

## Abstracts

SESSION 1.01: SOCIAL MEDIA INFLUENCES IN ACCOUNTING

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 10:30 AM–12:00 PM

### ***Wisdom of the Crowd and Stock Price Crash Risk: Evidence from Social Media Activity of Investors***

**Babak Mammadov**  
***Clemson University***

**Miran Hossain**  
***Florida Atlantic University***

**Seyed Hamidreza Vakilzadeh**  
***Florida Atlantic University***

**ABSTRACT:** This study investigates whether social media activity of investors affects future stock price crash risk. Stock price crash occurs when managers hoard bad news over an extended period of time and discloses all the bad news at once. We use Stocktwits data in order to measure the social media activity of investors. Numerous studies demonstrate that information generated and disseminated in social media improves information efficiency, which is why we predict that social media activity limits managers' ability to hoard bad news. We call this hoarding aversion effect. Alternatively, increased social media activity enhances market reaction to news, which is why we predict that social media activity exacerbates the negative reaction of investors once the bad news is disclosed, thus raising the risk of stock price crash. We call this magnified market reaction effect. It is difficult to predict ex ante which effect prevails. Our results suggest that future stock price crash risk is lower with increased social media activity as social media generates information and limits managers' ability to hoard bad news. The results are robust even after we address potential endogeneity issues and continue to hold when we use firm fixed effects, two-stage least squares regression and change analysis. Cross-sectional analyses suggest that the effect of social media is stronger when information environment is lower, further supporting hoarding aversion effect. The results continue to hold even after we control for alternative information acquisition channels such as Google or SEC EDGAR database.

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## Abstracts

SESSION 1.01: SOCIAL MEDIA INFLUENCES IN ACCOUNTING

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 10:30 AM–12:00 PM

### *Social Media Visibility, Investor Diversity, and Trading Consensus*

**Weiwei Wang**  
*Weber State University*

**Rajib Hasan**  
*University of Houston–Clear Lake*

**ABSTRACT:** We investigate the impact of Facebook activities on large institutional investors' ownership and the overall market's trading consensus. We find that companies' Facebook activities reduce large institutional investors' ownership. Our interpretation for this finding is that social media activities increase visibility of the companies over a more diverse group of investors and make information more accessible to smaller investors. As a result, smaller investors are attracted more to invest in these companies. We also find that Facebook activities increase the buy-sell consensus among investors, suggesting that the information disseminated through social media reduces the disagreements among investors.

## Abstracts

SESSION 1.01: SOCIAL MEDIA INFLUENCES IN ACCOUNTING

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 10:30 AM–12:00 PM

### *Friends in Media: The Implications of Media Connections on Firm's Information Environment*

**Babak Mammadov**  
*Clemson University*

**Miran Hossain**  
*Florida Atlantic University*

**Seyed Hamidreza Vakilzadeh**  
*Florida Atlantic University*

**ABSTRACT:** The study investigates the implications of corporate executives' connections with media personnel on firm's information environment. We propose two competing hypotheses on the effect of media connections: information efficiency hypothesis and manipulation hypothesis. Consistent with manipulation hypothesis, our results suggest that company insiders use media connections to blur information environment, as measured using analyst forecast accuracy and dispersion. We also conjecture that firms use media manipulation as substitute for financial reporting manipulation in presence of strict monitoring by board or regulatory authority. In line with the prediction, we find that the effect of media connections is stronger in the presence of more independent boards and in post-SOX period. Furthermore, we determine that firms with larger media connections are more likely to obfuscate annual reports. Finally, we demonstrate that the probability of litigation is higher for firms with more media connections, which is also consistent with the manipulation hypothesis. The results are economically significant and continue to hold even after addressing the endogeneity concerns.

## Abstracts

SESSION 1.02: ACCOUNTING EDUCATION AND THE PROFESSION

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 10:30 AM– 12:00 PM

***Equipping Students for the Profession: Collaborative Learning Projects, Peer Review,  
& Self-Assessment in Introductory Accounting Courses***

**Sarah Cathryn McCrary**  
**Georgia Gwinnett College**

**Tomeika Williams**  
**Baker College**

**ABSTRACT:** Implementing group projects within an accounting curriculum provides an opportunity to develop students' interpersonal, communication, and critical thinking skills. Increasingly, employers cite that these skills are necessary for advancement in the accounting profession. To prepare students for successful careers, faculty can incorporate project-based, group assignments within course activities and thereby, emphasize individual accountability to team members. One of the authors regularly uses group projects as a capstone assignment in introductory accounting courses. The project culminates with written reflection comprised of two main components: peer review and self-evaluation. Using the qualitative feedback documented within students' Team Member Evaluation forms, this study uses the theoretical backdrop of social interdependence to examine learners' attitudes regarding performance, interaction, and contributions of group members in a collaborative learning activity.

