This paper, written by Birgit Beinsen (Institute of Accounting and Control) and recently published in the Review of Managerial Science (RMS), provides a signaling explanation for the benefits of conservative accounting in a debt contracting setting. It develops a model in which firms want to finance more or less risky projects through debt, which is private information. These firms can signal their low-risk type by implementing a conservative accounting system. The analysis establishes conditions for separating and pooling equilibria and determines their individual and social welfare implications.

At the end of September 2016, several DART and CAR members participated in the German Economic Association of Business Administration (GEABA) conference, which took place in Basel. CAR's Rainer Niemann presented his paper, “Investment Effects of Wealth Taxes under Uncertainty and Irreversibility,” coauthored with Caren Sureth-Sloane (University of Paderborn). Four DART students also presented their papers: Kristina Berger on “Identity, cost of benchmark and incentives,” Harald Hinterecker on “Mandatory Disclosure of Environmental Information Decreases Investments in Green R&D,” Anna Ressi on “Relational Contracts with Positively Reciprocal Managers,” and Sebastian Kronenberger on “The Interplay between Financial Reporting Biases and Audit Quality” (coauthored by Volker Laux, University of Texas). Anna Ressi was also awarded the René Descartes prize for the best discussion.
Although Austrian tax law in general discriminates equity against debt, several tax allowances have been introduced in order to strengthen equity ratios. In a recent paper published in the “Betriebswirtschaftliche Forschung und Praxis”, Silke Rünger (Institute of Taxation) and Matthias Petutschnig (WU Vienna) analyze the effects of an allowance for retained equity and an investment tax credit and investigate whether these changes cause an increase in equity ratios. Based on an analysis of 111,617 firms, they are unable to show a significant increase in equity ratios of firms affected by the tax allowances. This leads the authors to conclude that neither regulation is an adequate measure to stimulate equity financing.

DART Lunch Workshops

This fall, DART and CAR hosted three lunch seminars with international scholars. Katherine Schipper (Duke University) presented her current working paper “Qualitative Characteristics of Financial Reporting Errors Deemed Immaterial by Managers,” Ilan Guttman (New York University) presented his working paper “Optimal Debt Contracts in the Presence of Performance Manipulation,” and Lucas Mahieux (Toulouse School of Economics) presented his work titled “Conflicts of Interest in Auditing.”

Doctoral Seminar by Luzi Hail

Seven DART students followed the invitation of the University of Zurich to Luzi Hail’s (Wharton) Doctoral Seminar, “Market-Based Research in International Accounting,” in October 2016. The main aim of the seminar was to enhance the participants’ ability to critically evaluate and conduct empirical research in an international context. In particular, the participants learned to appreciate the role of theory in empirical work, to understand research designs in international accounting research, and to conduct data analyses with statistical software. In addition, some of the participants were provided with the opportunity to present their own research.

DART joins Doctoral Academy

On November 7, the newly founded Doctoral Academy Graz invited its consortium members, with the DART program among them, to a welcoming reception. The academy’s aim is to offer an institutional roof over structured doctoral programs from different faculties in order to facilitate fundraising for internationally oriented research projects and to promote excellent doctoral researchers. The academy starts its work with a seven-member consortium, with members from four different faculties, but it wants to encourage the foundation of further excellent doctoral initiatives.

IASB&EFRAG@AFRAC

On November 24, AFRAC hosted its annual IASB&EFRAG@AFRAC event, which provided an opportunity to discuss recent accounting developments with IASB and EFRAG members. CAR’s Alfred Wagenhofer, chairman of AFRAC’s working group “International Financial Reporting”, has traditionally assumed responsibility for the content of the event. This year’s invited speakers were Martin Edelmann (IASB), who presented the IASB work plan; Suzanne Morsfield (IASB), who discussed current developments of IASB’s disclosure initiative project; and Filippo Poli (EFRAG), who addressed the EU endorsement of IFRS 16 “Leases.”