



UNIVERSIDADE DA CORUÑA

**X Workshop on Empirical Research
in Financial Accounting**

**VI Research Forum of the Spanish
Journal of Finance and Accounting**

Programme and abstracts

A Coruña (Spain)
2nd – 4th April 2014



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Scientific Programme

Wednesday 2 April

15:00–16:15 *Registration*

16:15–16:45 **Welcoming** (Room A – Salón de Grados)

16:45–18:00 **Editors' Panel** (Room A – Salón de Grados). Chair: **Begoña Giner**

- ~ **Rashad Abdel-khalik**(*The International Journal of Accounting*)
- ~ **Mark Clatworthy**(*Accounting and Business Research*)
- ~ **Beatriz GarcíaOsma**(*European Accounting Review and Spanish Journal of Finance and Accounting*)

18:00–18:30 *Coffee break: Cafeteria (Basement)*

18:30–20:15 **Parallel sessions 1**

21:00 *Dinner: Restaurante "Pao de Toxo"*

Thursday 3 April

09:15–11:00 **Parallel sessions 2**

11:00–11:30 *Coffee break: Cafeteria (Basement)*

11:30–13:15 **Parallel sessions 3**

13:15–15:00 *Lunch: Cafeteria.*

15:15–17:00 **Main session** (Room A – Salón de Grados). Chair: **Juan Manuel García Lara**

- ~ **Mark Clatworthy**(**University of Bristol**)
- ~ **Gaizka Ormazabal**(**IESE Business School**)

17:00–17:30 *Coffee break: Cafeteria (Basement)*

21:00 *Dinner: Restaurante "Domus"*

Friday 4 April

09:15–11:00 **Parallel sessions 4**

11:00–11:30 *Coffee break: Cafeteria (Basement)*

11:30–13:15 **Parallel sessions 5**

13:30–14:00 **Best paper award and closing session** (Room A – Salón de Grados)

14:00–15:30 *Lunch: Cafeteria (Basement)*

Programme of the Parallel Sessions

Workshop - Guidelines for presentation in parallel sessions

- ~ **Presentation of paper: 20 minutes maximum.**
- ~ **Discussion: 10 minutes maximum.**

Wednesday, 18:30-20:15

Room A (Salón de Grados): Parallel session (English) - Auditing and Conservatism

Chair: Helena Isidro

Agency-Based Demand for Conditional Conservatism in the presence of Credit Default Swaps

Francisco Dimas Peña Romera, Juan Manuel García Lara, Encarna Guillamón Saorín

Discussant: *Gerald Lobo*

Effect of Joint Auditor Pair Composition on Conservatism: Evidence from Impairment Tests

Gerald Lobo, Luc Paugam, Dana Zhang, Jean-François Casta

Discussant: *Manuel Cano-Rodríguez*

Audit Market Concentration and Big4 Audit Quality Differentiation in the Private Companies Segment

Manuel Cano-Rodríguez, Santiago Sánchez Alegría

Discussant: *Luc Paugam*

Room B (Aula 2.10): Parallel session (English) - Taxation

Chair: Vicky Kiosse

Firm Valuation and the Uncertainty of Future Tax Avoidance

Martin Jacob, Harm Schütt

Discussant: *Saskia Kohlhase*

Does Corporate Tax Avoidance Impair Earnings Informativeness?

Adrian Kubata, Gerrit Lietz, Christoph Watrin

Discussant: *Harm Schütt*

Repetition of Tax Losses and Accumulation of Tax-Loss Carryforwards -The Role of Book-Tax Differences

Saskia Kohlhase

Discussant: *Adrian Kubata*

Room C (Aula 2.11): Parallel session (Spanish) - Banca y Fracaso Empresarial

Chair: Diego Prior

Determinants of European Bank CDS Spreads in Times of Crisis

Reyes Samaniego-Medina, Antonio Trujillo-Ponce, Clara Cardone-Riportella, Parrado-Martínez

Discussant: *Jordi Moreno Gené*

Fracaso Empresarial, Inversiones en TIC, e Intangibles. Un Estudio Exploratorio.

Carlos Piñeiro Sánchez, Pablo de Llano Monelos, Manuel Rodríguez López

Discussant: *Joaquina Laffarga*

Eficiencia Bancaria en los Nuevos Estados Miembros de la Unión Europea

Jordi Moreno Gené, José Luis Gallizo Larraz, Manuel Salvador Figueras

Discussant: *Reyes Samaniego-Medina*

Thursday, 9:15-11:00**Room A (Salón de Grados): Parallel session (English) - Accounting and Regulation**
Chair: SaskiaKohlhase**Vulture Funds and Fresh Start Accounting of Firms Emerging from Chapter 11 Bankruptcy***Miles Gietzmann, Helena Isidro, Ivana Raonic*Discussant: *Caspar David Peter***Regulation, Supervision and Accounting Conservatism in Banks***Inmaculada Díaz Sánchez, Isabel Martínez Conesa, Manuel Illueca Muñoz*Discussant: *Francisco Dimas Peña Romera***The Spectacular Growth in Financial Derivatives: Is it the Effect of Accounting Methods or Public Policy?***Rashad Abdel-Khalik*Discussant: *Beatriz García Osma***Room B (Aula 2.10): Parallel session (English) - Financial Analysis and Risk Management****Chair: Ángel Fernández Castro****The Role of Sentiment and Stock Characteristics in the Translation of Analysts' Forecasts into Recommendations.***Pilar Corredor, Elena Ferrer, Rafael Santamaría*Discussant: *Diego Prior Jiménez***Cash Holdings and Shareholder Value in Bull versus Bear Markets. The Case of European Market***Simone Terzani, Giovanni Liberatore, Lorenzo Dal Maso*Discussant: *Manuel Castelo Branco***Internationalization and Systematic Risk in Times of Globalization and Financial Crisis***Margarita Mejía Likosova, Diego Prior Jiménez*Discussant: *Elena Ferrer***Room C (Aula 2.11): Parallel session (Spanish) - Auditoría****Chair: Cristina de Fuentes****Análisis de los Factores Determinantes de la Variación de la Cuota de Mercado de las Ffirmas Líderes del Mercado de Auditoría en España***Emiliano Ruiz Barbadillo, Paula I. Rodríguez Castro*Discussant: *María Consuelo Pucheta-Martínez***Las Rentas que Perciben los Auditores por sus Servicios como Amenaza a la Independencia en las Empresas Cotizadas Españolas***Estíbaliz Biedma López, Emiliano Ruiz Barbadillo*Discussant: *Manuel Núñez Nickel***Financial Reporting Quality: The Effect of Gender Diversity in Audit Committees***María Consuelo Pucheta-Martínez, Inmaculada Bel-Oms*Discussant: *Emiliano Ruiz Barbadillo*

Thursday, 11:30-13:15**Room A (Salón de Grados): Parallel session (English) - Corporate Governance and Transparency****Chair: LucPaugam****How Many Foreigners Does it Take to Break the Japanese Bowl: A Study of Foreign Ownership and Corporate Governance Practices***Kurt A. Desender, Ruth V. Aguilera, Monica Lopez-Puertas Lamy, Rafel Crespi*Discussant: *Helena Isidro***Institutional Directors and Board Compensation: Spanish Evidence***Felix López -Iturriaga, Emma García-Meca, Fernando Tejerina -Gaité*Discussant: *Kurt Desender***Reporting Transparency and Cartel Membership***Igor Goncharov, Caspar David Peter*Discussant: *Begoña Giner***Room B (Aula 2.10): Parallel session (English) - Corporate Disclosure****Chair: SimoneTerzani****The Role of Independence and Financial Expertise of Directors in the Disclosure Practices***María Cristina Abad Navarro, Francisco Bravo Urquiza*Discussant: *Anne Garvey***Public Oversight Systems for Statutory Auditors in the European Union***Beatriz García Osma, Ana Gisbert Clemente, Elena de las Heras*Discussant: *Cristina de Fuentes***Multidimensional Competition and Corporate Disclosure***Flora Muiño, Manuel Núñez Nickel*Discussant: *María Cristina Abad Navarro***Room C (Aula 2.11): Parallel session (Spanish) - Gobierno Corporativo****Chair: M^a Luz Gómez Rodríguez****The Board of Directors and the Appointment of Sub-Committees: The Effect of Gender Diversity***María Consuelo Pucheta-Martínez, Inmaculada Bel-Oms*Discussant: *José Luis Crespo-Espert***Efectos de las Características Individuales y las Diferencias Culturales en el Estudio del Insider Trading. Evidencia Internacional***Esther B. Del Brio, Javier Perez-Payno*Discussant: *Inmaculada Díaz***Gobierno Corporativo y Gestión del Resultado: El Efecto de la Crisis Económica***Nuria Reguera Alvarado, Pilar de Fuentes Ruíz, Joaquina Laffarga Briones*Discussant: *Inmaculada Bel Oms*

