own filing status.

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8.08: Macroeconomic Factors

Mandatory Audit Partner Rotation and Audit Quality: Evidence from Input and Output of Audits.

Using ex ante audit input data (i.e., number of signing partners, and number of staff with and without a CPA license for each engagement) and ex post audit output data (i.e., modified audit opinion and going concern opinion) from firms listed on the Tokyo Stock Exchange, we examine the consequences of mandatory partner rotation for audit quality. Overall, we find consistent results from input and output of audits suggesting that audit quality is enhanced before and after the mandatory rotation of engagement partners. We find that in the last year before the mandatory rotation, departing partners allocate more licensed staff (both staff and partner), but in the first year of mandatory rotation, incoming replacement partners allocate more staff with and without a CPA license. We further find that departing partners are more likely to issue a modified audit opinion before and after the rotation, but replacement partners are more likely to issue a going concern opinion before the rotation.

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8.09: The Role of Management

A Narcissist's Dilemma: How Narcissistic CEOs Navigate ESG Assurance.

Environmental, social and governance (ESG) assurance has emerged as a critical issue for firms, driven by stakeholders' growing emphasis on the credibility and transparency of ESG reporting. We examine the impact of CEO narcissism on the demand for ESG assurance using a sample of S&P 500 firms from 2018 to 2023. We find that the level of CEO narcissism is negatively associated with the propensity to acquire ESG assurance as well as the level of assurance quality acquired. However, this negative effect is mitigated when a CEO's interlocking firms perform better on ESG than the focal firm, and when the focal firm has an established ESG committee. These findings provide new insights into firms' voluntary demand for ESG assurance and the influence of CEO personality traits on firms' ESG disclosure decisions. Our results highlight how external peer pressure and internal governance mechanisms serve to mitigate the agency problems associated with narcissistic CEOs in relation to ESG issues.

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8.09: The Role of Management

***Donâ€™t Make Me Look Bad: CEO Narcissism and Audit Opinion Shopping*.**

This study investigates whether CEO narcissism affects a firm's opportunistic behavior of audit opinion shopping. We find that companies led by more narcissistic CEOs are more likely to opportunistically seek out auditors who will provide favorable opinions compared to companies led by less narcissistic CEOs. We also show that CEO duality and managerial inability serve as two potential channels that moderate the positive association between CEO narcissism and audit opinion shopping. These findings support the notion that audit opinion shopping is largely a CEO-induced phenomenon. Our findings remain strong after various robustness checks.

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8.09: The Role of Management

Has Management Become More Skillful at Misstatement After SOX 404?

This study investigates whether management has become more skillful at misreporting in the post-SOX 404 era by analyzing the impact of SOX 404 on the length of the financial restatement period. Using a staggered difference-in-difference design, we find that the length of the restatement period increased significantly following SOX 404. Cross-sectional analyses reveal that SOX 404's impact on the length of financial restatements is more pronounced among firms with more complex information environments, those located farther from SEC offices, and those audited by less experienced audit firms. Further analyses show that management is more inclined to choose CEOs with a financial background and engage less-experienced audit firms prior to committing misreporting, while auditors allocate more resources to detecting fraud in the post-SOX 404 era. This evidence suggests that the longer restatement periods observed in the post-SOX 404 era might be due to management becoming

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8.10: Analysts and Social Interactions

Gender Differences in Sell-Side Analysts' Social Interactions.

We examine whether and how sell-side analysts' social interactions with company management vary by their gender. Using a unique dataset of corporate site visits, we find that female analysts visit fewer listed firms than their male counterparts but visit firms more frequently. For the firms they visit, female analysts are more likely to engage in joint site visits with institutional investors, while male analysts focus on analyst-only visits. Additionally, site visits involving female analysts are associated with weaker abnormal returns, indicating that these visits are less informative. This effect is more pronounced for joint visits and visits to less transparent firms. We identify two mechanisms driving these differences: resource imbalances in male-dominated brokerage houses and gender homophily in financial networks. Our findings contribute to literature on gender issues in capital markets and research on the significance of social interactions in the market for information.

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8.10: Analysts and Social Interactions

Rather We Didn't Meet: The Superstar Analyst's Choking Effect.

This study examines how star analysts' presence during corporate site visits affects non-star analysts' forecast accuracy in China's capital market. Results show non-star analysts' forecast accuracy drops by 18% following encounters with star analysts compared to visits without stars present. Using the suspension of the New Fortune Star Analyst Contest as a natural experiment, we find this negative effect disappears when tournament incentives are removed, suggesting competitive pressure drives performance deterioration. The effect is stronger for female analysts, top-ranked star interactions, and first-time meetings, indicating psychological pressure as the key mechanism. Alternative explanations like strategic withdrawal or learning benefits are not supported. These encounters also reduce non-star analysts' chances of achieving star status in subsequent years. The study reveals how tournament incentives and psychological pressure impair professional performance.

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8.10: Analysts and Social Interactions

Strategical Communication on Financial Social Media: The Implication of Self-Inclusive Language in Stock Analyses.

This study investigates how self-inclusive language (e.g., 'I,' 'our') in stock analyses affects both the authors' credibility and market responses on financial social media. Analyses that use more self-inclusive language spark stronger short-term stock price movements aligned with the authors' recommendations; however, these effects reverse in the long run. Further evidence suggests such analyses tend to be shorter, rely on less data, and generate less post-publication trading, implying they may be less informative overall. Additionally, higher use of self-inclusive language draws more reader comments but fewer 'acknowledgments.' Finally, the influence of self-inclusive language is weaker when information asymmetry is lower and when authors face higher reputation costs or operate in more transparent environments, indicating that contextual factors can moderate its market impact.

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8.11: Corporate Responsibility and Ownership Structures

Does Lender Monitoring Spill Over into Supply Chain Contracts?

This paper examines the spillover effects of a common lender's monitoring on supply chain contracts. Enforcing contractual provisions can be costly and constrain operational flexibility for firms lacking specialization in monitoring. However, a common lender-possessing extensive information about both suppliers and customers-can help mitigate these constraints. Using data on publicly disclosed supply contracts, I find that supply chain partners sharing a common lender are less likely to include governance covenants, particularly when paired suppliers and customers face severe hold-up risks and struggle with credible communication. Suppliers are also more inclined to offer favorable trade credit terms in agreements involving a common lender. These findings underscore the role of common lenders in reducing contracting frictions and facilitating efficient arrangements, contributing to a deeper understanding of banks' monitoring spillovers and their impact on supply chain efficiency.

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8.11: Corporate Responsibility and Ownership Structures

***For-Benefit or For-Profit? The Dark Side of Stakeholderism Legislation*.**

The Public Benefit Corporation (PBC) legislation redefines corporate purposes by introducing a new legal form of corporate structure, the for-benefit corporation, which must include public benefits in its certificate of incorporation. We posit that PBC legislation heightens the uncertainty of directors' fiduciary duties and diminishes the perceived commitment to public interests for traditional for-profit corporations. Consequently, for-profit companies will reduce their corporate social responsibility activities following the enactment of PBC laws, a phenomenon we term the corrosion effect. By exploiting the staggered enactment of PBC legislation across U.S. states, we find results consistent with our predictions. We also find an overall increase in state-level pollution, suggesting that the environmental efforts of for-benefit companies are insufficient to counterbalance the reduced environmental initiatives by for-profit firms.

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8.11: Corporate Responsibility and Ownership Structures

Mitigating Insider Rent Extraction: The Role of Dual Ownership in Corporate Governance.

We examine the role of dual ownership â€“ where institutional investors hold both equity and debt â€“ in curbing managerial rent extraction, specifically focusing on informed insider trading as a key means of rent extraction from uninformed stakeholders. Dual holders, with stakes in both equity and debt, have stronger incentives and greater informational advantages to monitor insiders than other institutional investors. Using a sample of U.S. public firms from 1995 to 2016, we find a statistically significant negative relationship between dual ownership and insider trading profitability. Opportunistic insiders at dual-held firms earn lower returns, especially those with greater informational advantages. Employing the Russell 2000 index constituents as an instrumental variable, we confirm these findings. Furthermore, we observe that debt covenants, particularly capital covenants, mediate this effect by aligning shareholder and creditor interests. During high-information events such as quart

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8.12: Credit Ratings and Market Discipline

Banksâ€™ Internal Credit Rating Bias: Additional Evidence.

There is growing regulatory concern that banks bias their internally generated borrower credit ratings under Basel II's internal ratings-based (IRB) approach, consistent with banks' incentives to minimize required regulatory capital. Using data on banks' internally generated borrower credit ratings, we first find evidence of discontinuities at salient thresholds in the rating distribution. Next, we provide evidence that the discontinuities are less pronounced for public borrowers relative to private borrowers, consistent with these discontinuities indeed reflecting upward rating bias. Using an implied credit-ratings model, we find that both upward rating bias and rating dispersion across banks are lower for borrowers with better financial reporting quality. These results suggest that borrower reporting quality facilitates bank examiner detection of internal ratings bias and may therefore be an important factor to consider in the current regulatory debate concerning the IRB use.

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8.12: Credit Ratings and Market Discipline

Impact of Stringent Regulation on the Ratings Market: Evidence from the Death of a Rating Agency.

Following the Global Financial Crisis, regulators in the credit rating market have debated whether strict regulatory sanctions, such as an outright ban on a non-compliant rating agency, could improve rating quality. Exploiting a rare instance of a regulator-mandated forced exit of a credit rating agency (CRA), I examine the impact of strict regulatory actions on rating standards. Using a difference-in-differences design, I find that banning the rating services of a CRA results in a one-notch rating downgrade for one in five affected firms. Furthermore, the strict regulatory action reduces the missed defaults (type I errors) by the impacted rating agencies, addressing rating inflation. However, the findings also indicate an increase in false warnings (type II errors), as CRAs adopt more cautious and pessimistic behavior, which raises borrowing costs for rated firms. These findings highlight the trade-offs of regulatory sanctions and their broad implications.

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8.12: Credit Ratings and Market Discipline

The Downside of Dissemination: Evidence from the Municipal Bond Market.

We exploit a regulatory change that made municipal credit rating information prepared by two of the three major rating agencies freely available on EMMA to document adverse effects of increased dissemination. While increased dissemination reduces transaction costs and increases trading by retail investors, the increased trading is skewed towards bonds that are more likely to be subsequently downgraded. These adverse trades arise because retail investors appear to select bonds based on yield within a specific credit rating level without realizing the risk of those bonds being downgraded. We find no evidence that institutional investors, who had access to credit rating information prior to the regulatory change, experienced any change in trading frequency or outcomes. In the setting we study, the adverse effect on trading is notable given that there were broad improvements in market liquidity and the specific intent of the regulatory change was to benefit retail investors.

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8.13: Determinants and Outcomes of Voluntary Disclosure

Commitment through Forecasting: Managerial Buyback Guidance and Payout Policy.

We leverage a unique database to empirically examine the costs and benefits of issuing share buyback guidance. Our main analysis documents a novel economic trade-off: On the one hand, firms issuing buyback guidance-typically mature 'cash cow' firms with high payout and low investment-accelerate good news about higher-than-expected repurchases, generating positive announcement returns. On the other hand, this commitment comes at a cost-guiding firms pay a premium when repurchasing shares compared to non-guiding firms. Using insider trading data, we show the investment horizon of managers aligns with the willingness to make this trade-off. We find no evidence firms reduce investment to meet share buyback targets, inconsistent with guidance serving as a mechanism for committing to under-investment. Overall, we find buyback guidance enables firms to make a 'soft' commitment to return excess cash, foregoing the flexibility that enables opportunistic repurchases.

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8.13: Determinants and Outcomes of Voluntary Disclosure

Peer Disclosure.

This study examines peer effects in corporate disclosure by analyzing how U.S. domestic firms respond to changes in their Foreign Private Issuer (FPI) peers' voluntary disclosure practices following the 2007 elimination of the IFRS-U.S. GAAP reconciliation requirement. Using this regulatory change as a natural experiment, we find that FPIs increase voluntary disclosures to mitigate information loss from reduced mandatory reporting. A difference-in-differences analysis shows that U.S. domestic firms with FPI peers that stop reconciliations also increase voluntary disclosures, driven by competition for investor attention. These findings suggest firms strategically adapt disclosure behavior in response to regulatory changes and competitive pressures from peers. The results highlight the complementary role of voluntary disclosure in maintaining transparency when mandatory reporting is reduced and underscore the significance of peer effects in shaping corporate disclosure strategies.

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8.13: Determinants and Outcomes of Voluntary Disclosure

The Effects of Fractional Trading on Corporate Disclosure.

This study investigates how high-priced firms adjust their corporate disclosure policies in response to the introduction of fractional trading. High share price is used by some managers to deter capital-constrained retail investors and attract dedicated institutional investors. The introduction of fractional trading, which allows investors to buy less than one full share of a firm's stock, increases retail trading and stock price volatility for high-priced firms. I hypothesize that high-priced firms will utilize retail investors' information-processing disadvantage by issuing fewer management forecasts, especially fewer optimistic and precise forecasts, to deter retail trading and mitigate negative stock market effects. I find consistent evidence, and the results are more significant when fractional trading is more harmful. Further analyses show high-priced firms compensate for the reduction with more informative and interactive conference calls to communicate with target investors.

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8.14: Disclosure Pressure

Asymmetric Disclosure Patterns in the Presence of Common Ownership.

Theory predicts that common institutional ownership can pressure managers to improve firm performance to avoid appearing inferior to commonly owned peers. Consistent with theory, we predict and find that commonly owned firms release more positive than negative news. This asymmetry is driven by discretionary news releases and is stronger when commonly owned firms have greater pressure to improve performance and when investor attention is low. Additionally, we find that the asymmetry in disclosure patterns in the presence of common ownership is associated with a greater likelihood of a stock price crash in the following year. Overall, our results provide new insight into the influence of common ownership on disclosure.

