



Accounting Research Workshop (ARW) – WS 2018/19

Referent: Prof. Ulf Brüggemann

University: Assistant Professor of Accounting at the Humboldt University of Berlin

Research: „The institute engages predominantly in empirical positive research within the fields of financial accounting, auditing and corporate governance. In doing so, we address research which has potential to yield top level international scholarly publications, while also helping us to understand real-life accounting phenomena. Besides of engaging in academic research we also publish teaching and applied work in the area of financial accounting. Thereby, we strive to bridge the gap between academic research and real-life application and to develop an impact on accounting practice.”

Date: 04.12. 2018

Topic: „Asset Reclassifications and Bank Recapitalization during the Financial Crisis“

Abstract: „EU politicians pressured the IASB to change the accounting rules for financial assets at the peak of the financial crisis in October 2008. The new rules enabled banks to forgo the recognition of unrealized fair value losses through reclassifications. This paper examines to what extent accounting reclassifications provided banks with regulatory relief and assesses the informational costs of the measure. We find that the impact of reclassifications on regulatory capital is similar to other discretionary accounting choices (e.g., recognition of deferred tax assets), but substantially smaller in magnitude than the impact of real measures (e.g., capital injections). Consistent with a trade-off between regulatory benefits and informational costs, we observe a negative market reaction to banks’ reclassification announcements that is muted if the reclassification helps a bank avoid regulatory capital reductions. Additional analyses of bid-ask spreads during the financial crisis suggest that fair value reclassifications mitigate financial statement transparency as perceived by capital market participants and shed further light on the trade-off behind the accounting choice.“

We were very pleased that we could welcome Prof. Ulf Brüggemann at our Accounting Research Workshop and wish him all the best for his future work and research projects!