Friday, 9:15-11:00**Room A (Salón de Grados): Parallel session (English) - Corporate Social Responsibility and Internal Control****Chair: Manuel Cano-Rodríguez****The Relation between Corporate Social Responsibility and Internal Control Effectiveness***Andrés Guiral, Encarna Guillamón-Saorín, Belen Blanco*Discussant: *Luz Parrondo***Influence of Auditor Industry Specialization, Non-audit Services, Internal Control and Corporate Governance on Audit Fees: Further evidence on Meta-analysis***Cristina De Fuentes, Eva Sierra Grau*Discussant: *Emma García-Meca***The relationship between Earnings Management and Corporate Social Responsibility: the effect of CSR Disclosure***Luz Parrondo, Javier Gomez-Biscarri*Discussant: *Encarna Guillamón-Saorín***Room B (Aula 2.10): Parallel session (English) - International Accounting****Chair: Cristina Abad****Fair Value Accounting and Financial Statement Analysis: Implications in the European Real Estate Industry***Marta de Vicente Lama, Beatriz García Osma, Mercedes Torres Jiménez*Discussant: *Soledad Moya***Do IFRS Matter in Emerging Countries? An Exploratory Analysis of Brazilian Firms***Isabel Costa Lourenço, José Dias Curto, Manuel Castelo Branco*Discussant: *Simone Terzani***Perception and Learning of True and Fair View and Fair Value for Non-Professional Users***José Antonio Gonzalo-Angulo, Anne M. Garvey, Laura Parte-Esteban*Discussant: *Horacio Molina Sánchez***Room C (Aula 2.11): Parallel session (Spanish) - Varios****Chair: Elena de las Heras****The Impact of Financial Crisis on Management Report Disclosure. Some Evidence from Spain.***M^a América Álvarez Domínguez, M^a Rosario Babío Arcay, Óscar Suárez Fernández, Rosario Vidal Lopo,*Discussant: *Francisco Bravo Urquiza***La Relevancia de la Información no Financiera sobre Innovación en el Sector de la Automoción Español: Una Aplicación del Procedimiento IKS***José Manuel López Fernández, Francisco Manuel Somohano Rodríguez, Francisco Javier Martínez García*Discussant: *Laura Parte-Esteban***Una Aproximación al Estudio de la Eficacia Individual de las Cartas de Comentario sobre el IASB***Rafael Bautista Mesa, Horacio Molina Sánchez, Jesús N. Ramírez Sobrino*Discussant: *Fernando Ruiz Lamas*

Friday, 11:30-13:15**Room A (Salón de Grados): Parallel session (English) - Valuation****Chair: Encarna Guillamón****The Implied Equity Duration when Discounting and Forecasting Parameters are Industry-Specific***Olga Fullana, Juan M. Nave, David Toscano*Discussant: *Vicky Kiosse***Director's Purchases and Pricing and Mispricing Effects of the Adoption of IAS 38***Christina Dargenidou, Ian Tonks, Fanis Tsoligkas*Discussant: *Marta de Vicente Lama***Did the Publication of IAS 19(R) Influence Pension Discount Rate and Expected Rate of Return Selection? An Analysis of UK Firms***Justin Chircop, Paraskevi Vicky Kiosse*Discussant: *Fanis Tsoligkas***Room B (Aula 2.10): Parallel session (Spanish) - Fair Value y Arrendamiento Financiero****Chair: Fernando Ruiz Lamas****Fair Value Measurement of Exotic Options: Volatility Assumptions and Model Misspecification Error***Jacinto Marabel-Romo, Andrés Guiral, José Luis Crespo-Espert, José A. Gonzalo, Doocheol Moon*Discussant: *Fabrizio Di Meo***What Lies behind non Compliance with Operating Leases Disclosure?***Nuria Arimany, M. Angels Fitó, Soledad Moya, Neus Orgaz*Discussant: *José Antonio Gonzalo***Lobbying in the Accounting Standards Setting: The Case of the Leasing Project***Araceli Mora Enguídanos, Horacio Molina Sánchez*Discussant: *José Antonio Gonzalo***Room C (Aula 2.11): Parallel session (Spanish) - Relevancia Valorativa y Transparencia****Chair: Joaquina Laffarga****Determinantes de la Divulgación de Información Contable Consolidada en España: El Caso de las AIE***Begoña Giner, Carmen S. Verón*Discussant: *Elena de las Heras***La Discrecionalidad Directiva en el Balance de Transición a NIIF: El Caso Argentino y Chileno***Carmen S. Verón, Silvia B. Marcolini*Discussant: *Cristina Ferrer***The Value Relevance of Comprehensive Income vs. Net Income: Evidence from Commercial Banks***Miguel Arce Gisbert, Carmen Queiro-Ameijeiras*Discussant: *Carmen S. Verón*

Abstracts

Wednesday, 18:30-20:15

Parallel Session (English): Auditing and Conservatism

Agency-Based Demand for Conditional Conservatism in the Presence of Credit Default Swaps

Francisco Dimas Peña Romera; Juan Manuel García Lara; Encarna Guillamón Saorín

Abstract:

A Credit Default Swap is a financial derivative in which a protection buyer agrees to pay a periodic fee to a protection seller, in return for a contingent lump-sum payment in the credit event of a predefined reference asset. Prior literature argues that the onset of Credit Default Swaps (CDSs) trading has diminished the monitoring activity of banks on the underlying firms. Banks that do not hold direct credit exposure have reduced incentives to perform ex-post monitoring activities. The CDS market enhances the ability of banks to lay off their credit exposure and reduce their monitoring. We argue that other external capital providers who free ride their monitoring on banks foresee this shock to bank monitoring incentives and increase their required returns to debt and introduce tighter covenants into debt contracts as a form of insurance. We hypothesize and find that managers/owners of CDS affected firms with debt contracting pressures anticipate this effect and signal their commitment not to expropriate providers of debt-capital by shifting to more conservative reporting practices in the post-CDS era. Using a propensity score matching methodology to construct a set of comparable control firms, we find that the shift to more conditionally conservative reporting in the post-CDS period of CDS affected firms is incremental to the increases found for matched control firms with similar contracting pressures. The significant increase in conditional conservatism disappears for firms without debt contracting pressures as hypothesized, suggesting that the increase is driven by an agency based demand from debt holders. We argue that accounting conservatism plays a crucial role in correcting some of the adverse consequences that the emergence of the CDS market has had for debtor-creditor relationships. The contribution of this paper is to shed some light into the controversial effects of these obscure financial products of risk dispersion, and to confirm that accounting information and conditional conservatism play a key role in mitigating their harming consequences and improving debt contracting.

Effect of Joint Auditor Pair Composition on Conservatism: Evidence from Impairment Tests

Gerald Lobo; Luc Paugam; Dana Zhang; Jean-François Casta

Abstract:

Using a sample of firms from France, where the law requires use of two auditors, we examine the effect of auditor pair composition on overall measures of unconditional and conditional conservatism, as well as on a specific measure of conditional conservatism, i.e., impairment loss. We document that Big 4–non-Big 4 auditor pairs are more unconditionally and conditionally conservative, more likely to book impairments when operating performance is low, and likely to make more transparent impairment-related disclosures than Big 4–Big 4 auditor pairs. We argue that higher conservatism is mainly driven by higher auditor independence for the Big 4–non-Big 4 auditor pair, because unequal risk sharing in the Big 4–non-Big 4 auditor pair motivates the Big 4 auditor to maintain a high level of independence and enforce conservative accounting. Our results inform investors and firms in mandatory or voluntary joint audit regimes and regulators who are considering requiring joint audit to improve audit quality.

