

Internet Appendix A2: Illustrative Pitch Examples in Accounting

This appendix presents two exemplar accounting examples – in three versions: (a) original pitch; (b) original pitch with feedback; (c) revised pitch after feedback.

EG1: Financial Reporting and the GFC

(a) EG1 Original Pitch

Working Title	“Financial Reporting of European Financial Institutions During the GFC” Raluca Ratiu
Basic Research Question	What are the determinants and the effects/consequences of the massive intangible assets’ impairments of European banks during the crisis?
Key papers	Mary E. Barth and Wayne R. Landsman (2010) How did Financial Reporting Contribute to the Financial Crisis?, <i>European Accounting Review</i> , 19:3, 399-423 Christian Laux and Christian Leux (2010) Did Fair Value Accounting Contribute to the Financial Crisis?, <i>Journal of Economic Perspectives</i> , 24:9, 93-118 (Dushyantkumar Vyas (2009) The Timeliness of Write-downs by U.S. Financial Institutions during the Financial Crisis of 2007-2008, Working Paper)
Motivation/Puzzle	Motivation: According to Shaffer (2010) the decrease in bank asset values necessitated recognition of impairments. The crisis has supposedly worsened due to a procyclical effect of impairing large amounts of bank assets, down to a perceived artificially low value. Allegedly auditors forced managers into impairing assets to unrealistically low values. Had managers been allowed to follow own judgment to better assess assets’ value, the crisis may have been less severe. Puzzle: what were the real drivers of the bank assets’ impairments? What were the consequences of these impairments?
THREE	
Idea?	Empirically test a few leads in the financial reporting+ financial crisis literature, which is almost exclusively focused on US banks, in the European setting. The crisis in Europe had different characteristics and timelines than the US, which allows for potential interesting results to surface. Among the tested determinants, fair value appears to be most discussed in the literature, but managerial discretion, corporate governance or value relevance of impairments are also potential determinants.
Data?	(1) Setting: EU, project requirements and novelty; Unit of analysis: individual financial companies; Sampling: annual; Focus: key intangible assets in financial institutions (2) Expected sample size: Cross-sectional: Sample Period: 2007-2011 (3) Data source: COMPUSTAT Global/Bank Fundamentals Annual (4) Data collections: mostly automatic, careful manual adjustments may be needed to perfect the sample
Tools?	Pooled/ panel data regression model approach, Software: Eviews (one year license from UQ), Pooled/Panel Data modeling- Eviews Webinar will provide useful insights for this Knowledge of implementation: own+ collaborations
TWO	
What’s New?	The idea has not yet been explored, to the best of my searches, in the accounting-finance empirical literature, is novel for the results it seeks to unveil and to the European focused papers as well.
So What?	Knowledge of bank asset impairment is crucial, because bank assets were at the center of the financial crisis. Massive impairments may have worsened the crisis, because they engaged in a procyclical effect. The answer to the research question is important for future accounting treatment of bank assets in time of economic distress and in order to take further necessary actions to recover from the consequences.
ONE	
Contribution?	New empirical research which covers bank asset impairment+financial crisis is needed and this paper will reveal answers to two main concerns: what to stay away from in time of distress and what are the effects which can be prevented when you have the answer to the research question.
Other Considerations	Collaboration: - 2 month mobility within EU country, compulsory in the postdoctoral program - Idea: yes, feedback for polishing the “core idea” - Data: yes - Tools: yes

