Bilgiye Erişim Merkezine Yeni Gelen Yayınlar

Demir, Volkan. – **SMMM staja başlama ve SMMM yeterlilik sınavlarına hazırlık için muhasebe**/ Volkan Demir, Öğuzhan Bahadır. – İstanbul: İSMMMÖ, 2009.
The impact of the options backdating scandal on shareholders
Pages 2-26
Gennaro Bernile, Gregg A. Jarrell

Abstract

The revelation that scores of firms engaged in the illegal manipulation of stock options’ grant dates (i.e. “backdating”) captured much public attention. The evidence indicates that the consequences stemming from management misconduct and misrepresentation are of first-order importance in this context as shareholders of firms accused of backdating experience large negative, statistically significant abnormal returns. Furthermore, shareholders’ losses are directly related to firms’ likely culpability and the magnitude of the resulting restatements, despite the limited cash flow implications. And, tellingly, the losses are attenuated when tainted management of less successful firms is more likely to be replaced and relatively many firms become takeover targets.

Article Outline

1. Introduction
2. Data, sample characteristics, and the evolution of backdating news events
   2.1. Data sources and the sample of allegedly backdating firms
2.2. Variables definition and sample characteristics
2.3. The frequency and evolution of backdating news
3. The economic consequences for firms accused of option backdating
   3.1. Direct consequences
   3.1.1. Consequences of internal investigations uncovering backdated grants

Journal of Accounting and Economics
Volume 47, Issues 1-2, Pages 1-190 (March 2009)
3.1.2. Tax consequences
3.1.3. Out-of-pocket costs resulting from government investigations and shareholder litigation

3.2. Indirect consequences
3.2.1. Agency costs and information risk
3.2.2. Disruption of corporate leadership
3.2.3. Potential delisting

3.3. Hypotheses and empirical tests

4. The market reaction to the option backdating scandal and its determinants
4.1. Does the market react to option backdating news? How?
4.2. What determines changes in shareholders’ wealth around option backdating news?

5. What follows backdating accusations?
5.1. The determinants of shareholder litigation and its effect on shareholders’ wealth
5.2. The determinants of management turnover and its effect on shareholders’ wealth
5.3. Changes in institutional investors’ holdings
5.4. Takeovers
5.5. Is the scandal effectively precluding an efficient compensation mechanism?

6. Summary and conclusions

Appendix A. Reporting requirements and tax treatment of stock option compensation
A.1. Accounting rules
A.2. Tax rules

References

Taxes and the backdating of stock option exercise dates
Pages 27-49
Dan Dhaliwal, Merle Erickson, Shane Heitzman

Abstract

We investigate the backdating of stock option exercises. Before SOX, we find evidence that some exercises were backdated to days with low stock prices. Consistent with a tax-based incentive, these suspect exercises are more likely when the personal tax savings from backdating are higher. However, suspect CEO exercises generate average (median) estimated tax savings of $96,000 ($7,000). These savings appear modest relative to the costs insiders and firms face. We find that the likelihood of a suspect
exercise increases in the likelihood of option grant backdating. This suggests that agency problems associated with backdating permeate option compensation in some firms.

**Article Outline**

1. **Introduction**
2. **Background and literature review**
   2.1. The timing of stock option grants
   2.2. Stock option exercises and private information
   2.3. The mechanics of stock option exercises
   2.4. Tax consequences of stock option exercises
      2.4.1. To the option holder
      2.4.2. To the firm
   2.5. Summary and predictions
3. **Data, sample and methodology**
   3.1. Stock returns surrounding option exercises
   3.2. The frequency of suspect option exercises
   3.3. The characteristics of well-timed option exercises
      3.3.1. Multivariate results
   3.4. Evidence from alleged option grant backdating firms
   3.5. Further evidence from firms not in the Wall Street Journal's “Options Scorecard”
   3.6. Evidence from exercise-and-sell transactions
   3.7. Additional evidence on timing
   3.8. Evidence from recent cases
4. **Conclusion**