Audit Market Concentration and Big4 Audit Quality Differentiation in the Private Companies Segment*Manuel Cano-Rodríguez; Santiago Sánchez Alegría***Abstract:**

Various regulators have warned about the possible negative effect of the concentration of the supply of audit services within the Big 4 companies on audit quality. However, most of the studies that have analyzed this question have found that the audit market concentration within the Big 4 group enhance audit quality rather than harming it. In this paper, we contribute to the research on this issue by extending the evidence to the non-listed companies segment. Using a sample of Spanish non-listed companies, we analyze the influence of the market concentration at the local level on the audit quality level provided by both Big 4 and non-Big 4 auditors. Our results show that Big 4 auditors' audit quality remains stable across the local audit markets, disregarding the level of concentration. The audit quality level of non-Big 4 auditors, however, is indeed affected by the stronger or weaker presence of Big 4 auditors in the market: a stronger presence of the Big 4 auditors in the market is positively associated to an increased audit quality by non-Big 4 auditors. We interpret this result in the sense that non-Big 4 auditors tend to imitate Big 4 auditors in those local markets in which they have a stronger presence. Our results, in brief, do not support the regulators' concern about the possible harmful effects of audit market concentration, but show that concentration at the local audit market within the Big 4 auditors can enhance the quality of audits for non-listed companies.

Wednesday, 18:30-20:15**Parallel Session (English): Taxation****Firm Valuation and the Uncertainty of Future Tax Avoidance***Martin Jacob; Harm Schütt***Abstract:**

The paper studies the effect of uncertainty in tax avoidance on firm value. We first show in a clean surplus valuation model that expected tax rates interact with expectations about future profitability. This paper builds and tests a valuation framework that incorporates two outcome dimensions of corporate tax avoidance strategies: the stability and the level of expected tax rates. We develop a tax planning score that captures these two dimensions. The measure improves the prediction of future tax avoidance. We finally show that the tax planning score strengthens the effect of pre-tax earnings on firm value. Firms with effective and persistent tax planning have a stronger effect of pre-tax earnings on firm value while firms with poor tax planning or volatile effective tax rates receive a discount on their earnings.

Does Corporate Tax Avoidance Impair Earnings Informativeness?*Adrian Kubata; Gerrit Lietz; Christoph Watrin***Abstract:**

We investigate a previously overlooked type of non-tax cost associated with tax avoidance: the potential loss of earnings informativeness. Expected benefits from corporate tax planning include positive effects on after-tax earnings and an increase in firm value. However, tax avoidance can entail opaqueness which clouds investors' view on firm performance and reduce earnings informativeness. We run multiple tests on a large U.S. firm sample over the period 1993 to 2012. First, we find that tax avoidance is significantly negatively associated with earnings informativeness, as measured by the Earnings Response Coefficient (ERC) derived from a standard pricing model. Second, we introduce a dynamic partial adjustment model to study the overall firm information quality and show that firms may not be able to compensate for the tax-related loss in earnings informativeness, e.g. by providing other (non-earnings) information. Third, we extend our research design to better control for a number of factors known to affect the ERC, such as firm growth, risk, size, and leverage (Collins and Kothari [1989]). Beyond GAAP and Cash effective tax rates, we use a range of alternative tax avoidance proxies (e.g. Frank, Lynch and Rego's [2009] DTAX measure, Wilson's [2009] tax shelter probabilities) to further validate our findings. Results consistently suggest that higher levels of tax avoidance are associated with lower earnings informativeness and that this finding is likely not limited to particularly aggressive types of tax avoidance.

Repetition of Tax Losses and Accumulation of Tax-Loss Carryforwards -The Role of Book-Tax Differences*Saskia Kohlhase***Abstract:**

This paper investigates the influence of book-tax differences on repetitive tax losses of firms. I empirically investigate a dataset of various tax statistics provided by the Federal Statistical Office of Germany. My results suggest that the overall increase in tax-loss carryforwards (TLCF) is not driven by an aggregate higher tax-losses of firms over time, but rather by the repetition of tax losses. I find that the repetition of tax losses is partly caused by systematic tax - accounting differences for firms which exhibit TLCF. Although these firms might be profitable, book-tax differences lead to repeated tax losses. The multivariate results show that negative off-balance sheet adjustments, which constitute part of the book-tax differences, lead to a higher probability of repeated tax losses. This study contributes to the existing literature by showing that the repetition of tax losses is an important factor for the accumulation of TLCF. The findings are important for fiscal authorities to understand the determinants of the increase in TLCF and for investors since TLCF impact investment behavior and financing decisions of companies.

Wednesday, 18:30-20:15**Parallel Session (Spanish): Banca y Fracaso Empresarial****Determinants of European Bank CDS Spreads in Times of Crisis***Reyes Samaniego-Medina; Antonio Trujillo-Ponce; Clara Cardone-Riportella; Parrado-Martínez***Abstract:**

Since the beginning of the financial crisis, the credit default swap (CDS) spreads of the European banks have severely increased. This paper empirically analyzes the determinants of CDS spreads of a sample of 45 European banks over the 2004-2010 period. We use variables related to accounting- and market-based data, an indicator of liquidity in the CDS market and several proxy variables for the macroeconomic environment in which these financial institutions operate. These variables were also analyzed during the pre-crisis period (2004-2006) and the crisis period (2007-2010). The primary conclusions are that the market variables and the variable that captures contract liquidity have the greatest explanatory power, whereas the accounting and macroeconomic variables included in our regression do not seem to play a significant role. Additionally, we find that the explanatory power of the model is considerably higher during the crisis period than during the pre-crisis period. This finding could be explained by a lower sensitivity of CDS spreads during periods of economic stability.

Fracaso Empresarial, Inversiones en TIC, e Intangibles. Un Estudio Exploratorio.*Carlos Piñeiro Sánchez; Pablo de Llano Monelos; Manuel Rodríguez López***Abstract:**

Este trabajo examina el fracaso empresarial desde la óptica de las inversiones en tecnologías de la información (TIC) y de los activos invisibles disponibles por la empresa. Los resultados indican que las oportunidades de supervivencia se relacionan con la adopción de estructuras descentralizadas, con la flexibilidad de los recursos proporcionados por estas inversiones, y con el grado de autonomía de los usuarios en cuanto a su empleo; en lo que respecta al empleo de la tecnología de Internet, es destacable que los riesgos más elevados corresponden a las empresas que se han quedado *a medio camino* en el proceso de implantación y, no siendo capaces de mantener el ritmo de innovación, han quedado al margen de las innovaciones recientes en esta materia. Estas evidencias sugieren que la influencia de las inversiones en TIC va mucho más allá de los ahorros de costes y otras utilidades financieras inmediatas, y que existen efectos de acumulación y sinergias que afectan a las bases de la competitividad y a la capacidad para sobrevivir. Empleamos métodos multivariados formalizados, lo que permite cuantificar la incidencia de cada variable y evaluar la relevancia de las diferencias observadas entre las empresas sanas y fracasadas.

Eficiencia Bancaria en los Nuevos Estados Miembros de la Unión Europea. Factores Determinantes.

Jordi Moreno Gené; José Luis Gallizo Larraz; Manuel Salvador Figueras

Abstract:

El objetivo de este trabajo es identificar qué factores ejercen una influencia significativa sobre los niveles de eficiencia bancaria, tanto en costes como en beneficios, en los nuevos Estados miembros de la UE. Para ello, se han seleccionado un conjunto de variables relacionadas con el entorno macroeconómico, institucional y sectorial en el que desarrolla su actividad el banco, así como sus características económico-financieras, y se utilizan modelos de frontera estocástica (SFA) aplicados a datos de panel. La estimación y selección del modelo se han llevado a cabo utilizando técnicas bayesianas que, al permitir realizar inferencias exactas acerca de los parámetros del modelo así como llevar a cabo procesos de comparación de modelos anidados, incrementan la fiabilidad del estudio. Los datos proceden de una muestra compuesta por 189 bancos comerciales procedentes de 12 países de la Europa Central y del Este durante el periodo 2000-2008. Los resultados obtenidos muestran que las variables relacionadas con el desempeño del sector público, la agresividad de los bancos en la concesión de préstamos así como su rentabilidad ejercen una influencia significativa en la eficiencia en costes. Respecto a la eficiencia en beneficios son las variables relacionadas con el tipo de propiedad del banco, su rentabilidad y su nivel de capitalización las que ejercen una influencia significativa sobre la eficiencia en beneficios.