(b) EG1 Original Pitch with feedback – via Word balloons

Working Title	“Corporate Governance and Financial Reporting During the Global Financial Crisis: European Evidence”
Basic Research Question	Is corporate governance a key factor in the development of the financial crisis in European banks?
Key papers	Mary E. Barth and Wayne R. Landsman (2010) How did Financial Reporting Contribute to the Financial Crisis?, European Accounting Review, 19:3, 399-423 Renee Adams (2012) Governance and the Financial Crisis, International Review of Finance, 12:1, 7-38
Motivation/Puzzle	Motivation: According to Shaffer (2010) the decrease in bank asset values necessitated recognition of impairments. Barth and Landsman (2010) discuss whether the crisis has supposedly worsened due to a procyclical effect of impairing large amounts of bank assets, down to a perceived artificially low value. Allegedly auditors forced managers into impairing assets to unrealistically low values. Had managers been allowed to follow own judgment to better assess assets' value, the crisis may have been less severe. There is a gap of empirical evidence in the literature to support this claim. This topic becomes more puzzling when Adams (2012) documents that banks and financial institutions have been better governed than non-financial institutions. Puzzle: was corporate governance the central driver of bank asset impairments? What were the consequences of these impairments?
THREE	
Idea?	Empirically test how corporate governance and its role in financial reporting- particularly asset impairment- reflected in the evolution of the financial crisis. The literature on the crisis determinants in Europe is scarce compared to US. Due to different characteristics and timelines than the US, studying the European setting allows for potential interesting results to surface. Among the determinants of the crisis, fair value appears to be the most studied in the literature. Corporate governance and the impact of managerial decisions may be another key factor in the evolution of the crisis.
Data?	(5) Setting: European Union countries- postdoctoral project requirements and novelty; Unit of analysis: individual financial companies; Sampling: annual/semi-annual; Focus: key asset impairments in financial institutions (6) Expected sample size: approx. 10,000 firm-year observations. Sample Period: 2007-2011 (7) Data source: COMPUSTAT Global/Bank Fundamentals Annual (8) Data collections: mostly automatic, careful manual adjustments may be needed to perfect the sample
Tools?	Pooled/ panel data regression model approach, Software: Eviews or STATA, Pooled/Panel Data modeling- Eviews Webinar will provide useful insights for this Knowledge of implementation: own, supported by collaborations
TWO	
What's New?	The idea has been little studied in the accounting-finance empirical literature, is novel for the results it seeks to unveil

Comment [RF1]: Note: I have highlighted in yellow the words/phrases that “stuck out” to me. Some I have comments on, but as a package do these words represent the most important messages in your pitch?

Comment [RF2]: The title is a bit “neutral” – could be catchier

Comment [RF3]: This is a very ambitious and BIG question! Need to ensure that its not too big – or too overwhelming.

Comment [RF4]: 2010 is now beginning to look a little “old” – but OK

Comment [RF5]: EAR or IRF are both good journal BUT neither of the journals are Tier 1. Does this mean nothing in Tier 1 journals is very relevant?

Comment [RF6]: Not clear how you differ and enhance on B&L? Is it that they did US only? If so, you need to motivate why Europe is worth looking at – what new insights? Putting it another way, why is the US evidence “unreliable” in the Europe setting?

Comment [RF7]: One of your favourite words!

Comment [RF8]: Be careful of the “gap” mentality – has to be more than a gap

Comment [RF9]: Your questions are good – but not a “puzzle” in the sense I had in mind in my paper

Comment [RF10]: See comment #6 above

Comment [RF11]: Sounds a little strong – sounds like it “caused” the crisis

Comment [RF12]: Not early enough start? Need to see what the pre-crisis lo...

Comment [RF13]: Nothing is perfect!

Comment [RF14]: See comments #6 & #10

	and to the European focused papers as well.
So What?	Knowledge of bank asset impairment is crucial, because bank assets were at the center of the financial crisis. Massive impairments may have worsened the crisis, because they engaged in a procyclical effect . The answer to the research question is important for future accounting treatment of bank assets in time of economic distress and in order to take further necessary actions to recover from the consequences.
ONE	
Contribution?	New empirical research which covers bank asset impairment and financial crisis is needed and this paper will reveal answers to the following issues: should corporate governance be blamed for the crisis and what are the major effects of corporate governance on the recent financial crisis, from a financial reporting perspective.
Other Considerations	<p>Collaboration needed:</p> <ul style="list-style-type: none"> - 2 month mobility within EU country, compulsory in the postdoctoral program - Idea: yes, feedback for polishing the “core idea” - Data: yes, local university does not have access to financial databases. - Tools: yes

Comment [RF15]: That a big question – very hard for one paper to give an answer

Comment [RF16]: Risk assessment?

