Several CAR and DART scholars presented their working papers at this year’s Annual Congress of the European Accounting Association (EAA) in Maastricht, The Netherlands. Sebastian Kronenberger presented his paper “Multi-Period Accounting Choices, Auditor’s Learning Effects, And Audit Pricing,” which addresses the interaction between the auditor’s effort choice and the client firm’s accounting bias in a multi-period setting where the accounting bias reverses in future periods. The interaction has important implications for audit pricing and provides alternative explanations for observed phenomena such as low balling and fee cutting. David Windisch presented the paper “Management Earnings Forecasts and the Pricing of Earnings,” which was jointly written with former DART student Anna Boisits (University of Basel). In this paper, a rational expectations model is developed to understand the role of managers’ earnings forecasts in the capital markets pricing of reported earnings. Several predictions regarding the information value of management earnings forecasts derived from the analytical model were then empirically tested using firm data. Georg Schneider presented his paper titled “The Combined Impact of Asymmetric Taxation and Limited Liability on Optimal Compensation,” co-authored with Andreas Scholze (University of Osnabrueck) and Fabian Meissner (BearingPoint). The paper uses a binary principal-agent model, featuring two risk-neutral parties, in which the agent is protected by limited liability and his compensation is affected by an asymmetric treatment of gains and losses by the tax authority. The model challenges common wisdom that the principal is always better off whenever the agent is taxed less aggressively. This is done by showing that whether a change in the loss tax rate makes the principal better off depends on the amount of the agent’s pledgeable assets. Reinhard Schrank presented his paper “The Impact of Damage Apportionment on ICS Effectiveness and Financial Reporting Accuracy.” Using a game-theoretic model, the paper shows that shifting liability between the auditor and an investing client firm ambiguously influences the firm’s incentives to invest in internal control measures as well as the accuracy of its published financial reports.

Georg Schneider and Reinhard Schrank also presented their aforementioned working papers at the VHB Annual Meeting 2016 in Munich, hosted by the TUM School of Management.

David Windisch presented his paper “Managerial Discretion in Accruals and Informational Efficiency,” a joint work with former CAR member Pietro Perotti (University of Bath), at the JBFA Capital Markets Conference hosted by the University of North Carolina at Chapel Hill (UNC) in Chapel Hill, USA.

The Austrian Science Fund has committed to fund an interdisciplinary three-year project, which is jointly led by CAR’s Alfred Wagenhofer and Rainer Niemann along with Tina Ehrke-Rabel from the Institute of Tax Law. The research project’s objective is to analyze and compare the different institutions that audit and oversee the financial reports of listed companies, enforce financial reporting standards, carry out tax audits, or participate in tax enforcement. The project will combine legal analysis of the institutional settings, boundaries, and constraints and economic analysis of their effects, including incentives, strategies, real investment, financial reporting quality, tax revenue, and social welfare.

Some of the research project’s anticipated results include a better understanding of audit institutions and the investment and operating incentives they create within companies, along with an understanding of the interaction between different audit, enforcement, and audit-quality-enhancing institutions for both statutory auditing and tax audits. Furthermore, different configurations of audits with respect to their effectiveness and efficiency will be examined. The project aims to provide explanations for legal deficiencies and recommendations for
improving the legal framework for tax compliance and tax enforcement. Besides contributing to the academic literature, the results should be useful in informing governments, regulators, and standard-setters.

**Exploiting Regulatory Changes for Research in Management Accounting (MAR)**

A paper by Alfred Wagenhofer, titled “Exploiting Regulatory Changes for Research in Management Accounting,” has been published in Management Accounting Research (MAR). The paper describes recent regulatory changes in the European Union to illustrate opportunities for research in management accounting. Issues discussed are whether a regulation is effective in achieving its objective, how it affects the organizational design and decision-making in firms, and what additional data become available. The paper particularly focuses on future research opportunities in the areas of management compensation, risk management, performance measures, non-financial information, the influence of financial reporting, and accountability.

**Accounting Seminars in Graz**

In April, Bjorn Jorgensen (London School of Economics) held a seminar on empirical accounting research at the University of Graz. In his lectures, he gave insights on research in distribution-based tests, macro accounting, classification shifting, and country-specific studies. He also presented his “cookbook” on how to find interesting research questions and structure empirical research, which was especially helpful for young researchers. In May, Anne Beyer (Stanford University) held a seminar on analytical research in financial accounting. She provided insights on analytical research in such topics as voluntary disclosure, earnings management, and information intermediaries. Both seminars stimulated lively discussions inside and outside the classroom.

**CAR Papers at Invited Workshops**

In March, Rainer Niemann presented a working paper jointly with Caren Sureth (University of Paderborn), titled “Does Capital Tax Uncertainty Delay Irreversible Risky Investment?,” at the Humboldt University of Berlin. Ralf Ewert and Alfred Wagenhofer were invited to present their joint working paper “Effects of Increasing Enforcement on Firm Value and Financial Reporting Quality” at several international accounting workshops. Wagenhofer presented the paper at the Universidad Carlos III de Madrid in March and at the Accounting Summer Camp at New York University (NYU) in May. In April, Ewert presented the paper at the University of Chicago – Booth School of Business. Furthermore, both authors presented their work at this year’s Science Forum organized by the Institut Österreichischer Wirtschaftsprüfer (IWP) at the Vienna University of Economics and Business (WU) in Vienna. In March, Alfred Wagenhofer gave the keynote lecture at the “International Accounting Regulation” conference cycle of the Fundación Ramón Areces in Madrid on the topic “Do we need prudence in IFRS?”. David Windisch presented his paper “Managerial Discretion in Accruals and Informational Efficiency” (co-authored with Pietro Perotti) in April at the accounting workshop of the University of Essex in England.

**CAR's Ralf Ewert Elected Chair of the Standing Scientific Committee of the EAA**

At its 39th Annual Congress in Maastricht, The Netherlands, Ralf Ewert was elected Chair of the Standing Scientific Committee of the European Accounting Association (EAA) for the period 2016-2017. Among his responsibilities is the scientific program for next year’s Annual Congress in Valencia, Spain.