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8.14: Disclosure Pressure

***Silence As Shield: Suppliers' Disclosure Strategy to Protect Customers' ESG Reputation*.**

We utilize China's nationwide anti-pollution drive launched in 2014 as a plausibly exogenous shock and employ a differences-in-differences design to identify the deterioration of polluting firms' ESG reputations; we find that polluting firms reduce their disclosure of customer identities following the drive. This effect is more pronounced for firms with lower bargaining power in the customer relationship, those facing greater public pressure or more stringent regulatory scrutiny, and those in less stable industries. We also find that such a disclosure strategy benefits supplier firms: following the drive, relative to polluting firms disclosing customer identities, polluting firms hiding customer identities experience smaller declines in sales from major customers. Overall, our results suggest that firms adjust their disclosure strategies to accommodate their customers' incentives to minimize the negative spillover from the deterioration of suppliers' ESG reputations.

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8.14: Disclosure Pressure

Strategic ESG Discussions and CEO Career Concerns.

This study examines the association between the strategic discussions of ESG during earnings calls and CEOs' career concerns. Using state-of-the-art textual analysis and modeling for CEO dismissal probabilities, this study identifies a positive association between heightened career concerns and the frequency of ESG discussions in earnings calls, particularly those pertaining to material ESG topics. The additional findings reveal that CEOs strategically increase their discussion of material ESG issues without corresponding performance outcomes. This is often accompanied by the use of complex language or a positive tone to mitigate potential financial risks associated with these discussions. Overall, the findings indicate that CEOs frequently leverage ESG discussions during earnings calls as a strategic tool to secure their positions by diverting attention from potential career-damaging factors to their ESG commitments.

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8.15: ESG Human Capital

ESG Investors and Mandatory ESG Disclosures: Evidence from Human Capital Disclosures.

This study investigates how mandatory ESG disclosures influence the investment decisions of ESG-oriented investors. Although mandatory ESG disclosures are increasingly common, there is limited evidence that investors integrate such disclosures into their portfolio holdings. This paper addresses this gap by examining the impact of the 2020 US human capital disclosure mandate on the investment decisions of Human Capital Management Coalition (HCMC) members. I find that higher-quality human capital disclosures are associated with increased investments from HCMC members, while lower-quality disclosures lead to reduced investments. Moreover, changes in HCMC members' portfolio allocations after the mandate are negatively correlated with future workforce-related public enforcement actions. These results demonstrate that the mandate significantly influenced HCMC members' equity portfolios, improving alignment the between their ESG preferences and firms' actual human capital practices.

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8.15: ESG Human Capital

Human Capital and Retention in the Audit Profession: Evidence from the Great Resignation.

This study exploits the Great Resignation (GR) as a quasi-exogenous shock to the audit labor market to examine how labor market power influences firms' ability to retain talent and the effectiveness of their retention strategies during labor market disruptions. Using granular LinkedIn employment profile data, we find that audit offices in more concentrated labor markets-where employees have fewer external opportunities-experience lower turnover during the GR. However, firms with larger labor market shares within less concentrated markets face higher turnover rates, suggesting that greater dominance in competitive markets does not fully shield against elevated employee exits. In response to the GR shocks, audit firms accelerated promotion timelines, with this strategy being more aggressively adopted in markets with higher concentration. Despite these efforts, early promotions appear to be ineffective retention tools; junior auditors promoted early are more likely to leave, suggesting that such measures may have unintentionally strengthened external mobility. Taken together, our findings suggest that the GR prompted audit firms, even those with significant labor market power, to rethink their retention strategies, providing new insights into talent retention in the audit profession, which is critical for ensuring high-quality audits.

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8.15: ESG Human Capital

Organized Labor and Strategic Disclosure through Online Job Postings.

This study examines whether and how unionized employers use online job postings as a strategic disclosure tool to mitigate the bargaining power of labor unions. Utilizing difference-in-differences analyses, we find that unionized employers strategically reduce the level of online job postings during labor negotiations. Cross-sectional tests suggest that these firms' reduction in the level of job postings during labor negotiations is more pronounced when they are headquartered in states without right-to-work laws, when firms have greater labor intensity, and when they exhibit higher growth. Further, such strategic disclosure behavior concentrates in the three quarters leading up to the effective dates of collective bargaining agreements. Corroborating evidence suggests that unionized employers also provide fewer specific job postings during labor negotiations. Overall, our study provides evidence that firms strategically communicate with incumbent employees through online job postings.

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8.16: ESG Social & Governance I

***Corporate Responses to Anti-DEI Pressure: Evidence from Students for Fair Admission v. Harvard*.**

Prior research documents firms' substantial efforts to meet demands for diversity, equity, and inclusion (DEI) activities, but with a recent rise in anti-DEI pressure, managers face conflicting preferences for DEI activities. We examine how firms respond to a shift in preferences for DEI activities, using the Supreme Court case Students for Fair Admissions (SFFA) v. Harvard as a shock to anti-DEI pressure. Firms discuss DEI topics less during conference calls post-SFFA, while at the same time invest more in DEI activities. As a result, firms experience a reduction in misalignment between DEI discussion and actions post-SFFA, specifically for DEI washers or those with high DEI disclosures and low DEI investments. Overall, we provide novel evidence that anti-DEI pressure has unintended benefits for the DEI information environment. However, DEI washers experience a reduction in ownership from ESG funds, suggesting that the reduced disclosure comes at a cost.

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8.16: ESG Social & Governance I

Mass Shootings and Local Firms' Labor Market Consequences.

Despite the alarming rise in gun violence across the U.S., empirical research examining its impact on local firms remains scarce. Using mass shootings from 1998 to 2018 as an exogenous shock to gun violence, I find that local public firms experience significant contractions in both labor growth rates and investment in labor following such events. This effect appears to be largely driven by employees' desire for a safer work environment rather than by pessimistic sentiment among corporate managers. The reduction in labor growth rates is particularly pronounced in firms whose operations are concentrated in areas directly affected by mass shootings. Additionally, firms tend to improve employee treatment following mass shootings. These findings are robust across a battery of tests, including comparisons with firms in areas affected by failed mass shootings, firms never impacted by such events, and those at moderate distances from mass shootings.

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8.17: Financial Reporting Properties III

Reassessed Earnings with Capitalized Intangibles.

We examine whether and how the proforma capitalization of in-house intangible investments would alter the assessment of firm profitability and the qualitative attributes of earnings. Based on that simulated accounting, the percentage of loss-reporting firms declines, and earnings and operating cash flows dramatically increase. Reassessed profits and losses better map with positive and negative stock returns, respectively. Reassessed profits and losses also better map with firm survival and failure, respectively. Qualitative attributes of earnings improve: expenses are better matched with contemporaneous revenues, earnings become less volatile and more persistent, and the E/P ratios provide better signals for value investing. These results suggest that capitalization of intangibles improves the measurement of firm profitability and enhances the usefulness of earnings measures.

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8.17: Financial Reporting Properties III

The Impact of Managerial Tax Avoidance on Stock Price Synchronicity: The Moderating Role of Financial Statement Comparability.

This study investigates the impact of managerial tax avoidance on stock price synchronicity, emphasizing the moderating role of financial statement comparability. While tax avoidance can enhance cash flow and flexibility, it often reduces market transparency by obscuring firm-specific information. Using quantile regression analysis, the findings reveal that aggressive tax avoidance increases stock price synchronicity, signaling diminished market efficiency. Importantly, financial statement comparability mitigates these effects, enabling markets to better incorporate firm-specific risks and opportunities. By linking tax strategies to market efficiency, this research provides critical insights for regulators and corporate governance advocates, highlighting the role of comparability in enhancing transparency and countering the adverse effects of aggressive tax practices.

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8.17: Financial Reporting Properties III

***The Risk Relevance of Restructuring*.**

This study investigates whether the timing of restructuring, indicating project abandonment, is informative about systematic risk. In expectation of negative shocks, firms exercise project abandonment options and reduce productive inputs. Shocks may be firm-specific or economy-wide, but only economy-wide shocks will manifest macroeconomic changes. Accordingly, observing whether a firm abandons projects in concert with, or independently of, macroeconomic growth expectations can indicate systematic risk. Firms restructuring when aggregate input growth is lower have higher stock return-based measures of systematic risk, restructure in advance of aggregate input and output growth declines, and are more likely to reverse restructuring charges. Overall, these results show restructuring's importance to systematic risk assessment and as a leading macroeconomic indicator.

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8.18: Textual Analysis and Disclosure Properties III

Corporate Use of Artificial Intelligence and Subsequent Product Market Performance.

There is limited academic evidence on the use of AI by U.S. companies and its effects. We identify a firm's use of artificial intelligence (AI) in product and service development by using keywords to select AI related sentences in the annual financial report and then training BERT-a popular deep learning model-to classify each sentence into about using AI in product and service development ('AI adoption') vs. other AI related disclosure. We observe a steady increase in AI adoption since 2010 and a faster-paced increase since 2018. AI adoption is associated with higher sales growth in the subsequent year and with higher operating efficiency and profitability in the subsequent two years. In addition, the success of AI adoption appears to depend on the intensity of AI use. We do not observe improved product market performance after AI adoption for firms that do not have workers with AI skills in their own workforce.

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8.18: Textual Analysis and Disclosure Properties III

Decoding Risk: Neural Topic Modeling of Corporate Risk Disclosures and Expected Returns.

This study employs a neural topic modeling algorithm, BERTopic, to analyze risk factor disclosures in 10-K filings and their implications for expected returns. We construct high-dimensional risk exposure vectors from firms' Item 1A disclosures. Our analyses show that compared to traditional industry peers, firms with similar risk exposures exhibit stronger return co-movement and characteristic homogeneity. Our expected return estimator, based on principal component analysis of these exposures, outperforms characteristic-based proxies, demonstrating higher correlation with realized returns and lower measurement error variance. Our results show how corporate risk disclosures can aid investors' assessment of firms' risk profiles and expected returns.

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8.18: Textual Analysis and Disclosure Properties III

When Do Investors Learn from Silence?

We investigate how litigation risk alters investors' reactions to firms remaining silent. As litigation risk from withholding news increases, investors are more likely to see silence as a sign of good standing since bad news becomes more costly to hide. To test this prediction, we rely on Management Discussion and Analysis (MD&A) as the context and leverage the Second Circuit's court ruling in Macquarie Infrastructure Corp. v. Moab Partners, L.P., which heightened litigation risk for omitting information in MD&A. We measure non-disclosure through year-over-year textual similarity. Based on a difference-indifference design, we find that investors of firms headquartered in the Second Circuit react more positively to MD&A reports with high similarity to the prior year's disclosures, compared to investors of firms in circuits with opposing precedents. Complementary evidence suggests that heightened litigation risk improves the ability of MD&A similarity to predict future positive news.

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8.19: Global Capital Market

Does Media Coverage Encourage Individual Investorsâ€™ IPO Participation?

This study explores the link between media coverage and IPO demand among individual investors. Using unique data on individual investors' demand for IPO shares (i.e., subscription rates), we find that greater pre-IPO media coverage is associated with increased subscription rates from individual investors. The effect is more pronounced when an IPO firm's pre-IPO financial performance is weak and the IPO stock is undervalued. Our results are robust across alternative research designs. This study underscores the important role of media in providing information in IPO markets, where individual investors often have limited access to and ability to interpret financial information.

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8.19: Global Capital Market

Managerial Overconfidence and the Use of Financial Derivativesâ€”Does Self-Attribution Bias Matter?

Overconfidence is one of the cognitive biases in which people demonstrate unwarranted belief in their judgments or capabilities, thereby affecting their decision-making. Prior studies also suggest that overconfidence follows from selective self-attribution, i.e., successes (failures) tend to be attributed to one's own skill (bad luck). We examine how managerial overconfidence affects firm derivatives activities and further test the role of self-attribution bias on overconfident managers' derivatives using decisions. Empirical result shows that overconfident managers are negatively associated with the magnitude of trading (measured as speculation and selective hedging) derivatives use, suggesting that overconfident managers engage in less trading derivatives than their non-overconfident counterparts. Further evidence reveals that this result is particularly pronounced for firms with good previous year operating performance and supports the self-attribution bias of overconfident manager.

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8.19: Global Capital Market

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

This study investigates the impact of the worldwide adoption of IFRS on cross-listings in the U.S. main markets. Using a large sample of global firms from 2002 to 2019, we find that the adoption of IFRS reduces the number of firms cross-listed in the U.S. main markets and alters the home-country composition of these cross-listed firms, with more firms from emerging markets and fewer firms from developed markets. Although the average cross-listing premium persists in the U.S., it experienced a substantial decline of 51.7% in the first three years and 35% when expanding the sample to six years following the adoption of IFRS. Further analysis shows that this finding is driven by the decline in cross-listing premiums for firms from emergent markets. Overall, our results indicate that IFRS adoption further integrates global capital markets, thereby reducing the net benefits of cross-listing and, consequently, the cross-listing premium in the U.S. main markets.

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8.20: CSR and Risk

Quantitative or Qualitative? The Effect of Target Type and Financial Performance on Environmental Investments.

