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Welcome Message

Professor Jean CHEN
Dean and Chair Professor in Accounting and Finance,
Faculty of Business Administration,
University of Macau

Welcome to the 8th Conference of the World Accounting Frontiers Series (WAFS), which is jointly organized by the Faculty of Business Administration (FBA), University of Macau, and the annual conference of the Asia Pacific Journal of Accounting & Economics (APJAE). It is our honor to have our WAFS as one of the events to celebrate the 70th Anniversary of the People's Republic of China, the 20th Anniversary of the Macao SAR as well as the 30th anniversary of Faculty of Business Administration.

The 8th WAFS adopts the theme "*Accounting and Institutional Infrastructure*". This interdisciplinary conference aims at bridging the academic-practice gap through big data research and exchange of a wide spectrum of accounting knowledge. We welcome academia and practitioners worldwide to gather in Macau to share insights and incubate ideas for innovation and development, and we encourage diverse research topics from local indigenous accounting issues to global contemporary sustainability. WAFS offers a platform to stimulate thoughts and research. While jointly hosting with the annual conference of APJAE, selected paper will be sent to APJAE for publication consideration in their special issue.

WAFS aims to be an annual event to be held at different forms including forum, professional seminar, mini, and international conference. The 1st WAFS was held in the University of Macau 10 years ago. We have been receiving participants from all over the world and our reputation was then built. This year, we have received a total of 108 papers. There are still incoming papers after the submission deadline, yet we are not able to entertain.

Moreover, it is our honor to invite two important keynote speakers, including Professor J. B. Kim, Chair Professor of Accounting of City University of HK, the associate editor of Journal of International Business Studies, and Mr. Christ Tang, the Senior Vice president and Head of Investment Portfolio, Fubon Bank (Hong Kong) Limited.

Finally, our conference cannot be successful without the generous sponsorship from the University of Macau, ACCA (HK), CPA Australia, HKICPA, and last but not least, Leng Kuan Accounting Centre.

Thank you and I hope you have a nice stay in Macau and enjoy our conference.

Welcome Message

On behalf of the editorial team of Asia-Pacific Journal of Accounting and Economics (APJAE), I am pleased to have 2019 Annual Conference jointly with the 8th Conference of World Accounting Frontiers Series (WAFS) hosted by University of Macau. Knowing that accounting is a foundation for institutional infrastructure of any economy, whether developed or developing, I sincerely hope that this year's joint conference provides accounting researchers in the Asian-Pacific region with an excellent opportunity to develop new research ideas on the role of accounting in establishing solid institutional infrastructure. I also hope that this conference serves as a forum for idea exchanges, particularly, the changing roles of accounting disclosures and accounting infrastructure in the changing information environments stemming from new information technologies such as social media, artificial intelligence, XBRL mandate, and FinTech, I believes that this changing information environment will have profound impact on future accounting research and wish that APJAE could play an instrumental role in fostering research in this new issues.

Professor Jeong-Bon KKIM
Chair Professor
Head of the Department of Accountancy,
City University of Hong Kong, Hong Kong
Incoming Editor of Accounting Area of the Journal of International Business Studies (JIBS)

Keynote Speaker

Professor Jeong-Bon KIM
Chair Professor
Head of the Department of Accountancy,
City University of Hong Kong, Hong Kong
Incoming Editor of Accounting Area of the Journal of International Business Studies (JIBS)

Professor Jeong-Bon Kim is Chair Professor and Head of the Department of Accountancy at CityU. Prior to joining CityU, he was Wadsworth Chair in Accounting and Finance, University of Waterloo where he also served as the Ph.D. Program Director. Professor Kim has been Honored Professor at Fudan University, and Distinguished Honorary Professor at Sun Yat-sen University. He obtained his BBA and MSc. in Accounting degrees from Seoul National University, and his Ph.D. degree from Temple University. Previously, Professor Kim also worked as Canada Research Chair (Tier 1) in Financial Reporting and Corporate Governance at John Molson School of Business (JMSB), Concordia University. Previously, he also worked fat PolyU and Syracuse University. Professor Kim is a prolific researcher and has published over 100 refereed journal articles out of which 30 were published in top-tier journals such as *TAR, JAR, JAE, JFE, JIBS, CAR*, and *RAST*. Professor Kim was recently appointed to serve as *JIBS* Editor for accounting area for three years starting January 2020. He is currently Editor-in-Chief for *China Journal of Accounting Research* and Editor for *Asia-Pacific Journal of Accounting and Economics*. Professor has placed his Ph.D. students at leading universities, including HEC-Paris, University of Alberta, Fudan University, Shanghai Jiatong University, Xiamen University, and Norwegian school of Economics.

Keynote Speaker

Chris Tang, CPA, CMA, CFP, CTA, FCCA is the senior vice president and head of investment portfolio of Fubon Bank (Hong Kong). He has above 15 years' management experience in banking and financial industry, holding various positions in financial markets, treasury, investment management, financial institutions and corporate banking.

Chris is the vice president of Institute of Accountants Exchange and Certified Management Accountants, Australia (Banking Industry). He is also the committee of Council for the Promotion of Guangdong-Hong Kong-Macao Cooperation (Accountancy), Treasury Markets Association (Professional Membership) & Accounting Development Foundation (Professional Development).

He is also the chairman of 3rd IAE Greater Bay Area Conference on May 2019, around 650 professional participate. He has been invited by various universities or professional organizations to deliver seminars or lectures in finance, investment, accounting and GBA. He has also been a mentor from various universities of Hong Kong since 2006.

Mr. Chris TANG
Senior Vice President and Head of Investment Portfolio
Fubon Bank (HK)

Schedule at a Glance

December 04, 2019 (Wednesday)		
15:00 –18:00	Registration	E22-G012
December 05, 2019 (Thursday)		
09:30 – 10:00	Registration and Welcome Reception	E22-G012
10:00 – 10:15	Opening Ceremony	E22-G012
10:15 – 10:25	Refreshment Break	E22-G012
10:25 – 11:00	Keynote Speech I delivered by Professor Jeong Bon KIM, City University of Hong Kong *Topic: Borrower-provided information versus customer-generated product information on Twitter in bank loan contracting*	E22-G012
11:00 – 11:15	Refreshment Break	E22-G012
11:15 – 12:50	Keynote speech II delivered by Mr. Chris TANG, Fubon Bank (Hong Kong) *Topic : Professionals for Greater Bay Area*	E22-G012
12:00 – 14:15	Welcome Lunch (E22 Ground Floor -> N1 Ground Floor -> E22 2nd Floor)	Fortune Inn Restaurant, N1
14:30 – 17:45	Poster Session	E22-2016
14:30 – 16:00	Session 01	E22-2011
	Session 02	E22-2014
	Session 03	E22-2015
16:00 – 16:15	Coffee Break	E22-2016
16:15 – 17:45	Session 04	E22-2011
	Session 05	E22-2014
	Session 06	E22-2015
December 06, 2019 (Friday)		
09:00 – 09:30	Registration and Morning Coffee	E22-G012
09:00 – 17:30	Poster Session	E22-2016
09:30 – 11:00	Session 07	E22-2011
	Session 08	E22-2014
	Session 09	E22-2015
11:00 – 11:15	Coffee Break	E22-2016
11:15 – 12:45	Session 10	E22-2011
	Session 11	E22-2014
	Session 12	E22-2015
12:45 – 14:15	Lunch Buffet	E22-G012
14:15 – 15:45	Session 13	E22-2011
	Session 14	E22-2014
	Session 15	E22-2015
15:45 – 16:00	Coffee Break	E22-2016
16:00– 17:30	Session 16	E22-2011
18:30 – 20:00	Gala Dinner & Best Paper Award Presentation	Fortune Inn Restaurant, N1

Paper Presentation Schedule

Session 01 14:30-16:00	Session Chair: Feng TANG, University of Macau	Venue: E22-2011

