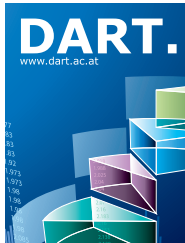


DART Research Seminars



In the Winter semester 2011/2012, DART (the Doctoral Program in Accounting, Reporting and Taxation) hosted four seminars held by faculty members and by international scholars.

Volker Laux from the University of Texas at Austin presented “Stock option vesting conditions, CEO turnover, and myopic investment”. The paper studies the optimal design of stock option vesting conditions when the CEO may be replaced at an interim date. Laux shows that incentives for managerial effort and for long-term investment should be balanced. Furthermore, long term vesting terms may encourage short-termism.

Christian Riegler from the Vienna University of Economics and Business (WU) presented his working paper, jointly written with Manuela Hirsch (WU Vienna), “Investment in intangibles and the competition effects of accounting information”. The paper examines the possibility of voluntary reporting on investment in intangibles in the income statement. Riegler and Hirsch show that intangibles reporting can be used as a strategic device to deter market entry and, thus, it can affect the incumbent firm’s investment decisions. Thomas Pfeiffer from the University of Vienna presented a paper written together with Shane Dikolli (Duke University) and Christian Hofmann (LMU Munich), “Accounting for net performance in compensation contracts”. When examining the relation between performance and compensation, empirical literature concentrates on net performance (i.e. it deducts for compensation). Pfeiffer, Dikolli and Hofmann analytically show that using net performance in lieu of gross performance can lead to biased estimates of the pay-for-performance sensitivity.

David Johnstone from the University of Sydney presented his recent paper “Information risk in decision theory and asset pricing”. The study considers the problem of a Bayesian investor receiving a noisy signal on the liquidation value of a traded asset. Contrary to most of the literature in finance and accounting, Johnstone shows that even a highly informative signal can increase uncertainty. The results shed light on the relation between the

cost of capital and information quality. In the upcoming Summer semester, DART will host seminars held by Robert Göx (University of Fribourg, Switzerland), Steven Zeff (Rice University), Marlene Plumlee (University of Utah), and Joachim Gassen (Humboldt University of Berlin).

Applications for DART

DART has started the application period for its third academic year. Admitted students will be granted a scholarship, financed by the Austrian Science Fund. DART is designed for an international audience and all the courses are taught in English. Applications for the Winter term 2012/2013 are invited by March 31, 2012. For further information visit the website of the Doctoral Program: www.dart.ac.at.

The Impact Of Taxation On Corporate Holdings

During the last years several tax reforms have become effective in Europe. An important one affects the corporate holding structure of corporations. So far quantitative tax research offers only few empirical investigations about the effects of corporate tax systems on the corporate holding structure. The project, financially supported by the Austrian Science Fund, analyzes two major tax reforms and intends to close this research gap.

With respect to the first part of the project, the influence of shareholder taxation on a de-concentration of corporate holdings is analyzed by CAR’s Silke Rüniger. A tax reform of major interest in this area is Germany’s tax reform act 2001, which repealed the taxation of corporate capital gains and led to a lowering of the lock-in effect of capital gains taxation. Using a sample created with the Amadeus database, Rüniger shows that disposals of corporate minority holdings significantly increased after the reform. In a second working paper, she analyzes the influence of the tax reform act on the demand for corporate holdings. Results show that corporate investors prefer to hold blocks in non-listed companies outside the financial industry, whereas the opposite holds for individual investors.





The second part of the project deals with the effect of group taxation on the concentration process of corporate holdings and is examined by CAR's Andrea Gauper. The tax reform analyzed is the Austrian corporate tax reform 2005, which

lowered the requirements to establish a tax group and introduced the possibility to offset losses of foreign group members against domestic profits. Therefore, a stronger integration process of investments to form a tax group was expected. Using a sample created with the Amadeus database, Gauper finds a significant integration effect of domestic as well as foreign investments after the reform. Moreover, Gauper shows that corporate holdings held by foreign investors significantly increased after the reform to take advantage of the group taxation.

Cooperation With The University of Mannheim



By signing a "cooperation agreement", the universities of Graz and Mannheim agreed to collaborate in accounting research to prospectively improve their scientific accomplishments. From the side of the University of Graz, the cooperation lies in the area of responsibility of the Center for Accounting Research, while at the University of Mannheim it is its Center for Doctoral Studies in Business (CDSB). The partnership aims at improving the education of doctoral students and junior scientists, organizing specific doctoral seminars and workshops. Beyond this agreement in the area of accounting, this cooperation agreement could form the basis for similar efforts between the two universities in the future, concerning other areas of scientific research.

GEABA Symposium in Graz

In September, the Symposium of the German Economic Association of Business Administration (GEABA) will be held at the University of Graz at the RESOWI Center. The three-day con-

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ference starts with presentations and a panel on Accounting, Governance, and Economics. Highly esteemed researchers in the area, such as Prof. Benjamin Hermalin (University of California, Berkeley), Prof. Stefan Reichelstein (Stanford University) and Prof. Shyam Sunder (Yale University), are scheduled to participate. The next two days host parallel sessions with papers in the intersection of business and economics.

UK ASB Academic Panel

Professor Wagenhofer was invited to an Academic Panel meeting of the U.K. Accounting Standards Board on December 12, 2011 in London. There, he presented a paper on the usefulness of academic research in understanding the effects of accounting standards (written jointly with Marco Trombetta, IE Business School Madrid, and Peter Wysocki, University of Miami) in response to the joint ASB and EFRAG Discussion Paper on the Effects of Accounting Standards. The paper will be published in *Accounting in Europe* later this year. Participants at the Panel were representatives from the ASB and the EFRAG, and some distinguished accounting professors from U.K. universities. There was a useful exchange of views between academics and standard setters relating particularly to the IASB's efforts to set up a process to perform post-implementation reviews of new and amended accounting standards.

Trading On Earnings Quality Measures

In a research workshop in January at the Free University of Bozen, Professor Wagenhofer presented his recent working paper, jointly written with CAR's Pietro Perotti, "Earnings quality measures and excess returns". The paper examines the hedge returns that can be obtained by trading on a set of earnings quality measures. Perotti and Wagenhofer suggest using hedge returns as a proxy of the information content of the earnings quality measures. They find that trading on accruals based and on market based earnings quality measures leads to significantly positive hedge returns.

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