Over the past decade, the number of companies that use environmental targets in executive compensation plans has increased. Companies' environmental targets typically address a subset of the dimensions in the company's overall environmental strategy. In this study, I examine how target type (quantitative or qualitative) and financial performance (improving or declining) affects managers' investments toward the incentivized dimension, e.g., reducing carbon emissions intensity, and related unincentivized dimensions, e.g., reducing water waste. I find a significant main effect of both target type and financial performance on the amount invested toward incentivized dimension, e.g., reducing carbon emissions intensity. Additionally, I find a significant interaction of target type and financial performance on managers' investments toward the unincentivized dimensions. My findings have practical implications for companies designing environmental targets to meet their environmental goals.

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8.20: CSR and Risk

The Effect of Risk Framing and Shared Social Identity on Risk Managers' Judgment.

Influential risk management bodies argue that enterprise-wide risk management (ERM) ought to evolve from its traditional focus on avoiding threats to become as much about taking strategic risks. At the same time, there is an ongoing debate among practitioners about how best to configure the roles of business unit managers and risk managers to improve the integration of ERM and business strategy while preserving appropriate amounts of independence and objectivity among risk managers. A between-subjects experiment relying on the social identity and information framing literatures showed that participants evaluate the positively framed risk less objectively and that higher shared social identity is associated with lower objectivity. Implications about risk presentation and risk manager objectivity are offered.

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8.21: Executive Compensation

Economic Determinants of Increased Use of Performance-Vesting Provisions in CEO Incentives.

This study examines the determinants of firms adopting performance-vesting long-term incentive (PLI) awards, a rapidly growing form of executive compensation. Using data from Equilar on Russell 3000 firms, I investigate how a firm's contracting environment and inter-firm networks influence the adoption and design of PLI awards. I find that stock liquidity and analyst coverage significantly increase the likelihood of adoption by enhancing the informativeness of performance measures. The findings suggest that firms adopt PLI awards to better align managerial incentives with shareholder interests, focusing on the measures that are both reliable and strategically aligned. I also show that board interlocks, particularly those involving compensation committee members, and shared compensation consultants play a significant role in facilitating the diffusion of PLI awards across firms.

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8.21: Executive Compensation

***Human Capital Metrics in CEO Compensation*.**

In light of the growing emphasis on human capital and the increasing demand for stakeholder-centric corporate governance, this study examines the implications of incorporating human capital metrics into CEO compensation plans. Using a sample of S&P 500 firms from 2018 to 2020, we examine whether these metrics help align CEO and employee welfare, as reflected in CEO-to-median employee pay ratios. Our findings indicate that firms adopting employee metrics report lower CEO pay ratios, driven by higher employee pay rather than reduced CEO compensation. Moreover, while the inclusion of employee metrics enhances employee productivity, it is associated with lower firm value, potentially reflecting market concerns over misaligned CEO incentives and managerial entrenchment. This evidence highlights the strategic importance of aligning CEO incentives with workforce well-being and productivity, while also underscoring the challenges of translating these measures into improved firm performance.

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8.21: Executive Compensation

No CEO Pay for ESG-Performance?

This study examines the sensitivity of CEO pay to ESG performance using a sample of large U.S. firms from 2007 to 2023. We distinguish between ESG scores, reflecting positive outcomes, and ESG incidents, measured by daily public data on violations of United Nations Global Compact (UNGC) Principles. Our results show that traditional financial metrics, such as stock returns and sales growth, significantly influence CEO pay, while pay-for-ESG-performance sensitivities are small and not economically significant. Higher ESG scores do not positively impact CEO compensation, indicating ESG is not fully integrated as a value-creation strategy. Conversely, firms penalize CEOs for frequent ESG violations, suggesting a governance and compliance approach. These findings shift the theoretical consensus towards firms recognizing the risks of poor ESG performance without adequately rewarding strong ESG outcomes, highlighting the ongoing tension between stakeholder expectations and shareholder priorit

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8.22: Technology and Impact: Bold Innovations in Accounting Education

Asynchronous Anxiety: The Effect of Course Delivery Format on Student Performance, Satisfaction, and Course Perceptions.

The purpose of this study is to examine whether course delivery mode affects accounting student participation, expected performance, and satisfaction with the course. Additionally, we also investigate students' pre- and post-course feelings about course delivery modality. Students' feelings are grouped into four major emotional groups (i.e., glad, mad, sad, and scared) and we test for differences across two course delivery modes: on ground synchronous and online asynchronous. Results suggest students enrolled in an on ground synchronous were more likely to participate in additional on-ground activities than those in the online asynchronous course, were more satisfied with the course, and expected to earn a higher grade in the course. Additionally, students at the beginning of the course, were less likely to report 'glad' descriptors and more likely to report 'scared' descriptors than the on ground synchronous group.

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8.22: Technology and Impact: Bold Innovations in Accounting Education

Engaging Intermediate Accounting Students through Online Discussions on the Ethical Dilemmas: An Empirical Study.

The study has a twofold purpose. First, it documents an experiential survey on teaching ethics in an intermediate accounting course at a middle-class public university in the U.S. Second, it empirically examines attending students' thoughts and perceptions on the experiential study. The study covers six experiments in five post-COVID semesters. A three-step approach is applied to the experiential study. CANVAS online discussion tool is used as a teaching-learning platform. Two common goals of teaching ethics in accounting are initially set to be achieved. Through empirical analyses, the study examined whether financial reporting and accounting ethics are perceived as essential learning outcomes in intermediate accounting courses taught in an accounting undergraduate degree program. The findings encourage the inclusion of ethical dilemma cases in intermediate accounting course content at the college level of accounting education since students reflect on it positively.

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8.22: Technology and Impact: Bold Innovations in Accounting Education

Integrating Human Expertise and Generative AI to Develop Integrated Teaching Cases: A Framework and Implementation Guide.

This paper presents a framework for developing integrated accounting teaching cases that leverages human and generative artificial intelligence (GenAI) expertise. The three-phase approach begins with educators establishing learning objectives and technical content through structured spreadsheets, followed by using GenAI to create contextual narratives, and concludes by automating the integration of the technical and narrative elements. This approach responds to calls from professional accounting organizations and academia for increased competency integration in accounting education by providing an efficient, scalable approach to case development. The paper provides an example of how the framework can be implemented using a budgeting case in the introductory managerial accounting course and provides guidance for adapting the approach across various accounting topics and levels.

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8.22: Technology and Impact: Bold Innovations in Accounting Education

Motivation, Distraction, and Other Factors Associated with Student Performance in Business Data Management and Information Systems.

This study examines some determinants of student performance in Business Data Management and Information Systems (BDM&IS). Of the motivation factors studied (intended grade, intention to attend graduate school, and intention to obtain a professional certificate) only the first has some association with student performance. None of the three distraction factors (work hours, work type, and course load) has any significant negative effect on student performance. However, there is limited and weak evidence that course load may lower the total points the students earn for the course. Of the three self-perceived ability factors (Reading, Writing, and Listening) only Writing has some significant association with student performance. Of the other two factors, gender has some significant association with student performance, but age does not. Finally, the grade in the pre-requisite Applied Statistics course and overall GPA are strong predictors of student performance in BDM&IS.

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9.01: Financial Literacy and Taxes

Are Individual Investors Tax Savvy? Revaluating Individual Investors Using Robinhood Data.

Over two decades ago, Barber and Odean (2004) provided evidence that retail investors are tax savvy. However, retail investing has dramatically changed since then. Using data on individual investor holdings on the Robinhood trading app, we revisit their research question by asking if Robinhood investors efficiently incorporate taxes into their investment decisions. Specifically, we examine asset allocation decisions and tax loss harvesting. Our results suggest that Robinhood investors do not avoid dividend income in their taxable trading accounts, and they even appear to be drawn to high dividend yield equities before the ex-dividend date. Additionally, we see no evidence of tax loss harvesting in December, an event often credited as the mechanism for the 'turn-of-the-year' effect. We conclude that Robinhood investors do not appear to be tax savvy.

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9.01: Financial Literacy and Taxes

***Tax Rate Intertemporal Discontinuity and Capital Gains Realization*.**

We examine how capital gains tax rate intertemporal discontinuity, the difference between short-term and long-term rates, reduce capital gains realization. We provide direct evidence of a negative association between discontinuity and capital gains realization that is due to a negative (positive) effect of short-term (long-term) rate on gains realization. The effect of discontinuity on reducing capital gains realization is asymmetric â€" its increase reduces gains realization while its reduction does not increase realization. This negative association increases in adjusted gross income, financial literacy and Google search-based attention for capital gains tax and attenuates in risk-taking preference and individualism. We conclude that the suppression of capital gains realization is due to investors timing their trading to avoid short-term gains realization when the short-term rate is higher than the long-term rate.

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9.02: Real Effects of Tax Policy

Anti-Tax Avoidance Rules and The Real Effects on Foreign Investors.

Tax policy is one tool policymakers use to attract foreign investment. However, tax policy is also often used to limit tax avoidance, which can increase the after-tax cost of foreign investors investing into another country. We examine the real effects of three significant anti-tax avoidance policies likely to affect foreign investorsâ€“ namely interest deduction limitation rules, transfer pricing rules, and general anti-avoidance rules â€“ on inward foreign direct investment (FDI) into rule-enacting countries. We document that interest deduction rules and general anti-avoidance rules may weaken foreign investment interest into the enacting country. We also find that interest deduction rules appear to impact both debt and equity investment, whereas general anti-avoidance rules appear to largely affect equity investment. In contrast, transfer pricing rules appear to largely influence phantom FDI rather than true economic investments.

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9.02: Real Effects of Tax Policy

Closing Pandora's IP Box: The Impact of the Nexus Approach on Patent Shifting and Innovative Activity.

This study investigates the impact of the nexus requirement on entities' location decisions for intellectual property and investments. The nexus requirement links the preferential Intellectual Property Box (IP Box) taxation to domestic research activity, aiming to reduce cross-border patent shifting. Using a stacked difference-in-differences design on a sample of European entities, I analyze whether entities alter their location decisions for investments and intellectual property. Analyses reveal that the nexus requirement is effective in reducing entities' patent shifting from non-IP Box entities to IP Box entities. Additional results suggest that multinational entities reallocate capital and labor investment from non-IP Box entities toward IP Box entities, aligning resources and IP Boxes with the nexus requirement. Overall, the evidence indicates less geographical separation between research and income taxation. While substance requirements were intended to prevent IP and profit outf

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9.02: Real Effects of Tax Policy

How Does Tax Regulation Affect Accounting Firms' Demand for Human Capital: Evidence from the TCJA.

The supply of accounting labor is declining, which is creating challenges for public accounting firms and the accounting profession. In this study, I exploit the passage of TCJA in December of 2017 to investigate how new regulation influenced public accounting firms' demand for tax human capital. Using a detailed dataset of online job postings made by accounting firms, I document a significantly greater number of tax job postings after the passage of the TCJA as well as a greater percentage of tax jobs relative to total tax and audit jobs. The number of tax job postings is greater in both of the two years following the TCJA, across all levels of positions within public accounting firms (e.g., associate, manager, etc.), and for both Big 4 and non-Big 4 firms. I also find evidence of an increase in demand for auditors. Across tax and audit, I estimate a lower bound of an additional 18,200 public accounting jobs demanded in the two years after the TCJA.

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9.03: Audit Fees and Non-Audit Fees

***Audit Firm-Level Revenue Composition and Audit Qualityâ€"Evidence from Europe*.**

We investigate the relationship between audit firm-level revenue composition and audit quality. We examine an audit firm's consulting focus and find that audit firm-level revenues from non-audit services are negatively associated with audit quality. Moreover, the revenue breakdown in European audit firm's transparency reports enables us to explicitly distinguish between the proportion of non-audit services provided to audit clients and those provided to other entities. Our results indicate that the non-audit services provided to non-audit clients are particularly problematic. In addition, we examine whether a focus of the audit division on specific clients â€" i.e., public-interest entities â€" is associated with audit quality and find only weak evidence. Our findings contribute to the ongoing discussion regarding the business model of audit firms, where various regulators and academics are concerned about a cultural shift toward commercialism to the detriment of audit quality.

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9.03: Audit Fees and Non-Audit Fees

Disclosure of Auditors Independence Matters in other parts of PCAOB Inspection Reports: Implications for Non-Audit Services.

We examine the impact of enhanced transparency in PCAOB inspection reports, particularly focusing on the newly introduced disclosures of non-compliance with independence-related rules in part I.B, implemented in 2018. While prior literature primarily concentrated on Part I.A, our findings highlight the significance of other parts (Part I.B) of these reports. Using data on deficiency rates associated with independence related PCAOB Rules 3524 or 3526 for annually inspected audit firms, we find a decrease in auditor-provided non-audit services (NAS) following the disclosure of independence matters, with stronger effects for clients attracting higher levels of investor attention. Furthermore, we find that client firms' audit committees are more likely to address and disclose NAS-related independence concerns when their auditors are subject to PCAOB independence-related disclosures, particularly for clients with high non-audit fee arrangements.

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9.03: Audit Fees and Non-Audit Fees

Non-Switching Audit Clients' Response to Audit-Office Audit Failures: Evidence from Audit and Non-Audit Fees.

This study examines the association between audit-office audit failures and non-switching client audit and non-audit fees. A non-switching client is a client that stays with the same audit office after audit-office audit failures. We posit that non-switching clients might not want to lower audit fees after an audit-office audit failure because it harms audit and financial reporting quality. However, they might want to lower non-audit fees because it can improve perceptions of reporting quality. Consistent with this notion, we find no association between audit-office audit failures and changes in audit fees but a decrease in non-audit fees. The results of cross-sectional analyses suggest that non-switching clients are unwilling, but not unable, to pressure the audit office to reduce audit fees. Our results are consistent with non-switching clients responding to audit-office audit failures using audit and non-audit fees to maintain perceptions of audit and financial reporting quality.