Comment [RF17]: Strategy to overcome – collaborate?

Comment [RF18]: What does “yes” mean here? Yes you have the tools or yes tools are an issue/challenge that you need to resolve

(c) EG1 Revised pitch – **yet to be completed**

EG2: CEO Pay and Financial Performance

(a) Original pitch

(A) Working Title	"An Investigation of the Short and Long Run Relations Between Executive Cash Bonus Payments and Firm Financial Performance"
(B) Basic Research Question	Is there a short or long run relation between cash bonus payments to CEO's in Australian firms and measures of firm financial performance?
(C) Key paper(s)	Murphy, K. J. 1999. Executive Compensation. In O. a. C. Ashenfelter, D (Ed.), <i>Handbook of Labor Economics</i> , Vol. 3. B.V.: Elsevier Science. Clarkson, P., Van Bueren, A. L., & Walker, J. 2006. Chief Executive Officer Remuneration Disclosure Quality: Corporate Responses to an Evolving Disclosure Environment. <i>Accounting & Finance</i> , 46(5): 771-796.
(D) Motivation/Puzzle	Agency theory predicts that CEO remuneration contracts will be designed to incentivise CEO's to make decisions that are aligned with the principal's goals whilst minimising total contracting costs. Murphy (1999) suggests that the cash bonus portion of the contract should be linked to actual financial performance of the organisation. The logic is that if the cash bonus is a reward for CEO's effort alignment the 'bonus' payment should coincide with an improvement in financial performance of the firm. Prior literature does not find a strong pay for performance link in studies where current year cash bonus is measured against current year financial performance. The pay for performance link may not be supported in the current literature because of a potential timing difference between the board's observation of the manager's effort that they wish to reward and the financial performance outcome for the firm. This research investigates whether there is a persistent lag between the payment of cash bonus and firm financial performance.
THREE	Three core aspects of any empirical research project i.e. the "IDioTs" guide
(E) Idea?	Do cash bonus payments and accounting measures of firm performance adjust over the short run to give rise to a long-run equilibrium relation?
(F) Data?	(1) Country/setting: Australia because changes in the Australian legislation during the sample period provides increased disclosure of cash bonus specific information. Unit of analysis: Individual firms. Sampling: Annual remuneration reports and financial data from Top 200 ASX listed firms. Type: firm specific. (2) Expected sample: Approx. 1800 observations from top 200 ASX listed firms from 2004 – 2014 resulting in unbalanced panel data. (3) Data source(s): Aspect Huntly, Connect 4 Timeframe: given database subscriptions at UQ, no major time delays (1 week for core dataset); Research assistance needed?: "minor" assistance, if possible cluster RA to assist with hand collection; Funding/ grants ?: not essential for viability. (4) Standard data – High quality standard data from Aspect Huntly and Connect 4. (5) Will there be any problem with missing data/observations?: standard issues of missing firm years and survival biases as coverage includes GFC and our intention is to exclude failing firms thus reducing the number of firms in the data set. (6) Will your test variables exhibit adequate ("meaningful") variation to give good power?: yes.
(G) Tools?	E-Views - Panel least squares regression incorporating cross section and period fixed effects controls. Analysis of long-run equilibrium relation among CEO bonus and accounting performance measures using Cointegration analysis.
TWO	
(H) What's New?	There is currently mixed evidence on the relationship between cash bonuses and current year firm financial performance. New disclosure requirements for remuneration in publicly listed firms in Australia means that this study can now more closely examine the pay for performance links between cash bonus and firm financial performance. The Australian setting also differs from the US and UK because as yet no capping regulation exists around cash bonus payments. What is new is that we will empirically examine the possibility of a lag between payment of cash bonus and firm financial performance. The use of co-integration analysis to test the presence of a lagged relationship in this study is a novel addition to the literature.
(I) So What?	Policy makers, shareholders and board members are interested in whether there is a relation between CEO bonuses and firm financial performance and what this relationship looks like. Understanding if there are lags between the payment of cash bonuses and firm financial performance has the potential to mitigate the negative responses of shareholders to cash bonus payments when a company appears to be under-performing in a particular year.
ONE	
(J) Contribution?	More direct test of pay performance link as the cash bonus is a direct reward for past performance. Use of co-integration to examine whether the cash bonus and firm performance move together over time through short term adjustment processes that culminate in long run equilibrium relations.
(K) Other Considerations	Is Collaboration needed/desirable? – idea: yes internal collaboration; – data: no;