Thursday, 9:15-11:00

Parallel Session (English): Accounting and Regulation

Vulture Funds and Fresh Start Accounting of Firms Emerging from Chapter 11 Bankruptcy

Miles Gietzmann; Helena Isidro; Ivana Raonic

Abstract:

Historically creditors of firms filing for Chapter 11 Bankruptcy adopted strategies to try and maximise the probability of return of their initial (often pre-Chapter 11) positions. However more recently vulture funds that specifically seek out the purchase of the debt of distressed firms at a discount, have taken a more activist approach. If they succeed in purchasing the fulcrum debt of distressed firms (often during Chapter 11) they can find themselves in a position to do far more than simply get their initial investment refunded with interest. Purchasing the fulcrum debt may allow them to take control of the distressed firm and swap their original debt for securities such as new equity in an emerged successor firm which can be sold for a large capital gain far in excess of any reasonably imputed interest rates on the original debt. Accounting valuations enshrined in Fresh Start Accounting rules play centre stage here in determining which residuals claims are honoured and which are not. This research is the first systematic study of whether there is any evidence that the presence of vulture funds affects the properties of Fresh Start accounting valuations. This study uses three alternate approaches to assess whether the reliability of Fresh Start valuations is affected by the presence of vulture funds. For each of the three specialist reliability metrics we find evidence to support the hypothesis that the properties of Fresh Start accounting valuations depend upon whether vulture funds have a holding of a firm's distressed debt during Chapter 11.

Regulation, Supervision and Accounting Conservatism in Banks

Inmaculada Díaz Sánchez; Isabel Martínez Conesa; Manuel Illueca Muñoz

Abstract:

The main purpose of this article is to evaluate the effects of the three pillars of Basel II, i.e. bank regulation, supervision and market discipline, on the timeliness of loan loss provisioning by banks. In particular, we analyze explicitly how regulatory and supervisory regimes interact with the market discipline measures, such as listing status, ownership and market concentration. Using a sample of 14.651 bank-year observations covering 54 countries over the period 1997-2009, we provide empirical evidence suggesting that a) the stringency of the

regulatory and supervisory regimes is positively associated with accounting conservatism; b) unlisted banks and commercial banks are more conservative than listed entities and savings banks, respectively; and c) banks operating in more concentrated markets exhibit a lower degree of timeliness in loan loss recognition. In addition, our results suggest that strong capital requirements mitigate the effect of market concentration and governance on accounting conservatism, whereas strict regulatory regimes tend to reinforce the effect of both variables on early loan loss recognition.

The Spectacular Growth in Financial Derivatives: Is it the Effect of Accounting Methods or Public Policy?

Rashad Abdel-Khalik

Abstract:

For more than a decade, the volume of derivative instruments has increased more than twenty times its volume in 1999 to be multiple times the volume of the U. S. Gross Domestic Product. The year of 1999 was also the year in which FAS 133 on accounting for derivatives became effective. Because of the temporal association, it is sometimes suggested that the adoption of FAS 133 is partially responsible for this steep rise because it permitted the management to elect a special type of accounting treatment that leads to smoothing the earnings' impact of the volatile valuation of derivatives. While temporal association is evident, causal inference could not be made without filtering out the strong impact of two laws enacted by the 105th and the 106th Congress in 1999 and 2000. This paper shows that the effect of these two national public policy acts has been an uptick in risk taking and in the volume of derivatives. Both of these factors dwarf any impact of accounting policy.

Thursday, 9:15-11:00

Parallel Session (English): Financial Analysis and Risk Management

The Role of Sentiment and Stock Characteristics in the Translation of Analysts' Forecasts into Recommendations.

Pilar Corredor; Elena Ferrer; Rafael Santamaría

Abstract:

This paper analyses the role of investor sentiment in the translation of analysts' forecasts into recommendations taking into account the sensitivity of stocks to this variable. The study analyses the non-financial firms listed on the London Stock Exchange from 1994 to 2010 using a global sentiment index. The results show that, although analysts do translate their earnings forecast valuations into recommendations, the effectiveness of this process is reduced by market optimism in highly sentiment-sensitive stocks. While not totally eliminating this observed effect, the MAD regulation helps to reduce the skew between analysts' earnings forecasts and their recommendations. Analysis of this effect reveals that this kind of skew can be used to generate investment strategies yielding positive risk-adjusted returns in highly sentiment-sensitive stocks, during periods of high market sentiment.

Cash Holdings and Shareholder Value in Bull Versus Bear Markets. The Case of European Market

Simone Terzani; Giovanni Liberatore; Lorenzo Dal Maso

Abstract:

Agency theory predicts that a discount is generally applied to excess cash companies. On other hand, in down market periods firms hold more cash not just for more severe financial constraints but also due to a lack of good investment opportunities.

This paper examines whether the valuation consequences of excess cash holdings differ across bull and bear markets, classifying excess cash companies in temporary and persistent and low and high capital expenditure.

Investigating the marginal value of FTSE All-Share non financial companies for the window 2004-2011, we have results in line with the previous literature, since the marginal value of non excess cash companies is the highest. However, we find that temporary excess cash companies with high level of capital expenditure have an incremental marginal value higher than non excess cash companies. In addition our study shows that, especially in a period of bear markets, investors appreciate companies retaining cash if that attitude is associated with the ability to find better investing options.

Internationalization and Systematic Risk in Times of Globalization and Financial Crisis

Margarita Mejía Likosova; Diego Prior Jiménez

Abstract:

This article presents insight into the evolution of the relationship between international diversification and systematic risk. We draw on the literature of the last four decades, covering a transition from low interdependence to high integration among countries, and markets, due to globalization. It is also provided robust and consistent measures for the impact of the degree of firms' internationalization on their systematic risk. This empirical study is based on a sample of ten developed countries, for an eleven year period characterized by market integration and the recent global financial crisis. Previous literature suggests that multinational companies should decrease their systematic risk when diversifying. The earliest empirical research provides evidence supporting this hypothesis. Nevertheless, since the second half of the 1980's the tendency changes. In accordance with the most recent studies it is found, at an aggregate level, a positive significant relationship between internationalization and systematic risk. But, at a more detailed level, the results suggest that even during times of a high degree of international integration, coming from a less stable country makes it possible for firms to achieve international diversification beneficial effects on systematic risk.

Thursday, 9:15-11:00

Parallel Session (Spanish): Auditoría

Análisis de los Factores Determinantes de la Variación de la Cuota de Mercado de las Firms Líderes del Mercado de Auditoría en España

Emiliano Ruiz Barbadillo; Paula I. Rodríguez Castro

Abstract:

El elevado nivel de concentración que existe a nivel internacional en el mercado de auditoría, está provocando un gran interés y preocupación en determinadas instituciones debido a las implicaciones que dicho nivel puede provocar sobre la competencia entre las firmas que operan en el mercado (GAO, 2003, 2008; FRC, 2009; Comisión Europea, 2010; Comisión de la Competencia, 2013). Por ello, el objetivo de este estudio es someter a análisis la dinámica de la competencia en el mercado de auditoría español, basándonos en el análisis de la variación de las cuotas de mercado de las firmas líderes, ya que el uso exclusivo de medidas estructurales no aporta información acerca de la verdadera intensidad competitiva. Además proponemos una metodología con la cual poder analizar los factores que sustentan dicha competencia: política de precios y política de clientes. En términos generales, nuestros resultados evidencian que aun cuando el nivel de concentración ha aumentado, existe una fuerte competencia entre las firmas líderes del mercado, puesta de relieve en las variaciones de cuota de mercado. Por lo tanto, se demuestra que la concentración no reduce necesariamente la competencia y se justifica la necesidad de utilizar medidas dinámicas para analizar la intensidad competitiva del mercado.

Las Rentas que Perciben los Auditores por sus Servicios como Amenaza a la Independencia en las Empresas Cotizadas Españolas

Estíbaliz Biedma López; Emiliano Ruiz Barbadillo

Abstract:

El objetivo de este trabajo es analizar si las rentas económicas que los auditores obtienen de sus clientes por la prestación de servicios de auditoría afectan a la independencia de auditor en España.