1.1 Corporate Hedging, Information and Stock Price Crash Risk
Yi SI, Xiamen University

1.2 The Impact of Labor Union Power on Stock Price Synchronicity: International Evidence
Ming LIU, University of Macau

1.3 The Impact of Analyst Coverage and Conference Calls on Stock Trading in Taiwan
Lie-Huey WANG, Ming Chuan University

Session 02 14:30-16:00	Session Chair: Carlos NORONHA, University of Macau	Venue: E22-2014

2.1 Audit Market Concentration, Audit Fee, and Audit Quality Case Study In Indonesia when Mandatory Audit Firm Rotation Abolished
Fitriany AMARULLAH, Universitas Indonesia

2.2 Debt Enforcement and Bank Loans: Evidence from Insolvency Practices Worldwide
Feng WU, The Hong Kong Polytechnic University

2.3 The Effects of IFRS 9 on Loan Loss Recognition Timeliness: Early Evidence
Chong WANG, The Hong Kong Polytechnic University

Session 03 14:30 – 16:00	Session Chair: Desmond Chun Yip YUEN, University of Macau	Venue: E22-2015

3.1 Does China's financial development promote the corporate risk-taking?
Lili HUI, Wuhan University of Technology

3.2 Effects of social attention on self-serving performance attribution: stimulation or inhibition?
Yanjin HAN, Renmin University of China

3.3 How do Auditors Respond to Accounting Restatements? Evidence on Audit Staff Allocation
Chien-min Kevin PAN, Chengchi University

Paper Presentation Schedule

Session 04 16:15 – 17:45	Session Chair: Jason Zezhong XIAO, University of Macau	Venue: E22-2011

4.1 Institutional Environment, Political Connection and IPO Audit Quality: Evidence from Hong Kong
Phyllis MO, City University of Hong Kong
Weiyin ZHANG, The Hang Seng University of Hong Kong

4.2 Tracking the global interest on IFRS: Evidence from Big Data
Yuqian ZHANG, University of Nottingham Ningbo China

4.3 The Power of "Unrequited love": The Parasocial Relationship, Trust, and Organizational Identification between Middle-level Managers and CEOs
Youliang LIAO, Sun Yat-sen University

Session 05 16:15 – 17:45	Session Chair: Philip Kin Fun LAW, University of Macau	Venue: E22-2014

5.1 Earthquakes, Corporate Governance and Corruption
Hong Weng LEI, The Hang Seng University of Hong Kong

5.2 Educating Students' Ethical Knowledge: Formal Learning or Non-formal Learning?
Helen SM WONG, The Hong Kong Polytechnic University

5.3 Attention Afforded Accounting Research by Policy Makers, Academics, and the General Public
Greg BURTON, Brigham Young University

Session 06 16:15 – 17:45	Session Chair: Charlie Byung Cherl SOHN, University of Macau	Venue: E22-2015

6.1 Social Capital and Management Commitment
Kevin OW YONG, Singapore Institute of Technology
Nan LIU, Peking University

6.2 Regulatory Inspection, Audit Fees and Audit Firm Choice
Shuai YUAN, University of Nottingham Ningbo China

6.3 Can Social Capital Reduce Cost of Debt?
Xiaojun LIN, Southwest University of Political Science and Law

Paper Presentation Schedule

Session 07 09:30 – 11:00	Session Chair: Monica Can CHEN, University of Macau	Venue: E22-2011
7.1	Internal Control, Environmental Integrity Perception and Organization Identity of Audit Leader—Based on the JD-R Theory **Youliang LIAO**, Sun Yat-sen University	
7.2	Impact of internal control on trade credit demand and supply: empirical evidence from China's listed firms **Jin LIU**, Jiangnan University	
7.3	Improve labour-capital distribution and promote regional economic growth **Xiaoyi ZHAN**, China University of Petroleum (East China)	

Session 08 09:30 – 11:00	Session Chair: Mary Lai Ping CHAI, University of Macau	Venue: E22-2014
8.1	Controlling Shareholders' Share Pledging and Firms' Mergers and Acquisitions **Ke LIAO**, Wuhan University	
8.2	The Value of Academic Directors to Stakeholders: Evidence on Corporate Social Responsibility Reporting **Hsin-Yi HUANG**, Feng Chia University	
8.3	Corporate social responsibility reporting in an Islamic country: The case of Saudi Arabia **Khalid Mujahid ALHARBI**, Victoria University	

Session 09 09:30 – 11:00	Session Chair: Hao ZHANG, University of Macau	Venue: E22-2015
9.1	Corporate Governance and Earnings Management: A Banking Industry Perspective **Xueqi BAI**, ICBC (Macau) **Teresa CHU**, University of Macau	
9.2	Redesigning Accounting Curriculum to meet Requirements of the Digital Age **Saravanan MUTHAIYAH**, Multimedia University	
9.3	Investor Stewardship Code Compliance and Investee Earnings Quality: Evidence from Japan **James ROUTLEDGE**, Hitotsubashi University	

Paper Presentation Schedule

Session 10 11:15 – 12:45	Session Chair: Feng TANG, University of Macau	Venue: E22-2011

10.1 CEOs under Fire: The Effect of Competition from Talented Inside Directors on Corporate Social Responsibility
Gaoguang ZHOU, Hong Kong Baptist University
Luofan Bu, Hong Kong Baptist University

10.2 Stakeholder Importance and Corporate Social Responsibility: Evidence from a Quasi-Natural Experiment
Xiaohui LI, The Hong Kong Polytechnic University

10.3 Managerial Ability, Corporate Social Responsibility and Tax Avoidance
Li-Kai LIAO, Cheng Kung University

Session 11 11:15 – 12:45	Session Chair: Morris Ming LIU, University of Macau	Venue: E22-2014

11.1 Analysis of Government Regulations Regarding Public Accountant Rotation in Indonesia
Fitriany AMARULLAH, Universitas Indonesia

11.2 Geographic Location of Audit Committee Chairs and Accruals Quality: Evidence from China
Yuan HUANG, The Hong Kong Polytechnic University

11.3 The Effect of Monetary Policy on Voluntary Disclosure
Xiaoli JIA, The Hong Kong Polytechnic University

Session 12 11:15 – 12:45	Session Chair: TBC	Venue: E22-2015

12.1 Mandatory vs. Voluntary Disclosure on Management Forecast in China
Hong XU, Nagoya University

12.2 Consumer Empowerment, Corporate Innovation, and Cost of Capital: Evidence from Europe
Xu ZHANG, University of Macau

12.3 Media as Other Information for Fundamental Valuation
Jingran ZHAO, Hong Kong Polytechnic University

Paper Presentation Schedule

Session 13 14:15 – 15:45	Session Chair: Jason Zezhong XIAO, University of Macau	Venue: E22-2011
13.1	Do investors listen to firms' voice: The role of government subsidies in market reactions to earnings announcements **Weiwei GAO**, Northwestern Polytechnical University **Ting CAO**, Northwest University	
13.2	The Information Content of Cost Behavior Components: Evidence from Labor Market Flows **Wan WONGSUNWAI**, The Chinese University of Hong Kong	
13.3	Labor Protection and Corporate Tax Avoidance: A Cross-country Analysis **Yuzhu LU**, University of Nottingham Ningbo China	

Session 14 14:15 – 15:45	Session Chair: Brenda Wing Han CHAN, University of Macau	Venue: E22-2014
14.1	Spillover Effect of Peer-to-Peer Lending on Loan Losses of Commercial Banks **Jeffrey NG, The Hong Kong Polytechnic University**	
14.2	The Effect of Shareholder Activism on Earnings Management: Evidence from Shareholder Proposals **Weihuan ZHAI**, The Hong Kong Polytechnic University	
14.3	The Effect of Loan Loss Recognition Timeliness in the Banking System on Firms' Investment Efficiency **Muhabie Mekonnen Mengistu**, The Hong Kong Polytechnic University	

