

## Accounting Research Workshop (ARW) – SS 2018

**Referent:** Prof. Steve J. Huddart

**Universität:** Professor in Accounting at the PennState University

**Forschung:** Research on how decisions are affected by information, incentives, social norms, and behavioral biases; on relationships between disclosure and insider trading; financial reporting, taxation, compensation, and valuation aspects of employee stock options; effects of ownership structure on corporate value; and determinants of investors' decisions to trade

**Datum:** 26. Juni 2018

**Thema:** „Reporting System, Investor Learning, and Stock Return Regularities“

**Abstract:** “We propose a unified framework for understanding the impacts of earnings persistence and earnings informativeness in explaining accounting-based regularities. The underlying states of a firm follow a Markov process and are only imperfectly revealed through signals from a reporting system. Based on the signals, a representative Bayesian investor forms beliefs about the hidden states. Our model delivers predictions that are consistent with several empirical findings on the relationships between accounting reports and stock returns, including market reactions to breaks of earnings strings, and the return predictability based on accruals and booktax differences. We also conduct simulations to gauge how these regularities vary with two characteristics of the reporting system, informativeness and conservatism.”



We were pleased that we could welcome Prof. Steve J. Huddart at the Accounting Research Workshop at the faculty of Business Administration and wish him all the best for his future work and research projects.