En los últimos tiempos, tanto la literatura especializada, como la propia profesión auditora han venido cuestionando la necesidad y la eficiencia de las medidas propuestas por la creciente regulación, para salvaguardar la independencia del auditor. En este sentido, parte de esta normativa descansa en la asunción de que el auditor es un sujeto económico racional que tiene incentivos para reducir su independencia frente al cliente, a fin de mantener la relación contractual y las rentas que se derivan de la misma. Sin embargo, la existencia de evidencia contradictoria al respecto hace necesario aportar nueva evidencia empírica de si esta asunción sobre la figura del auditor, y en consecuencia, las medidas articuladas sobre ella, son acertadas. Con este fin, utilizando una muestra de empresas españolas cotizadas que presentan síntomas de deterioro financiero, durante el periodo 2002-2010, hemos analizado el efecto de la dependencia económica del auditor sobre su independencia, subrogada ésta a través de la propensión a emitir informes de auditoría cualificados por gestión continuada. La dependencia económica ha sido medida a través de cuatro variables basadas en el nivel de honorarios que los auditores obtienen de sus clientes por sus servicios de auditoría: el nivel de honorarios en términos absolutos, el nivel de honorarios relativos percibidos de un cliente, el nivel de honorarios no esperados y el nivel de honorarios futuros esperados. Los resultados obtenidos en nuestro estudio ponen de manifiesto que ninguna de las variables utilizadas para medir la dependencia económica tiene efecto sobre decisión del auditor de emitir una opinión cualificada por gestión continuada, lo que sugiere que la evidencia obtenida en el mercado de auditoría español no respalda la preocupación generalizada de que la independencia del auditor pueda verse comprometida por el nivel de honorarios de auditoría percibidos de un cliente.

Financial Reporting Quality: the Effect of Gender Diversity in Audit Committees

María Consuelo Pucheta-Martínez; Inmaculada Bel-Oms

Abstract:

The aim of this paper is to analyse whether gender diversity in Audit Committees (AC's) has impact on financial reporting quality, measured in terms of the type of opinion issued by external auditors in their audit reports. Gender diversity is defined as the presence of women in the AC, the percentage of women making up AC's, the number of executive, institutional and independent women in AC's and AC's chaired by women. More specifically, we hypothesize that there is a negative relation between gender diversity in AC's and the likelihood of receiving a qualification with errors, non-compliance and the omission de information and a positive association between gender diversity in AC's and the probability of disclosing qualifications with uncertainties. After controlling for other audit report qualifications-related factors, the results do not show a negative association between gender diversity in AC's and the probability of receiving qualifications with errors, non-compliance and the omission of information, but we find a significant and positive relationship between AC's chaired by women and the likelihood of disclosing qualifications with uncertainties, suggesting that chairwomen in AC's enhance financial reporting quality.

Thursday, 11:30-13:15**Parallel Session (English): Corporate Governance and Transparency****How Many Foreigners Does it Take to Break the Japanese Bowl: A Study of Foreign Ownership and Corporate Governance Practices***Kurt A. Desender; Ruth V. Aguilera; Monica Lopez-Puertas Lamy; Rafel Crespi***Abstract:**

We draw on a contingency approach which conceptualizes corporate governance as a system of interrelated practices having strategic and institutional complementarities and claim that board monitoring is contingent on the ownership of the firm, and in particular on the level and nature of foreign ownership. To test this logic, we focus on board monitoring behavior, which we capture through the effect of board independence on external audit fees in Japan—an institutional setting which differs substantially from the U.S., and yet has witnessed a high increase in Anglo-American investment. Our results suggest that monitoring role of independent directors is only activated when foreign ownership is high, while such behavior is absent when foreign ownership is low. Our findings uncover the possibility of different patterns of corporate governance within one country, shaped by the weight of foreign owners.

Institutional Directors and Board Compensation: Spanish Evidence*Felix López -Iturriaga; Emma García-Meca; Fernando Tejerina -Gaité***Abstract:**

Although the role of institutional investors as shareholders has been widely studied, the literature provides little evidence on the role of institutional investors as directors. Therefore, this article analyzes the influence of directors who represent institutional investors in three aspects of compensation policies: level of compensation, composition, and performance sensitivity. Consistent with the view that institutional investors' relationship with the firm depends on whether the institutional investor has business ties with the firm, we differentiate pressure-sensitive directors (i.e., with business links) and pressure-resistant directors (i.e., without business links). Our results show that pressure-resistant directors decrease the total compensation and the fixed proportion and increase the variable proportion of total remuneration and the pay-for-performance sensitivity. These findings suggest that pressure-sensitive directors develop compensation schemes that are more consistent with shareholders' interests and that align the incentives of directors and shareholders. Conversely, pressure-sensitive directors increase the total compensation and the fixed proportion and decrease the variable proportion of total remuneration and the pay-for-performance sensitivity. These results are consistent with the view that institutional investors are not a homogeneous group and that pressure-resistant directors fulfill a more thorough monitoring role.

Reporting Transparency and Cartel Membership*Igor Goncharov; Caspar David Peter***Abstract:**

Cartels harm competition and reduce social welfare. Anecdotal evidence suggests that cartels rely on publicly available financial statements in order to monitor cartel agreements and verify self-reported numbers. We analyze whether the requirement to transparently report financial information on firm-level affects the length of the firm's cartel membership. We use an international dataset of companies which were indicted by the EU Commission for anticompetitive behavior between 1980 and 2010. We conjecture that reporting transparency increases when a firm applies an internationally recognized accounting framework (IAS/IFRS and US-GAAP). Applying the survival analysis technique we find that transparent reporting reduces the time a firm stays in the cartel. Using the first prosecution of insider trading laws as an exogenous shock to transparency we identify firms following international standards to remain significantly shorter in the cartel than firms following local reporting standards. We attribute our findings to the enhanced ability of cartel members to detect deviations from the cartel contract by fellow members, which leads to the break-up of the cartel. Overall, we find that higher transparency leads to lower cartel lifespans. Therefore, we conjecture that higher financial transparency enhances product market competition.

Thursday, 11:30-13:15**Parallel Session (English): Corporate Disclosure****The Role of Independence and Financial Expertise of Directors in the Disclosure Practices***María Cristina Abad Navarro; Francisco Bravo Urquiza***Abstract:**

This paper studies the association of both the independence and accounting financial expertise of directors with the disclosure of forward-looking information. Content analysis techniques are used to analyze forward-looking information disclosed in annual reports. Two disclosure measures are designed to capture the coverage of forward-looking information and the level of forward-looking information of a financial nature. Data about board independence and financial expertise of directors were hand-collected by examining 1,051 biographies in the proxy statements or looking at their personal information on the Internet. The results of the OLS regression analysis show that board independence is not associated with the disclosure of forward-looking information. However, the presence of at least one accounting financial expert among the directors who serve in the audit committee is associated with a higher coverage of forward-looking information in the annual reports as well as a higher level of financial forward-looking information. Our paper extends prior research on corporate governance and voluntary disclosure by examining the association between the accounting financial expertise of directors who sit on the audit committee and forward-looking information disclosure. Moreover, the paper contributes to the debate on the benefits obtained from having an accounting financial expert serving on the audit committee, as defined by the Sarbanes-Oxley Act.

Public Oversight Systems for Statutory Auditors in the European Union*Beatriz García Osma; Ana Gisbert Clemente; Elena de las Heras***Abstract:**

Recent efforts to harmonize accounting practice worldwide have met with limited success. This may be attributable, at least partly, to lack of harmonization in fundamental institutional factors that drive the incentives of both the preparers and enforcers of financial information. In this paper, we provide a comparative overview of a key institutional factor: the public oversight system for statutory auditors of a representative subset of European Union (EU) member states. The harmonization of public oversight systems has long been an objective of the EU (Directive 2006/43/EC). Our analyses serve to identify, analyse and compare how EU countries have incorporated European-wide requirements into their national legislations and national oversight systems. Particularly, we study: (1) basic characteristics of the system and bodies for public oversight, (2) organizational structure, (3) financing (4) transparency, (5) supervisory mechanisms, and (6) disciplinary mechanisms. We show that significant diversity still exists in oversight systems for auditors in Europe, which supports prior arguments that institutional factors worldwide have not converged sufficiently, leading to differences in accounting practice despite the implementation of a single set of accounting standards.

Multidimensional Competition and Corporate Disclosure*Flora Muiño; Manuel Núñez Nickel***Abstract:**

This paper views competition as a multidimensional construct and posits that different competition measures capture distinct dimensions of this concept, each of them exerting a unique and independent impact on disclosure decisions. Using a sample of U.S. manufacturing companies, we gather evidence that is consistent with this hypothesis. We find that product substitutability, entry barriers, and the measure of a firm's abnormal profits all exert a singular influence on corporate disclosure. Moreover, our evidence suggests that product substitutability and entry barriers reflect the demand for disclosure, whereas abnormal profits capture the proprietary costs linked to disclosure.

