

BICM Research Seminar 10

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Paper details	
Title	Managerial Ability and Value Relevance of Earnings
Authors	Bill Francis Lally School of Management Rensselaer Polytechnic Institute
	Iftekhar Hasan Fordham University Bank of Finland University of Sydney
	Dr. Ibrahim Siraj School of Management Long Island University
	Qiang Wu Lally School of Management Rensselaer Polytechnic Institute
Presentation details	
Presenter researcher	Dr. Ibrahim Siraj
Date:	February 27, 2022 (Sunday)
Time:	10:30 AM - 12:00 PM
Venue:	BICM Multipurpose Hall
Expected Participants	Faculty Members of BICM & Invited Guests
Discussants	Mohammad Salahuddin Chowdhury, FCA Assistant Professor Department of Finance University of Dhaka
	Dr. Dewan Rahman Lecturer in Finance School of Business The University of Queensland

About the presenter

Dr. Siraj is currently serving as an Assistant Professor of School of Professional Accountancy, College of Management, Long Island University. He has completed his first Ph.D. (major in Finance) from the University of New Orleans and the second Ph.D. (major in Accounting) from Rensselaer Polytechnic Institute. He also has completed a Master of Social Science and Bachelor of Social Science in Economics from the University of Dhaka. His research interests include Financial Accounting, Empirical Research in Auditing, Corporate Governance, and Finance, Taxation Policy, Financial Markets & Institutions, Corporate Litigation, Private and Public Debt, etc. He also delivers lectures in Financial Analytics, Accounting and Audit Analytics, Financial Accounting, Managerial Accounting, Cost Accounting, Auditing, etc. In 2007, he was awarded the Second Prize in the National Essay Competition 2007 on Corporate Governance titled “Principles and Practices of Corporate Governance in Bangladesh” organized by Bangladesh Enterprise Institute (BEI). He has several publications in internationally reputed refereed journals.

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The paper abstract is given below. If you have any questions regarding the seminar or you wish to present a paper or invite a guest researcher, please do not hesitate to communicate S. M. Kalbin Salema, Lecturer, BICM at kalbin@bicm.ac.bd.

Managerial Ability and Value Relevance of Earnings

Bill Francis¹
Iftekhhar Hasan²
Dr. Ibrahim Siraj³
Qiang Wu⁴

Abstract

We examine how management ability affects the extent to which capital markets rely on earnings to value equity. Using a measure of ability that captures a management team’s capacity for generating revenues with a given level of resources compared to other industry peers, we find a strong positive association between managerial ability and the value relevance of earnings. Additional tests show that our results are robust to controlling for earnings attributes and investment efficiency. We use propensity score matching and the 2SLS instrumental variable approach to deal with the issue of endogeneity. For further identification, we examine CEO turnover and find that newly hired CEOs with better managerial abilities than the replaced CEOs increase the value relevance of earnings. We identify weak corporate governance and product market power as the two important channels through which superior management practices play an important role in the corporate decision-making process that positively influence the value relevance of earnings. Overall, our findings suggest that better managers make accounting information significantly more relevant in the market valuation of equity.

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