Session 15 14:15 – 15:45	Session Chair: Teresa CHU, University of Macau	Venue: E22-2015
15.1	Cross-market Information Transfer and Voluntary Corporate Disclosure: Evidence from Stock Options Trading **Xin Yang**, The Hong Kong Polytechnic University	
15.2	中國上市公司股權融資偏好影響因素研究 **Hongren ZHAO**, City University of Macau	
15.3	Information Disclosure Readability in Chinese Listed Companies: Chinese FOG Index Construction and Application **Haokai GOU**, Macau University of Science and Technology	

Paper Presentation Schedule

Session 16 **16:00 – 17:30**	**Session Chair:** **Charlie Byung Cherl SOHN, University of Macau**	**Venue:** **E22-2011**
16.1	Book-Tax Differences, CEO Overconfidence, and Bank Loan Contracting **Sophia LIU**, Taiwan University	
16.2	Meeting Anti-money Laundering Goals: a Matter of New Technologies or Coordination among Stakeholders? **Ming LIU**, University of Macau	
16.3	Timely Loan Loss Recognition in the Banking System and Firms' Debt Structure **Walid SAFFAR**, The Hong Kong Polytechnic University	

Poster Session

1	A Study on Perceived Influence of Institution-based Trust on Consumers' Purchase Intention in Online Marketplaces **Tony SAM**, University of Macau
2	A Study on Technostress Among Information Technology Professionals **Patrick LEE**, University of Macau
3	Do critical audit matters (CAMs) really improve communicative value? A study of 2019 goodwill impairments incident **Xiaohui LI**, Central University of Finance and Economics
4	From Auditor's Tone to Auditor's Mind tone analysis of expanded auditor's report in the United Kingdom **Ling Na Belinda YAU**, The Hang Seng University of Hong Kong
5	The Impact of Corporate Characteristics and External Pressure on Environmental Information Disclosure **Xin CHEN**, Shandong University, Weihai
6	The Impact of Political Factors on Firms' Strategic Timing of Information **Xiumei LIU**, Sun Yat-Sen University
7	The Influence of Business Intelligence on Organizational Performance - An Empirical Study **Brenda CHAN**, University of Macau
8	The Quality of Design Factors on Software Effort Estimation **Simon WU**, University of Macau

Paper Abstracts

1.1

Corporate Hedging, Information and Stock Price Crash Risk

Jeong-Bon Kim[1], Yi Si[2], Chongwu Xia[3], Lei Zhang[4]

[1]City University of Hong Kong
[2]Xiamen University
[3]University of Science and Technology of China
[4]University of Queensland

This study investigates the effect of corporate hedging on stock price crash risk. We test two competing hypotheses. Under the *transparency hypothesis*, hedging reduces a firm's information asymmetry and lowers crash risk. Under the *opacity hypothesis*, hedging decreases financial reporting quality and increases crash risk. We find evidence supporting the *transparency hypothesis*. This result is robust to sensitivity checks, including two-stage treatment model, difference-in-differences test, and subsample analysis. We further show that curbing bad news hoarding, curtailing overinvestment, and increasing breadth of ownership are potential channels through which hedging mitigates crash risk. Additional tests on securities class-action litigations provide consistent results.

1.2

The Impact of Labor Union Power on Stock Price Synchronicity: International Evidence

Brian M. Lam[1], Ming Liu[2], Charlie B. C. Sohn[3], Desmond C. Y. Yuen[4]

[1,2,3,4]University of Macau

In this study, we examine the impact of labor union power on stock price synchronicity. We proxy labor union power by the collective relation law index and measure stock price synchronicity by the level of co-movement between a firm's stock price and market index. Using a sample of 37 countries between 1995 and 2016, we find that labor union power is positively associated with stock price synchronicity, indicating that firms in countries where labor union power is relatively stronger tend to disclose less information. Our evidence also shows that this phenomenon is more pronounced in countries where investors are better protected, and is less pronounced or even reversed in countries where investors are less protected.

1.3

The Impact of Analyst Coverage and Conference Calls on Stock Trading in Taiwan

Lie-Huey Wang[1], Hsien-Chang Kuo[2]

[1]Ming Chuan University
[2]Shih Chien University

This study investigates the analyst coverage or conference calls can attract investors' attention and then lead to stock trading change using a sample of Taiwan listed companies during the period 2009-2015. The results show that firms with greater analyst coverage could increase stock turnover rate. Firms with involuntary calls and following by both foreign and domestic analyst coverage can lead to increase stock turnover rate. In addition, firms with voluntary or involuntary calls and following by both foreign and domestic analyst, stock price range is wider. Moreover, analyst coverage and conference calls via affecting three institutional investors' stock trading to dominate the stock performance of Taiwan Stock Market. Finally, analyst coverage is a mediator between conference calls and stock trading.

2.1
Audit Market Concentration, Audit Fee, and Audit Quality Case Study In Indonesia when Mandatory Audit Firm Rotation Abolished

Muthia Prima Nirmala[1], Fitriany Amarullah[2]

[1,2]Universitas Indonesia

This study aims to obtain empirical evidence related to the direct and indirect relationship between audit market concentration and audit quality mediated by audit costs and see whether goverment regulations (PP No. 20 of 2015) affects this relationship. PP No. 20 of 2015 abolished the regulation about mandatory audit firm rotation. The sample used in this study is a non-financial industrial company listed on the Indonesia Stock Exchange in 2013-2017. This study found that market concentration does not directly affect the audit quality, both before and after the application of PP no 20. The market concentration has a significant positive effect on audit fees after the application of PP No. 20. In the period before PP 20 was implemented, audit fees did not affect audit quality, but after the elimination of mandatory audit firm rotation, audit fees increased audit quality. After implementation of PP 20, market concentration of audit services affects audit quality through audit fees.

2.2
Debt Enforcement and Bank Loans: Evidence from Insolvency Practices Worldwide

Gerald Lobo[1], Chong Wang[2], Yanchao Wang[3], Feng (Harry) Wu[4]

[1]University of Houston
[2]Hong Kong Polytechnic University
[3]Central University of Finance and Economics
[4]Hong Kong Polytechnic University

We document significant influences on bank loan terms from debt enforcement in the actual insolvency practices. We posit the analysis in a novel difference-in-differences framework utilizing changes related to resolving insolvency. The influences become stronger when creditor rights are better protected and the debtors are exposed to higher fundamental and informational risks, but are weaker in religious countries. Improved insolvency practices also appear to have real effects by reducing borrowers' covenant violation and enhancing their preference for bank funding. Lenders' syndicate tends to be more concentrated with the deterioration of enforceability. Overall, our findings suggest that the micro-focused legal and economic characteristics of real debt enforcement procedures play an important role in individual-level loan contracting, and this role is in addition to the impact from the macro-level law and order environment examined in prior studies.

2.3

The Effects of IFRS 9 on Loan Loss Recognition Timeliness: Early Evidence

Jeong-Bon Kim[1], Jeffrey Ng[2], Chong Wang[3]

[1]City University of Hong Kong
[2,3]Hong Kong Polytechnic University

Effective from January 1, 2018, IFRS 9 significantly change the accounting for impairment of financial assets by replacing the incurred credit loss (ICL) model with the expected credit loss (ECL) model. While the main objective of this change was to enhance timely loss recognition, concerns abound about whether this objective would be achieved due to possible opportunistic loss recognition with greater managerial discretion allowed under the ECL model. Using international banks from 33 countries, we examine the impact of IFRS 9 on loan loss recognition timeliness. Using a difference-in-differences empirical specification, our results reveal that the adoption of IFRS 9 increases the timeliness of loan loss recognition. Consistent with this standard impacting banks that were previously more reluctant to record loan losses, we find that this positive effect is more pronounced when banks with less loan loss reserves prior to IFRS 9 adoption. In addition, we find that the positive effect is greater for banks with riskier profiles and weaker external monitoring, suggesting that banks that are likely to be more subjected to more future loan losses are being made to be more timely in accruing for loan losses as a result of IFRS 9 adoption. Overall, our paper provides an early insight into an important accounting standard that revolutionizes banks' accounting for their loan losses and that could have broader effects on the banking system and the broader economy.