Thursday, 11:30-13:15

Parallel Session (Spanish): Gobierno Corporativo

The Board of Directors and the Appointment of Sub-Committees: The Effect of Gender Diversity

María Consuelo Pucheta-Martínez; Inmaculada Bel-Oms

Abstract:

This article examines if the gender diversity of the Board of Directors (hereinafter BD) influences the voluntary formation of its Board Sub-Committees. The results show that the number of women on the BD only encourages the voluntary creation of an Executive Commission, while the percentage of independent women on the BD increases the voluntary creation of all or some of its Board Sub-Committees and Committees for Supervision and Control. The percentage of women executive directors on the BD reduces the likelihood of creating an Executive Committee. Furthermore, the percentage of female directors who represent large shareholders on the BD reduce the formation of all or some of its Board Sub-Committees. Women directors on the BD who held shares exert a positive influence on the voluntary formation of an Executive Committee. Finally, the findings reveal that the compensation of female directors of the BD does not contribute to the voluntary creation of all or some of the Board Sub-Committees, nor the formation of an Executive Committee and a Committee for Supervision and Control. The results provide evidence that gender diversity in BD's of listed firms increased its internal control mechanisms, such as the Board Sub-Committees, so that the existing legislation should encourage more participation of women in the governing bodies. Our evidence supports the legislative initiative to establish quotas for women in decision-making bodies of a firm, on the basis that gender diversity in the BD encourages the voluntary creation of its Board Sub-Committees.

Efectos de las Características Individuales y las Diferencias Culturales en el Estudio del Insider Trading. Evidencia Internacional

Esther B. Del Brio; Javier Perez-Payno

Abstract:

El insider trading es una práctica cada vez más perseguida por los distintos estados y peor vista por todos los actores del mercado por las consecuencias negativas que tiene respecto a su funcionamiento justo y eficiente. La preocupación de los gobernantes por detectarlo y erradicarlo, de la comunidad científica por contribuir a ello descubriendo sus orígenes y de las empresas por controlar esta práctica por parte de sus directivos hace que se dediquen cada vez más recursos a ello. Este estudio abarcó esta problemática en tres países (España, Brasil y Uruguay) centrándonos en las causas que pueden originar ese comportamiento, sobre todo en las de índole personal y subjetivas de los individuos. A través de encuestas realizadas a alumnos de estudios superiores en economía, empresa y finanzas y sus respuestas subjetivas, se trató de evaluar la incidencia de una serie de variables en la propensión a cometer insider trading. Identificamos los posibles factores fundamentales que influyen en los individuos a la hora de abusar de información privilegiada. Utilizamos variables disuasorias (severidad, estigma social, certeza, culpa, equidad de las leyes) y motivadoras (ganancia esperada, cinismo) de este comportamiento ya analizadas antes en la literatura para otros mercados (EEUU) y tratamos de ver la capacidad explicativa de cada una y el sentido de su influencia en estos países. Planteamos dos nuevas variables como son el género y el disgorgement. Los resultados obtenidos confirman que la culpa, el cinismo y el disgorgement motivado y la ganancia esperada disuadiendo son las causas más influyentes del insider trading. El resultado del disgorgement es importante por sus implicaciones en la regulación actual de países como España. Se comprueba también la mayor tendencia de los hombres a cometer esa práctica respecto a las mujeres. Analizamos las diferencias entre los resultados comentados y los obtenidos para el mercado americano en estudios anteriores y la importancia de las diferencias culturales en el insider trading como fuente de origen complementaria de causas que lo provocan.

Gobierno Corporativo y Gestión del Resultado: El Efecto de la Crisis Económica

Nuria Reguera Alvarado; Pilar de Fuentes Ruíz; Joaquina Laffarga Briones

Abstract:

En el presente trabajo analizamos la evolución de los mecanismos de gobierno en relación con la gestión del resultado en los últimos años, prestando especial atención a la incidencia de la actual crisis económica. Partiendo de una muestra de 989 empresas no financieras de seis países, nuestros resultados ponen de manifiesto el buen funcionamiento de los mecanismos de gobierno corporativo durante la crisis económica, puesto que gran parte de ellos han contribuido a reducir la gestión del resultado. Nuestros resultados también muestran que la estructura institucional de cada país es clave para entender el efecto de los mecanismos de gobierno corporativo en la propensión directiva a maquillar los resultados contables.

Friday, 9:15-11:00

Parallel Session (English): Corporate Social Responsibility and Internal Control**The Relation between Corporate Social Responsibility and Internal Control Effectiveness**

Andrés Guiral; Encarna Guillamón-Saorín; Belen Blanco;

Abstract:

We investigate the relation between corporate social responsibility and internal control quality encompassing the company strategy of signalling consistent social responsible and internal governance behaviour. We examine the nature of the relation between social responsibility and internal control effectiveness and find that the two variables affect each other indicating that causality flows in two directions. Moreover, we find that both the quality of information reported and corporate governance mechanisms affect the relation between corporate social responsibility and internal control. While previous studies on internal controls have found that the management or the quality of the board of directors are associated with the strength of internal controls, our paper contributes to the literature by identifying that corporate social responsibility engagement and, in particular, activities related to internal social engagement are positively associated with internal control effectiveness. Our results hold for alternative measures of corporate social responsibility and proxies of internal controls and after controlling for potential endogeneity issues.

Influence of Auditor Industry Specialization, Non-audit Services, Internal Control and Corporate Governance on Audit Fees: Further Evidence on Meta-analysis

Cristina De Fuentes; Eva Sierra Grau

Abstract:

This paper takes stock of the prolific audit fees literature with the objective of classifying, analyzing, quantifying and evaluating the great bulk of results provided by the audit scholars, through descriptive and metaanalysis techniques.

We extend the analysis of Hay et al. (2006a) and Hay (2012) by reporting the conclusions of a deep review of 101 works that were predominantly published between 2004 and mid 2012. Despite the somewhat contradictory results offered in the archival literature our results provide evidence that market share and the geographical scope of influence (city vs. national leadership) are good moderator variables of auditor's specialization, SOX 2002 lowered the specialization premium, the latter being sensitive to client size since it can only be observed in the lower size market segment. The influence of consultancy fees is significant irrespective of the country in which the audit market has been analyzed or the consideration of endogeneity. However, the results calculated for the USA show low consistency, when controlling for endogeneity. Regarding corporate governance matters, we conclude that the variable "USA location", associated with a hard law environment and strong stakeholder protection, represents a good moderator of the results published and collected in this study.

The Relationship between Earnings Management and Corporate Social Responsibility: the Effect of CSR Disclosure

Luz Parrondo; Javier Gomez-Biscarri

Abstract:

The link between Corporate Social Responsibility (CSR) activities and accounting, especially earnings management (EM) practices, has been the object of increased interest in recent research. The evidence suggests that companies which carry out more CSR activities show lower levels of EM practices. In other words, social and "accounting" responsibility go hand in hand in the mind of the socially responsible manager. However, some contradicting evidence has been shown which suggests that some companies would see CSR and EM as substitutes, or CSR as a compensation for poor accounting practices. In this paper we attempt to reconcile these results by explicitly considering the role of corporate *disclosure* of CSR activities, that is, the public dissemination of information about CSR activities. We show evidence of a *positive* relationship between EM and initiation of voluntary disclosure on CSR while at the same time we confirm the *negative* relationship between CSR activity and overall EM practices, both accrual and transaction-based, after controlling for disclosure. Initiation of CSR disclosure is found to be related to subsequent lower use of EM practices, but we show some evidence that, at the moment of initiating CSR disclosure, disclosure reduces the negative relationship between CSR activity and EM practices: that is, CSR disclosure is seen as a substitute of CSR activities. Overall, our results suggest the importance of explicitly considering a firm's CSR disclosure policy as a separate component of its CSR mix, especially when relating CSR to accounting practices.

Friday, 9:15-11:00

Parallel Session (English): International Accounting

Fair Value Accounting and Financial Statement Analysis: Implications in the European Real Estate Industry

Marta de Vicente Lama; Beatriz García Osma; Mercedes Torres Jiménez

Abstract:

We investigate whether the choice between historical cost and fair value provided by IAS 40 for the measurement of investment property affects the analysis of financial statements, and to what extent a change from historical cost to fair value can thus modify financial statements users' perceptions, as measured by the impact of this change over firm performance. Using DEA analysis, we carry out our tests on a sample of European real estate firms domiciled in countries where the use of the fair value model was not permitted according to their pre-IFRS local GAAP. Challenging prior evidence that generally highlights the benefits of using fair-value over historical cost as a measurement criterion; we provide evidence indicating that, in terms of measuring efficiency, historical cost may be the preferred measurement choice.