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## Abstracts

SESSION 1.02: ACCOUNTING EDUCATION AND THE PROFESSION

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 10:30 AM–12:00 PM

***Why Aren't More Minority Accounting Students Choosing the Auditing Profession?  
An Examination of Career Choice and Perceptions***

**Porschia Nkansa**  
***California State University, Los Angeles***

**Josette Pelzer**  
***College of Charleston***

**ABSTRACT:** Public accounting firms and professional accounting organizations have noticed the underrepresentation of minorities in the auditing profession. We conduct 16 semi-structured interviews with minority and non-minority accounting students to document accounting students' perceptions of the auditing profession and reasons why they choose not to enter the auditing profession. We also examine the factors (including self-efficacy and career commitment) that contribute to accounting students' career choices. The analysis shows that accounting students have an overall positive perception of the auditing profession but factors such as previous work influence and workload demands hinder students from entering the auditing profession.

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## Abstracts

SESSION 1.02: ACCOUNTING EDUCATION AND THE PROFESSION

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 10:30 AM–12:00 PM

***An Empirical Study of HBCU Accounting and Other Business Students' Perceptions and Usage of LinkedIn***

**Xia Zhang**  
***Alabama A&M University***

**Botao Chen**  
***University of Maryland Eastern Shore***

**ABSTRACT:** This paper administers a survey to evaluate business students at historically black colleges and universities (HBCUs) especially accounting students' perceptions and usage of LinkedIn social network. It also examines how LinkedIn impacts the future business professionals in a socially networking associated world. The study adopts theories such as social cognitive theory and motivation theory. The results of the survey show that LinkedIn is not the most enjoyable social media site. However, our study reveals that LinkedIn is an invaluable social media tool for the college students in terms of presentation of social identity, useful network with professionals, and helpful source of career and job information. Key words: HBCUs, Accounting Students, LinkedIn, social network, social identity, and career development

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## Abstracts

SESSION 2.01: GENDER AND DIVERSITY ISSUES IN FINANCIAL ACCOUNTING

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

### *Does the SEC Diversity Disclosure Requirement Impact Board Diversity?*

**Michelle Harding**

*Virginia Polytechnic Institute and State University*

**Zawadi Rehema Lemayian**

*Washington University*

**ABSTRACT:** The Securities and Exchange Commission (SEC) is currently considering revising the 2010 proxy statement diversity disclosure requirement. The current regulation requires firms to disclose whether they consider diversity in the director nomination process, and if so, how firms consider diversity. Legislators have described the existing rule as “broken.” In response to this criticism, this study seeks to provide empirical evidence about the effectiveness of the SEC diversity disclosure requirement. We use future board diversity as our measure of the effectiveness of the SEC diversity disclosure regime. Using Python textual analysis, we examine the content of firms’ proxy statement diversity disclosures. We find no evidence that firms that comply with SEC diversity disclosure have increased future board diversity. We also find no evidence that firms that comply by specifically disclosing that the firm does consider diversity in its director nomination process have increased future board diversity. Our results are informative to legislators and regulators because we find that the lack of effectiveness of the current policy is not only due to a failure to comply, but also a lack of consistency with how firms comply and how firms define diversity when complying.