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9.04: Audit Personnel II

Expert from Headquarters Office, Geographical Constraints, and Audit Quality: Evidence from Co-signed Audit Reports.

Exploiting the unique feature of the China audit market where we can identify whether the two signing auditors of a firm's audit report are from different audit offices (co-signed audit reports), we investigate how geographical constraints influence the probability of co-signed audit reports between practice offices and headquarters offices â€“ a specific and more formal collaboration between practice offices and headquarters offices and their causal effect on audit quality. Our findings reveal that geographical constraints significantly reduce the likelihood of co-signed audit reports. The negative effect is more pronounced when practice office clients face high audit risk and when headquarters offices are more resource-constrained. Utilizing the establishment of HSR connections between practice office cities and headquarters office cities as an exogenous shock to the impact of geographical constraints, we show that co-signed audit reports have a positive effect on audit quality.

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9.04: Audit Personnel II

***Is Mandatory Auditor Designation a Miracle Cure? The Impact of the Periodic Auditor Designation in South Korea*.**

Our study investigates the impact of the New External Audit Act by comparing audit fees, efforts, hourly rates, and audit quality among firms that switched auditors in 2020 due to the policy (periodic firms) with those that switched for other reasons (voluntary or authority firms). Our findings indicate that periodic firms incurred significantly higher audit fees than voluntary firms, attributable to both extended audit hours and increased hourly rates. We also observed that while authority firms showed a reduced magnitude of discretionary accruals after being required to switch auditors, periodic firms did not exhibit significant changes in the magnitudes of their discretionary accruals. Overall, our results suggest that applying the periodic auditor designation to non-problematic firms does not efficiently achieve the intended policy goals: it increases the cost of auditing without enhancing audit quality.

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9.05: Audits and Investment Efficiency

From Audit Firms to Industry: Employees' Audit Experience and Investment Efficiency.

Human capital theory suggests that employees can acquire knowledge and skills from their current employers that they can transfer to future employers. Prior research shows that audit firms help their clients invest more efficiently. Thus, it is possible that individuals working as auditors for audit firms have the opportunity to acquire the knowledge and skills to invest efficiently, which they can use to guide their future employers toward more efficient investment. We test this possibility using individual employment profile data to determine the composition of the accounting and finance team. We find that having an ex-auditor on the accounting and finance team is associated with more efficient investment, driven by less severe overinvestment. Overall, we provide evidence on an important skill individuals acquire through auditing experience and transfer to future employers.

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9.05: Audits and Investment Efficiency

Non-Audit Services and Investment Efficiency.

In this study, we explore the potential implications of non-audit services (NAS) from a firm operations perspective. Our analysis, conducted using a large post-SOX sample from 2004 to 2018, shows that a higher ratio of NAS fees is positively associated with a firm's investment inefficiency. Additionally, we observe that firms experiencing significant reductions in NAS following the Sarbanes-Oxley Act of 2002 demonstrate decreased investment inefficiency. Further analysis indicates that the detrimental effect of NAS on investment efficiency is mitigated in client firms with stronger corporate governance, and these results are predominantly driven by overinvestment. Robustness checks, including various regression techniques, alternative measures of NAS provision, and different sample periods, consistently support these findings. Overall, this study sheds light on the impact of NAS on investment efficiency, providing valuable insights for both regulators and capital market participants.

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9.05: Audits and Investment Efficiency

When Monitoring Backfires: The Spillover Effects of Critical Audit Matter Disclosure on Connected Firms' Investment Efficiency.

This study examines the unintended consequences of Critical Audit Matter (CAM) disclosures on the investment efficiency of connected firms through board interlock networks. CAM disclosures, introduced to enhance audit transparency, often serve as a source of risk-related insights for interlocked directors. However, our findings reveal that the unexpected CAM disclosures of peer firms lead to underinvestment in focal firms, undermining their investment efficiency. We attribute this effect to the overemphasis on monitoring by interlocked directors at the expense of their advisory role. The adverse spillover effects are particularly pronounced when peer firms' CAMs are non-routine, lengthy, or use uncertain and litigious language, as well as when the disclosing firms are industry leaders or have high analyst coverage. Cross-sectional analyses further demonstrate that these effects are amplified in firms with high advising needs, independent boards, and CEOs with long-term orientations.

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9.06: Investors and Investing

Do Interfaces Matter? Investigating the Interaction of Information Acquisition Costs and Investor Sophistication.

Understanding how public information acquisition and investor sophistication interact is important when crafting SEC regulations. The SEC expects lower public information acquisition costs to increase information acquisition by all investors, with a greater increase by less sophisticated investors. Using novel evidence from SEC filing downloads, our results suggest that the implementation of the XBRL standard increased downloads by all investors and increased less sophisticated investors' downloads by more than 1.5 times relative to more sophisticated investors. This evidence suggests that the point and click tool (Interactive Viewer) provided by XBRL further helps improve less sophisticated investor information acquisition via reduced information acquisition costs. Additionally, exploratory evidence suggests that less sophisticated investors increase their reliance on Interactive Viewer by 283% in the five years following the initial XBRL implementation.

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9.06: Investors and Investing

***Effective Internal Control and Short-term Capital Management*.**

This study examines the impact of internal control effectiveness on short-term capital management, focusing on the cash cycle and its components. Analyzing 48,053 firm-year observations (2004â€“2023), the findings show that stronger internal controls lead to shorter periods in all components, enhancing efficiency. Firms with positive cash cycles experience longer cycles under ineffective controls, while negative cash cycle firms are unaffected. Larger, more complex firms benefit more from robust controls. Addressing internal control weaknesses reduces receivable and payable periods and improves cash reserves, emphasizing the critical role of internal controls in maintaining a firm's financial health.

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9.07: Analysts' Information Production

Biases in Analystsâ€™ Long-Horizon Forecasted Income Statements, Balance Sheets, and Cash Flow Statements.

We study US sell-side equity analysts' granular multiyear forecasted income statements, balance sheets, and cash flow statements and the profitability, efficiency, and leverage ratios they imply. Using data from analyst reports over a twenty-year period, we find numerous biases in analysts' long-horizon forecasted financial statements. Most, but not all, of these biases are optimistic. Analysts optimistically forecast long-horizon EPS, ROE, ROA, ROS, and asset turnover, driven by optimistic projections of revenues and most common-sized expenses. However, book income tax is consistently forecasted pessimistically. Analysts are also optimistic about long-horizon operating cash flows and operating accruals, and while their forecasts of long-horizon total assets are unbiased, they optimistically underestimate firm risk by either underestimating long-horizon debt or overestimating long-horizon equity. Based on our findings, we offer guidance on how to debias long-horizon forecasts.

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9.07: Analysts' Information Production

Market Reaction to Analysts' Scenario-Based Valuation Forecasts: Large Sample Evidence.

In addition to Target Price (TP) forecasts, analysts provide price forecasts for firms under Good (Bull) and Bad (Bear) scenarios. Using a large sample of scenario-based reports from a variety of brokerages over many years, we investigate whether and how the stock market reacts to, and prices in a timely manner, the valuation risk inherent in the Spread in the scenario-based valuations. We find that markets react negatively to Spread and exhibit both a risk effect and a precision effect. Spread is positively associated with change in option-implied volatility. Additionally, Spread increases information asymmetry as better informed investors can process Spread better than uninformed investors. The negative relation between Spread and stock returns (the risk effect) is significantly stronger during periods of greater macro uncertainty.

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9.08: Bank Screening and Monitoring

***Government Spending and Financial Statement Verification*.**

Using a wide sample of financial documents collected by banks, we find that banks apply less rigorous verification procedures for firms in industries that receive higher levels of government spending. We also observe that banks decrease (increase) their degree of verification in response to an increase (decrease) in government spending, which suggests that banks respond and adjust their verification procedure in accordance with changes in government spending. Additional analysis using a decision-tree regression reinforces the robustness of this relationship, confirming that government spending consistently emerges as a key factor influencing the verification process. Finally, we find that the impact of government spending is more pronounced when it involves fixed-price contracts and when industries experience less inflation. Collectively, our findings underscore the substantial influence of government spending on lending markets, signifying a shift in the behavior of loan officers.

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9.08: Bank Screening and Monitoring

Learning from Unexpected Primary Corporate Bond Demand: Effects on Bank Loan Contracting.

This paper studies a previously unexamined information source for private lenders: unexpected primary corporate bond demand. In the primary corporate bond markets, bond spreads for new issues are updated based on unexpected demand from institutional investors. I exploit this spread adjustment on the bond announcement day to study how unexpected demand from the primary bond markets influences lead arrangers' lending decisions in the syndicated loan markets. Using a stacked difference-in-difference research design, I show that lead arrangers decrease borrowers' loan spreads when they observe strong unexpected demand, and the effect is more pronounced for institutional tranches. This effect is driven by lead banks' learning from the primary bond markets. In summary, this paper shows evidence that lead arrangers learn about institutional investors' willingness to participate in loan syndication from the unexpected primary bond demand, and react by adjusting loan terms accordingly.

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9.08: Bank Screening and Monitoring

Real Effects of Expected Loan Loss Recognition and Zombie Firms.

Banks may extend subsidized credit to their poorly performing borrowers, i.e., zombie borrowers, to delay recognizing loan losses. We examine whether a change in loan loss recognition regulation for banks affects the corporate investment decisions of their zombie borrowers by changing banks' incentives to engage in zombie lending. Using a large international dataset of firms and a difference-in-differences design, we find that after a bank adopts IFRS 9, its zombie borrowers experience a reduction in their debt and capital investment, relative to the same bank's healthy borrowers. The impact is stronger when bank supervision is stricter and when the zombie borrower has fewer alternative financing options. We find no change in investment for non-zombie low quality borrowers, suggesting that credit rationing did not uniformly affect all marginal corporate borrowers. We also find that the adoption of IFRS 9 reduces the negative spillover effects of zombie lending.

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9.10: ESG Social & Governance II

Does Mandatory CSR Spending Exacerbate Agency Conflict?

Exploring a 2014 regulatory change in India that mandated the firms to spend 2% of their net income on corporate social responsibility (CSR) activities, we examine firm payout policy in response to mandatory CSR spending. Using a difference-in-difference analysis, we find that the firms subject to mandatory CSR spending (treated firms) increase their propensity of dividend payouts compared to those not falling under such a requirement. This effect seems to be more prominent for firms receiving more negative market reaction upon the proposed introduction of the CSR mandate. We also find that the propensity of paying dividends is more pronounced for firms with higher information asymmetry and weaker monitoring mechanisms. Moreover, treated firms paying higher dividends in the post-mandate period enjoy higher stock liquidity. The evidence supports the notion that firms use dividends as a signal to alleviate shareholders' concern about potential agency problems with mandatory CSR spending.

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9.10: ESG Social & Governance II

Investor Ethnicity and Investor Relations Responsiveness: A Field Experiment.

Investor Relations Officers (IROs) are trusted with providing fair and equal access to corporate information. Yet, they also prioritize investors based on their strategic importance. To test whether IROs exhibit ethnic discrimination towards minority investors, we send fictitious requests to IROs of Stoxx Europe 600 companies, varying only the investor's name. We find that IROs are more responsive to requests from ethnic majority (UK-based) names than minority names. An empathy-focused intervention reduces favoritism toward majority investors but fails to improve responsiveness to minorities. Our findings highlight the persistent barriers minority investors face in accessing capital markets.

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9.11: Governance, Strategy and Disclosure

General Counsel Career Concerns and Risk Factor Disclosures.

This study examines the effect of general counsel tenure on risk factor disclosures in 10-K filings. We argue that general counsels face a tension between the financial department's demand for more specific, readable, and concise disclosures and their own career protection, which favors disclosures with opposite attributes. We find that risk factor disclosures are less specific, harder to read, and lengthier during the early years of general counsels' tenure compared to later years. We also find that these relations are weaker when general counsels have greater outside employment opportunities and shorter career horizons. Further analysis reveals that securities litigation are subsequently associated with an increased likelihood of general counsel turnover, suggesting career concerns influence disclosure decisions. Overall, our findings highlight that general counsels with considerable career concerns can be significant frictions to improving the quality of risk factor disclosure.

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9.11: Governance, Strategy and Disclosure

Mandatory Disclosure and Voluntary CEO Departure.

From a contracting perspective, mandatory disclosure offers benefits but can also impose costs. One such cost is the increased disutility for CEOs, as it attracts external monitoring. As a result, it could prompt voluntary CEO departure. Using changes in the segment reporting mandate, which increases external monitoring, we find that affected firms experience an increase in the likelihood of voluntary CEO departure in the post-period. In cross-sectional analyses, we find that the increase is concentrated in firms where CEOs perform well and are longer-tenured. We also find that the increase is more pronounced when CEOs face more intense external monitoring and have greater outside opportunities. Further analysis reveals that firm value decreases and simultaneously firm volatility increases among affected firms that experience voluntary CEO departure compared to other affected firms. Overall, we provide novel evidence on the real costs of mandatory disclosure in contracting with CEOs.

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9.12: Managing ESG

Firm ESG Commitment and Management Forecasts.

We examine whether and how a firm's commitment to ESG activities affects the likelihood and properties of management forecasts. Drawing on theory and empirical evidence, we hypothesize competing effects of ESG commitment on management guidance. Our findings reveal a nuanced relationship: firms with high ESG commitment are more likely to issue earnings forecasts, likely driven by an emphasis on transparency and stakeholder engagement. However, these forecasts exhibit lower accuracy, timeliness, precision, and greater optimistic bias, highlighting a potential trade-off. The resource demands, managerial focus, and inherent complexities of measuring and integrating ESG considerations into financial projections may undermine the quality of the forecasts. These results uncover an unintended consequence of ESG commitment, shedding light on a potential externality of these initiatives and providing novel insights into the interplay between sustainability practices and effective forecasting.

