

THE ACCOUNTING REVIEW

VOLUME 90, No. 6 NOVEMBER 2015

DANIEL AOB DIA, CHAN-JANE LIN, and REINING PETACCHI
Capital Market Consequences of Audit Partner Quality

ANN G. BACKOF
The Impact of Audit Evidence Documentation on Jurors' Negligence Verdicts and Damage Awards

YANGYANG CHEN, FERDINAND A. GUL, MADHU VEERARAGHAVAN, and LEON ZOLOTROY
Executive Equity Risk-Taking Incentives and Audit Pricing

BEI DONG, EDWARD XUEJUN LI, K. RAMESH, and MIN SHEN
Priority Dissemination of Public Disclosures

JOHN DONOVAN, RICHARD M. FRANKEL, and XIUMIN MARTIN
Accounting Conservatism and Creditor Recovery Rate

MARTIN HOLZHACKER, RANJANI KRISHNAN, and MATTHIAS D. MAHLENDORF
Unraveling the Black Box of Cost Behavior: An Empirical Investigation of Risk Drivers, Managerial Resource Procurement, and Cost Elasticity

SIMI KEDIA, KEVIN KOH, and SHIVARAM RAJGOPAL
Evidence on Contagion in Earnings Management

JON N. KERR and N. BUGRA OZEL
Earnings Announcements, Information Asymmetry, and Timing of Debt Offerings

MAXIMILIAN A. MÜLLER, EDWARD J. RIEDL, and THORSTEN SELLHORN
Recognition versus Disclosure of Fair Values

PANOS N. PATATOUKAS, RICHARD G. SLOAN, and JENNY ZHA
On the Pricing of Mandatory DCF Disclosures: Evidence from Oil and Gas Royalty Trusts

KYLE PETERSON, ROY SCHMARDEBECK, and T. JEFFREY WILKS
The Earnings Quality and Information Processing Effects of Accounting Consistency

JONATHAN S. PYZOHA
Why do Restatements Decrease in a Clawback Environment? An Investigation into Financial Reporting Executives' Decision-Making during the Restatement Process

QUINN T. SWANQUIST and ROBERT L. WHITED
Do Clients Avoid "Contaminated" Offices? The Economic Consequences of Low-Quality Audits

STEVEN YOUNG and YACHANG ZENG
Accounting Comparability and the Accuracy of Peer-Based Valuation Models

AMERICAN ACCOUNTING ASSOCIATION

Board of Directors

President	Bruce K. Behn, The University of Tennessee
President-Elect	David C. Burgstahler, University of Washington
Past President	Christine A. Botosan, The University of Utah
Vice President–Finance	Stephen R. Moehrle, University of Missouri–St. Louis
Vice President–Finance-Elect	Leslie D. Hodder, Indiana University Bloomington
Vice President–Research and Publications	Terry Shevlin, University of California, Irvine
Vice President–Education	Timothy J. Fogarty, Case Western Reserve University
Director–Focusing on Membership	Marc A. Rubin, Miami University
Director–Focusing on International	Gary C. Biddle, The University of Hong Kong
Director–Focusing on Segments	Patricia M. Poli, Fairfield University
Director–Focusing on Intellectual Property	Robert C. Lipe, University of South Carolina
Director–Focusing on Academic/Practitioner Interaction	Shaun Budnik, Deloitte LLP

The Executive Director of the Association is Tracey E. Sutherland.

The American Accounting Association was founded in 1916 as the American Association of University Instructors in Accounting. Its present name was adopted in 1936. The Association is a voluntary organization of persons interested in accounting education, research, and practice.

Membership in the Association is available at the following annual rates.

Full membership:

Membership dues of \$220.00 include *Accounting Education News*, and the online selection of all three Association-wide journals: *The Accounting Review*, *Accounting Horizons*, and *Issues in Accounting Education*. (This does not include Section journals.) Members may also opt to receive hard copies of AAA journals for an additional cost:

<i>The Accounting Review</i>	with Print Option \$45.00	Total U.S. \$265.00
<i>Accounting Horizons</i>	with Print Option \$25.00	Total U.S. \$245.00
<i>Issues in Accounting Education</i>	with Print Option \$25.00	Total U.S. \$245.00
All three Association-wide journals	with Print Option \$95.00	Total U.S. \$315.00

Associate membership:

Full-time students are eligible for associate membership at \$50.00 which includes *Accounting Education News* and access to all three Association-wide journals: *The Accounting Review*, *Accounting Horizons*, and *Issues in Accounting Education*. (This does not include Section journals.) Members may also opt to receive hard copies of AAA journals for an additional cost. (Teaching Notes for *Issues in Accounting Education* are not available to students.)