**References**

**Discussion of “The impact of the options backdating scandal on shareholders” and “Taxes and the backdating of stock option exercise dates”**
*Pages 50-58*
Christopher S. Armstrong, David F. Larcker

**Abstract**
Bernile and Jarrell provide extensive analysis regarding the impact of backdating the stock option exercise price on stock returns for a sample of firms identified by the Wall Street Journal. Dhaliwal, Erickson, and Heitzman investigate whether executives backdate the exercise date to obtain favorable tax consequences. This discussion comment focuses on several fundamental issues that confront researchers examining the backdating scandal and other related decisions. Specifically, we discuss the decision models for executives engaged in backdating and the potential role of social networks among directors, selection considerations, institutional voting behavior, and how backdated options can be replicated with existing equity instruments.

Article Outline

1. Introduction
2. Decision process of executives engaged in backdating
3. Social network for directors of backdating firms
4. Choices made by the executive and firm prior to the backdating decision
5. How concerned are institutional shareholders about backdating?
6. Replicating and valuing backdated stock options
7. Conclusion

References

What determine financial analysts’ career outcomes during mergers?
Pages 59-86
Joanna Shuang Wu, Amy Y. Zang

Abstract

We investigate the effects of mergers on the career outcomes of financial analysts. We hypothesize and find that analysts with good earnings forecast performance experience higher turnover during mergers, target analysts are more likely to turnover and the existence of a competing analyst in a merger counter party also increases analyst turnover. We analyze the promotion of analysts to research executive positions and find that analysts with greater experience and especially experienced stars are more likely to be promoted. Finally, we document that analyst turnover is associated with decreases in research quality at the merged firms post-merger.
Article Outline

1. Introduction
2. Hypothesis development
   2.1. Analyst turnover at the merged firm
      2.1.1. Analyst-specific variables
         2.1.1.1. Low earnings forecast accuracy
         2.1.1.2. High earnings forecast accuracy
         2.1.1.3. Star status and brokerage investment banking strength
         2.1.1.4. Experience
      2.1.2. Brokerage-specific variables
         2.1.2.1. Acquirer versus target
         2.1.2.2. Brokerage research strength
      2.1.3. Comparing competing analysts
      2.1.4. Merger-specific variables
         2.1.4.1. The purpose of a merger
         2.1.4.2. Status difference
         2.1.4.3. Multi-deal merger
      2.1.5. Industry effects
   2.2. Promotion of an analyst to research executive
   2.3. Post-merger changes in research strength
3. Data and sample construction
   3.1. Sample selection
   3.2. Matching the merger sample with I/B/E/S brokerage names
   3.3. Tracking analysts who disappear from I/B/E/S using Nelson's directory of investment research
4. Methodology
   4.1. Merger clusters
   4.2. Regression models for analyst turnover at the merged firm
   4.3. Regression model for promotion to research executive position
   4.4. Regression models for changes in post-merger research strength
5. Summary statistics
6. Analysis of analyst turnover at the merged firm
   6.1. Univariate analysis of analyst turnover
Discussion of “What Determines Financial Analysts’ Career Outcomes During Mergers?”
Pages 87-90
Paul M. Healy

Abstract

Wu and Zang [2009. What determines financial analysts’ career outcomes during mergers? Journal of Accounting & Economics, forthcoming] examine how mergers and acquisitions in the investment banking/brokerage industry affect financial analyst employment. They find evidence of abnormally high analyst turnover following mergers that appears to reflect the acquirer's elimination of duplicate research capabilities and top analysts at the newly merged firm being hired away by competitors. Finally, they show that the increased analyst turnover at merged firms is related to decreases in analyst coverage and analyst performance post-merger.