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9.12: Managing ESG

The Choice and Design of Emissions-Related Management Controls.

We study firms' design choices with respect to three emissions-related management controls-emissions reduction targets, emissions-related incentives, and internal carbon pricing-and how these control choices are associated with real emissions reductions. Using survey data from CDP, we find that firms with at least one of these emissions-related management controls fall into four distinct groups, with similarity in control choices within each group; there also exists another group of firms that uses none of these controls. We find evidence that firms' climate exposure, fundamental characteristics, and board attributes are associated with emissions-related management control choices. We also find that three of the four clusters of firms using emissions-related management controls achieve greater real emissions reductions than firms using none of these controls. Our study provides novel descriptive evidence on how companies are implementing emissions-related management controls.

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9.12: Managing ESG

The Influence of Online Reviews and Hotel Digital Responsibility on ESG practices and Sustainability Performance.

This study examines the impact of online reviews and hotel digital responsibility (HDR) on ESG (environmental, social, and governance) practices and sustainability performance in the hospitality sector. Data were collected from 196 Brazilian hotels via a structured questionnaire. Additionally, 212,147 TripAdvisor reviews were analyzed and categorized into ESG attributes using a custom ESG dictionary. Hypotheses were tested using structural equation modeling. The results demonstrate that hotel managers interpret ESG attributes differently, with variations in responses to positive and negative sentiments within online reviews. Higher levels of HDR positively influence ESG practices, while enhanced ESG practices significantly improve hotel sustainability performance. This study advances the literature by providing a structured methodology to analyze online reviews through ESG attributes. It sheds light on hotel managers' varying interpretations of ESG-related comments.

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9.13: Top Management Team

Dispersed Incentives, Behavioral Biases, and Cost Stickiness: A Prospect Theory Perspective.

This study examines how Top Management Team (TMT) incentive dispersion influences cost stickiness, a phenomenon where costs rise with revenue growth but do not decrease proportionally during revenue declines. Using a dataset of 17,031 firm-year observations from 1994 to 2019, we show that higher TMT incentive dispersion exacerbates cost stickiness, particularly during sharp revenue declines, aligning with behavioral mechanisms proposed by prospect theory. The study reveals that loss aversion, narrow framing, and misaligned incentives within TMTs drive delays in cost adjustments. Cross-sectional tests show that the effects are amplified in firms with overconfident executives, strong governance, and short CEO tenure. These findings provide insights into the behavioral and structural factors shaping cost management, emphasizing the importance of aligning incentive structures to mitigate inefficiencies and improve resource allocation during economic downturns.

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9.13: Top Management Team

Does a More Functionally-Diverse Top Management Team Make the Financial Statements More Comparable?

We investigate whether the top management team (TMT) intrapersonal (within-member) and dominant (between-member) functional diversities (IFD and DFD) have an impact on financial statement comparability. Our findings reveal that companies with higher IFD/DFD demonstrate smaller/greater financial statement comparability compared to their low-IFD/DFD counterparts. Furthermore, the 2SLS tests reveal that only the relation between DFD and financial statement comparability is robust to the endogeneity concerns. Our cross-sectional analyses indicate that the relation between IFD/DFD and financial statement comparability is stronger when the information is more uncertain or asymmetrical. Finally, we add Education Diversity into the model and find that the relation between IFD/DFD and financial statement comparability is unaffected. Our results provide insights on the role of TMT functional diversity for financial statement comparability.

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9.13: Top Management Team

Labor Hiring Constraints and Labor Outsourcing Strategies: Evidence from China's State-Owned Enterprises.

This study investigates whether State-Owned Enterprises (SOEs) in China use labor outsourcing to address constraints from formal employee quotas and regulations. Using 20,092 firm-year observations from 2012 to 2019, we find that SOEs are more likely than non-SOEs to outsource labor and pay higher wages to outsourced workers. The findings are robust to two exogenous shocks and endogeneity tests. Mechanism analyses show that stricter employee quotas, tighter restrictions on hiring highly educated workers, and greater industry-specific constraints increase outsourcing. Heterogeneity analyses reveal that outsourcing is more prevalent in regions with developed labor markets but less common in central SOEs and firms with strong political ties. Outsourcing improves labor productivity, efficiency, and alleviates shortages, but its positive effects on firm value and gross margin depend on a smaller wage gap between outsourced and formal employees.

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Effective Learning Strategies

Board 01: How to Teach Accounting History with AI Generated?

The most important materials in accounting history are taken from archives, ancient books, archaeological sources. Accounting can be taught as a course, elective for instance. However, in order to have students' interests, it can be interested to introduce the ancient data, sources, documents, pictures, using an AI generated settings. We want to explore this project in the future.

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Effective Learning Strategies

Board 03: Student Performance, Satisfaction, and Course Perceptions in Online vs In Person Analytics Course.

Although some features of asynchronous delivery are attractive to many students (i.e., flexibility and remote learning potential), some students may prefer the structure and accountability of scheduled on ground class meetings. The purpose of this study is to examine whether course delivery mode affects accounting student participation, expected performance, and satisfaction with the course. Additionally, we also investigate students' pre- and post-course feelings about course delivery modality. Students' feelings are grouped into four major emotional groups (i.e., glad, mad, sad, and scared) and we test for differences across two course delivery modes: on ground synchronous and online asynchronous. Results suggest students enrolled in an on ground synchronous were more likely to participate in additional on-ground activities than those in the online asynchronous course, were more satisfied with the course, and expected to earn a higher grade in the course. Additionally, students' feelings in anticipation of the course also differ based upon the course delivery format. Online students were less likely to report 'glad' descriptors and more likely to report 'scared' descriptors than

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Effective Learning Strategies

Board 04: Understanding the Challenges Faced by Diverse, Low Socioeconomic and Non-Traditional Undergraduate Accounting Students.

This research proposal investigates the unique challenges faced by full-time undergraduate accounting students from low socioeconomic/non-traditional backgrounds. These learners must complete a fourâ€‑year accounting degree while simultaneously managing work to finance their education. Many also shoulder significant family responsibilities, such as caregiving for younger siblings, elderly relatives, or serving as parents themselves. The study will address three primary research questions. First, what academic, financial, and personal obstacles do these students encounter during their studies? Second, how do work, and/or caregiving responsibilities impact their academic performance and overall well-being? Third, what institutional support and adaptive educational strategies can enable these students to succeed despite their challenging circumstances? Quantitative data will be gathered through surveys assessing academic performance, work hours, caregiving duties, financial responsibilities, and stress levels and perseverance. Expected outcomes include identifying critical barriers to academic success and revealing effective coping mechanisms employed by nonâ€‑traditional accounting s

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Effective Learning Strategies

Board 05: The Major is Right.

Increase the accounting pipeline and help students discover that The Major is Right with this exciting, high-energy game show presentation. Based on the beloved game The Price is Right, students participate in bidding competitions, games, and showcases. Bidding competitions introduce students to accounting career opportunities (financial, managerial, tax, forensic, audit, and governmental). Games center on accounting major topics (classes, scholarships, engagement, networking, internships, and earnings potential). Students participate in accounting-themed showcases, view 'commercials' promoting the profession, and receive a handout with accounting major and career information. The Major is Right audience includes college freshmen, community college students, and high school students. Everyone can win if The Major is Right! Advisors and members of the Theta Lambda Chapter of Beta Alpha Psi developed The Major is Right and have presented it to over 300 students. The Theta Lambda Chapter won first place in the Best Practices Category, 'Impacting Your Profession' at the 2025 Beta Alpha Psi Dallas Mid-Year Meeting. The chapter will compete internationally at the annual meeting in Aug

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Effective Learning Strategies

Board 07: An Analysis of CPA Exam Content Changes and Suggested Curriculum Enhancements.

The Certified Public Accounting Exam (CPA) is a continually evolving assessment that meets the needs of a dynamic accounting profession.Â The current exam structure of the exam by allowing candidates to choose a discipline section while defining the core to be Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR), and Taxation and Regulation (REG). Candidates can choose between Business Analysis and Reporting (BAR), Information System and Control (ISC), and Tax Compliance and Planning (TCP). In each of these sections, there is an increasing emphasis on data analytics theory and application especially in the task-based simulations (TBS) which comprise up to 50% of the grade for each exam section.Â Â We analyze representative tasks on the CPA blueprint and suggest classroom exercises that will address these tasks. Such exercises will facilitate student learning and result in greater success on the exam. In turn, this will increase the pipeline of entrants into the accounting profession.

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Effective Learning Strategies

Board 08: Ditch The Exam and Elevate Learning in the First Accounting Course.

As the 'model learner,' instructors can help introductory students achieve sophisticated, analytical tasks using authentic financial statements. Teams of introductory students choose a set of competing firms and perform iterative, comparative analysis of the firms throughout the semester. Periodically, students report their findings to others. At semester-end, teams present a summary and identify which firm they consider the best investment. To help students succeed, the instructor performs the same tasks to model learning activity. During periodic, dedicated class sessions, the instructor coaches students through analytical processes and helps them prepare brief, interim reports for others. To release class time for modeling and coaching, traditional exams are eliminated. (Students still complete weekly exercises). This project is inspired by Huber, Law, & Khallaf (2017). However, the current project requires students to report findings periodically throughout the semester rather than at semester-end, and puts the instructor in the role of 'model learner' to enhance success. This project was implemented for a demographic that includes high-risk, 'nontraditional' stude

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Effective Learning Strategies

Board 09: From ACFR to PAFR: Engaging Students in Real-World Learning and Civic Engagement.

This presentation will share an overview of a semester-long project that provides governmental accounting students with a practical understanding of the Annual Comprehensive Financial Report (ACFR) by studying local governmental entities. Students engage in historical demographic research, perform financial condition analysis, and ultimately create a Popular Annual Financial Report (PAFR) for their local entities. This project is grounded in the Kolb Learning Cycle and also incorporates several High-Impact Practices (HIPs) to maximize student engagement and learning. In addition, the project emphasizes civic engagement, encouraging students to actively participate in improving their community's understanding of its finances. By creating a PAFR, students learn to communicate complex accounting information effectively to non-accounting audiences, thereby promoting community understanding and informed decision-making.

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Effective Learning Strategies

Board 10: Solving Accounting Cases through Immersive Virtual Reality: A Transformative Approach to Learning.

Accounting is often seen as a numbers game, but in reality, it's a high-stakes puzzle of analysis and problem-solving. Traditional case studies teach accounting concepts, but they often fail to fully engage students in high-stakes decision-making. This study explores the use of Immersive Virtual Reality (IVR) to teach a Mergers & Acquisitions (M&A) case, allowing students to step into a virtual boardroom where they analyze financial data, negotiate deals, and assess risks in real-time. Conducted at a leading public university in the GCC region, this study examines how IVR enhances student learning in an accounting course. The IVR platform tracks student engagement, measuring whether they focus on key financial statements, executive discussions, and legal implications-or overlook critical details. Preliminary findings suggest IVR improves attention, retention, and problem-solving skills, offering a more dynamic alternative to traditional case analysis. By experiencing M&A deals firsthand, students develop a deeper understanding of financial strategy, corporate valuation, and ethical decision-making. This research highlights IVR's potential to revolutionize accounting education, maki

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Effective Learning Strategies

Board 11: Fake it Until You Make Itâ€"An Old Scheme in A New AI Economy.

This forensic accounting case documents how an artificial intelligence empowered firm, Kubient, with its business focusing on detecting falsified website traffic, fraudulently inflated its revenues. The fraud scheme used by its CEO and the 'fake it until you make it' mentality found in this case are not uncommon in the frauds committed in a traditional economy. This presentation will introduce the background of the company, the fraud scheme used, the key development leading up to the discovery of the fraud and the aftermath of the fraud. Students are required to analyze the case by identifying the fraud triangle, evaluating the internal control components, specifying the violations, and suggesting what could be done to reduce the risk of fraud. From the presentation, participants will learn how to implement the case and moderate class discussion if needed.

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Effective Learning Strategies

Board 12: Solving Accounting Cases through Immersive Virtual Reality: A Transformative Approach to Learning.

Accounting is often seen as a numbers game, but in reality, it's a high-stakes puzzle of analysis and problem-solving. Traditional case studies teach accounting concepts, but they often fail to fully engage students in high-stakes decision-making. This study explores the use of Immersive Virtual Reality (IVR) to teach a Mergers & Acquisitions (M&A) case, allowing students to step into a virtual boardroom where they analyze financial data, negotiate deals, and assess risks in real-time. Conducted at a leading public university in the GCC region, this study examines how IVR enhances student learning in an accounting course. The IVR platform tracks student engagement, measuring whether they focus on key financial statements, executive discussions, and legal implications-or overlook critical details. Preliminary findings suggest IVR improves attention, retention, and problem-solving skills, offering a more dynamic alternative to traditional case analysis. By experiencing M&A deals firsthand, students develop a deeper understanding of financial strategy, corporate valuation, and ethical decision-making. This research highlights IVR's potential to revolutionize accounting education, maki

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Effective Learning Strategies

Board 13: Varying Assessments to Aid Student Mental Health.

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Effective Learning Strategies

Board 14: Using Self-Managed Skills (Elaboration, Problem-Based Learning [PBL], and Team-Based [TBL]) to Integrate Professional Skills into Tax I at Several Universities.