3.1

Does China's financial development promote the corporate risk-taking?

Lili Hui[1], Huobao Xie[2], Richard Haskell[3]

[1]Wuhan University of Technology
[2]Wuhan University
[3]Westminster College

As the representative of emerging economies, China's financial system is dominated by a large but under-development banking system, which provides a special background to research the consequence of financial development. We provide the first direct evidence of the effect of Chinese bank-based financial development on corporate risk-taking. Our theory postulates that Chinese financial development impedes corporate risk-taking. Consistent with the prediction, we find a negative association between financial development and corporate risk-taking. A rich set of tests show that the baseline results are robust to omitted variables, sample bias, and endogeneity concerns. Examining the channel, the result shows that firm inputs more micro-level financial assets investment actions and less investments on the long-term assets (e.g., fix assets, intangible assets, and other long-term assets) under the under-development banking system. Finally, due to limitation of Chinese bank development, the influence of financial development is conditioned on the firms' ownership and the ability of mortgage assets, and it is more pronounced in non-SOEs and weak mortgage capacity firms.

3.2
Effects of social attention on self-serving performance attribution: stimulation or inhibition?

Manli Sun[1], Yanjin Han[2], Yanheng Song[3]

[1,2]Renmin University of China
[3]Beijing Foreign Studies University

Is social attention an influence on managers' causal disclosure decisions? This study explores the effects of social attention on self-serving performance attribution of listed companies in China. We examine whether social attention serve as external monitor mechanisms to managers by inhibiting tactical causal disclosure, or put excessive pressure on managers by stimulating more self-serving explanation. Using multiple measures of social attention, such as analyst coverage, media coverage and organization visits, we find that higher social attention leads to lower self-serving performance attribution, and this impact is more prominent on implausible attributions. This result is robust after controlling over potential endogeneity problems caused by measurement errors, omitted variables and reverse causality. Further analysis shows that the effect of social attention on self-serving performance attribution only exists in companies with limited performance pressure, specifically well performed companies with a positive or increasing net income. If the management is under performance pressure, then the inhibition effect of social attention on the self-serving performance attribution is alleviated.

3.3
How do Auditors Respond to Accounting Restatements? Evidence on Audit Staff Allocation

Wuchun CHI[1], Chien-Min Kevin PAN[2]

[1,2]Chengchi University

This paper examines how auditors respond to accounting restatements using Japanese audit input data. We find that audit fees, the number of Certified Public Accountant (CPA) licensed staff, and the number of signing partners are higher for firms in the restatement year than the year prior to the restatement. Our results also show that the increase in audit fees and the higher numbers of CPA licensed staff and signing partners persists after the restatement year. Overall, our findings suggest that audit firms charge higher fees and assign more experienced staff in response to accounting restatements, implying that we can attribute part of the increased audit fees to increased efforts, not the risk premium alone. We believe that ours is the first study to document auditors increase the numbers of licensed staff and signing partners in response to their own responsibilities (i.e., a restatement could result from a previously failed audit).

4.1
Institutional Environment, Political Connection and IPO Audit Quality: Evidence from Hong Kong

K. Hung Chan[1], Phyllis Lai Lan Mo[2], Weiyin Zhang[3]

[1]Caritas Institute of Higher Education
[2]City University of Hong Kong
[3]The Hang Seng University of Hong Kong

This study examines the unexplained information content of abnormal audit fees in the initial public offering (IPO) market. Using a sample of IPO audits in Hong Kong where the investor protection environment is strong, we find that abnormal IPO audit fees are negatively associated with pre-IPO real activities manipulation (RAM), suggesting higher audit quality for the IPO financial statements. However, the association is less pronounced for politically connected Chinese IPO firms. Taken together, our findings reveal that abnormally high IPO audit fees indicate additional audit efforts, and the increased audit efforts effectively constrain IPO clients' earnings manipulation.

4.2
Tracking the global interest on IFRS: Evidence from Big Data

Yuqian Zhang[1], Juergen Seufert[2], Anura De Zoysa[3], Corinne Cortese[4]

[1,2]University of Nottingham Ningbo China
[3,4]University of Wollongong

This paper uses big data to track the global search interests on International Financial Reporting Standards (IFRS). We use an open-source R program to collect big data from an open-source online database – Google Trends. We develop strategies in keywords selection and propose a Global IFRS/IAS Search Index (GISI) to track the global search interests on IFRS. The GISI provides information on 121 jurisdictions search activities on 45 accounting standards pronouncements: 28 from IAS and 17 from IFRS. To assess the validity of GISI, we employ Wilson's (1981) information-seeking behaviour model and conduct a similar analysis as in Nobes' (1983) study on international differences under IFRS. This paper makes an empirical contribution to the research of big data in accounting. We provide the R scripts of this study and invite future studies to explore other accounting related issues.

4.3
The Power of "Unrequited love": The Parasocial Relationship, Trust, and Organizational Identification between Middle-level Managers and CEOs

Youliang LIAO[1], Bin LIN[2], Xi YANG[3], Leiqing PENG[4]

[1,2]Sun Yat-Sen University
[3]University of Texas Rio Grande Valley
[4]Guangdong University of Finance and Economics

Top managers and middle managers are key components of a firm and are crucial to firm strategies and control systems. Middle managers play an vital role in information transmission. In organizational hierarchy, CEOs affect low-level employees through middle managers. Prior studies find that CEOs manage subordinates by traditional approaches including leadership, management practices, resource allocation, and culture. In this study, we investigate how PSR between middle and CEOs affects the organizational trust and organizational identification.

5.1
Earthquakes, Corporate Governance and Corruption

Kevin C.K. LAM[1], Hong Weng (Lawrence) LEI[2], Jianfu SHEN[3]

[1,2]Hang Seng University of Hong Kong
[3]The Hong Kong Polytechnic University

Natural disasters that result in widespread physical and economic damages occur every year. Some of these disasters draw donations from local and international sources to flow to the stricken countries. However, if the corporate governance of the country is weak, natural disasters may provide opportunities for corrupted officials to divert the fund for personal use. Casinos may be an avenue for money laundering and usage of the ill-gotten money. In this paper, we focus on studying earthquake events. Using a sample of 1,178 casino firm-earthquake observations, we examine (1) whether the abnormal stock return of casino firms is positive or negative after the occurrence of earthquake, (2) whether a country's corruption level affects the abnormal return and (3) does a country's governance institution moderate the effect of corruption and affect abnormal return? We find that casino stocks react positively to earthquake events, especially in countries with high corruption. We also provide evidence that a country's governance effectiveness mitigates such positive abnormal returns, especially if the casino firms are located in the region of the earthquake.

5.2
Educating Students' Ethical Knowledge: Formal Learning or Non-formal Learning?

Carmen Sum[1], Alvin Wong[2], Helen Wong[3]

[1,2,3]The Hong Kong Polytechnic University

Research in ethics education has received much attention in the academic sector. Students' attitudes toward business ethics have been investigated in different contexts, for examples, gender, age, work experiences, religious conviction, cultural and race, as well as learning approaches. Students who are older, female or those who have more work experiences and religious conviction were found to be more ethical (Miesing and Preble, 1985). Students from different nations also differed in their attitudes toward a set of ethical issues in business (Moore and Radloff, 1996; Preble and Reichel, 1988). Educators have also been exploring different approaches to enhance ethics education in recent decades.

