



"Investment Dynamics and Earnings-Return Properties: A Structural Approach" (JAR)

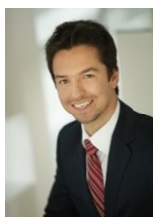


In a paper recently published in the *Journal of Accounting Research* (JAR), CAR's **David Windisch** and Matthias Breuer (Columbia University) propose the standard neoclassical model of investment under uncertainty with short-run adjustment frictions as a

benchmark for earnings-return patterns absent accounting influences. They show that their proposed benchmark generates a wide range of earnings-return patterns documented in accounting research. Notably, their model generates a concave earnings-return relation, similar to that of Basu [1997], and predicts that the earnings-return concavity increases with the volatility of firms' underlying shock processes and decreases with the level of firms' investments. They find strong empirical support for these predictions. Overall, their evidence suggests that their proposed benchmark is useful for understanding the joint dynamics of variables of interest to accounting research (e.g., earnings, returns, investment, market-to-book) absent accounting influences, a necessary precondition for inferring the effects of accounting from these dynamics.

DART researcher awarded IWP top research prize

DART's **Reinhard Schrank** was awarded the main prize of the "Forschungspreis Wirtschaftsprüfung 2019", granted by the Institut Österreichischer Wirtschaftsprüfer (IWP). He obtained the prize for his dissertation, "A Theoretical Analysis of Strategic Auditor-Client Interaction,"



which he successfully defended earlier this year at the University of Graz. The prize was awarded to him at the 6. IWP Wissenschaftsforum at the WU Vienna, where Reinhard presented his award-winning dissertation to a diverse audience of academics and practitioners.

Also at this year's IWP event, **Georg Schneider** presented his paper, "Information Leaks and Voluntary Disclosure," co-authored with Michael Ebert (Paderborn University) and Ulrich Schäfer (University of Zurich).

"Voting over Disclosure Standards" (EAR)



CAR's **Georg Schneider** has published his paper "Voting over Disclosure Standards," jointly written with Jeremy Bertomeu (UC San Diego) and Bob Magee (Northwestern University), in the *European Accounting Review* (EAR).

The paper examines the nature of disclosure standards, under the assumption that (i) standards preferred by more firms are collectively chosen and (ii) privately informed firms prefer standards that increase market perceptions about the value of their assets. A standard is stable if it is preferred by a large enough super-majority of firms over any other standards. Absent any restriction on possible standards, only unanimity would make a standard stable. By contrast, when requiring standards that classify news from best to worst, there is at most a single stable standard, and it must be full disclosure. For a large class of distributions over valuations, the required super-majority is about two-thirds, close to the majority required in many standard-setting boards. Value distributions with heavy tails, such as news that contains extreme risks, require higher super-majorities to be stable. These insights are robust to settings in which the information is used in decision-making.

Presentations at the 2019 EAA Annual Meeting in Paphos

This year, several CAR and DART scholars participated in the Annual Congress of the European Accounting Association (EAA) in Paphos, Cyprus, with **Ralf Ewert** serving as the Scientific Committee's Chair.



Claire Estebanez presented her paper, "The Effect of Taxation on Intermediate Subsidiary Location," co-authored with Silke Rürger and Harald Amberger. The empirical paper, which was discussed by Panagiotis Karavitis, studies the tax factors that drive a multinational corporation's decision-making on where to locate an entity that has ownership in an operating subsidiary. **Georg Schneider** presented his paper, "A New Perspective on the Benefits of Slack Building under Participative

Budgeting,” co-authored with CAR’s Michael Kopel and Christian Riegler (WU Vienna). They use an adverse selection model to study beneficial effects of participative budgeting that have been neglected in prior research. **Kristina Berger** presented her paper, “Audit Oversight, Manipulation Incentives, and Cost of Capital.” The main research question she addresses is how managers and auditors coordinate their behavior if norm characteristics or discipline mechanisms change, as well as what the consequences for a firm’s cost of capital are. **Elisabeth Plietzsch** presented her paper, “Auditor-Client Misalignment and its Effect on Audit Quality: Evidence from Europe.” She studies the empirical association between auditor-client mismatch and audit quality and how the legal environment influences this association. **Robert Eder** presented his paper “Board Oversight and CEO Fraud Incentives under a Market-Oriented Liability Regime,” which employs a one-period agency model to study the monitoring efforts of a firm’s board of directors. In addition, **David Windisch** discussed a paper by Cao et al., titled “The Effect of Real Earnings Adjustments on Corporate Labor Investment.”



Current Visiting Scholar



Thomas Kourouxous (Paderborn University), member of the Center for Tax and Accounting Research (CETAR) and principal investigator of the DFG funded collaborative research center “TRR266 Accounting for Transparency,” is currently visiting the Institute of Accounting and Taxation. The visit takes place as part of the ongoing collaboration between CAR and CETAR.

Symposium: Unternehmensberichterstattung "Quo vadis?"

In June, CAR’s **Alfred Wagenhofer** gave a keynote speech at the symposium “Unternehmensberichterstattung ‘Quo vadis?’,” which took place at the Österreichische Kontrollbank in Vienna and was jointly organized by the Kammer der Steuerberater und Wirtschaftsprüfer (KSW) and the Institut Österreichischer Wirtschaftsprüfer (IWP). In his keynote, titled “Versteht man Jahresabschlüsse noch? Beobachtungen zur Entwicklung in der internationalen Rechnungslegung,” he discussed the increasing volume and complexity of firms’ financial reporting and their consequences for users of these reports.

CAR researcher elected to the EAA’s Standing Scientific Committee

CAR’s **Georg Schneider** has been elected a member of the EAA’s Standing Scientific Committee for the 2019-2022 period. The committee advises on the Annual Congress’s scientific program. In particular, it reviews the submitted papers and sets up the parallel sessions. The next Annual Congress will take place in Bucharest, followed by Helsinki.

DART student selected to participate in EAA Doctoral Colloquium

DART student **Elisabeth Plietzsch** has been invited to participate in this year’s EAA Doctoral Colloquium. Every year, a few select doctoral students are invited to attend the annual four-day event, held this time in the seminar facilities at the E Hotel in Larnaca, Cyprus.

At the Doctoral Colloquium, several plenary sessions by distinguished scholars provided valuable insights and guidance about the academic job market, publication processes, and recent research trends, such as textual analysis. Elisabeth had the chance to present her working paper, “Who is the Best Fit? Ex-ante Beliefs about Auditor-Client Compatibility in the Audit Process,” co-authored with former DART student Sebastian Kronenberger.

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