Accounting Research Workshop (ARW) – SS 2019

Referent: Prof. Helena Isidro
University: Professor of Accounting at the University of Lisbon
Research: Research interests
- Capital markets
- International financial reporting
- Equity valuation
- Voluntary disclosure

Date: 30.04.2019
Topic: „Industry competition and non-GAAP disclosures”
Abstract: „We examine how pressure from industry-level product market competition affects the magnitude of managers’ non-GAAP earnings exclusions (i.e., the difference between non-GAAP and GAAP earnings). We find that, controlling for capital markets incentives, proprietary costs of disclosure related with competition intensity are associated with an increase in the magnitude of non-GAAP exclusions. This finding suggests that strong competition encourages managers to disclose higher non-GAAP earnings, to show the firm’s superior financial performance to industry rivals and obtain capital markets rewards. However, when competition is high the firms with the lowest performance make smaller non-GAAP exclusions than other firms in the industry. We also find that in environments that are more competitive managers adjust less for recurring items and provide more reconciliations, an indication that industry competition has a positive effect on the transparency of non-GAAP disclosure."

We were very pleased that we could welcome Prof. Helena Isidro at our Accounting Research Workshop and wish her all the best for her future work and research projects!