Article Outline

1. Introduction
2. Strengths of the paper
3. Unresolved questions
   3.1. Acquirer diversity
3.2. Measuring top analyst performance
3.3. Promotions
3.4. Controlling for contemporaneous events
3.5. Role of status in external turnovers
3.6. Economic interpretation of findings
4. Summary
References

**Sell-side debt analysts**
*Pages 91-107*
Rick Johnston, Stanimir Markov, Sundaresh Ramnath

**Abstract**

We study the determinants and market impact of sell-side debt research. Analyzing a sample of 5920 debt reports published by 15 brokerage firms from 1999 to 2004, we document that companies with a higher probability of financial distress, lower market-to-book ratio, larger debt, and higher leverage receive more debt research. In addition, we document higher frequency of debt reports around credit ratings downgrades and find that their publication impacts equity prices. The evidence enhances our understanding of the nature of the market forces shaping sell-side debt research and its effect on price formation.

**Article Outline**

1. **Introduction**
2. Institutional setting
   2.1. Debt vs. equity analysts
   2.2. Debt analysts vs. credit rating agencies
3. Sample selection
4. Cross-sectional determinants of debt research
   4.1. Introduction
   4.1.1. Probability of financial distress
   4.1.2. Market-to-book
   4.1.3. Leverage
   4.1.4. Existence of convertible bonds
   4.1.5. (Bhushan, 1989a) and (Bhushan, 1989b) variables
4.1.5.1. Company size
4.1.5.2. Return volatility
4.1.5.3. Number of lines of business (segments)
4.1.5.4. Correlation between company return and market return
4.1.5.5. Other
4.2. Descriptive statistics
4.3. Empirical analyses
4.3.1. The determinants of debt coverage
4.3.2. The determinants of equity coverage
4.3.3. Robustness
5. The informativeness of debt reports
5.1. Distribution of debt analyst reports around credit rating changes
5.2. Announcement effect of debt reports issued in proximity to credit rating changes
6. Concluding remarks
Appendix I. Extracts from debt and equity report
Appendix II. Variable definitions
References

An empirical analysis of changes in credit rating properties: Timeliness, accuracy and volatility
Pages 108-130
Mei Cheng, Monica Neamtiu

Abstract

In recent years, credit rating agencies have faced increased regulatory pressure and investor criticism for their ratings’ lack of timeliness. This study investigates whether and how rating agencies respond to such pressure and criticism. We find that the rating agencies not only improve rating timeliness, but also increase rating accuracy and reduce rating volatility. Our findings support the criticism that, in the past, rating agencies did not avail themselves of the best rating methodologies/efforts possible. When their market power is threatened by the possibility of increased regulatory intervention and/or reputation concerns, rating agencies respond by improving their credit analysis.

Article Outline
1. Introduction
2. Institutional background
3. Hypothesis development
   3.1. Does rating timeliness improve?
   3.2. How does rating accuracy change?
   3.3. How does rating volatility change?
4. Sample selection
5. Empirical analysis
   5.1. Empirical tests and results for rating timeliness
      5.1.1. Empirical tests for rating levels
      5.1.2. Empirical tests for rating downgrades
   5.2. Empirical tests and results for rating accuracy
      5.2.1. Absolute accuracy: types I and II errors
      5.2.2. Relative accuracy: cumulative rating accuracy profiles
      5.2.3. Accuracy: benchmark model tests
   5.3. Empirical tests and results for rating volatility
5.4. Robustness tests
   5.4.1. Regulatory pressure and criticism versus improvements in accounting quality
   5.4.2. Other robustness tests
5.5. Conclusion
Appendix A. Appendix
Appendix B. Appendix
Appendix C. Appendix
C.1. Variable definitions
References

A tale of two intermediaries: A discussion of Johnston, Markov and Ramnath (2009), and Cheng and Neamtiu (2009)
Pages 131-135
Adam C. Kolasinski

Abstract

Cheng and Neamtiu examine whether credit rating agencies exploit market power to sell a substandard product. Their evidence is suggestive, but plausible alternative hypotheses could explain their results. Johnston, Markov and Ramnath provide first
evidence on the bond and firm characteristics that determine the quantity of sell-side
debt analyst coverage that a corporate bond receives. They also find that debt analysts
anticipate credit rating changes and add information to markets incremental to credit
ratings, suggesting debt analysts will be important to future research on bond markets.
These results also suggest a method for refining tests of rating agency market power.