5.3
Attention Afforded Accounting Research by Policy Makers, Academics, and the General Public

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This paper examines the attention policy makers, academics, and the general public give to academic accounting research. Specifically, we examine how these groups consume accounting research from AIS, audit, financial, managerial, tax, and other topics relative to each other. For benchmarking purposes, we also compare the attention given to accounting research relative to other business disciplines (finance, management, and marketing) and other more general disciplines (economics, psychology, and the natural sciences). Using measures gathered by Altmetric and Google citations, we find that accounting receives significantly less attention from the general public than all other disciplines. We also find that accounting research performs relatively poorly in receiving policy makers' attention compared to both economics and finance. Academics who publish in other disciplines' elite journals cite relatively little of accounting's elite level publications, but non-elite journals cite accounting research in similar numbers to other disciplines. Within accounting, tax research fairs the best in receiving both general public and policy maker's attention. Finally, in an effort to increase incentives to create and to publish relevant accounting research, we create rankings by scholars, institutions, and journals.

6.1
Social Capital and Management Commitment

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This study examines the effects of social capital on managerial decisions to own shares in their companies as well as its influence on dividend payout policy. Consistent with the notion that social capital induce cooperative norms and alleviate agency frictions, we document evidence demonstrating that firms with headquarters in high social capital regions are associated with higher managerial ownership and greater dividend payouts to shareholders. Further analysis indicates that the association between social capital and managerial ownership has weakened in recent years but not the association between social capital and dividend payouts. We also perform a component analysis of social capital to further understand this phenomenon. Our results suggest that social norms influence dividend commitment to a greater extent than networks, whereas social norms and networks exhibit similar effects on managerial ownership. Overall, our study adds to the growing literature on the impact on social capital in fostering good managerial behavior.

6.2
Regulatory Inspection, Audit Fees and Audit Firm Choice

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This study examines the consequences of the FRC's issuance of overall quality ratings. Based on a large sample of UK listed clients, the author finds a significant increase in audit fees when the audit firm has a higher proportion of engagements with deficient ratings, probably arising from the additional effort and resources needed to meet the FRC's requirements. This significant increase in audit fees is more concentrated among clients with Big 4 audit firms However, there is no evidence to suggest that FRC ratings may affect clients' likel ih ood of switching audit firms , and additional tests suggest the inspection result might not signal audit quality thus do not affect clients' decision of appointing audit firms . Overall, this study contributes to literature in audit regulation and has implications on policy making.

6.3
Can Social Capital Reduce Cost of Debt

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Prior studies document that social capital improves earnings quality, reduce tax aggressiveness, and lower cost of equity. However, those research does not address whether it can alleviate the interest conflict between shareholders and debtholders, and consequently, reduces the cost of debt. This study provides evidence for this empirical question. Based on the previous literature, I posit that firms headquartered in a county with better social environment, specifically higher social capital, are less likely to carry out misbehaviors because the social norms in these areas influence managers to be responsible and altruistic and the dense networks increase the cost of deviation behaviors. This study sheds light on an adverse association between social capital and cost of debt, and this relationship is more pronounced when the external monitoring is weaker. It extends the extant literature by hypothesizing that the mindset toward misconduct might be more constrained when social environment is better. It also complements research in both the social capital and accounting streams.

7.1
Internal Control, Environmental Integrity Perception and Organization Identity of Audit Leader—Based on the JD-R Theory

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Does internal control has an impact on the psychological characteristics of the audit leader? Based on the Social Identity Theory and the Job Demands-Resources (JD-R) Theory, this paper uses the data of the questionnaire survey conducted by the internal control research group of listed companies in the China Securities Regulatory Commission of 2014 to study on that impact. Based on the JD-R Theory, this research finds that the quality of internal control as a job resource of the audit leader is significantly positively correlated with the organizational identity of the audit leader and the audit leader's environmental integrity perception as job demand negatively moderates the correlation between internal control quality and his/her organization identity. Meanwhile, this study also reveals that the audit leader's environmental integrity perception contains two contents, namely, the psychological cost of collecting information required by audit work and the trust. According to the Social Identity Theory, from the perspective of trust attributes, the audit leader's environmental integrity perception is significantly positively correlated with his/her organizational identity. According to the JD-R Theory, from the perspective of psychological cost attributes, the audit leader's environmental integrity perception negatively moderates the relationship between internal control quality and organizational identity. Further findings of the study indicates that the audit leader's organizational identity is significantly positively correlated with the company's audit quality.

7.2
Impact of internal control on trade credit demand and supply: empirical evidence from China's listed firms

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As a substitute for bank credit, trade credit can somewhat ease the financing difficulties of small- and medium-sized firms. In accordance with information asymmetry and agency theory, this research empirically tests the effect of internal control on trade credit in supply chains. Empirical results show that a high-quality internal control helps firms obtain and provide additional trade credit. Furthermore, findings show that the supplier relationship plays a negative regulatory role between internal control and trade credit demand, whereas the customer relationship plays a positive regulatory role between internal control and trade credit supply. The supply chain ternary relationship plays a negative moderating role on the impact of internal control on net business credit. Impact channel tests show that information risk, agency cost and agency efficiency play mediating roles on the impact of internal control on trade credit. Endogenous tests and robustness tests support the conclusions. This study not only verifies the economic consequences of internal control but also elucidates the supply chain and trade credit.

7.3

Improve labour-capital distribution and promote regional economic growth

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Labor-capital distribution has been closely associated with economic growth. Three representative provinces in China, i.e., Guangdong, Jiangsu and Shandong, have realized a transformation in the industrial structure. We analyzed the differences in the value creation ability and value distribution fairness of the listed companies from the three provinces based on the perspective of stakeholder theory. The comparison of the change trends of value creation ability of the listed companies in the past eight years indicates that the total appreciation values created by them have been increasing year by year, but the decreasing trend of the approbation rate indicates their value creation ability lacks sustainable momentum. The comparison on the distributions of the appreciation value indicates that the strong position of capital in the distribution system has been changed, and the financing and tax environments provided by Guangdong and Jiangsu provinces are more favorable for enterprises' development. Through the measurement on the fairness of labor-capital distribution from the perspective of industrial structure transformation, the shift from "profits eroding wages" to "wages eroding profits" in labor-capital distribution has emerged in the manufacturing industry, while the labor-capital distribution tendency of "strong capital and weak labor" is still present in the service industry.

8.1

Controlling Shareholders' Share Pledging and Firms' Mergers and Acquisitions

Ke LIAO[1], Deren XIE[2]

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Based on a sample of Chinese listed firms between 2003-2016, this paper empirically tests the relation between controlling shareholders' share pledge and firms' merger and acquisition activities. The empirical results show that firms with controlling shareholders pledging their stockholdings are more active and aggressive in mergers and acquisitions in order to influence their share price. Specifically, we show that pledging firms have more, in terms of the number of deals as well as deal sizes, mergers and acquisitions, and pay a greater premium for targets. Meanwhile, the association is more pronounced in firms with higher levels of earnings management or large stock-splits in the prior period, in firms whose controlling shareholder has a higher margin call risk and in firms with higher price-to-earnings ratios. There is no evidence that the pledging firm has a superior post-merger performance, and pledging firms are more likely to impair goodwill subsequently, partly ruling out alternative explanation regarding the reverse causality that controlling shareholders of firms with better growth opportunities are more likely to pledge their shares. The evidence is consistent with the hypothesis that such mergers and acquisitions are motived by controlling shareholders' incentive to justify the share price. The analysis helps investors evaluate the potential risk and opportunism concerning share pledging and merger and acquisitions.

