

## Accounting Research Workshop (ARW) – ST 2017

**Speaker:** Julia Nasev, Juniorprofessorin Accounting (Assistant Professor)

**University:** University of Cologne

**Research:** Empirical managerial, financial and behavioral accounting with a focus on causal settings, e.g., quasi-natural experiments. Corporate financial reporting, reporting quality, compensation ^

**Date:** 18. Juli 2017

**Topic:** „Disclosure Enforcement Consequences – Evidence from Germany”

**Abstract:** “In 2006 Germany passed a disclosure enforcement law (EHUG) that strengthened the enforcement of financial statement disclosure in particular for non-listed firms whose compliance before the law was just about 16%. After introducing recurring fines of €2,500 to €25,000 disclosure rates surged to above 90%. We examine the impact of the law on transparency using proprietary data from the Deutsche Bundesbank (German Central Bank). The data covers financial statements of compliers, non-compliers and non-disclosers (firms exempt from disclosure) that received loans from German financial institutions. We find that firms not complying prior to the law were smaller, more profitable, had a lower effective tax rate, were less likely to have a foreigner as owner, were more likely to have a consolidated report, were more likely to be taxed at the individual owners’ level and were less likely to have a limited liability legal form. Then, using difference-in-difference models, we document that financial reporting quality of non-compliers, measured as absolute abnormal accruals, declines after the reform, both compared to compliers and compared to non-disclosers. In preliminary analyses, we additionally show that the probability to switch the legal form in order to avoid disclosure increases after the law. Overall, we document that while the law increased disclosure quantity, disclosure quality declined on average.”



We are very pleased that we had the possibility to take part in the interesting presentation of Prof. Nasev who we invited in our Accounting Research Workshop.

We wish her all the best for her current and future research projects.