Do IFRS Matter in Emerging Countries? An Exploratory Analysis of Brazilian Firms

Isabel Costa Lourenço; José Dias Curto; Manuel Castelo Branco

Abstract:

This study analyzes the impact of the process of IFRS adoption on earnings management in the emerging country which is probably the most important in the world economy that has adopted in full the IFRS, Brazil. We examine earnings distributions for discontinuities around thresholds before and after IFRS adoption for a sample of Brazilian listed firms for the period 2004-2011. Our findings provide empirical evidence of discontinuities before, but not after, the adoption of IFRS in Brazil. The results of our study suggest that mandatory adoption of IFRS by Brazilian companies is associated with a decrease in earnings management, in particular during the period of full adoption of IFRS (post-2010).

Perception and Learning of True and Fair View and Fair Value for Non-professional Users

José Antonio Gonzalo-Angulo; Anne M. Garvey; Laura Parte-Esteban

Abstract:

This paper examines the perception of true and fair view (TFV) and fair value (FV) by non-professional users' (undergraduate and postgraduate accounting students). The intention is to assess the opinions and learning perceptions of students on TFV and FV during their studies and to detect if students correctly assimilate that the TFV is the final objective of the financial information. The study also investigates the correct assimilation of the FV concept by accounting students and then explores students' perceptions of the attainment of TFV in the financial accounts by using FV rather than other more conventional valuation methods, namely historical cost. The paper will also assess if students opinions and learning perceptions change with maturity and academic level.

The evidence suggests that students' consider the TFV to be a superior accounting concept and that it is the final objective of the financial statements. Participants felt TFV was studied at an appropriate time in their courses but that wasn't the case with FV. However students' perceptions change depending on their maturity and academic level. As we consider both TFV and FV to be complex accounting concepts, we analyse problems encountered when dealing with these types of issues and their effects on the interpretation of financial information by non-professional users' for decision making purposes. The outcome will show that efficiency in the learning process of complex concepts in accounting are of utmost importance.

Friday, 9:15-11:00

Parallel Session (Spanish): Varios

The Impact of Financial Crisis on Management Report Disclosure, some Evidence from Spain.

M^a América Álvarez Domínguez; M^a Rosario Babío Arcay; Óscar Suárez Fernández; Rosario Vidal Lopo

Abstract:

In this paper we analyze the impact of the financial crisis on the narrative disclosure from 2005-2009 for a sample of Spanish listed companies. The analysis of information included in 238 management reports was conducted following the content analysis methodology. We have chosen the division of the information into sentences, each of the sentences analysed was classified into different informative topic. The results suggest that in times of crisis the size of the management report, as a whole increases, as do forward looking, social, intangibles and risk information. These findings support the conclusion that the policy narrative disclosure varies with changes in environment and are consistent with the idea that management consider narrative information in general and, particularly, the information contained in management reports, as a suitable tool for communication with investors and other users of these reports. Furthermore results reflect the possible use of this disclosure to reduce uncertainty.

La Relevancia de la Información no Financiera Sobre Innovación en el Sector de la Automoción Española: Una Aplicación del Procedimiento IKS

José Manuel López Fernández; Francisco Manuel Somohano Rodríguez; Francisco Javier Martínez García

Abstract:

Los activos intangibles han sido tratados desde distintas vertientes de la investigación. Entre ellas, las que más directamente nos afectan en nuestro estudio son las concernientes a los ámbitos de la contabilidad y de la organización. Desde la perspectiva organizacional, la definición de intangible se centra más en aspectos relacionados con el Capital Intelectual (CI). Esta perspectiva considera a los intangibles de manera más amplia y

menos estricta que la contable, incluyendo los activos, las actividades y las relaciones entre los intangibles gestionados por la empresa (Sotomayor y Larrán, 2005) que generarán conocimiento para la misma, lo cual puede conllevar ventajas competitivas que las proporcionen mejores resultados.

Aparece una vez más la investigación sobre la relevancia de la información financiera y en este caso podemos considerar dos posturas: una que demanda más información, más completa, adecuada y detallada, no sólo en cuanto a intangibles o CI, sino también en cuanto al contexto de la comunicación del resultado contable; y otra propia de los principales marcos conceptuales contables vigentes, que defiende la prudencia frente a la relevancia y a la que se le achaca una cierta rigidez y excesiva exigencia para por ejemplo, el reconocimiento de los intangibles en los estados financieros que pueden conllevar una insuficiencia informativa sobre los mismos que impidan que se reflejen adecuadamente.

Debido a la complejidad del amplio constructo del CI, nos centramos en la innovación como fuente de ventajas competitivas para las empresas. El estudio de la ventaja competitiva es una línea de gran recorrido en el campo de la Organización. En nuestro caso, nos basamos en la teoría de los recursos y capacidades y utilizamos como marco de referencia los trabajos de Wiggins y Ruefli (2002, 2003, 2005) y McGahan y Porter (2002, 2005).

La revisión de los primeros nos introduce en el procedimiento iterativo de Kolmogorov-Smirnov, el cual aplicamos a cinco ratios contables obtenidos a través de los balances y las cuentas de pérdidas y ganancias de la población de fabricantes de componentes del sector de la automoción español en periodos trianuales comprendidos entre los años 1999 a 2011. Aprovechando este procedimiento, el planteamiento de la investigación recoge las dos posturas sobre la relevancia de la información no financiera para demostrar la necesidad de incluir aspectos relacionados con la divulgación de información sobre las actividades innovadoras llevadas a cabo por la empresa y su inclusión con mayor detalle en los estados contables complementarios, como por ejemplo, el Informe de Gestión.

Una Aproximación al Estudio de la Eficacia Individual de las Cartas de Comentario sobre el IASB: el Índice de Lobbying

Rafael Bautista Mesa; Horacio Molina Sánchez; Jesús N. Ramírez Sobrino

Abstract:

El trabajo aporta una nueva dimensión al estudio del *lobbying* sobre el IASB: el análisis de la influencia individual de los remitentes a través del *dueprocess*. Demostrada la eficacia de las cartas de comentario sobre las decisiones del IASB en el proyecto de la NIIF para pymes, se propone la medición de la influencia individual a través del índice de *lobbying*. La investigación previa sugiere, aunque sin llegar a resultados concluyentes, la existencia de diferencias en cuanto a la influencia política de cada individuo sobre el regulador contable, relacionadas con el apoyo financiero prestado así como con los diferentes mecanismos de insomorfismo institucional. Los resultados confirman la existencia de significativas desigualdades en los niveles de influencia de cada remitente sobre el IASB, derivadas no sólo de su diferente influencia política sino también técnica. La metodología propuesta supone una aportación a la investigación futura en materia de *lobbying* al permitir la concentración del análisis de contenido sobre los remitentes que tradicionalmente tienen mayor influencia sobre el IASB.

Friday, 11:30-13:15

Parallel Session (English): Valuation

The Implied Equity Duration when Discounting and Forecasting Parameters are Industry-specific

Olga Fullana; Juan M. Nave; David Toscano

Abstract:

The procedures for estimating implied equity duration employed by Dechow *et al.* (2004) are, in their own words, parsimonious but relatively crude. Therefore, improvements in the procedures should lead to a more accurate and

useful measure. Within this context, this paper aims to compute the implied equity duration thoughtforecasting and discount procedures that use implied industry characteristics with the objective of bridging the empirical issues with the theoretical formulation. The results show that firms' IED changes 5.91 years on average and with absolute values up to 21.22 years. From a qualitative point of view, the positions of firms ranked by the duration of the change reach a maximum of 32 positions, and the average of absolute changes is 14.74 rank positions. Then, we conclude that the cost of being parsimonious is high on average and also quite variable across firms, both quantitatively and qualitatively. Moreover, this cost is large enough to reverse the ranked ordering of firms based on duration.

