



CAR/University of Graz Papers at the EAA

Eight CAR/University of Graz papers were presented at the Annual Meeting of the European Accounting Association at Dauphine University (Paris) in May.

CAR's Alfred Wagenhofer presented "Accounting Standards, Earnings Management, and Earnings Quality", coauthored by CAR's Ralf Ewert, in a session with discussant. The paper investigates how different characteristics of accounting systems and institutional factors affect earnings quality. It develops a rational expectations equilibrium model that features a steady state firm with investment in every period, an accounting system, non-accounting information, and earnings management. The discussant was Marco Trombetta (Instituto de Empresa, Madrid).



CAR's Rainer Niemann presented "Managerial Incentives for Tax Planning in a Multi-Task Principal-Agent Model", coauthored by Ralf Ewert. The effect of taxes is a largely neglected topic in principal-agent models. This paper integrates wage taxation at the agent's level and corporate taxation at the principal's level into a principal agent model of LEN type. Ewert and Niemann analyze the effects of these two levels of taxation on optimal incentive contracts.

Rainer Niemann also coauthored "Management Incentives Under Formula Apportionment", together with Dirk Simons (University of Mannheim). The paper, presented by Simons, aims at highlighting the tax-induced distortions of managerial incentives caused by formula apportionment. The results, which are based on a LEN-type principal-agent model, provide insights regarding the adjustments of the demand for managerial labor that can be expected after the introduction of formula apportionment.

CAR's Jens Müller presented "Do Managers Disclose more Information about Tax Loss-Carryforward when Future Profits are Uncertain?", coauthored by Vanessa Flagmeier (Institute of Accounting and Reporting). The paper finds that companies with greater ex ante uncertainty voluntarily disclose more and more useful information regarding the future usability of tax loss-carries. They interpret their results as evidence

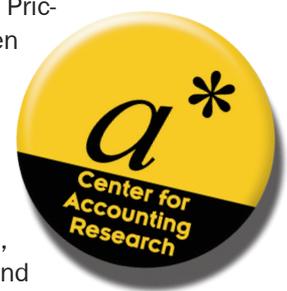
that managers anticipate the investors' need for more private information and thus disclose them voluntarily to send a signal of credibility to the market participants.

CAR's Pietro Perotti presented "Should Markets Impose a Minimum Trade Unit?", jointly written with Arie Gozluklu (University of Warwick), Barbara Rindi (Bocconi University) and Roberta Fredella (Bocconi University). The paper examines the effect on market quality of the minimum trade unit regulation. The analysis concentrates on the natural experiment of the Italian Stock Exchange, where in 2002 the minimum trade unit was removed. The results show that after the constraint removal liquidity increased and adverse selection costs decreased.

David Windisch (Institute of Accounting and Control) presented "Managerial Discretion in Accruals and Informational Efficiency", coauthored by Pietro Perotti. This paper investigates the relation between managerial discretion in accruals and informational efficiency. Perotti and Windisch find that the magnitude of discretionary accruals is negatively associated with the deviation of the stock price from a random walk pattern. The findings are consistent with the view that managerial discretion in accruals is informative for market participants.

Roland Königsgruber (Free University of Amsterdam and previously at CAR), presented "A Segment-Based Analysis of Firms' Decision to Manage Earnings to Influence Existing and Potential Competition", jointly written with Pietro Perotti, Oliver Schinnerl (Institute of Accounting and Taxation) and David Windisch. The work concentrates on how different aspects of product market competition (potential, existing and industry profitability) affect earnings management choices at firm level and at segment level.

Pietro Perotti is also a coauthor of "The Effect of Accruals Quality on Bond Prices", jointly written by Stephen Crawford (Rice University), Richard Price (Utah State University) and Christopher Skousen (Utah State University). The paper, which was presented by Price, investigates how the bond market values accruals quality.



DART Lunch Seminars

DART hosted two lunch seminars with international scholars in the spring semester.

David Veenman, from the Rotterdam's Erasmus School of Economics presented "The Role of Ex-Ante Uncertainty in Explaining Why Firms Meet or Just Beat Analysts' Earnings Forecasts", co-authored by Sanjay Bissessur (Amsterdam Business School). Pingyang Gao, from the University of Chicago, presented "A Measurement Approach to Binary Classifications and Thresholds".

EAA Doctoral Colloquium

Being invited to participate in the highly selective EAA Doctoral Colloquium (Saclay/Paris, May) is a memorable event for young researchers. This year, two doctoral students related to CAR were selected. Vanessa Flagmeier (Institute of Accounting and Reporting) participated in the Doctoral Colloquium of the European Accounting Association (EAA). She presented her joint paper with CAR's Jens Müller "Do Managers Disclose more Information about Tax Loss-Carryforward when Future Profits are Uncertain?". The second participant was Katrin Weiskirchner-Merten, who is a DART associated student based at the Vienna University of Economics and Business. She presented a first draft of a paper of her thesis, titled "Economic Consequences of Participative Budgeting".

IWP Audit Laboratory



CAR's Ralf Ewert and Michael Vorraber participated in the first "Audit Laboratory" organized by the Austrian Institute of Certified Public Accountants (Institut Österreichischer Wirtschaftsprüfer (IWP)) in April in Vienna. Ewert presented a general research agenda with respect to auditing, and Vorraber presented an empirical paper related to his dissertation project "Enforcement and Earnings Quality". This study aims to provide insights about the impact of different structures of enforcement across

Europe on earnings quality. Based on these results recommendations are derived regarding the design of an appropriate enforcement system in Austria.

Identifying Firms with Tax Loss-Carryforwards

A new paper by CAR's Rainer Niemann and Martina Rechbauer, titled "Wie können Unternehmen mit steuerlichen Verlustvorträgen identifiziert werden? Ergebnisse einer Replikationsstudie" was published in the Zeitschrift für das gesamte Bank- und Börsenwesen (March Issue). Using a recent sample of Austrian companies, the paper examines the accuracy of different database-driven methods to identify firms with tax loss carryforwards.



VHB Conference

CAR's Rainer Niemann presented two papers at the annual meeting of the German Academic Association for Business Research in Würzburg in May. He presented "Management Incentives Under Formula Apportionment", jointly written with Dirk Simons (University of Mannheim) and "Managerial Incentives for Tax Planning in a Multi-Task Principal-Agent Model", coauthored by CAR's Ralf Ewert.

LSE MARG Conference

CAR's Alfred Wagenhofer held an invited presentation at the Management Accounting Research Group (MARG) Conference at the London School of Economics (LSE) in April, which was devoted to Management Accounting and Corporate Governance: New Issues – New Directions. In his talk, "Characteristics of Accounting Information that Serves the Board of Directors", he discussed the roles of members of the board of directors and what kind of information they need to take their decisions. Specifically, he showed that conservative accounting can be desirable because it complements the board's monitoring activities.

Imprint:

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