8.2

The Value of Academic Directors to Stakeholders: Evidence on Corporate Social Responsibility Reporting

Hsin-Yi Huang[1], Cheng-Hsun Lee[2], Chih-Hsien Liao[3]

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[2]Cheng Kung University
[3]Taiwan University

This study explores the regulatory setting in Taiwan and examines the association between academic directors and corporate social responsibility (CSR) reporting. We find that firms with academic directors on the board are more likely to issue a stand-alone CSR report and obtain third-party assurance on their CSR reports. We also find a positive association between CSR reporting and academic directors with industry expertise. Further cross-sectional analyses indicate that the positive relation between academic directors (and their industry expertise) and CSR reporting is stronger in firms with higher growth, greater institutional ownership, and larger control-ownership divergence. Our findings that the presence of academic directors can promote better sustainability reporting suggest that academic directors contribute not only to shareholder value but also to wider stakeholder interests.

8.3

Corporate social responsibility reporting in an Islamic country: The case of Saudi Arabia

Khalid Mujahid Alharbi[1], Helen Hong Yang[2], Alan Farley[3]

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This study explicitly addresses the contextual factors of CSR in a strong Islamic society. It is the first known study that investigates the corporate social responsibility (CSR) disclosure in the context of the Kingdom of Saudi Arabia's (KSA) changing social and economic environment marked by the Saudi Vision 2030. CSR reporting by 115 companies listed on Tadawul, Saudi Arabia were analysed for the period between 2015 and 2018 using content analysis method. A research instrument has been developed to capture the country-specific Islamic culture of Saudi Arabia. Results show the immediate impact of the Saudi government's guidelines on the increase of CSR disclosure by Saudi companies. The results also reveal the influence of Islamic culture on the content of CSR disclosure. The study has academic, social and economic implications for other Islamic societies.

9.1
Corporate Governance and Earnings Management: A Banking Industry Perspective

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This paper addresses interrelation of corporate governance mechanism and income-increasing earnings management from a banking perspective. Specifically, it investigates the impact of Hong Kong Corporate Governance Code (measured by board and audit committee characteristics) on earnings management, using a sample of 28 banks listed in Hong Kong Exchanges and Clearing Market from 2005 to 2016. By using two earnings management proxies, namely small positive net income (SPOS) and loan loss provisions (LLP), applying logit and linear regression models respectively, this study documents that increasing number of committees under board of directors (NOCOM) and proportion of audit experts on audit committee (AUEXP) will decrease the tendency as well as the magnitude of upward earnings management in banks listed in Hong Kong. The paper adds to the body of research on corporate governance and earnings management in the East Asian region and help regulators to find out the effectiveness of Corporate Governance Code in constraining opportunistic behavior in the banking industry.

9.2
Redesigning Accounting Curriculum to meet Requirements of the Digital Age

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Constant growth and advancement in today's digital age has become an impelling force to the accounting profession. This evidently has direct impact on the pedagogy of accounting education in both academic and professional qualification pathways to prepare students to meet work challenges of the digital age. Nevertheless, calls for reinventing teaching resources and to integrate digital technology content into the accounting curriculum has been strongly gaining support from corporations, professional accounting bodies, American Accounting Association (AAA) and the Association to Advance Collegiate Schools of Business (AACSB). This paper provides insights into eleven teaching platforms that are relevant to prescriptive accounting technologies and tools that warrant inclusion into any accounting curriculum. The study also examined eighteen modules that were being taught by higher learning institutions to understand the level of digital technology inclusion into the curriculum. The study reports what is available for inclusion into the accounting curriculum and provides guidelines as to how to integrate technological resources that can support educators to achieve digital learning objectives. Lastly, awareness, antecedents and challenges of technology inclusion in the accounting curriculum for preparing accounting students to meet new career requirements in the digital age is examined.

9.3

Investor Stewardship Code Compliance and Investee Earnings Quality: Evidence from Japan

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[2]Hitotsubashi University

This study examines if adoption of the Japanese Stewardship Code by institutional investors is related to the earnings quality of their investee companies. Analysis of a sample of Nikkei 225 Index companies shows the level of shareholding held by Code compliant top-five institutional investors is related to lower discretionary accruals. In addition, increasing Code adoption is related to decreasing discretionary accruals, suggesting higher quality reported earnings follows Code adoption. The results also suggest Code adoption reduces the likelihood of earnings management to meet earnings benchmarks. The study finds the stewardship regulatory model is effective when internal governance is weak and external monitoring such as by institutional investors is a viable substitute or complement.

10.1

CEOs under Fire: The Effect of Competition from Talented Inside Directors on Corporate Social Responsibility

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The presence of talented inside directors on board could enhance governance performance as it serves a credible CEO replacement mechanism. This study examines the effect of talented inside directors on CSR using a sample consisting of 18,256 U.S. firm-year observations from 1998 to 2016. Our result shows a significantly negative association between the presence of talented inside directors and CSR, suggesting that the presence of talented inside directors discourages CEOs to undertake CSR for their own interests. Our main result remains unchanged after correcting for endogeneity issues by using propensity matching (PSM) method, instrumental variable (IV) approach and different-in-difference (DID) method. Additionally, cross-sectional analyses show that presence of talented inside directors reduces CSR especially in firms where agency problems are more salient and inside directors are more likely to replace CEOs, supporting the monitoring role of inside directors. Finally, we show that the presence of talented inside directors improves the valuation of CSR. Taken together, this study suggests that electing talented inside directors on board is an effective mechanism to monitor a firm's CSR and enhance the value of CSR.

10.2
Stakeholder Importance and Corporate Social Responsibility: Evidence from a Quasi-Natural Experiment

C.S. Agnes Cheng[1], Xiaohui Li[2], Zeyu Sun[3], Jing Xi[4]

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[3]University of International Business and Economics

We investigate whether stakeholder importance perceived by the board leads to better corporate social responsibility (CSR) performance and whether changes in CSR, due to exogenous shocks to stakeholder importance, affect firm value. Taking the adoption of state-level constituency statutes as a quasi-natural experiment, we find that firms increase CSR after the adoption and the effect is stronger for firms with more severe conflict of interest between shareholders and stakeholders. We also find that increased CSR performance following constituency statute adoption leads to increases in firm performance and valuation, providing new evidence of a positive causal relation between CSR and firm performance and valuation. Overall, our paper suggests that the awareness of boards of the stakeholders' interest is effective in governing firms to perform the proper type of CSR that satisfies both stakeholders and shareholders and reduce the conflict of interests between them.

10.3
Managerial Ability, Corporate Social Responsibility and Tax Avoidance

Li-Kai Liao[1], Ya-Chih Yang[2]

[1,2]Cheng Kung University

This study aims to investigate whether corporate social responsibility (CSR) play a role in the relationship between managerial ability (MA) and tax avoidance (TA). Since controversial firms behave differently from the other regular industries in the CSR issues and are under different tax regulations, this research further examines whether the MA-TA relation changes in the controversial industries. Before considering CSR, the evidence shows a positive relationship between MA and TA, implying that managers with high ability might engage in TA behavior. After considering CSR, the results show that CSR mitigates the positive MA-TA relationship. However, we find that the higher the MA, the more the TA only in non-controversial industries rather than the controversial ones. The result indicates that controversial industries are less likely to avoid taxation possibly due to strict tax regulations.

11.1
Analysis of Government Regulations Regarding Public Accountant Rotation in Indonesia

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This research analyzes Government Regulation No.20 of 2015 which abolishing the rotation rule and extends the tenures of public accounting firms to 5 years and regulation KMK No 359/KMK.06/2003 and PMK No.17/PMK.01/2008. Using data of 1358 firm-years who are listed on Indonesian Stock Exchange (IDX) for the period 2008-2014, this research shows that public accounting firms rotationsdo not affect audit quality. In contrast, public accountant tenures are proven to have a convex quadratic effect on audit quality with maximum point of 3 years. Moreover, this research proves that public accounting firm rotations negatively affect audit quality. With this result, we can conclude that abolishing the rotation rule, based on PP No.20 of 2015, is the appropriate regulation; however, not for the regulation that extends public accountants tenures which result proves that public accountant tenures only increase the audit quality for first three years. This result also prove that pseudo-rotations of public accounting firms negatively affect audit quality, while real public accounting firms rotations do not affect audit quality.

