

POSTGRADUATE SEMINAR SERIES

Research Findings Seminar

Topic Title : **Discipline firm management: a field experiment in the US and Chinese**

Presenter : **Ms. XU Chen**

MPhil Student of Finance and Insurance

Abstract : Earnings management remains one of the most pervasive issues in finance research. It plays a central role in financial statements and quality of reported earnings. Existing research has made progress in identifying methods to mitigate earnings management, such as increasing CEOs and board independence. However, firms remain in the practice of engaging in earnings management activities. It is imperative to explore new methods for addressing the problem and improve corporate earnings quality.

Recent studies raise the governance role of investor communications has been raising and widen. Thus, this may be a possible solution as it may increase transparency and reduce information asymmetry between managers and investors. Two main investor communication channels are examined in this study: Investor Relations (IR) email and social media activities. As more shareholders rely on network as their primary source of information, these platforms offer investors an effective way to raise concerns and protect their rights.

To investigate the impact of investors to mitigate earnings management, we conduct a randomized controlled trial (RCT) to examine firms' reactions to shareholder allegations in subsequent periods. The sample contains all listed firms that have top one third discretionary accruals value in each industry. All sample firms are randomly assigned into five groups. This trail covers around half a year from July 1, 2021, and Jan 31, 2022. For social media, we use Twitter in the US, and Xueqiu, Guba, and Weibo in China. For the IR platform, we send email to the official IR department.

Our results show that the mitigation effect of investors on earnings management through the accusation of high discretionary accruals is significant in both the US and Chinese markets when using both IR email and social media. Furthermore, citing social media posts in the IR email amplifies the impact of investors' concerns. These conclusions are robust to several additional tests.

Date : **12 April 2023, Wednesday**

Time : **15:00 – 16:00**

Venue : **SEK210, 2/F, Simon & Eleanor Kwok Building**

Language : **English**



***** All are Welcome *****