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## Abstracts

SESSION 2.01: GENDER AND DIVERSITY ISSUES IN FINANCIAL ACCOUNTING

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

### *CEO Gender, Corporate Social Responsibility, and Earnings Persistence*

**Curtis Farnsel**  
*The University of Oklahoma*

**ABSTRACT:** This study examines the relation between CEO gender and corporate social responsibility (CSR). As stakeholders increasingly demand firms behave in a socially responsible manner it becomes imperative to understand the determinants and consequences of CSR. Through a variety of tests, I consistently find evidence that both the extent and type of CSR are influenced by CEO gender. Specifically, firms led by female CEOs engage in significantly more CSR and this difference is isolated in activities outside of the company. Female CEOs do not engage in greater CSR activities within the company. Further, it is necessary to understand the financial implications of CSR. This study links CSR to future financial performance through earnings persistence. Overall, CSR is associated with increased earnings persistence. However, these earnings quality benefits of CSR are not found for female CEOs, suggesting that female CEOs approach CSR from an altruistic perspective while male CEOs approach CSR from a business perspective. With the increasing demand for corporate social responsibility, this study may increase demand for female CEOs.

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## Abstracts

SESSION 2.01: GENDER AND DIVERSITY ISSUES IN FINANCIAL ACCOUNTING

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

### *Gender in Corporate Governance: Evidence from Mexico*

**Carmen B. Rios**  
*University of Puerto Rico*

**Rogelio J. Cardona-Cardona**  
*University of Puerto Rico*

**Karen Camile Castro**  
*University of Puerto Rico*

**ABSTRACT:** The low participation rate of women in corporate governance has generated cross-country research (United States, United Kingdom, Australia, and Europe). Although women currently occupy approximately 50 percent of managerial and professional positions, top management of many firms across the world remains dominated by men. This trend is also observed in Latin America, where certain families are the largest stockholders in publicly held firms. Prior studies suggest the importance of gender and document the impact of the under representation of women diversity in the corporate governance and financial performance of firms. This study examines the association between the presence of women in senior management and boards of directors with the financial performance (as measured by the average return on equity) in a sample of Mexican firms from 2007 to 2014. The preliminary results obtained suggest that, during the first years of our study, there has been a slight increase in the percentage of women appointed as Officers and Board of Directors. However, during the last years of our study, we observed a reduction in the percentage of women in Corporate Governance. Information from 2017 will be added to the final research.

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## Abstracts

SESSION 2.01: GENDER AND DIVERSITY ISSUES IN FINANCIAL ACCOUNTING

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

### *LGBTQ Accountants: A Call For Oral History Research*

**Theresa Hammond**  
*San Francisco State University*

**ABSTRACT:** While there has been some progress in researching the experiences of members of marginalized groups within the accounting field, there is a striking paucity of studies examining the lived experience of LGBTQ people in the industry. This paper calls for such research, and suggests avenues for exploration.

## Abstracts

SESSION 2.02: FINANCIAL REPORTING QUALITY AND THE REGULATORY ENVIRONMENT

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

***Do Shareholders Prefer Political Connectedness or Corporate Social Responsibility?  
Evidence from Letting Trump Be Trump***

**Kelly Carter**  
***Morgan State University***

**ABSTRACT:** I find evidence that shareholders prefer political connectedness to corporate social responsibility (CSR). Choosing political connectedness with President Trump over CSR causes shareholder value to increase by \$345 million per firm, on average. However, choosing CSR over political connectedness with Trump causes shareholders to lose \$570 million on average, and as much as \$1.8 billion, per firm. These results reveal an asymmetric response to the choice between political connectedness and CSR and support the view that CSR is an agency problem. Spillover also exists, as shareholders of rival firms that choose CSR (political connectedness) typically incur wealth losses (gains).

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## Abstracts

SESSION 2.02: FINANCIAL REPORTING QUALITY AND THE REGULATORY ENVIRONMENT

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

***The Linkage Bonding Manipulation with Accounting: Learning from the Economic Efficiency Coupled with the Setting of Financial Legislation***

**Onder Kaymaz  
Clarion University**

**ABSTRACT:** It is well known that the commitment of manipulation act which is one of the factors significantly worsening the impairment of the corporate financial (mis)reporting process through the impairment of the market efficiency has strong accounting, financial, legal and economic linkages altogether. However, these linkages or ties have not yet attained the attention it is supposed to well deserve in the literature. This paper mainly aims to theoretically investigate the interplay among the cited disciplines and to lay it out on a more solid ground. In so doing, it strives to cover up this directed loophole the extant literature features to a reasonably certain degree, through crystallizing the significance and context of manipulation. This paper clearly documents that there is a need to broaden the definition of manipulation concept in a way to encompass financial statements for the bona fide investors or users of corporate financial information may not be harmed by the (public) companies to commit such offenses around. In other words, this study shows that comprehensive financial regulations to better address to the current needs will bring together much better accounting practices as well as economic and financial system.

