

Accounting Research Workshop (ARW) – WS 2019/20

- Referent:** Prof. Amir Amel-Zadeh
- University:** Associate Professor of Accounting at the University of Oxford
- Research:** Research interests
- Information environment of firms
 - Economic consequences of voluntary and mandatory (non-)financial reporting quality issues
 - Natural language processing and machine learning
 - Fair value accounting
- Date:** 20.11.2019
- Topic:** “Are all insider sales created equal? First evidence from supplementary disclosures in SEC filings”
- Abstract:** „This study is the first to analyse managers’ voluntary supplementary disclosures in insider trade filings with the SEC. Based on the textual content of the disclosures, we are able to distinguish between discretionary and nondiscretionary sales. We document significantly negative abnormal filing returns to discretionary sales while abnormal returns to nondiscretionary sales are essentially zero. Examining the motivations for supplementary disclosures with discretionary sales, we find evidence consistent with insiders strategically disclosing liquidity needs to disguise informed trading. Disclosures to discretionary sales are more likely when the legal risk of trading is high and when insiders offload a large amount of stock. Although investors react negatively to these disclosures, we also find significantly negative long-term abnormal returns over the subsequent months suggesting that investors under-react to the negative information in these sales. A long-short portfolio investment strategy that exploits this under-reaction earns an economically significant 16% risk-adjusted return per year. Consistent with insiders selling ahead of bad news, discretionary sales for which insider provide disclosures are more likely to precede analyst downgrades and negative earnings surprises.”



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