The AICPA, CGMA, IFAC, and Pathways Commission all suggest the need for accounting students entering the profession to be able to solve problems, work on teams, do analytical thinking, communicate, show leadership, and make business decisions. How can these professional skills be integrated into the Tax I course? To achieve this, an Elaboration (Topic Project), several PBL approaches, and a TBL Project can be used in teaching Tax I. The 'Backward Design' technique was employed to locate or create meaningful Elaboration, PBL, or TBL projects/cases. Under this technique, the starting point is to determine the desired learning goal(s) of the case/project (e.g., starting with the accounting professional skill sets). Several of the Davis and Harden (2009) continuum approaches (i.e., eleven-step continuum between the problem and expected learning experience) were used while teaching Tax I (e.g., problem-assisted learning, problem-centered discovery learning, problem-based learning). These educational techniques have been successfully employed at several universities in different regions of the country. On the end of semester survey, students generally 'strongly agree/agree' that the 60+

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Effective Learning Strategies

Board 15: The Balanced Accountant: Well-Being Strategies for a Sustainable Career.

Our proposal centers on the development of an accounting capstone course aimed at enhancing the mental, physical, and financial well-being of future accounting professionals. Recognizing the unique stressors in the profession, this course equips students with practical tools and strategies to navigate demanding workloads, manage stress, and maintain a healthy work-life balance. Through interactive workshops, real-world experiences, and expert insights, students will engage in activities such as volunteering, personality assessments, yoga, and team-building exercises. Key topics include resilience, ethical decision-making, personal financial planning, and self-care. By the end of the course, students will develop skills for managing stress, fostering emotional resilience, and sustaining a balanced career. They will gain a deeper understanding of the pressures accounting professionals face and be better prepared to thrive in a high-pressure environment. Conference participants will leave with a blueprint for creating a similar capstone course at their institution, tailored to its unique strengths and fostering interdisciplinary collaboration.

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Effective Learning Strategies

***Board 16: Leveraging AI for CPA Exam Preparation*.**

CPA exam success hinges on two key questions: 1) What topics must students master? 2) When are they ready for the exam? AI can transform CPA exam preparation by providing personalized study support and assessing exam readiness. This session explores AI's role in pinpointing knowledge gaps and optimizing study strategies to improve pass rates. Key insights: 1) A co-guided experience with AI to maintain educational integrity. 2) AI's capability to break down complex topics into granular subtopics. 3) An example implementation of AI in a FAR exam prep course. 4) Empirical analysis of the most accurate AI models for solving CPA questions.Â   Learning Outcomes: 1) Use AI to identify student knowledge gaps. 2) Integrate AI insights into CPA study plans. 3) Assess AI effectiveness in accounting education. Background: Since founding Maxwell CPA Review in 2020, my educational content has reached over 500,000 YouTube views, helping 1,000+ students pass the CPA exam.

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Effective Learning Strategies

Board 17: Ditch The Exam and Elevate Learning in the First Accounting Course.

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Effective Learning Strategies

Board 18: Fake It until You Make Itâ€”An Old Scheme in A New AI Economy.

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Effective Learning Strategies

Board 19: Trading the Future for Presentâ€”A Bogus Cost-Saving Strategy.

Soon after the Kraft Heinz merger, the company rolled out a cost-saving strategy. Due to the unrealistic expectation for the procurement division, the employees entered into hundreds of misleading transactions to obtain upfront payments and discounts in exchange for future commitments to be undertaken by Kraft Heinz. The company failed to properly represent the transactions and inflated its earnings on its book. The misconducts resulted in restatements and hefty penalties by the SEC. This presentation will introduce the background of the fraud, the fraud schemes used, the key development leading up to the discovery of the fraud and the impact of the fraud on the company and its investors. Students are required to analyze the case by evaluating the accounting policies and internal control of the company, specifying the violations, and suggesting what could be done to reduce the risk of fraud. From the presentation, participants will learn how to implement the case and moderate class discussion if needed.

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Effective Learning Strategies

Board 20: Interprofessional Education between Occupational Therapy and Accounting Students.

We investigated the value of interprofessional education (IPE) between healthcare and accounting students. Accounting students served as consultants for occupational therapy (OT) students' business proposals, which provided opportunities for both groups to hone their technical and professional skills. A pre- and post-survey design was used to collect quantitative and qualitative data from students. Perceptions surrounding the following meaningfully increased for both accounting and OT students: 1) value of interprofessional learning; 2) the importance of being able to communicate effectively with different disciplines; 3) the roles of healthcare and business professionals on an interprofessional team; and 4) the belief that interprofessional work improves the quality of business proposals. Results from analyzing the accounting review checklists also demonstrate that the accounting students' consultative review resulted in improvements to the budget and financial components of the OT students' business proposals. For seven of the 14 accounting review checklist questions, the accounting students uncovered errors or problems in over 50 percent of the business proposals. Our findings

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Effective Learning Strategies

Board 21: Intentionally Skipped

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Effective Learning Strategies

Board 22: WhiteRock Investments and Firm Valuation: Earnings, Cash Flows or What? Investigating the Role of Net Operating Assets & Managerial Ability.

The Discounted Cash Flow (DCF) and Residual Operating Income (ROPI) models are widely used in firm valuation. Both models rely directly or indirectly on income data. However, income might be subject to the effects of earnings management and has the potential of not providing complete or accurate information to predict future cash flows. Research has found that firms with high (low) net operating assets (NOA) have lower (higher) future returns, thus NOA might provide information to predict future cash flows. A 'bloated' Balance Sheet with too much NOA is an inefficient use of resources. Adut et al find that managerial ability (MA) mediates the relationship between NOA, future cash flows and returns. Excellent managers might generate a better performance with less NOA and vice versa. This case examines if NOA could be used as valuation tool able to predict future cash flows and returns. We will also examine the relationship between MA and NOA, as well as MA effects on NOA's predictive ability of firm value. The learning objectives are (1) To expand student's understanding of how income measures might distort valuation models. (2) To create an awareness of the problems associated with

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Effective Learning Strategies

Board 23: The Bridge to Intermediate Accounting: Enhancing Student Preparedness for Intermediate Accounting.

Students entering Intermediate Accounting often lack the foundational knowledge necessary to engage effectively with new material. To address this issue, we have developed a 1-credit hybrid Bridge course designed to provide students with the required accounting knowledge while they simultaneously begin their Intermediate Accounting coursework. Students review and master fundamental accounting concepts at their own pace using pre-recorded instructional videos. In-class assessments will ensure that students effectively learned the material. The course is a restructured approach to the traditional accounting cycle, integrating Excel-enhanced steps to reinforce conceptual understanding: Excel-Enhanced Approach: 1. The Left and Right of Accounting 2. Emphasis on the Balance Sheet and Income Statement 3. Determining the impact of transactions on a fourteen column Accounting Equation 5. Posting to T-accounts, positioned under each column 6. Ensuring T-accounts are balanced before creating the Journal Entry 7. Constructing a Trial Balance to confirm numerical accuracy 8. Introducing two journal entries to reinforce understanding 9. Adjusted Trial Balance 10. Financia

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Effective Learning Strategies

Board 24: Decoding Government Accounting: Hands-On Projects on Fraud and RFPs.

A government accounting class should equip students with the knowledge and skills to navigate the unique financial landscape of government entities. Key learning outcomes include understanding governmental accounting principles, financial statement analysis, and budgeting techniques. My goal is to engage students in the nuances of government accounting and captivate their interest. To ensure every student gained valuable experience, I created two hands-on projects. The first project, the City of Dixon Scavenger Hunt, delves into the infamous fraud case where a city comptroller embezzled $54 million. Students analyze financial statements before and after the fraud to identify potential red flags and learn from experts such as Paula Myer, the city comptroller who took over after the scandal. The second project, the RFP Project, explores how governments use Request for Proposals (RFPs) to budget capital spending. Students learn from an additional expert about the process, then tackle a real RFP from Kansas City, evaluating proposals and creating a scoring rubric. After scoring, they discover which project the city ultimately chose. During the session, you will learn about these pr

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Effective Learning Strategies

***Board 25: Align Teaching Intermediate Accounting with CPA Evolution Exam*.**

The traditional four-section CPA Exam model evolved to CPA Evolution Exam beginning January 1, 2024. According to the AICPA website, all candidates will be required to pass three Core exam sections: Auditing and Attestation (AUD); Financial Accounting and Reporting (FAR); and Taxation and Regulation (REG). Each candidate will also choose one Discipline section (e.g., Business Analysis and Reporting [BAR], Information Systems and Controls [ISC], or Tax Compliance and Planning [TCP]) . This proposal explore the possibility of incorporating FAR/BAR in teaching Intermediate Accounting.To teach Intermediate Accounting with a mindset of helping students preparing for the exam, a professor need to be familiar with the blueprint of the exam and know what content of FAR and BAR to be incorporated in which chapter of Intermediate Accounting. This is a plausible goal to pursue when undergraduate accounting students are allowed to take the exam six months ahead of graduation. It's made easier by textbook publishers when the testing areas of each topic/subtopic in both FAR and BAR are clearly cross marked with page number, assignments, etc. For participants, this proposal also serves the purp

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Effective Learning Strategies

Board 26: Teaching Trueblood Case Studies.

Trueblood case studies are created by Deloitte based upon their clients' real-world accounting situations that involve a great deal of uncertainty regarding how to apply the FASB's Accounting Standard Codification (ASC). These relatively short case studies that Deloitte makes available to all accounting professors free of charge are highly suitable for teaching students to interpret and apply the FASB's ASC in light of uncertainty. Students will learn to identify relevant ASC subtopics, and make judgement based upon their interpretation of these subtopics. The use of these case studies will make students realize that real-world accounting involves a great deal of gray areas, not at all as clear-cut as in the textbook. The presenter will share experiences on how to use Trueblood case studies in an Intermediate class and an online asynchronous graduate financial reporting class. She will also share what she learned at this year's Trueblood Seminar organized by the AAA and Deloitte.

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Effective Learning Strategies

Board 27: Capstone Project in Intermediate Accounting 2: Problem-Based Learning Comparing Notes, Leases and Bond Financing Alternatives.

Participants will receive instructions and full access to a capstone project that integrates L-T notes, leases and bonds and cash flows into a decision model. Students will be analyzing the best method for financing a possible new asset by applying a cash flow model that compares financing traditional notes, leases and bonds to determine the most favorable method for the acquisition. This exercise goes well beyond the textbook and integrates the accounting components within a present value application. The series of decisions will culminate in a professional memo explaining the process, the outcomes and the final recommendation with justification underlying their decision. Applied Skills Developed and Enhanced include: Attention to Detail, Problem-based learning, Evaluation, Synthesis, Judgment, Decision Making, Utilizing Excel, Critical Thinking, Creativity, Problem Solving, Effective Professional Communication, Integration with Finance Concepts and Collaboration.

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Effective Learning Strategies

Board 28: Enhancing Learning through Active Participation: An Interactive Inventory Costing Activity for Introductory Managerial Accounting.

Looking for in-class ideas that incorporate active learning for your Introductory Managerial Accounting course? This interactive learning experience is designed to enhance understanding and reinforce key inventory costing concepts. The engaging activity encourages active participation and collaboration, benefiting both accounting and non-accounting majors while supporting diverse learning styles in a dynamic classroom setting. This inclusive inventory activity helps students grasp essential managerial accounting concepts and terminology, including inventory costing categories, the flow of product costs in a manufacturing company, contribution margin, breakeven analysis, and short-term decision-making. The activity aligns with the accounting components of the AICPA's Core Competencies.

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Effective Learning Strategies

Board 30: Research, Serve, Observe and Learn: A Generalizable Framework for Service Learning in Accounting Courses.

Service learning related to volunteer experiences can be incorporated into accounting courses using a research, serve, observe, and learn framework. This is a learning strategy article that describes how the service-learning framework was implemented in a cost accounting class as students participated in volunteer shifts at a homeless shelter. Students were required to research and learn about the societal issues of housing and food insecurity, engage in service with the community partner, reflect on their service experience and finally to identify and apply a cost accounting topic that the community partner is likely to use in its operations to facilitate decision making. The model and assignments discussed are generalizable, thus allowing instructors to identify societal issues and volunteer opportunities in their local communities that can be used as service-learning projects in their accounting courses.

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Effective Learning Strategies

Board 31: Intermediate Accounting Effective Learning Strategies and Teaching Models Based on Cognitive Theory.

Intermediate Accounting courses include a multitude of complex, and in depth topics. While there is little instructors can do about the volume and complexity of the accounting topics needed to be covered in intermediate accounting courses, instructors can find innovative and instructive ways to present the material that engages students and enhances learning. Teaching models included in this session are based on the cognitive theory of learning. This theory promotes emphasis that learners' existing mental structures, or schemata, are instrumental to new learning acquisition. Schemata assist learners by providing an organization of existing information that allows learners to connect or fit new knowledge within the schema, serving as 'hooks' for learners to make meaning of new knowledge and provide easier later recall. This presentation focuses on intermediate accounting topics that typically confuse and confound students. For each topic, participants will have access to teaching resources, including organized schemas, flowcharts, and slides that help structure the accounting materials for learners to use and that assist with student learning.

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Effective Learning Strategies

Board 32: Teaching ESG in Accounting Courses: Lectures and Exercises.