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## Abstracts

SESSION 2.02: FINANCIAL REPORTING QUALITY AND THE REGULATORY ENVIRONMENT

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

### ***An Econometric Evaluation of the Relationship between Management's Good News and Unbiased Evidence of Financial Stress in Public Entities***

**Ingrid Amelia Hart**  
*The University of Tennessee*

**Scott E. Miller**  
*Edinboro University of Pennsylvania*

**Michael Lane Morris**  
*The University of Tennessee*

**ABSTRACT:** The high rate of Type II error in the auditor's opinion on an entity's ability to continue as a going concern emphasizes the enhanced decision-making responsibility of the investor in determining whether an entity will continue operations based on publicly available information. Extant studies on the going concern phenomena confirm that less than half of the entities that file for bankruptcy protection received a going concern modification in the Report of the Independent Registered Public Accounting Firm. Surprise bankruptcies result in countless losses to the investor and the public. In the absence of proprietary information, the investor must discern whether a financially distressed entity will continue operations. This assessment is difficult because despite evidence of financial distress, management generally uses wording and phraseology on Form 10-K or Form 20-F that is largely optimistic and noncommittal about the future. Additionally, projected performance is permissible under the protection of forward looking statements. One significant challenge in today's economic environment is correctly identifying which entity amongst many that exhibit evidence of financial distress in tandem with management's good news disclosures, will fail. Bankruptcy and going concern predictive models are highly accurate in identifying entities at risk of failure; however, there are few studies that focus on the impact of management's good news disclosures on bankruptcy outcomes. This study focuses on management's good news disclosures for a sample of financially distressed bankrupt and non-bankrupt entities. A multivariate logistic test was developed to examine the association between management's good news disclosures and bankruptcy for a sample of financially distressed entities. Seven regressed variables were revealed to be statistically significant; however, predictor variables normally associated with going concern prediction studies were not found to be statistically significant. It was further discovered that management's disclosures across the sample of financially distressed bankrupt and non-bankrupt entities, lacked information content. The results of the study confirmed that an investor can have fewer instances of a Type II error if attention is given to management's disclosures; however, management's disclosures are not useful in contradicting evidence of bankruptcy.

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## Abstracts

SESSION 2.02: FINANCIAL REPORTING QUALITY AND THE REGULATORY ENVIRONMENT

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 1:30 PM–3:00 PM

### *Accounting Comparability, Cultural Distance, and Global Corporate Credit Ratings*

Vincent Y. S. Chen  
*National Chengchi University*

Heeick Choi  
*University of Massachusetts Lowell*

Myungsun Kim  
*University at Buffalo, SUNY*

**ABSTRACT:** This paper examines the role of accounting comparability as perceived by credit rating analysts in mitigating the effects of cultural distance on Standard and Poor's (S&P) global corporate credit ratings. We use the global adoption of International Financial Reporting Standards (IFRS) as an exogenous event that affects the comparability of accounting numbers. We find that: (1) the cultural distance between the U.S., the location of S&P's global head office, and the country of a rated firm is negatively related to credit ratings; (2) the IFRS adoption marginally increases accounting comparability; and (3) the negative effect of cultural distance on credit ratings is mitigated for companies in the industries that experience improved accounting comparability after IFRS adoption. Overall, our study indicates that the comparability of accounting, the language of business, mitigates the information asymmetry that arises from the differences in culture, including language, as reflected in global credit ratings.

## Abstracts

SESSION 3.01: DATA ANALYTICS AND MACHINE LEARNING TECHNIQUES

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 3:30 PM–5:00 PM

***The Emergence of Data Analytics in Auditing: Perspectives from Internal and External Auditors through the Lens of Institutional Theory***

