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FAKULTÄT FÜR BETRIEBSWIRTSCHAFT  
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## Accounting Research Workshop (ARW) - WT2017/2018

- Speaker:** Frank Ecker
- University:** Professor of Accounting, Frankfurt School of Finance and Management
- Research:** The role of accounting information for capital market participants
- Date:** November 14, 2017
- Topic:** „Payoffs to Aggressiveness“
- Abstract:** “We examine the payoffs to both shareholders and CEOs of aggressive real behaviors and aggressive reporting behaviors. Using manifest proxies from prior literature to construct latent variables for each aggressiveness construct, we estimate structural equations models of the associations between the two constructs, and between the constructs and payoffs to shareholders (returns) and to CEOs (compensation). Our approach allows for a link between real aggression and reporting aggression, and separate links between each form of aggression and the payoffs to investors and CEOs. As expected, results show real aggressiveness and reporting aggressiveness are positively correlated. We further show that more aggressive real behaviors are associated with lower shareholder and CEO payoffs, and more aggressive reporting is associated with larger shareholder and CEO payoffs. We analyze the latter finding in the context of financial restatements as an example of an extreme adverse financial reporting outcome. We show that our aggressive reporting measure is associated with a greater likelihood of restatement, as well as significantly larger abnormal returns that are not eliminated by the adverse reaction to the restatement announcement itself. Our findings suggest that, over long horizons, both investors and CEOs of aggressive reporting firms, including firms that experience significant and unusual adverse reporting events, benefit in the form of higher stock returns and higher compensation.”

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