

**Internet Appendix A244: Finance – CFO Gender**

**Illustrative Reverse Engineered Pitch Template Example**

Pitcher's name	Rongjun (Gavin) Guan (UQ Summer Scholar)	FoR category	Accounting/Remuneration/corporate governance	Date Completed	28 January 2018
(A)Working title	Duong & Evans, 2016. Gender differences in compensation and earnings management: Evidence from Australian CFOs. <i>Pacific-Basin Finance Journal</i> , 40, pp.17–35.				
(B)Basic Research question	Whether the CFO gender has a material impact on CFO compensation and earnings management in Australia.				
(C)Key papers	Barua, Abhijit et al., 2010. CFO gender and accruals quality. (chief financial officer)(Report). <i>Accounting Horizons</i> , 24(1), pp.25–39. Gayle, G., Golan, L. & Miller, R.A., 2012. Gender Differences in Executive Compensation and Job Mobility. <i>Journal of Labor Economics</i> , 30(4), pp.829–872. Duong & Evans, 2015. CFO compensation: Evidence from Australia. <i>Pacific-Basin Finance Journal</i> , 35, pp.425–443.				
(D)Motivation/puzzle	<p><b>Fact:</b> There has been a significant increase in female representation in corporate senior management teams over the past decades, which provides an ongoing motivation for the research.</p> <p><b>Myth:</b> The majority of Australian research focuses on examining the role of CEOs on earnings quality (Wilson, 2011). Jiang et al. (2010) find CFOs have more influence on earnings management than CEOs</p> <p><b>Research Gap in CFO compensation</b></p> <ul style="list-style-type: none"> <li>• There are a number of studies that have been undertaken to examine the gender pay gap in executive compensation but little work to date has specifically included the role of CFOs in this discussion.</li> <li>• Existing literatures that exclusively investigating the influence of CFO gender on compensation are US-based. The results are not necessarily applied to Australia because the US and Australia differ in the size of companies with female CFOs, proportion of CFOs who are board of directors and regulation on audit committees.</li> </ul> <p><b>Research Gap in the relationship between gender and earning management:</b></p> <ul style="list-style-type: none"> <li>• There is limited evidence about the effect of CFO gender on earnings management in Australia and the results in the US market are mixed.</li> <li>• Past research has mainly concentrated on accruals-based earnings management and ignored the real transactions manipulation when examining the impact of CFO gender on earnings quality.</li> <li>• There is no current study that examines the influence of female CFOs on the real-based earnings management choice.</li> </ul>				
THREE	Three core aspects of any empirical research project i.e. the “IDioTs” guide				
(E)Ideas?	<p>The <b>core idea</b> motivating this research was to investigate the impact of CFO gender on CFO compensation and earnings management in Australia. To examine this idea, two main hypotheses are established:</p> <ul style="list-style-type: none"> <li>• There is no significant variance between Australian male and female CFOs in terms of compensation level and compensation structure.</li> <li>• CFO gender does not influence earnings quality and earning management practice in the Australian market.</li> <li>• To test the first hypothesis, the model established is: CFO compensation or structure  <math display="block">= \beta(\text{Femal CFOs}) + \delta_k(\text{CFO characteristics}) + \theta_m(\text{Governance Characteristics}) + \lambda_n(\text{Financial Chaaracteristics}) + [\text{Year Dummies}] + [\text{Industry Dummies}] + \varepsilon</math></li> </ul>				

	<p>The dependent variable are CFO compensation, measured by annual bonus, annual salary, annual non-cash compensation and annual compensation, and CFO compensation structure, calculated as the proportion of salary, bonus, cash and non-cash compensation to their total compensation.</p> <ul style="list-style-type: none"> <li>To test the second hypothesis, the model established is:  EarningManagement  <math display="block">= \beta(\text{Femal CFOs}) + \delta_k(\text{CFO characteristics}) + \theta_m(\text{Governance Characteristics}) + \lambda_n(\text{Financial Chaaracteristics}) + [\text{Year Dummies}] + [\text{Industry Dummies}] + \varepsilon</math> </li> </ul> <p>The dependent variable determined is Earning Management including both accruals management (AM), estimated as the accrual estimation errors, and real transactions management (RTM), examined by the manipulation of cash flows from operations (CF), discretionary expenditures<sup>8</sup> and production costs.</p> <ul style="list-style-type: none"> <li>In both test, the variable of interest is Female CFOs, a binary variable equal to 1 if the company CFO is female.</li> </ul>
(F)Data?	<p>The sample data is extracted from the Top 500 firms by market capitalization listed on the ASX between 2006 and 2010.</p> <p>Data on CFO compensation, CFO characteristics and corporate governance for each company are taken from the <i>S&amp;P Capital IQ</i> database. Where the information in the S&amp;P Capital IQ database is not available, the data was extracted from the firm's annual report from <i>Aspect FinAnalysis</i> database.</p> <p>The final sample consists of 556 firm-year observations.</p>
(G)Tools?	<ul style="list-style-type: none"> <li><b>Database:</b> <i>S&amp;P Capital IQ</i> database &amp; <i>Aspect FinAnalysis</i> database</li> <li><b>Univariate analysis</b></li> <li><b>Multivariate analysis using statistical software.</b></li> <li><b>Robustness test: matched firms using the propensity matching score method</b></li> </ul>
TWO	Two key questions
(H)What's new?	<ul style="list-style-type: none"> <li>This is the first work in Australia that investigates the gender role at the CFO level.</li> <li>The study pioneers in exploring the gender difference in both accruals-based earnings management and real transactions manipulation in Australia.</li> </ul>
(I)So what?	<ul style="list-style-type: none"> <li>The outcome of this study is valuable in uncovering pay inequity and earnings management behavior in this defined executive role.</li> <li>The result shows that Female CFOs, despite being underpaid than their male counterparts, are more cautious in earning management. This phenomenon raises a number of questions worth considering in an era where the majority of graduates from Australian Business Schools are female.</li> <li>The findings of the research also provide some insights into different pay components between male and female CFOs and could be of practical value for enterprises in Australia when employing CFOs and determining their remuneration.</li> </ul>
ONE	One bottom line
(J)Contribution	<ul style="list-style-type: none"> <li>The Paper contribute to the literature by examining the gender difference in both accruals and real earnings management.</li> <li>The study fills the research gap in the impact of gender on CFO compensation in Australia</li> <li>The empirical study also provide the potential interpretations for the disparity in CFO payment between genders.</li> </ul>
(K) Key Findings	<ul style="list-style-type: none"> <li>There is a significant gender pay gap in Australian CFO compensation in the original sample</li> <li>The CFO pay disparity could be affected the size effect as larger firms primarily offer higher remuneration packages to their executives</li> <li>Female CFOs are more conservative in both accruals and real earnings management policies</li> </ul>