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Poster Presentation 4

Language FTR and Earnings Management: International Evidence

In this paper, we examine whether differences in future-time reference (FTR) of language explain variation in corporate earnings management around the world. Grammatically referencing the future results in firms perceiving the future as a separate category, and, therefore, lapsing into short-termism. Consistent with this argument, the paper finds that firms headquartered in strong-FTR language countries are more likely to engage in accrual-based and real earnings management to meet short-term earnings benchmarks, and use more income-increasing manipulation to boost current period earnings.