	<ul style="list-style-type: none">- tools: yes internal collaboration with statistical expert.Target Journal(s)? ABDC A rank e.g. Accounting and Finance based on Clarkson et al. 2011.“Risk” assessment:- “no result” risk: LOW;- “competitor” risk (ie being beaten by a competitor): MEDIUM/HIGH – remuneration is very topical and crowded research space – need to keep an eye out for key academics in this area e.g. authors of key papers above;- risk of “obsolescence”: LOW – executive remuneration is a hotly debated topic in the media and is a politically charged area, research into this area is expected to continue to inform this debate for many years;- other risks?: nil conceived
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(b) Original pitch with feedback – yellow highlights (a private discussion ensued)

(A) Working Title	“An Investigation of the Short and Long Run Relations Between Executive Cash Bonus Payments and Firm Financial Performance”
(B) Basic Research Question	Is there a short or long run relation between cash bonus payments to CEO’s in Australian firms and measures of firm financial performance?
(C) Key paper(s)	Murphy, K. J. 1999. Executive Compensation. In O. a. C. Ashenfelter, D (Ed.), <i>Handbook of Labor Economics</i> , Vol. 3. B.V.: Elsevier Science. Clarkson, P., Van Buren, A. L., & Walker, J. 2006. Chief Executive Officer Remuneration Disclosure Quality: Corporate Responses to an Evolving Disclosure Environment. <i>Accounting & Finance</i> , 46(5): 771-796.
(D) Motivation/Puzzle	Agency theory predicts that CEO remuneration contracts will be designed to incentivise CEO’s to make decisions that are aligned with the principal’s goals whilst minimising total contracting costs. Murphy (1999) suggests that the cash bonus portion of the contract should be linked to actual financial performance of the organisation. The logic is that if the cash bonus is a reward for CEO’s effort alignment the ‘bonus’ payment should coincide with an improvement in financial performance of the firm. Prior literature does not find a strong pay for performance link in studies where current year cash bonus is measured against current year financial performance. The pay for performance link may not be supported in the current literature because of a potential timing difference between the board’s observation of the manager’s effort that they wish to reward and the financial performance outcome for the firm. This research investigates whether there is a persistent lag between the payment of cash bonus and firm financial performance.
THREE	Three core aspects of any empirical research project i.e. the “IDioTs” guide
(E) Idea?	Do cash bonus payments and accounting measures of firm performance adjust over the short run to give rise to a long-run equilibrium relation?
(F) Data?	(1) Country/setting: Australia because changes in the Australian legislation during the sample period provides increased disclosure of cash bonus specific information. Unit of analysis: Individual firms. Sampling: Annual remuneration reports and financial data from Top 200 ASX listed firms. Type: firm specific. (2) Expected sample: Approx. 1800 observations from top 200 ASX listed firms from 2004 – 2014 resulting in unbalanced panel data. (3) Data source(s): Aspect Huntly, Connect 4 Timeframe: given database subscriptions at UQ, no major time delays (1 week for core dataset); Research assistance needed?: “minor” assistance, if possible cluster RA to assist with hand collection; Funding/grants?: not essential for viability. (4) Standard data – High quality standard data from Aspect Huntly and Connect 4. (5) Will there be any problem with missing data/observations?: standard issues of missing firm years and survival biases as coverage includes GFC and our intention is to exclude failing firms thus reducing the number of firms in the data set. (6) Will your test variables exhibit adequate (“meaningful”) variation to give good power?: yes.
(G) Tools?	E-Views - Panel least squares regression incorporating cross section and period fixed effects controls. Analysis of long-run equilibrium relation among CEO bonus and accounting performance measures using Cointegration analysis.
TWO	Two key questions
(H) What’s New?	There is currently mixed evidence on the relationship between cash bonuses and current year firm financial performance. New disclosure requirements for remuneration in publicly listed firms in Australia means that this study can now more closely examine the pay for performance links between cash bonus and firm financial performance. The Australian setting also differs from the US and UK because as yet no capping regulation exists around cash bonus payments. What is new is that we will empirically examine the possibility of a lag between payment of cash bonus and firm financial performance. The use of co-integration analysis to test the presence of a lagged relationship in this study is a novel addition to the literature.
(I) So What?	Policy makers, shareholders and board members are interested in whether there is a relation between CEO bonuses and firm financial performance and what this relationship looks like. Understanding if there are lags between the payment of cash bonuses and firm financial performance has the potential to mitigate the negative responses of shareholders to cash bonus payments when a company appears to be under-performing in a particular year.
ONE	One bottom line
(J) Contribution?	More direct test of pay performance link as the cash bonus is a direct reward for past performance. Use of co-integration to examine whether the cash bonus and firm performance move together over time through short term adjustment processes that culminate in long run equilibrium relations.