Environmental, social, and governance (ESG) reporting continues to be an important area of practice for accountants. Even with the current stay on the SEC Climate Rules, U.S.-based companies are not free and clear of ESG reporting requirements as ESG reporting may still be required of U.S. companies. To aid accounting faculty in their goal of preparing students with the knowledge, skills, and abilities in this area, we developed flexible, three-part ESG teaching modules that can be used in whole or in part in any accounting course. This flexible ESG teaching resource provides lecture files (Google Slides), lecture notes, and student assignments to help faculty prepare students on this important topic. Whether you have one day to devote to the topic or more, these resources can be scaled up or down to fit your lecture needs. Topics covered in the modules include -Sustainability, Climate Change, and ESG -Triple Bottom Line -Greenhouse Gas (GHG) and Climate Change -Greenhouse Gas Emissions -ESG Reporting Frameworks -ESG Regulatory Compliance Entities Other Topics: -Life Cycle Analysis (LCA) -Environmental Product Declarat

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Effective Learning Strategies

Board 33: IT Risk Analysisâ€"Examining Firm Response to Cybersecurity Breach to Evaluate IT Governance and ESG Activity.

In this comprehensive project, student teams will select a public firm that has recently experienced cybersecurity breach. The assignment requires students to complete a thorough timeline of events regarding the breach, as well as examine management response. Students will review the internal control effectiveness pre and post breach, as well as review governance structure pre and post breach. Lastly, students will analyze the broader management response, including ESG activity and reporting surrounding the breach incident. The comprehensive risk analysis project is designed to be utilized at the graduate or undergraduate level in either an IT Audit or Accounting Information Systems class. Learning outcomes will be included in the presentation and examples of analysis results will be provided. Lastly, we will display a comprehensive summary of multiple semester results and findings from group projects. This will model a final comprehensive discussion to be held with students after analysis projects are complete, summarizing what students have learned regarding content in these courses in a cohesive manner.

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3:00:00 PM - 4:30:00 PM

Effective Learning Strategies

Board 34: Using History to Help Teach Accounting Classes.

Flagler College is located in the oldest city in North America, St. Augustine, in the heart of the historic district. History is a huge part of the community and the university. The faculty and especially, Dr. Ryan Parris, has attempted to add history into the accounting curriculum by using it to help teach accounting principles. The faculty have created a display of antique business machines such as adding machines, 10 key calculators, check printers, old ledgers, and even accounting carved into stone tablets. Students look at this display and get to see tools used in accounting through the years. The items are discussed in some classes such as accounting information systems as to what was used versus what is used today and how technology may change into the future. This display fits in well with our university and helps provide a new perspective to our student's education in accounting today.

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Effective Learning Strategies

Board 35: Ways to Use Internal Controls as a Way to Promote the Accounting Profession in Financial Accounting Classes.

Everyone teaching beginning accounting classes such as financial accounting, has to act as a recruiter to promote interest in accounting and bring in more students as accounting majors. As many accounting programs show a decline in students deciding to major in accounting, this has become important both for the profession and to maintain the major's importance and place in many universities. One way that I have found to inspire interest in accounting is when teaching internal controls in financial accounting classes which is typically the first accounting class taken by business students. Discussing aspects of internal controls, relating them to the work experiences of students, discussing fraud stories related to poor internal controls, and having student's design internal controls in class all help promote interest in the field of accounting. These activities and discussions also show students that accounting is more than numbers and the different and diverse career paths available to accountants.

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Effective Learning Strategies

Board 36: Integrating AI into Introductory Accounting: Exercises, Mini-Cases, and Discussion Prompts.

In today's rapidly evolving business environment, it is critically important that we prepare our students to be able to use artificial intelligence (AI) tools. This poster will focus on how AI concepts and tools can be integrated into introductory accounting topics. Attendees will gain access to a set of ready-to-use curricular materials designed to integrate AI into introductory accounting courses in a way that complements existing course coverage. This poster provides hands-on materials and mini-cases across a wide range of introductory accounting topics, such as accounts receivable management, financial statement preparation, product costing, and budgeting. These teaching materials incorporate real-world examples of AI applications that make accounting tasks more efficient and interesting. Discussion prompts to engage students about ethical considerations, industry impacts, and the potential future of AI in accounting are also shared for each of the introductory accounting topics covered.

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Effective Learning Strategies

Board 37: The Effectiveness of Using Python Programming Approach in Teaching Financial Analytics.

This paper presents the learning method and challenges regarding implementing a Python-programming approach in teaching financial analytics to graduate accounting students. While there have been several studies examining how data analytics is embedded in accounting curriculum, majority of the teaching cases in accounting focus on analysis and communication with Excel as the principal tool, with very few of them covering the necessary steps prior to data analysis such as extraction and data preparation. Therefore, there is an opportunity for academics to create new teaching cases to provide students with comprehensive experiences throughout the data analytics cycle, perhaps with other much needed tools, such as Python. In this learning exercise, we describe our experience in developing and implementing a coding approach towards learning financial analytics for graduate accounting students as part of a data analytics curriculum. We share techniques on how to teach coding to accounting students with little or no coding experience, and some of the practical challenges in the classroom.

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Emerging and Innovative Research

Board 01: The Moderating Role of Corporate Governance in Accruals Mispricing and Post-Earnings-Announcement Drift.

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Emerging and Innovative Research

Board 02: The Unseen Cost of Green Policies: The Impact of Environmental Regulation on Workplace Safety.

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Emerging and Innovative Research

Board 03: Leveraging the Transformative Power of Artificial Intelligence in Accounting and Finance: Managerial Strategies to Overcome Adoption Barriers.

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Emerging and Innovative Research

Board 04: Supplier AI Application and Customer Audit Fees.

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Emerging and Innovative Research

Board 05: The Influence of Hierarchical Level and Construal Instructions on Auditor's Materiality Judgment.

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Emerging and Innovative Research

Board 06: The Impact of SEC Shadow Trading Enforcement on the Information Content of Earnings Announcements.

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Emerging and Innovative Research

Board 07: The Impact of SEC Comment Letters on Stock Returns: A Comprehensive Analysis.

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Emerging and Innovative Research

Board 08: Beyond Funding: The Influence of Sustainable Development Goals (SDGs) Alignment on Research Projects and Investments.

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Emerging and Innovative Research

Board 09: Pink Tax on Tap: How Gender Shapes Beer Pricing and Consumer Pointing.

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Emerging and Innovative Research

Board 10: Intelligent Manufacturing and Analyst Forecast Accuracy.

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Emerging and Innovative Research

Board 11: Intelligent Manufacturing and Analyst Forecast Accuracy.

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Emerging and Innovative Research

Board 12: Greenhouse Gas Emissions: Unmasking Reporting Responsibilities Along the Value Chain.

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Emerging and Innovative Research

Board 13: Share Repurchasing Practices of Firms Approaching Bankruptcy.

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Emerging and Innovative Research

Board 14: A Team-Based View of Audit Quality: The Effect of Team Tenure and Team Engagement.

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Emerging and Innovative Research

***Board 15: Brand Equity and Supply Chain Management*.**

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Emerging and Innovative Research

***Board 16: Big Baths and Earnings Manipulation*.**

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Emerging and Innovative Research

Board 17: CEO-Board Internal Social Ties and the ESG Performance.

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Emerging and Innovative Research

Board 18: The Relationship of Compensation Committee Quality and Managerial Power on Executive Compensation Tied to ESG Performance.

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Emerging and Innovative Research

Board 19: Incentivizing Individual Climate Action: A Multitheoretical and Empirical Analysis of ESG Outcomes.

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Emerging and Innovative Research

Board 20: Institutional Pressures and Digital Governance: How Cybersecurity Disclosures Shape ESG Outcomes.

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Emerging and Innovative Research

Board 21: Discovery of Technology Training and Development Strategies: Insights from Audit Leaders in Public Accounting.

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Emerging and Innovative Research

Board 22: Implications of the SEC's Mandatory Sustainability Reporting the Petroleum Industry.

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Emerging and Innovative Research

Board 23: The Cost of Going Green: Carbon Credit Policies and Their Influence on Corporate Profitability.

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Emerging and Innovative Research

Board 24: The Preservation of Historical Collections of the History of Brazilian Auditing. The Case of the Creation of the BDO RCS Museum.

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Emerging and Innovative Research

Board 25: Does Corporate ESG Dispute Influence the Disclosure of Key Audit Matters by Auditors?

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Emerging and Innovative Research

Board 25: Modeling the Leadership and Support Elements of Whistleblowing Management Systems in Water Supply and Sanitation Companies.

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Emerging and Innovative Research

Board 26: Innovative Insights: Impact of Crypto News on Earnings Through GenAI Models with Bert Framework.

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Emerging and Innovative Research

Board 27: Corporate Structure of Independent Audit Firms in TÃ¼rkiye: Transparency Report Analysis.

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Emerging and Innovative Research

Board 28: ESG Disclosures in the Global Banking Sector: Assessing Compliance With IFRS S1 & S2 Requirements.

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Emerging and Innovative Research

Board 29: Investigation of Credit Card Anomalies with Artificial Neural Networks and Decision Trees.

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Emerging and Innovative Research

Board 30: Carbon Accounting: Making the Case for the Carbon Flow Statement.

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Emerging and Innovative Research

Board 31: Bank Regulatory Changes, Accounting Conservatism, and Asymmetric Disclosure.

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Board 32: Rebranding Accounting Through Digital Media.

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Emerging and Innovative Research

Board 33: Exploring the Relationship Between Cryptocurrency Disclosures and Audit Fees.

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Emerging and Innovative Research

Board 34: Employee Insights and Financial Integrity: Rethinking Internal Control Effectiveness.

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Emerging and Innovative Research

Board 36: Does the Length of the Cooling-Off Period Affect External Financing Choice?

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Emerging and Innovative Research

Board 37: Customers' Cybersecurity Risk and Suppliers' Cost Management Strategies: Evidence from Data Breaches.

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Emerging and Innovative Research

Board 38: Does the Institutional Pressures Impact the Adoption of SDGs? An Institutional Perspective.

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Emerging and Innovative Research

Board 39: Nexus between Environmental R&D, Carbon Emissions, and Financial Stability and Innovation.

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Emerging and Innovative Research

Board 40: Financial Statements Fraud Detection: Integrating Large Language Models and Ensemble Learning.

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Emerging and Innovative Research

Board 41: How Generative AI is Transforming the Tax Profession.

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Emerging and Innovative Research

Board 42: Corruption and Its Impact on Corporate Financial Performance: The Case of American Companies.

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Emerging and Innovative Research

Board 43: Investigating the Relationship Between Students' Major and Visual Analysis Skills: An Odds Ratio Experiment.

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Emerging and Innovative Research

Board 44: AI Investment and Corporate Competition.

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Emerging and Innovative Research

Board 45: CEO-Board Backscratching and Carbon Emissions: Trust Repair Perspective.

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Emerging and Innovative Research

Board 46: Firm Complexity and Corporate Credit Risk.

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Board 47: Firm Complexity and Corporate Credit Risk.

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Emerging and Innovative Research

Board 48: Bridging the Innovation Gap: A Holistic Rating Framework to Enhance Market Efficiency.

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Board 49: Carbon Emissions and Tone Management in Climate-Related Disclosures.

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Emerging and Innovative Research

Board 50: Auditors' Ethical Framework Influencing Generative AI Cybersecurity.

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Emerging and Innovative Research

Board 51: National Labs and Corporate Core Technological Innovation: Evidence from China.

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Emerging and Innovative Research

Board 52: The Relationship Between Fraud Detection and Extended Audit Reports: Evidence from Japan.

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Emerging and Innovative Research

Board 53: The Use of Entropy Measures of Market Efficiency from Physics and Finance to Evaluate Accounting and Reporting Regulationsâ€"A Proof of Concept.

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Emerging and Innovative Research

Board 54: Auditor Reliance on Internal Audits and Its Effect on Jurors' Perceptions of Auditor Negligence.

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Emerging and Innovative Research

Board 55: Common Ownership and Competition: Evidence from Corporate Disclosures.

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Emerging and Innovative Research

Board 56: Disagreement in Environmental, Social, and Governance ratings and Default Risk: Evidence from China.

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Emerging and Innovative Research

Board 57: Learning from the Professionals: Analyst Site Visit and Managerial Strategic Choice.

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Emerging and Innovative Research

Board 58: Learning from the Professionals: Analyst Site Visit and Managerial Strategic Choice.

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Emerging and Innovative Research

Board 60: The Unseen Cost of Green Policies: The Impact of Environmental Regulation on Workplace Safety.

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Research Interaction Forum

Board 03: Intentionally Skipped

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Research Interaction Forum

***Board 04: Auditors' Judgements on Issuing Going Concern Opinion During Crisis Period: Evidence from Covid-19 Pandemic Period*.**

According to the Audit Analytics report, only 1,261 (17.9%) companies received a going concern opinion during FY2020 in the USA, marking a 3% decrease from FY2019, and the lowest number of going concern opinion issued since FY2000. As such, this study posits that a change of auditors' judgements in the issuance of going concern opinions might attribute to the decline in the firms receiving going concern opinions during the pandemic period. Utilizing Altman's Z-score to assess bankruptcy risk, this study examines the likelihood of firms with high bankruptcy risk but not receiving going concern opinions, which might indicate optimism of auditors. Results of the study indicate a significant association between the pandemic event year and auditor optimism. The optimism diminished in 2021 and 2022 when the pandemic ended. The findings suggest that external economic shocks, such as a pandemic, can influence the conservative nature traditionally expected in auditor judgments.

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Research Interaction Forum

Board 05: Intentionally Skipped

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Research Interaction Forum

Board 07: Corporate Storytelling: Impression Management through Social Media ESG Disclosure Strategies.

This study examines how firms' ESG disclosures on Weibo, employing impression management strategies, affect their ESG ratings and stakeholders' perceptions. Results show a positive correlation between disclosure frequency and ESG ratings. Techniques like quantitative disclosure, visual reinforcement, and improved readability can lead to higher ratings. Evidence suggests that these strategies effectively influence ESG analysts and investors, indicating social media's role in shaping positive stakeholder perceptions of a firm's ESG commitment. However, frequent ESG posts may also correlate with a higher chance of ESG misconduct, raising questions about the credibility of such disclosures. The study highlights the strategic use of social media for impression management and its impact on stakeholders.