11.2
Geographic Location of Audit Committee Chairs and Accruals Quality: Evidence from China

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We examine if the geographic proximity of audit committee chairs (ACCs) to firms is associated with accruals-based financial reporting quality with a large sample of Chinese firms. We define the ACC who is in the same province/municipality as the firm headquarters as "local" and the ACC who is not as nonlocal. We find that a local ACC is associated with a higher accruals quality, evidenced by the decrease in absolute value of discretionary accruals. The result is robust after controlling for the endogeneity problems using propensity score matching (PSM) and the difference-in-differences approach, considering the introduction of high-speed rail in China as an exogenous shock to the geographic distance between firms and ACCs. Furthermore, we find strong evidence that local ACCs are associated with better accruals quality in firms with higher information asymmetry and some evidence that the association between local ACCs and better accruals quality is weakened in firms with powerful CEOs. The findings suggest that geographic proximity facilitates information acquisition of audit committee chairs, rather than cultivating their agency problem.

11.3

The Effect of Monetary Policy on Voluntary Disclosure

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In this paper, I investigate the effect of expansionary monetary policy on voluntary disclosure. I focus on changes in the U.S. federal fund rate and LIBOR because while these changes affect a broad spectrum of firms via their effects on the cost of capital, they are relatively exogenous to individual firm's circumstances. On the one hand, the fall of rates may discourage firms from increasing disclosure due to the decreased financing costs. On the other hand, firms may increase voluntary disclosure in expectation of increased investment spending and external financing needs. Hence, the effect of expansionary monetary policy on voluntary disclosure is an empirical question. Using management earnings forecast to proxy for voluntary disclosure, I find that firms facing expansionary monetary policy would increase earnings guidance, consistent with the hypothesis that firms choose to increase disclosure to expand external financing and investment. The crosssectional tests show that the above effect is stronger for more persistent expansionary monetary policy versus transient expansionary policy, for firms who depend more on external financing and have more growth opportunities.

12.1

Mandatory vs. Voluntary Disclosure on Management Forecast in China

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This study examines the difference in management forecast quality based on mandatory vs. voluntary disclosure under the particular system in China. It attempts to examine the management forecast quality in China's stock markets from two perspectives: management forecasting error (MFE) and value relevance. The analysis results show that there is a difference in management forecast quality between different disclosure approaches: mandatory vs. voluntary. The disclosure approach is significantly associated with both forecast accuracy. Voluntarily-disclosed forecasts are more likely to be more accurate than mandatorily-disclosed forecasts and contribute to a better performance of accuracy estimation. The results, from the perspective of MFE and value relevance, hold in accordance with the belief that the management forecast quality in China's stock markets under voluntary disclosure is higher than under mandatory disclosure.

12.2
Consumer Empowerment, Corporate Innovation, and Cost of Capital: Evidence from Europe

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This study explores whether and how consumer empowerment affects the costs of capital of a firm. Using firm data from 19 European countries, we find that the costs of equity and debt capital are higher for firms in countries with stronger consumer empowerment, and the impacts are more pronounced in more competitive industries. Further analyses reveal that firms faced with greater consumer empowerment invest more in research and development (R&D) and have less operating flexibility. To conclude, consumer empowerment increases the operating risk of firms and motivates them to make investments in innovation, which increase their costs of capital.

12.3
Media as Other Information for Fundamental Valuation

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Media is an important information intermediary. In this study, we examine whether media coverage contains information about a firm's fundamental value incremental to earnings, book value, and analyst forecasts. Using Ohlson's (1995) residual income model, we show that media coverage helps predict firm future earnings, and stock prices of firms with more media coverage are more aligned with firm fundamental values. We also show that our results are strengthened when the content of the media coverage is more investigative and when the media coverage is not relevant to firms' fundamentals.

13.1
Do investors listen to firms' voice: The role of government subsidies in market reactions to earnings announcements

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This paper endeavors to investigate whether the level of government support affects investors' perception and utilization of firms' released information transmitted through financial disclosure. Specifically, we explore the effect of government subsidies on market reactions to firms' earnings announcements. Based on a sample of 17246 firmyear observations for Chinese listed firms, we find that earnings announcements released by firms with more government subsidies are perceived as more credible by outside investors and thus elicit stronger market reaction. Further analysis indicates that the positive effect of government subsidies on market reactions to earning announcement is more pronounced when firms' are associated with poorer corporate governance and greater information asymmetry. These results suggest that government support acts as a substitute for corporate governance and support the notion that government support plays a more important role in poorer information environments. Supplementary path analysis shows that government support enhances investor reactions to earnings announcements through three possible channels: gaining government support can improve firms' earnings quality, reduce firms' inefficient investments, and enhance firms' market competition. And these elements subsequently generate stronger market reactions. Our findings have important implications for the determinants of capital market efficiency and informativeness of firms' financial reporting.

13.2
The Information Content of Cost Behavior Components: Evidence from Labor Market Flows

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[3]University of Texas at Dallas

We examine the information content of cost behavior components in firms' asymmetric cost function, namely, aggregate-level elasticities of costs with respect to sales increases vs. decreases. We show that the persistence of the elasticity of costs is higher for sales increases than for sales decreases. Using business-level job flows from the Business Employment Dynamics (BED) dataset, which has recently been made available by the BLS, we find that, after accounting for GDP growth and other macroeconomic indicators, the aggregate elasticity of costs with respect to sales increases explains gross job inflows, but not gross job outflows. On the other hand, the aggregate elasticity of costs with respect to sales decreases explains gross job outflows, but not gross job inflows. When we include both elasticities in the regression, both are significant but with opposite signs. We obtain similar results in vector autoregression (VAR) models. Additional tests indicate that: (a) the effect of aggregate elasticity of costs with respect to sales decreases is more pronounced in periods with high uncertainty; and (b) asymmetric cost models explain more of the variation in job outflows than models that assume symmetric cost responses.

13.3
Labor Protection and Corporate Tax Avoidance: A Cross-country Analysis

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In this paper, I investigate the impact of country-level labour protection laws on corporate tax avoidance behaviour in an international setting. By using the index of employment contract laws (ECL) as proxy for the influence of laws governing individual employment contracts, I provide evidence suggesting that firms in countries with stronger employment contract laws exhibit greater tax avoidance. The relation is more pronounced in labour-intensive industries and in firms with financial constraints. Overall, results suggest that employment contract laws play a crucial role in corporate tax avoidance decisions through increasing labour adjustment costs and thus boosting the demand for internal financing through tax avoidance.

14.1
Spillover Effect of Peer-to-Peer Lending on Loan Losses of Commercial Banks

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Financial technology companies play an increasingly important role in the financial system. I focus on peer-to-peer (P2P) lending platforms to investigate the effect of P2P lending on loan losses of traditional banks by examining whether and how P2P lending activity in a state affect the expected loan losses of commercial banks within the state. On one hand, if P2P lending results in more overleveraged borrowers, one might expect banks to report more expected loan losses. On the other hand, if P2P lending provides borrowers with another source of funding to repay their bank loans, one might expect banks to report less expected loan losses. Consistent with the overleveraging effect, I find that banks in states where P2P lending volume is higher report higher loan loss provisions and that this positive relation is stronger for banks that are more likely to have overleveraged borrowers. Focusing on the fact that banks have some discretion over loan loss provisioning, I document that the relation between P2P lending and banks' loan loss provisions is stronger for banks with a higher capacity, in terms of earnings before loan loss provisions and regulatory capital, to accrue loan losses. In a supplementary test, I find evidence that P2P is associated with higher future loan charge-offs. Overall, my study sheds new insight into the interaction between FinTech firms and traditional financial institutions.