(K) Other Considerations	<p>Is Collaboration needed/desirable?</p> <ul style="list-style-type: none"> – idea: yes internal collaboration; – data: no; – tools: yes internal collaboration with statistical expert. <p>Target Journal(s)? ABDC A rank e.g. Accounting and Finance based on Clarkson et al. 2011.</p> <p>“Risk” assessment:</p> <ul style="list-style-type: none"> – “no result” risk: LOW; – “competitor” risk (ie being beaten by a competitor): MEDIUM/HIGH – remuneration is very topical and crowded research space – need to keep an eye out for key academics in this area e.g. authors of key papers above; – risk of “obsolescence”: LOW – executive remuneration is a hotly debated topic in the media and is a politically charged area, research into this area is expected to continue to inform this debate for many years; – other risks?: nil conceived
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(c) Revised pitch – yellow highlights identifying new bits

(A) Working Title	“An Investigation of the Short and Long Run Relations Between Executive Cash Bonus Payments and Firm Financial Performance”
(B) Basic Research Question	Is there a short or long run relation between cash bonus payments to CEO’s in Australian firms and measures of firm financial performance?
(C) Key paper(s)	Murphy, K. J. 1999. Executive Compensation. In O. a. C. Ashenfelter, D (Ed.), <i>Handbook of Labor Economics</i> , Vol. 3. B.V.: Elsevier Science. Höppe, F. and F. Moers. 2011. "The Choice of Different Types of Subjectivity in CEO Annual Bonus Contracts." <i>The Accounting Review</i> 86(6): 2023-2046.
(D) Motivation/Puzzle	Agency theory predicts that CEO remuneration contracts will be designed to incentivise CEO’s to make decisions that are aligned with the principal’s goals whilst minimising total contracting costs. Murphy (1999) suggests that the cash bonus portion of the contract should be linked to actual financial performance of the organisation. The logic is that if the cash bonus is a reward for CEO’s effort alignment the ‘bonus’ payment should coincide with an improvement in financial performance of the firm. Prior literature does not find a strong pay for performance link in studies where current year cash bonus is measured against current year financial performance. The pay for performance link may not be supported in the current literature because of a potential timing difference between the board’s observation of the manager’s effort that they wish to reward and the financial performance outcome for the firm. This means that the cash bonus payment may be a reward for financial performance achieved in an earlier period or a later period. This research investigates whether there is a persistent difference in timing of the payment of cash bonus and firm financial performance.
THREE	Three core aspects of any empirical research project i.e. the “ IDioTs ” guide
(E) Idea?	Do cash bonus payments and accounting measures of firm performance adjust over the short run to give rise to a long-run equilibrium relation?