Article Outline

1. Introduction
2. The role of sell-side debt analysts contrasted with credit rating agencies
3. Detailed discussion of Johnston, Markov, and Ramnath
4. Detailed discussion of Cheng and Neamtiu
5. Conclusion

References

Shareholder litigation and changes in disclosure behavior
Pages 136-156
Jonathan L. Rogers, Andrew Van Buskirk

Abstract

We examine changes in the disclosure behavior of firms involved in 827 disclosure-
related class-action securities litigation cases filed between 1996 and 2005. We find no
evidence that the firms in our sample respond to the litigation event by increasing or
improving their disclosures to investors. Rather, we find consistent evidence that firms
reduce the level of information provided post-litigation. Our results suggest that the
litigation process encourages firms to decrease the provision of disclosures for which
they may later be held accountable, despite the increased protections afforded by the

Article Outline

1. Introduction
2. Prior research and hypothesis development
2.1. Arguments for an increase in disclosure following litigation
2.2. Arguments for a decrease in disclosure following litigation
3. Empirical design
Abstract

Rogers and VanBuskirk [2008. Shareholder litigation and changes in disclosure behavior. Journal of Accounting and Economics 40, 3–73] examine changes in sued firms’ disclosure policies between the pre-lawsuit and post-lawsuit periods. They find that these firms decrease the magnitude and precision of disclosures following the lawsuits. The authors conclude that managers of sued firms perceive disclosure to contribute to (rather than decrease) the probability of being sued. While the evidence
showing that the magnitude and precision of disclosure decreases post-lawsuit appears to be robust, I raise some questions about what we learn from this finding.

**Article Outline**

1. Introduction
2. The relation between disclosure and litigation risk
3. Type of disclosure
4. Conclusion

References

**Earnings volatility and earnings predictability**  
*Pages 160-181*  
Ilia D. Dichev, Vicki Wei Tang

**Abstract**

Survey evidence indicates widely held managerial beliefs that earnings volatility is negatively related to earnings predictability. In addition, existing research suggests that earnings volatility is determined by economic and accounting factors, and both of these factors reduce earnings predictability. We find that the consideration of earnings volatility brings substantial improvements in the prediction of both short- and long-term earnings. Conditioning on volatility information also allows one to identify systematic errors in analyst forecasts, which implies that analysts do not fully understand the implications of earnings volatility for earnings predictability.

**Article Outline**

1. Introduction
2. Theory and relation to existing research
3. Main empirical tests
   3.1. Sample selection, descriptive statistics, and test specification
   3.2. Results for 1-year predictive horizons
   3.3. Results for 5-year predictive horizons
4. Robustness checks and additional results
5. Analyst forecasts tests
6. Conclusion
Acknowledgements

Appendix A. Appendix
A1. The effect of transitory components on earnings persistence
A2. Effects of time-series autoregressive and cross-sectional effects on the estimated persistence coefficient

References

Earnings persistence
Pages 182-190
Richard Frankel, Lubomir Litov

Abstract

Dichev and Tang [2009. Earnings volatility and earnings predictability. Journal of Accounting and Economics, this issue, doi:10.1016/j.jacceco.2008.09.005] document the predictive power of past earnings volatility for the persistence of current earnings. We revisit their findings to verify the incremental explanatory power of this effect and to study whether the predictive power of past earnings volatility is priced in stock returns. We also discuss motives for the study of earnings persistence. Our findings indicate that the relation between past earnings volatility and earnings persistence is robust to the additional controls and to a correction for sampling bias, but that earnings volatility does not predict stock returns.

Article Outline

1. Introduction
2. The empirical relation
   2.1. Mathematical identities
   2.2. Controlling for previously identified factors
   2.3. Sampling procedure effects
      2.3.1. Selection bias
      2.3.2. Selection bias and the economic/accounting cause for relation between volatility and persistence
   2.4. Are investors aware of the link between volatility and persistence?
3. Theory and motivation
   3.1. Persistence and the valuation role of earnings
3.2. The economic link between persistence and earnings variability

4. Conclusion

Acknowledgements

References