**Kimberly Walker**

***University of Wisconsin–Madison***

**Helen L. Brown-Liburd**

***Rutgers, The State University of New Jersey***

**Karla Johnstone**

***University of Wisconsin–Madison***

**ABSTRACT:** Data analytics is fundamentally changing the way enterprises operate. One way that the audit community has been impacted by big data is the introduction of audit data analytic tools into the auditing process. We begin by presenting various definitions of data analytics, and then explore how data analytics is transforming audit processes at the institutional field level (i.e., environment-level), organizational level (i.e., audit firm-level), and individual level. Based on interview responses from 27 experienced internal and external auditors, we present a conceptual model on the emergence of data analytics through the lens of institutional theory. In Phase I, organizations experience internal and external pressures to change and to incorporate data analytics into audit procedures. In Phase II, organizations adopt strategies to respond to these pressures to changes and attempt to achieve legitimacy within their environment. Organizations achieve legitimacy by conforming to accepted ways of doing business, either by copying the practices of other successful organizations or by adapting widespread practices that have otherwise been “legitimated” within the environment. In Phase III, organizations experience re-institutionalization as they work toward fully embracing technology in the audit process.

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## Abstracts

SESSION 3.01: DATA ANALYTICS AND MACHINE LEARNING TECHNIQUES

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 3:30 PM–5:00 PM

### *Using Accounting Analytics to Value Diversity through the Announcement of the Chief Diversity Officer*

**Robbie Bishop-Monroe**  
**Creighton University**

**ABSTRACT:** This study evaluates the quantitative and qualitative value of an inaugural Chief Diversity Officer (CDO) announcement by conducting an event study, ratio analysis and interviews. This research seeks to analyze the financial impact of the announcement of a CDO which is utilized as a proxy for diversity. Over the last twenty-eight years, the number of CDO positions in publicly traded companies have increased. This study evaluates a twenty-eight year period from 1990 to 2017 and incorporates press release data obtained from the Lexis Nexis academic database announcing the CDO positions. The event study methodology incorporates stock market price reactions before and after the announcement utilizing the Center for Research in Security Prices (CRSP) through the Wharton Research Data Services (WRDS) database. The results are expected to support that there are statistically significant abnormal returns (event study), there is an improvement in the financial statement ratios with companies that possess a CDO (ratio analysis), while taking negative news into account and there are additional robust insights into the connection between diversity and financial performance metrics (interviews). This study provides empirical evidence to highlight the value of a CDO.

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## Abstracts

SESSION 3.01: DATA ANALYTICS AND MACHINE LEARNING TECHNIQUES

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 3:30 PM–5:00 PM

### *Predicting Secondary Equity Offerings (SEOs) Using Machine Learning*

**Wentao Wu**  
*Louisiana State University*

**ABSTRACT:** This project explores the content of Management Discussion and Analysis section (MD&A) of 10-Q filings to predict if the firm will issue a Seasoned Equity Offering (SEO) using machine learning techniques. Specifically, we train five different algorithms on a large corpus, including Logistic Regression (LR), Support Vector Classification (SVC), Multinomial Naïve Bayes (NB), Artificial Neural Network (ANN) and Random Forest (RF). We test two types of features, unigrams and phrases. TF-IDF scores are used as independent variables in these models. Firstly, we train all these models to verify their performance on this case. The results show that the accuracy of phrases only models have a range of 0-2% improvement for LR, NB, and RF compared with unigrams only models. The accuracy of phrase only model for SVC is close to that of unigrams only model. The 74.53% accuracy of unigrams only model for SVC classifier performs the best among all these classifiers. The precision of all other models varies between 60% and 75%, while the recall varies between 55% and 85%. Further, we tune model parameters of one linear model (LR) and one non-linear model (RF) to see how these parameters will impact the models' performance. Finally, we apply RF to find the most important features on prediction and find that "merger" is the most important features in both unigrams only model and phrases only model. We conclude that text regression could be an alternative tool to predict these important corporate events.

