

Accounting Research Workshop (ARW) - ST2016

- Speaker:** Per Olsson
- University:** Professor of Accounting and Academic Director of the Center for Financial Reporting and Auditing, ESMT European School of Management and Technology, Berlin
- Research:** Valuation, Financial Statement Analysis, Accounting Information and Investment Decisions, Information Uncertainty, International Accounting, Earnings Quality and Capital Markets, Entrepreneurial Accounting, Venture Capital and Private Equity
- Date:** June 7, 2016
- Topic:** "Managerial accounting discretion and firm fundamentals"
- Abstract:** "We hypothesize and provide evidence that the economic consequences of managerial accounting discretion vary systematically with a firm's fundamentals, specifically with the volatility and complexity of the firm's business model and operating environment. Unlike common approaches in the literature that identify managerial accounting discretion as orthogonal to business volatility, we use a model structure that identifies both types of variation in earnings attributes and allows for a correlation structure between the two. Our results show that in the eyes of three types of capital market participants, investors, financial analysts and regulators, managerial accounting discretion is overall viewed as enhancing information uncertainty, but the effect is attenuated with volatility in firm fundamentals. Our findings suggest that broad samples may exhibit different types of managerial accounting discretion and that volatility in firm fundamentals is key in identifying accounting choices that reduce information uncertainty."



We are very pleased that we had the possibility to take part in the interesting presentation of Prof. Olsson who we invited in our Accounting Research Workshop. We wish him all the best for his research project.