14.2
The Effect of Shareholder Activism on Earnings Management: Evidence from Shareholder Proposals

Jeffrey Ng[1], Hong Wu[2], Weihuan Zhai[3], Jing Zhao[4]

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We find that in general, both accrual-based and real earnings management decrease after shareholder-sponsored governance proposals are passed. However, among the different types of proposals, there is significant heterogeneity in their effects on earnings management. Specifically, for proposals that focus on changing the governance structure (e.g., board independence), we find reductions in both types of earnings management. In contrast, for proposals specifically targeted at improving financial reporting quality, accrual-based earnings management decreases while real earnings management increases, suggesting that increased constraint on accrual-based earnings management induces a shift toward real earnings management. The compensation-related proposals are insignificantly related to future earnings management. Our paper indicates that when it comes to investigating the effect of shareholder activism, it is important to consider the nature of various shareholder intervention.

14.3
The Effect of Loan Loss Recognition Timeliness in the Banking System on Firms' Investment Efficiency

Muhabie Mekonnen Mengistu[1], Jeffrey Ng[2], Walid Saffar[3], Janus Jian Zhang[4]

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In this study, we examine whether the timely recognition of loan losses by banks affects firms' investment efficiency. The timely recognition of loan losses serves as an early warning mechanism for a bank's problem loans, which, in turn, triggers earlier scrutiny of the bank by various stakeholders. Such scrutiny increases banks' incentives to closely monitor and advise client firms about their investment decisions. Using data from over 50 countries across 20 years, we document that more timely recognition of loan losses by banks reduces firms' investment inefficiencies (underinvestment and overinvestment). We further find that the reduction in investment inefficiencies is more pronounced in countries with weaker investor protection and stringent capital requirement and among firms that are more opaque. Overall, our study offers new insights by showing that the accounting system used by one party (lenders) can affect the real economic decisions of the other contracting party (borrowers).

15.1
Cross-market Information Transfer and Voluntary Corporate Disclosure: Evidence from Stock Options Trading

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Motivated by the close relation between stock options and the underlying stock and the informed trading taking place in the options market, we examine the effect of options trading on voluntary corporate disclosure. We find that options trading reduces the likelihood and frequency of management earnings forecasts, suggesting that firms with active options trading on their stock make fewer voluntary disclosures. This finding suggests that information transfer from the options market to the stock market can increase stock price informativeness, in turn reducing the need for firms to engage in voluntary disclosure to guide investor expectations. We further document that the negative relation between options trading and management forecasts is more pronounced for firms with a poorer information environment, a finding that highlights that information transfer from other markets is more important for more opaque firms. We also find that the negative relation is more pronounced for firms with stock market conditions that facilitate more price discovery. Lastly, we show that options trading reduces firm information asymmetry. It also reduces the specificity and informativeness of management forecasts. Our paper offers new insight into how cross-market information transfer can affect voluntary disclosure.

15.2
中國上市公司股權融資偏好影響因素研究

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As we all know, western capital markets are relatively sound and effective, and the financing structures of listed companies in western countries mostly meet the “priority financing theory”. In contrast, the capital market in China is not perfect, and the financing structure of listed companies is very different from that of developed countries. This alone will not explain what is wrong with our financing structure. On the contrary, it may be the inevitable result under the imperfect market. However, the problem is that equity financing preference development of China’s listed companies is not healthy. Many companies sufficient funds also tend to use the equity financing trains to issue shares or additional shares. It goes without saying that this will inevitably affect the improvement of the capital market. Therefore, this paper selects a total of 203 A-share companies participating in the issuance of share allotment in 2017, and adopts a stepwise regression analysis method to establish a multivariate regression model. It is concluded that: 1. The financing preference of listed companies in China is very different from that of foreign companies; 2. Listed companies in China Equity financing decisions tend to be issued with additional shares; 3. China's share reform has been effective; 4. The main factors affecting the company are company size, income tax, profitability, asset-liability ratio and mortgage value.

15.3
Information Disclosure Readability in Chinese Listed Companies: Chinese FOG Index Construction and Application

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The disclosure of non-financial information from listed companies has become a hot topic in the accounting research field. Text-format non-financial information often carries more effective information than non-text. The readability of such information is an important index reflecting the quality of information disclosure. The FOG index, proposed by Robert Gunning in 1952, is the most commonly adopted text readability index; unfortunately, it is only suitable for English text. In this study, annual financial reports of 200 listed Chinese companies from 2009 to 2018 are treated via machine learning and text-mining methods to build a new FOG index which is suitable for measuring the readability of Chinese text. Statistical methods such as Cluster Analysis, Ridge Regression, and LARS regression are also utilized to get the final model. Then we apply the proposed index to prospectuses of Chinese listed companies in the Sci-Tech innovation board to measure their readability and thus the quality of their information disclosure. We tentatively build an assessment model for Chinese text readability which may enhance the intelligibility and observability of non-financial information disclosure quality in the Chinese market.

16.1
Book-Tax Differences, CEO Overconfidence, and Bank Loan Contracting

Audrey Hsu[1], Cheng-Few Lee[2], Sophia Liu[3]

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We assess information embedded in the difference between the reported book income and the taxable income (the book-tax differences, BTDs hereafter). Using bank loan contracts of U.S. companies, we find that a firm with larger book-tax differences pays more interests for its bank loan than does a firm with smaller book-tax differences. We also find that banks reduce the use of financial covenants while increase the use of general covenants for the borrowing firms which have larger book-tax differences, suggesting that larger book-tax differences imply the concerns regarding financial reporting quality, thereby increasing information risk and agency costs of debts. We further find that the effects of BTDs on loan contracting are stronger if CEOs of the borrowing firm are classified as overconfident.

16.2
Meeting Anti-money Laundering Goals: a Matter of New Technologies or Coordination among Stakeholders?

Ming Liu[1], Jieqi Guan[2], Huijun Yang[3]

[1]University of Macau
[2,3]Institute for Tourism Studies

Macau has been at the forefront of money laundering activities mainly because of the presence of the many casinos which ironically, also contribute largely to the GDP of Macau. However, unscrupulous individuals and syndicates have taken advantage of the presence of the casinos to hide the flow of their illegal money. This study aims to investigate how the establishment of new technologies has helped fight money laundering in Macau and if financial inclusion and proper coordination between casinos and law enforcement have been effective deterrents to the activity. Quantitative method is used to find out the relationship of the establishment of new technologies and the implementation of financial inclusion on the number of suspicious transaction reports in Macau. Empirical method is also used to find out if proper coordination is being done by the casinos with the banks and Macau's financial regulatory commissions related to anti-money laundering activities. The finding shows that information technology investment does not affect much either on the number of the suspicious transactions reports or the purchase of building units and parking spaces. Besides, the result also shows that domestic credit of private sector has a positively significant relationship with the number of suspicious transaction reports. This emphasizes the need for Macau's anti-money laundering units to keep an eye on the financial resources for the activities of money launderers.

16.3
Timely Loan Loss Recognition in the Banking System and Firms' Debt Structure

Xiao Li[1], Jeffrey Ng[2], Walid Saffar[3]

[1]Central University of Finance and Economics
[2,3]The Hong Kong Polytechnic University

In this paper, we examine how the timeliness of loan loss recognition within the banking system affects borrowers' debt structure. Using data from 55 countries, we find that more timely loan loss recognition reduces firms' reliance on bank debt, consistent with firms relying less on bank debt due to more costly monitoring by banks. In addition, we find that this negative impact is more pronounced when there is stringer regulatory supervision of banks and among financially constrained and opaque firms. We further find that the negative impact is more pronounced in countries with more developed bond markets, consistent with such markets facilitating a switch from bank debt when banks impose more costly monitoring on firms.

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18:00 & 20:00	From University of Macau to Sands Cotai Central

Bus

From	**Suggested Route**
Macao	71, 73
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