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## Abstracts

SESSION 3.02: FINANCIAL REPORTING AND LEADERSHIP ISSUES

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 3:30 PM–5:00 PM

### *A Cog in the Wheel or a Spanner in the Works: Examining the Perspectives of Valuation Service Providers*

**Dereck D. Barr-Pulliam**  
*University of Wisconsin–Madison*

**Stephani A. Mason**  
*DePaul University*

**Kerri-Ann Sanderson**  
*Bentley University*

**ABSTRACT:** This study examines the professional profiles and challenges valuation specialists encounter during the production of fair value measurements (FVM) for auditors and management. We include multiple categories of FVMs but focus specifically on complex financial instruments reported in financial statements. Auditors and management increasingly relying on specialists in response to the increases measurement uncertainty associated estimates that require FVMs. As a result, this study fills a gap in the literature examining the use of specialists but through the lens of the specialist. We survey and or interview highly experienced valuation specialists from accounting firms, independent valuation firms, and private/public companies. We note several primary findings. First, we find that valuation talent is concentrated in the PCAOB annually inspected accounting firms and a few global independent valuation firms. Because these firms operate primarily in the global financial centers, gaps in geographic coverage may occur. Second, we find that the supply of valuation talent is constrained by the scarcity of professionals with technical and accounting skills required to produce high quality FVMs. Specialists believe that auditors and management lack sufficient valuation knowledge which adversely affects the valuation process; however, they acknowledge their own tradeoffs between technical and accounting knowledge and how such deficiencies affect the auditability of FVMs. Third, we find that specialists perceive an apparent commoditization of valuation as a result of advanced technologies, fewer restrictions on access to market data, and an influx of low-cost and seemingly lower quality providers due to these lower barriers to entry. This commoditization directly affects the demand for valuation services. Fourth, contrary to prior research, we find that specialists perceive significant price sensitivity among both auditors and management that directly affects the degree to which they are engaged. Lastly, specialists believe that the current regulatory regime for auditors and management presents additional challenges because standards and oversight focus is out of step with current practice, focusing on documentation rather than quality. Our results provide insights for regulators, standard-setters, practitioners, and academics.

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## Abstracts

SESSION 3.02: FINANCIAL REPORTING AND LEADERSHIP ISSUES

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 3:30 PM–5:00 PM

### *The “Big” Question on Accounting Restatements: When and How Does Earnings Restatement News Affect Investor Trading and Investing Trust?*

**Kingsley O. Olibe**  
*Kansas State University*

**ABSTRACT:** In this paper, I examine when and how accounting restatement information about a firm manifests in its price and volume of shares traded and empirically contrast price and trading volume responses with the endogenous firm size factor. The stock price analyses indicate that investors' increased announcement-period response is systematic (i.e. has a market-wide effect). I find evidence of price adjustments in the nonannouncement and extended announcement days, suggesting that the market is adjusting slowly to restatement information as investors weigh disclosures according to the credibility of the information. I find evidence of significant pre-and post-disclosure periods trading responses, consistent with Holthausen and Verrecchia (1990) two round trading by investors. In comparing price response between large versus small firms, I find evidence of price response and the response appears to be concentrated among large firms. No evidence of significant trading response is found for large firms, except for the multi-day period examined. Extending the analysis on partition sample—large versus small firms, I find that small firms' trade on a relatively small portion of earnings restatement information that tend to cluster around pre-announcement period. Overall, the results indicate that investors do not appear to be confused about accounting restatements, and in fact use information about earnings restatement in their valuation of the affected firms' equity. Key Words: Earnings restatement announcement, price and trading volume responses, predisclosure information, small and large firms. JEL Classification M41, G14

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## Abstracts

SESSION 3.02: FINANCIAL REPORTING AND LEADERSHIP ISSUES

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 3:30 PM–5:00 PM

### *Does Manager Ability Influence the Classification of Lease Arrangements?*

**Stephanie Antionette Hairston**  
*Georgia Southern University*

**Charles I. Harter**  
*Georgia Southern University*

**ABSTRACT:** Purpose – This study examines the influence of manager ability on the propensity of firms to obtain operating leases, and to buy versus obtain short-term leases for firm-specific assets. Design/methodology/approach – The primary measure of manager ability is MA-Score developed by Demerjian et al. (2012), and asset specificity is estimated following Wong et al. (2016). The authors use regression analysis to examine the association between manager ability, lease classification, and asset specificity. Findings – Using 30,520 firm-year observations from 1998 to 2011, we find a significant positive relationship between manager ability and operating leases, implying that high ability managers use more operating leases. We also find that high ability managers are more likely to buy firm-specific assets than are low ability managers. Originality/value – Our research makes several contributions to the existing literature. First, we show that manager ability influences the choice of lease classification, which may have some implications for ASU 2016-02. Second, we show that asset specificity may serve as a mitigating factor in high ability managers' preference for operating leases, which implies that high ability managers' concerns with operational efficiency outweigh the benefits of off-balance sheet financing in their lease versus buy decisions if the asset in question is firm-specific. Finally, our results provide some insight into the role of human capital on financial reporting decisions.