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Research Interaction Forum

Board 09: COVID-19, ESG Information Disclosure and Corporate Financing Constraints.

Using the data of China's Shanghai and Shenzhen A-share listed companies from 2017 to 2022, we explore the effect of COVID-19 on the relationship between companies' ESG information disclosure and financing constraints. We find that the increase of ESG information disclosure in ESG reports can alleviate financing constraints after COVID-19, but the increase of ESG information disclosure in annual reports has no effect on financing constraints. The ESG information disclosure after COVID-19 impacts financing constraints through three mechanisms: information, reputation, and informal financing. After COVID-19, improving ESG information disclosure in ESG reports increases the scale of debt financing but has no significant effect on equity financing. Our findings expand the literature on the relationship between significant crisis events, ESG information disclosure, and financing constraints.

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Research Interaction Forum

***Board 10: Daring to Audit: A New Measurement and Implication of Audit Partner Risk-Taking*.**

Prior research has shown that the characteristics of audit partners influence audit quality. However, the impact of an audit partner's risk-taking appetite on audit outcomes has received limited attention. This study introduces a novel approach to measuring audit partners' risk-taking appetite by examining the frequency of Critical Audit Matters (CAMs) reported. We validate this new measure by demonstrating its significant association with going concern opinion errors and audit partner fixed effects. Notably, we find that a higher risk-taking appetite among audit partners is positively associated with audit quality, consistent with psychological literature suggesting that risk-taking individuals are more likely to challenge others under pressure. This study contributes to the literature by providing a new metric for assessing audit partner risk-taking and enhancing the understanding of this crucial characteristic at the partner level.

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Research Interaction Forum

Board 11: Decoding Asset Impairment Reversals.

As the frequency and magnitude of asset-impairment reversals continue to increase in recent years, their presence has a nontrivial impact on firms' incomes. In this study, we construct an impairment reversal dataset and investigate its properties. First, there is a strong positive relation between impairment reversal accruals and future financial performance, including earnings and cash flows from operations, consistent with asset impairment reversals conveying useful and credible forward looking fundamental information. Second, the baseline relation weakens predictably with managerial incentives; however, controlling for these incentives, the positive relation remains. Third, both financial analysts and investors can only partially process the favorable implication of impairment reversals on future performance. Overall, the results are opposite to the predictions made by accruals in the literature. Our results have implications for investors, practitioners, and standard setters.

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Research Interaction Forum

Board 12: Decomposing the Scope 3 Carbon Footprint of Higher Education: Lessons from the University of Toronto.

This study comprehensively quantifies Scope 3 emissions at the University of Toronto from 2017 to 2023. We use a hybrid approach that combines the Environmentally-Extended Input-Output (EEIO) model with activity-based methods to estimate emissions. Our analysis includes identifying trends and decomposing emission changes using the Logarithmic Mean Divisia Index (LMDI) method, attributing variations to changes in activity, structural composition, and emission intensity. The findings provide valuable insights into emission drivers and highlight pathways for targeted mitigation strategies within higher education settings. By situating these results within the broader context of climate commitments and institutional strategies, this paper offers actionable insights for universities aiming to enhance their sustainability practices. We propose practical measures for reducing emissions based on the decomposition analysis and outline a framework for other institutions to replicate.

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Research Interaction Forum

Board 13: Do Adverse Opinions on Internal Controls Affect Audit Resignation? Evidence from Financially Distressed Firms.

This study explores the relationship between adverse opinions on internal controls and auditor resignation for finally distressed firms. Following the Statement of Audit Standards (SAS) 132, this study extends the distressed firm sample and scrutinizes the relationship between auditor opinion on internal controls and auditor resignation through comprehensive distress types and periods. The findings indicate that the adverse opinion on internal controls significantly decreases the probability of auditor resignation throughout the distress samples and durations. Additionally, the BIG4 audit firms are less likely to resign from financially distressed clients compared to non-BIG4 audit firms.

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Research Interaction Forum

Board 14: Do Critical Audit Matters Resolve Investors' Concerns over Audit Quality? Evidence from Financial Restatements in the U.S.

To investigate the informational usefulness of critical audit matters (CAM), we use U.S. companies as a sample to examine whether CAM can mitigate investors' concerns about audit quality arising from financial restatements. Although CAM aims to enhance transparency by highlighting the most important matters in the audit, we do not find evidence that CAM disclosure alleviates investors' concerns about accounting restatements. Additionally, even when restatement-related risks and the corresponding audit procedures taken to address those risks are mentioned in CAM, such disclosures fail to mitigate investors' negative perceptions of financial reporting quality. The empirical may provide insights for regulatory bodies to re-evaluate the content and presentation of CAM, to enhance its effectiveness in conveying significant risks and improving investor confidence in the future.

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Research Interaction Forum

Board 15: Effects of Feedback and Emotional Language on Auditor's Judgment of Material Misstatements.

We investigate the effects of feedback and emotional language on auditors' judgment of material misstatements. We use Feedback Intervention Theory (Kluger & DeNisi, 1996) as a theoretical base. The sample consisted of senior auditors, supervisors, and managers recruited via LinkedIn. Data was collected through two experiments on QualtricsÂ® with a factorial between-participants design: Experiment 1 (2x2) and Experiment 2 (1x3). The analysis included descriptive statistics, ANOVA, t-tests, and effect plots. Results showed that emotional language significantly influenced auditors' judgments, while the sign of feedback (positive vs. negative) had no relevant impact. Specifically, positive emotional language in negative feedback contexts led to less conservative judgments. Practical implications include the need for audit firms to carefully consider their feedback strategies, to serve the purpose of performance evaluation but also reduce biases and enhance judgment.

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Research Interaction Forum

Board 16: Effects of Human Capital on Revenues under Quartet Audit Market Structure.

This study specifies a translog revenue function to estimate the relation between human capital inputs, measured by the average partial effects (APEs) of education, experience, and training, and output revenues, measured by the total business revenues of each audit firm. Audit firms are divided into four firm-size classes to create six unique pairwise combinations for tests of alternative firm-size pairings. Consistently, I find that the higher-tier audit firms monotonically outperform all other lower-tier audit firms. Inconsistently, the education APEs are less for the second-and third-tier than for the lower-tier counterparts; the training APEs are less for top-tier audit firms than for the third- and fourth-tier local audit firms. These surprising results are explained by general human capital that audit firms suffer a capital loss in shorter labor contracts. My findings should be informative to practitioners and academics interested in the APEs of human capital on revenues.

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Research Interaction Forum

Board 18: Forward-Looking Information in Cecl: Evidence Using Deposit Rates.

Allowing banks to set aside provisions in line with their views about the future fundamental credit quality of loans is at the heart of the recently implemented expected loan loss method (CECL). To what extent do managers incorporate their forward-looking information into loan loss provisions under CECL? Providing empirical evidence on this question is challenging for researchers because it is impossible to observe banks' private information. For example, market metrics capture market's aggregate information but that may not correspond to the bank's information set. We overcome this empirical challenge by focusing on deposit rates as an observable metric of banks' private information. Banks alter their deposit rates based on their information about future economic conditions. Thus, deposit rates serve as an instrument for managers' private information. We find that banks incorporate their forward-looking information into provisions under CECL, making them timely albeit not fully.

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Research Interaction Forum

Board 19: Freedom of Information and Financial Reporting Restatement.

This study examines whether stricter state-level Freedom of Information (FOI) regulations reduce financial restatement. Using a difference-in-differences design with entropy balancing, the findings show that stronger FOI laws are linked to fewer restatements, especially those lowering earnings or involving core economic measures, and among firms with government contracts. The effect is amplified in politically conservative states, states aligned with the ruling party, and firms engaging in lobbying. Management Discussion and Analysis (MD&A) tone interacts with FOI-driven transparency to curb restatements when firms maintain a positive narrative or highlight forward-looking information. Further analyses reveal enhanced earnings persistence under stricter FOI laws. Overall, these results underscore how open-government initiatives influence corporate reporting integrity by strengthening public oversight and deterring misreporting.

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Research Interaction Forum

Board 20: Government Assistance and Audit Quality: Evidence from Audit Office Job Subsidies.

This paper investigates the relationship between government job subsidies provided to audit offices and audit quality. Specifically, it examines whether these subsidies are associated with a reduced likelihood of restatements and unreported internal control material weaknesses (ICMWs) among clients of subsidized audit offices. Prior research suggests two mechanisms through which subsidies may enhance audit quality: (1) by strengthening human capital and (2) by incentivizing audit offices to mitigate public scrutiny. We find a significant negative association between job subsidies and both restatements and unreported ICMWs. These effects are concentrated in offices with access to feeder universities, on less critical client engagements, and in offices proximate to PCAOB offices. This study contributes to the literature by providing evidence on how targeted government assistance can address labor market constraints and reinforce regulatory pressures, ultimately improving audit outcomes.

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Research Interaction Forum

Board 21: Have Key Audit Matters (KAM) disclosures Changed the Readability of MD&A and KAM?: An Empirical Analysis by Japanese Firms Applying IFRS.

This study investigates the impact of Key Audit Matters (KAM) disclosure on the financial reporting quality and communication value in Japanese firms that applying the International Financial Reporting Standards (IFRS). The findings reveal that KAM disclosure reduces manager's earnings management, enhancing financial reporting quality by highlighting areas of risk and scrutiny. However, managers tend to conceal or obscure risk information in Management Discussion and Analysis (MD&A), leading to reduced readability. Similarly, auditors may conceal or obscure information in KAM disclosures to align with the client firm's intentions, potentially reducing the readability of KAM disclosures. These findings highlight concerns regarding auditor independence in Japan. This study contributes significantly to literature by simultaneously clarifying the effects of KAM disclosures and the psychology of management and auditors.

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Research Interaction Forum

Board 22: Intentionally Skipped

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Research Interaction Forum

Board 23: Perceived Relevance of Fair Valuation for Investment Property: A Case Study of Government Accounting Standards Implementation in Indonesia.

The Indonesian government accounting standards on Investment Property only allow the use of cost model but on the other hand allow entities to conduct revaluations only on national policy. This study aims to explore the perceived relevance of fair value measurement in the presentation of investment property for users of the central government financial report of the Republic of Indonesia. Using qualitative method by exploring the perception of user on comparative figure between cost model and fair value model of asset classified as investment property, this study finds that one of the perceived relevance of presenting the fair value of investment property is related to the value of assets in the government's balance sheet that can be used as underlying assets in the issuance of government securities, especially sharia government bonds which require assets as the underlying.

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Research Interaction Forum

Board 24: Intentionally Skipped

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Board 25: The Effectiveness of XBRL at Reducing the Information Gap: Evidence from Earnings Announcements.

The implementation of XBRL by the SEC aimed to reduce the information gap between investors with different resources. Using 10-K filing dates, prior studies provide conflicting evidence regarding the effectiveness of XBRL in achieving the SEC's objective. However, 10-K filings produce very little price reaction, suggesting 10-Ks have limited information content. In contrast, existing research suggests that earnings releases spur large price reactions and retail investor trading. Furthermore, information asymmetry between investors is particularly acute at earnings releases. Thus, we argue that assessing the effects of XBRL implementation is incomplete without studying its consequences around earnings releases. Our evidence suggests, on average, XBRL reduced information asymmetry during earnings releases, but the results vary by implementation wave. Overall, in contrast with prior studies, our results are consistent with XBRL accomplishing the SEC's objective.

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Board 26: The Impact of Accounting Profession Wage Level on Audit Report Lag.

This study explores how wage levels within the accounting profession influence audit report lag. By examining the Russell 1000 large companies spanning 2014 to 2021, the research reveals that lower wages for accounting professionals are significantly associated with longer audit report lags. Moreover, this adverse effect is intensified during periods of low unemployment. Addressing a gap in the audit report lag literature, the empirical findings of this study carry policy implications for the NASBA, AICPA, and CPA firms.

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Board 27: The Pricing of Leverage Audits during the Global Financial Crisis.

This study examines the audit pricing of leverage during the global financial crisis (GFC) period. Using a sample of 22,704 observations for the period 2005-2012, the results show that on average there is no significant increase in leverage-related effort and fees during this period. However, additional analyses show that non-Big4 increased leverage-related audit effort and fees during the GFC, whereas Big4 did the opposite. Further tests show that the results are pronounced in settings of low fee pressure, and muted when there is significant fee pressure. The inferences are robust to including control variables previously shown to predict audit fees and other regression specifications. Collectively, the findings contribute to the understanding of auditor behavior during the global financial crisis period in the sense that leverage was expected to be associated with a higher risk of misstatement, but fee pressure could inhibit auditors from increasing leverage-related efforts and fees.

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Board 8: Cost Uniqueness and Audit Fees.

Cost uniqueness captures variations in operating costs driven by firm-specific, rather than market- or industry-wide factors. Because firm-specific cost variations are opaque to external stakeholders and increases information uncertainty (Anderson et al., 2023), auditors may need to exert additional effort and also charge a higher risk premium to compensate for the increased risk, resulting in elevated audit fees for firms with greater cost uniqueness. Surprisingly, we find a strong and robust negative association between cost uniqueness and audit fees. Further analyses indicate that audit effort, as proxied by the audit report lag, declines with cost uniqueness. Moreover, cost uniqueness does not negatively impact audit quality. Additional tests suggest that high cost uniqueness may reflect a firm's competitive advantage, thereby reducing its business risk, which could potentially explain the negative relationship between cost uniqueness and audit fees.