



LUDWIG-
MAXIMILIANS-
UNIVERSITÄT
MÜNCHEN

FACULTY OF BUSINESS ADMINISTRATION
MUNICH SCHOOL OF MANAGEMENT
INSTITUTE FOR ACCOUNTING, AUDITING AND ANALYSIS
PROF. DR. THORSTEN SELHORN



Accounting Research Workshop (ARW) – SS 2019

Referent: Prof. Philip Joos

University: Professor of Accounting at the Tilburg University

Research: „My research is situated in the area of empirical financial accounting. My dissertation research at Stanford University focused on earnings prediction and accounting-based equity valuation, with a specific application in the pharmaceutical and biotech industry. I also investigated the role of earnings and R&D quality measures in a real options valuation model. Another research interest is in initial public offerings (IPOs), with a particular focus on the (failure) risk assessment and the pricing of the risk. I have conducted research on the effects of the implementation of IFRS (international financial reporting standards). Recently, I used eye-tracking experimental methods to investigate the processing of reporting and forecast information.”

Date: 07.05.2019

Topic: „Agency Costs, Restrictive Covenants and the Pricing of Private and Public Placement Bonds“

Abstract: „Using a sample of 1217 US dollar denominated private and public placement bonds issued by European firms in the period 2002-2015, we find that the spread on private placements is on average more than 100 basis points higher than for public placements. This excess spread is partially explained by credit risk but equally important by agency costs as proxied by the use of covenants. Moreover, together with credit risk, agency costs also explain an important part of the variation in spreads of public placement bond spreads. We provide evidence that the effect of covenant intensity on spread follows a U shape. Differentiating between investment and financing covenants, the data suggests that the use of investment covenants resolves agency conflicts, resulting in lower spreads. In contrast, adding financing covenants may lead to suboptimal decisions, resulting in higher spreads.”

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