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## Abstracts

SESSION 3.02: FINANCIAL REPORTING AND LEADERSHIP ISSUES

DATE: SATURDAY, OCTOBER 27, 2018

TIME: 3:30 PM–5:00 PM

### *Two Archetype Masks Worn by a Successful Narcissistic Leader*

*Robert Neil Marley  
University of Tampa*

*K. Doreen MacAulay  
University of South Florida*

*Heidi A. Weigand  
Mount Saint Vincent University*

**ABSTRACT:** Applying the DSM-IV to interpret leader-employee interactions, we identify two masks worn a successful narcissistic leader: the magician, who mesmerizes individuals into following orders without question and the autocrat, who uses fear to control the organizational environment. Although each mask helps the leader to accomplish different objectives, we document a variety of negative consequences associated with both archetypes. We also discuss two support structures used by the leader to maintain his authority, finding neither to be particularly desirable from an organizational perspective. This study extends the internal control literature by identifying several potential limitations associated with narcissistic leaders. We conclude with academic and practical implications.

## Abstracts

EMERGING RESEARCH

DATE: SUNDAY, OCTOBER 28, 2018

TIME: 10:45 AM–12:15 PM

### *The Effect of a Major Customer's Information Quality on Its Supplier's Investment Decisions*

**Aaron Nelson**  
*The University of Georgia*

**ABSTRACT:** In this study, I examine the role that a major customer's information quality plays in a supplier's investment decisions. I propose that the flow of high-quality information from a customer to its suppliers reduces a supplier's uncertainty and increases supplier investment. Using variation in the customer's disclosures as proxies for information quality, I find evidence that suppliers face less uncertainty, have increased investment, and are less responsive to residual uncertainty when their customers have higher quality information. The effect on suppliers appears to be driven by the customers' demand related information, as customer sales guidance is related to supplier investment, but earnings guidance is not. I use restatements as an additional proxy for customer information quality and continue to find reduced responsiveness to uncertainty. This builds on the literature in accounting that investigates information spillovers from one firm to another and provides evidence that customers are a source of information that can mitigate the negative effects of uncertainty.

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## Abstracts

EMERGING RESEARCH

DATE: SUNDAY, OCTOBER 28, 2018

TIME: 10:45 AM–12:15 PM

### *The Effect of Bank Competition on Accounting Conservatism*

Liya Hou

*The University of Texas at Dallas*

**ABSTRACT:** This study exploits the Riegle-Neal Interstate Banking and Branching Efficiency Act (IBBEA) as a natural experiment to investigate the impact of bank competition on firms' accounting conservatism. Since the IBBEA allowed banks to expand across state borders and unambiguously increased bank competition, I predict that after the IBBEA firms possess greater bargaining power in debt contracting and have fewer incentives to report conservatively. Using a differences-in-differences research design, I find that firms' financial reporting becomes less conservative following the IBBEA, and this effect is more pronounced in states with higher bank competition. I also find that the decrease in conservatism is less pronounced for firms with higher analyst coverage, and is more pronounced for firms with smaller size and higher likelihood of bankruptcy, implying that firms with weaker monitoring mechanisms and higher risks are more likely to take the advantage of the IBBEA to report less conservatively. My results are robust to using various time window size, alternative conservatism and return measures. In addition, I find that firms are given lower initial interest rates of bank loans initiated after the IBBEA, confirming that the IBBEA takes effect through the channel of debt contracting. Overall, my study suggests that bank competition plays a significant role in shaping corporate accounting conservatism.

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## Abstracts

EMERGING RESEARCH

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TIME: 10:45 AM–12:15 PM

### *Investors' Reactions to Supplier Diversity Disclosures*

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**ABSTRACT:** Supplier diversity programs are based on both social and business considerations. While the concept of social accounting includes a variety of social topics, there is minimal research that explores supplier diversity disclosures within the voluntary sustainability reporting literature. The purpose of this proposal is to provide a brief overview of how supplier diversity disclosures relates to the existing social environmental and accounting (SEA) literature. Content analysis is the method proposed to explore the content of supplier diversity and supply chain disclosures. A behavioral experiment is proposed to explore investor reactions to the voluntary disclosures.

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