Director's Purchases and Pricing and Mispricing Effects of the Adoption of IAS 38

Christina Dargenidou, Ian Tonks; Fanis Tsofigkas

Abstract:

We examine the implication to the informativeness of prices to reflect future earnings information following an exogenous event of introducing a more "rules" based accounting standard. Using the UK setting, we focus on the adoption of IAS 38 which introduced a *requirement* to recognise development costs as an asset if certain criteria are met following the adoption of IFRS in 2005, while the UK GAAP permitted managers to exercise their *discretion* when recognising R&D as an asset. We find that prior to the introduction of IAS 38, capitalisation results in more informative prices with more information being impounded in stock prices. However, we find that the benefits of capitalisation to result in more informative prices after the adoption of IFRS diminish. Our earnings mispricing tests confirm our pricing tests. Overall, our findings show that IAS 38 removed a useful tool for managers to communicate their private information, consistent with the concerns expressed in prior research with regards to the adoption of the standard.

Did the Publication of IAS 19(R) Influence Pension Discount Rate and Expect Rate of Return Selection? An Analysis of UK firms

Justin Chircop; Paraskevi Vicky Kiosse

Abstract:

We examine the discount rates and expected rates of return on pension plan assets used by a large sample of UK firms from 2005 to 2012. During this time period, important deliberations on pension accounting were taking place, in particular a discussion paper and an exposure draft were issued, followed by a revised pension accounting standard, which was published in June 2011. The revised accounting standard, IAS 19(R), mandatory from January 2013, abolished the utilisation of the expected rate of return on plan assets when computing pension expense and requires firms to apply the discount rate on the net pension asset or liability. We examine the impact of the publication of IAS 19(R) on managerial incentives to manage the discount rate and the expected rate of return on plan assets assumptions after the issuance of the new standard, but before it became mandatory. We find that managers manage the discount rate before the publication of IAS 19(R) in response to poor firm performance and pension plan deficits. Interestingly, we find no evidence of managerial discretion after the publication of IAS 19(R), which we attribute to the increased importance and oversight over this assumption after the issuance of the new standard. We also find evidence consistent with the notion that managers exercise their discretion and manage expected rates of return on plan assets after the issuance of IAS 19(R) in order to avoid breaching debt covenants, when firm performance is poor and when the pension plan is in deficit. This finding may be due to the potentially reduced scrutiny of expected rates of returns following the issuance of IAS 19(R), which espouses its abolition when computing pension expense. Our results suggest that oversight plays an important role in the setting of financial and actuarial assumptions.

Friday, 11:30-13:15**Parallel Session (Spanish): Fair Value y Arrendamiento Financiero****Fair Value Measurement of Exotic Options: Volatility Assumptions and Model Misspecification Error***Jacinto Marabel-Romo; Andrés Guiral; José Luis Crespo-Espert; José A. Gonzalo; Doocheol Moon***Abstract:**

Fair Value Accounting (FVA) provides more relevant information to financial statement users, but there are also some concerns about the use of FVA due to the reliability of its estimations. We argue that FVA can lead bank managers toward model misspecification error in the valuation of complex financial instruments traded in illiquid markets. This situation is especially problematic considering that large U.S. and European banks have high exposure to the aforementioned error. . Further, recent research in auditing suggests that auditors are not in the best position to evaluate complex estimates due to standard uncertainty and lack of training/skills in this area. By pricing two common exotic derivatives (cliquet and barrier options), we illustrate the existence of model misspecification error when comparing two different but commonly used assumptions of volatility (i.e., local volatility vs. stochastic volatility). Our findings have important implications for both accounting and auditing standard setters and bank regulators.

What Lies Behind non Compliance with Operating Leases Disclosure?*Nuria Arimany; M. Angels Fitó; Soledad Moya; Neus Orgaz***Abstract:**

Compliance is one of the big challenges in the IFRS implementation process. Additionally, the current debate on the operating leases accounting treatment is more in force than ever due to the recent support shown by the European Commission to companies lobbying against the proposal. In this paper we analyse and compare the level and evolution of compliance of UK and Spanish companies regarding mandated operating leases disclosures for the period 2005-2011. Additionally, we look for determinants of compliance. Our results show a significant higher level of disclosure for UK compared to Spain and a positive trend in both countries towards full compliance. As for the determinants of compliance, media coverage and industry are found to be significant. The transparency needed in the markets demands high quality financial reporting and compliance commitment and, in this sense, we seem to be on the right track.

Lobbying in the Accounting Standards Setting: the Case of the Leasing Project*Araceli Mora Enguñados; Horacio Molina Sánchez***Abstract:**

Since the mandatory adoption or increasing adoption of IFRS, the complexity of economic consequences in a multijurisdictional system has increased considerably. There is also a greater variety of stakeholders which makes the analysis of the lobbying process an important issue, while most previous studies have mainly focused on national standard setters or on the pre-compulsory adoption of IFRS. The remarkable accounting change of the leasing project which affects all industries, its significant impact in some accounting figures and the great number and variety of reactions all over different groups of interests allow us to analyze several research questions. Besides developing and testing hypotheses on who is participating and why, including the potential influence of cultural factors, we also develop a set of hypotheses related with the lobbying strategy. We analyze the different types of arguments used to be in favor or against the proposals and who is using each type of argument. We argue that conceptual and technical arguments are used to legitimize behavior mainly driven by the Agency Theory and the Self Interest Theory. We analyze the content of the comment letters and use different methodology to give potential explanations to conflicting results in previous literature. We also use a methodology of analysis based on a regression classification tree (CHAID) for analyzing the most discriminating arguments for taking a position. Our results have potential implications for standard setters and other institutions and for future research on the lobbying activity.

Friday, 11:30-13:15**Parallel Session (Spanish): Relevancia Valorativa y Transparencia****Determinantes de la Divulgación de Información Contable Consolidada en España: el Caso de las AIE***Begoña Giner; Carmen S. Verón***Abstract:**

Este trabajo analiza los motivos que subyacen a la decisión de proporcionar información consolidada ante la existencia de un tipo particular de negocio conjunto: la agrupación de interés económico (AIE). Dada la falta de normativa contable al respecto y las características de los métodos alternativos para elaborar información consolidada: integración global, integración proporcional y puesta en equivalencia, así como la posibilidad de mantener el coste, la decisión afecta tanto al resultado como a la cantidad de información y con ello a los ratios financieros. El análisis se refiere a 32 empresas españolas cotizadas que llevaron a cabo 245 elecciones en el periodo de vigencia de las NFCAC (1991-2004). Los resultados del análisis logístico evidencian que los factores interdependencia entre las actividades del partícipe y la AIE, especificidad de los activos, endeudamiento, concentración accionarial y porcentaje de participación influyen de forma positiva en la decisión de divulgar información consolidada; sin embargo el tamaño no afecta a la decisión.

La Discrecionalidad Directiva en el Balance de Transición a NIIF: el Caso Argentino y Chileno*Carmen S. Verón; Silvia B. Marcolini***Abstract:**

Este trabajo analiza la relación entre los ajustes obligatorios y voluntarios del balance de transición de normas locales a NIIF en la fecha de transición. La emisión por primera vez de estados financieros bajo NIIF obliga a las empresas a aplicar al inicio de su estado financiero comparativo más antiguo la NIIF 1 “Adopción por primera vez de las normas internacionales de información financiera”, siendo esta fecha la fecha de transición a NIIF. Los ajustes resultantes de la transición de normas locales a NIIF pueden ser carácter obligatorio o voluntario, y serán imputados a resultados acumulados o de corresponder, en otra categoría del patrimonio neto. El estudio se realizó sobre 70 empresas argentinas y 78 empresas chilenas que presentaron sus primeros estados financieros bajo NIIF. Los resultados encontrados muestran que la decisión de la dirección sobre los ajustes voluntarios en el balance de transición no es independiente de los ajustes obligatorios de la transición, existiendo una asociación significativa entre ambos ajustes. De esta forma se confirma el carácter oportunista de los ajustes voluntarios realizados por empresas argentinas y chilenas en el balance de transición de normas locales a NIIF.

The Value Relevance of Comprehensive Income vs. Net Income: Evidence from Commercial Banks*Miguel Arce Gisbert; Carmen Queiro-Ameijeiras***Abstract:**

This study evaluates the value relevance of the comprehensive income as alternative measure of net income as reported in the income statement. We focus on commercial banks because this industry is specially affected by revenues and expenses not recognised in the income statement, but recognised directly in equity. The sample includes commercial banks from the EU countries for the period 2000-2008. This period of analysis covers the period before and after the implementation of IFRS allowing an evaluation of the change in the value relevance of these figures. The results of this study will contribute to the current open debate in the IASB on the regulation on financial statement disclosures.