(F) Data?	(1) Country/setting: Australia: because changes in the Australian legislation during the sample period provides increased disclosure of cash bonus specific information. In 2005, the amendments to AASB124 <i>Related Party Disclosures</i> provided guidelines that specific elements of executive remuneration were required to be disclosed, such as total salary, bonuses and equity components along with information regarding why and how the payments were made, and what level of detail is required. Unit of analysis: Individual firms. Sampling: Annual remuneration reports and financial data from Top 200 ASX listed firms. Type: firm specific. (2) Expected sample: Approx. 1800 observations from top 200 ASX listed firms from 2004 – 2014 resulting in unbalanced panel data. (3) Data source(s): Aspect Huntly, Connect 4 Timeframe: given database subscriptions at UQ, no major time delays (1 week for core dataset); Research assistance needed?: “minor” assistance, if possible cluster RA to assist with hand collection; Funding/ grants ?: not essential for viability. (4) Standard data – High quality standard data from Aspect Huntly and Connect 4. (5) Will there be any problem with missing data/observations?: standard issues of missing firm years and survival biases as coverage includes GFC and our intention is to exclude failing firms thus reducing the number of firms in the data set. (6) Will your test variables exhibit adequate (“meaningful”) variation to give good power?: yes.
(G) Tools?	E-Views - Panel least squares regression incorporating cross section and period fixed effects controls. Analysis of long-run equilibrium relation among CEO bonus and accounting performance measures using correlation analysis to examine the lagged annual, lagged six monthly and contemporaneous correlations between bonus payments and financial indicators.
TWO	
(H) What’s New?	There is currently mixed evidence on the relationship between cash bonuses and current year firm financial performance. New disclosure requirements for remuneration in publicly listed firms in Australia means that this study can now more closely examine the pay for performance links between cash bonus and firm financial performance. The Australian setting also differs from the US and UK because as yet no capping regulation exists around cash bonus payments. What is new is that we will empirically examine the possibility of a lag between payment of cash bonus and firm financial performance.
(I) So What?	Policy makers, shareholders and board members are interested in whether there is a relation between CEO bonuses and firm financial performance and what this relationship looks like. Understanding if there are lags between the payment of cash bonuses and firm financial performance has the potential to mitigate the negative responses of shareholders to cash bonus payments when a company appears to be under-performing in a particular year. <<<material deleted from here>>>
ONE	
(J) Contribution?	More direct test of pay performance link as the cash bonus is a direct reward for past performance. Use of correlation analysis to examine whether the cash bonus and firm performance move together over time through short term adjustment processes that culminate in long run equilibrium relations.
(K) Other Considerations	Is Collaboration needed/desirable? – idea: yes internal collaboration;

	<ul style="list-style-type: none">- data: no;- tools: yes internal collaboration with statistical expert.Target Journal(s)? A* based on Höppe, F. and F. Moers. 2011.“Risk” assessment:- “no result” risk: LOW;- “competitor” risk (ie being beaten by a competitor): MEDIUM/HIGH – remuneration is very topical and crowded research space – need to keep an eye out for key academics in this area e.g. authors of key papers above;- risk of “obsolescence”: LOW – executive remuneration is a hotly debated topic in the media and is a politically charged area, research into this area is expected to continue to inform this debate for many years;- other risks?: nil conceived
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