



### DART Students Selected to Participate in EAA Doctoral Colloquium

It is the second time that two DART students have been invited to participate in the renowned EAA Doctoral Colloquium. **Claire Estebanez** and **Felix Niggemann** were selected from 122 international applicants and invited to attend the annual four-day event, held in the seminar facilities at Italy's Palace Grand Hotel Varese.



The program itself consisted of plenary sessions, working groups in which the students presented their dissertations, and networking events. The plenary sessions were conducted by distinguished scholars who provided valuable insights and guidance to the attendees regarding the academic job market, journal publication processes, and recent research trends. The working groups divided students and faculty into four specialized tracks. This format presented a great opportunity for all participants to really improve their current work, as well as the chance to enhance networks, find ideas for new research projects, and form new perspectives on being an academic in accounting.

### "CEO Activism and Supply Chain Interactions" (in: Annals of Public and Cooperative Economics)




A recent paper by **Harald Hinterecker**, **Michael Kopel**, and **Anna Ressi** has been published in the Annals of Public and Cooperative Economics. In their paper, they show that hiring a manager with a propensity to over-invest in socially and responsible production can increase firm profits if customers not only care about the responsible behavior of the firm but also about the engagements of all players along the firm's supply chain. The new mechanism they identify relies on the complementarity of investments by the firm and its suppliers. This kind of CEO activism can cause a win-win outcome where all parties along the supply chain, the firm's customers and society can be better off.

### CAR and DART Researchers at the IWP Practitioners' Forum in Vienna

In May, the Institut Österreichischer Wirtschaftsprüfer (IWP) held its fifth science forum in Vienna, with the aim of fostering the discussion and exchange of ideas concerning issues in auditing between practitioners and researchers. In this year's program, three out of four presentations were given by CAR and DART researchers. **David Windisch** presented a paper (jointly written with Alfred Wagenhofer and Christian Groß) that investigates how earnings management in externally reported earnings relates to measurement of internal segment performance. **Felix Niggemann** provided new insights into the strategic interrelation among financial reporting, tax, and audit processes, and **Reinhard Schrank** demonstrated how the effective sharing of liability between the auditor and the firm can affect internal controls and audit quality.

### EFRAG Academic Panel

The EFRAG Academic Panel  was established in 2017 as a response to the increased importance of research activities for the IASB and EFRAG. The panel consists of 17 academics who have specialized in financial reporting, specifically IFRS, and their application in Europe. In the full-day meeting in Milan in May 2018, **Alfred Wagenhofer** gave an overview on his work on conservatism (based on the paper "Does Conservative Accounting Increase Welfare of Agencies? The Role of Internal Controls," with Ralf Ewert) and discussed standard-setting implications. In addition to research presentations, panel members also provided feedback from an academic perspective on several current EFRAG projects.

### Recent Presentations of CAR Papers

**Alfred Wagenhofer** was invited to do a presentation in the Accounting Workshop series at Bocconi University. He presented the paper "Corporate Fraud, Public Enforcement, and the Dual Role of Investor Litigation" (jointly with Stefan Schantl, University of Melbourne) and talked to PhD students. On June 13, **David Windisch** was invited to present his paper, "Investment Dynamics and Earnings Return Properties: A Structural Approach" (with Matthias Breuer, University of Chicago), at the University of Bath.

## Presentations at the 2018 EAA Annual Meeting in Milan



The 41st Annual Congress of the European Accounting Association (EAA), hosted by Bocconi University in Milan, has attracted more than 1,600 international accounting researchers. As in the previous year, **Ralf Ewert** served as the Scientific Committee's Chair, setting up the program and selecting papers from a record number of 1,381 submissions.

**Alfred Wagenhofer** participated in a panel session to discuss with other distinguished scholars as well as a representative from the Internal Accounting Standards Board (IASB), the pros and cons of fair value accounting.

Many CAR and DART scholars presented current work in parallel sessions. **Felix Niggemann** presented his paper, "Mandatory Book Tax Conformity and its Effects on Strategic Reporting and Auditing," which provides a theoretical framework for the strategic interactions among financial reporting, tax reporting, and auditing. He analyzes the effects of exogenous changes in the level of mandatory book tax conformity and discusses potential implications on taxation and the properties of financial reports. Felix's paper was discussed by Peter Brok (Tilburg University). **Negin Attar** presented her paper, "The Impact of Global and Industrial Diversification on Audit Fees," in which she examines whether auditors perceive geographically and/or industrially diversified firms holding constant operational complexity as riskier clients than focused firms, due to greater information asymmetry between managers and firm outsiders. **Reinhard Schrank** presented his paper, "Sequential Auditor-Client Interaction under Strategic Effort-Complementarity," which uses a dynamic auditor-client-investor model to reconcile a widely held theoretical view—that firms' accounting and governance activities and auditing are substitutable inputs in assuring financial reporting accuracy—with conflicting empirical evidence on this issue. **Claudia Langbauer** presented joint work with **Felix Niggemann**, "Timing of Non-Audit Service Contracts, Strategic Auditing, and Information Knowledge Spillovers," in which they study the optimal timing for shareholders to contract non-audit services, such as consulting services, by distinguishing between ex ante (before the reporting process) and ex post (after the reporting process) contracting when consulting services are relatively more efficient for distressed firms.



**David Windisch** presented his paper, "Do Firms Undo the Effects of Earnings Management on Segment Earnings," a joint work with Alfred Wagenhofer and Christian Groß, in which they examine the interrelation between GAAP earnings management and internal performance measures at the segment level. **Katerina Ferentinou** presented a joint work with Seraina Anagnostopoulou (ESCP), "Accounting-Based Debt Covenants, Debt Maturity and Accounting Conservatism," in which they examine whether the demand for conservatism increases in the presence of covenants that are relatively more balance sheet-based, vs. income statement-based ones, using a large sample of public debt issues of U.S. firms. **Michael Kopel** presented a paper co-authored with Harald Hinterecker, "Risk Averse Agents and Input Market Considerations," that examines a moral hazard problem between a firm's owner and an agent if the firm is an input buyer. They show that the presence of a supplier can be beneficial for the principal because it incentivizes the supplier to grant price concessions in anticipation of a hidden action problem. **Silke Rünger** (Institute of Accounting and Taxation) presented her paper, "The Effect of Taxes on Aggregated Individual Ownership," which examines the effect of the tax burden on equity securities on the individual ownership level in a large sample of European-listed firms. She finds a significant negative effect of the tax burden on the level of aggregated individual ownership. **Georg Schneider** presented his paper, "Incentive Effects of Corporate Taxes and Flexibility in Principal-Agent Relationships," jointly written with Caren Sureth (University of Paderborn) and Fabian Meißner. Using a moral hazard model, they examine the effects of corporate taxes on the principal's propensity to incentivize the agent to work hard given an investment opportunity that includes an option to alter the investment.

### Imprint:

Professor Dr. Dr. h.c. Alfred Wagenhofer  
Center for Accounting Research  
Karl-Franzens-Universität Graz  
Universitätsstraße 15/FE  
8010 Graz

tel 0316 380 3500  
e-mail car@uni-graz.at  
web <http://car.uni-graz.at>

Editor-in-chief: Alfred Wagenhofer

Contributors: Claire Estebanez, Felix Niggemann,  
Alfred Wagenhofer, David Windisch

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