<i>The Accounting Review</i>	with Print Option \$45.00	Total U.S. \$95.00
<i>Accounting Horizons</i>	with Print Option \$25.00	Total U.S. \$75.00
<i>Issues in Accounting Education</i>	with Print Option \$25.00	Total U.S. \$75.00
All three Association-wide journals	with Print Option \$95.00	Total U.S. \$145.00

In addition, full members may belong to one or more Sections: Accounting, Behavior and Organizations; Accounting Information Systems; Accounting Programs Leadership Group; American Taxation Association; Auditing; Diversity; Financial Accounting and Reporting; Forensic Accounting; Gender Issues and Worklife Balance; Government and Nonprofit; International Accounting; Management Accounting; Public Interest; Strategic and Emerging Technologies; Teaching, Learning and Curriculum; and Two-Year College. Each Section assesses its own dues, which are collected by the Association.

New and revised manuscripts must be submitted through the Manuscript Submission and Peer Review System, located at <http://accr.allentrack.net>. The site contains detailed instructions regarding the preparation of files for submission.

The submission fee of \$200.00 for members of the AAA or \$400.00 for nonmembers may be paid online (VISA, MasterCard, or American Express only) at <https://aaahq.org/AAForms/journals/tarsubmit.cfm> and should be paid before the article is submitted.

Requests for information concerning membership, subscriptions, dues, advertisements, and other matters related to the Association (other than submission of manuscripts) should be sent to the American Accounting Association, 5717 Bessie Drive, Sarasota, FL 34233-2399 • Telephone: (941) 921-7747 • Fax: (941) 923-4093 • Email: Info@aaahq.org. Notice of change of address should be mailed at least eight weeks in advance to ensure undelayed receipt of *The Accounting Review*.

The Accounting Review is indexed in the Social Science Citation Index, which is included in Web of Science.

The Accounting Review (ISSN 0001-4826 print and ISSN 1558-7967 online) is published six times a year in January, March, May, July, September, and November by the American Accounting Association, 5717 Bessie Drive, Sarasota, Florida 34233-2399. General subscriptions are available at the annual rate of \$487 for a print copy. The member subscription rate for a hard copy is \$45. Electronic access is included with membership dues. Periodicals Postage Paid at Sarasota, Florida and additional mailing offices. **POSTMASTER:** Send address changes to ***The Accounting Review***, 5717 Bessie Drive, Sarasota, Florida 34233-2399.

THE ACCOUNTING REVIEW

A JOURNAL OF THE
AMERICAN ACCOUNTING ASSOCIATION

Senior Editor
Mark L. DeFond

Editors

Mary E. Barth	Clive S. Lennox
Anne Beatty	Elaine G. Mauldin
Mark T. Bradshaw	Edward L. Maydew
David C. Burgstahler	Gregory S. Miller
Eddy Cardinaels	Mark E. Peecher
Rachel M. Hayes	K. R. Subramanyam
Thomas Hemmer	İrem Tuna
Christopher D. Ittner	Mohan Venkatachalam
Kathryn Kadous	T. J. Wong

VOL. 90

November 2015

No. 6

DANIEL AOBEDIA, CHAN-JANE LIN, and REINING PETACCHI Capital Market Consequences of Audit Partner Quality	2143
ANN G. BACKOF The Impact of Audit Evidence Documentation on Jurors' Negligence Verdicts and Damage Awards	2177
YANGYANG CHEN, FERDINAND A. GUL, MADHU VEERARAGHAVAN, and LEON ZOLOTROY Executive Equity Risk-Taking Incentives and Audit Pricing	2205
BEI DONG, EDWARD XUEJUN LI, K. RAMESH, and MIN SHEN Priority Dissemination of Public Disclosures	2235
JOHN DONOVAN, RICHARD M. FRANKEL, and XIUMIN MARTIN Accounting Conservatism and Creditor Recovery Rate	2267
MARTIN HOLZHACKER, RANJANI KRISHNAN, and MATTHIAS D. MAHLENDORF Unraveling the Black Box of Cost Behavior: An Empirical Investigation of Risk Drivers, Managerial Resource Procurement, and Cost Elasticity	2305
SIMI KEDIA, KEVIN KOH, and SHIVARAM RAJGOPAL Evidence on Contagion in Earnings Management	2337
JON N. KERR and N. BUGRA OZEL Earnings Announcements, Information Asymmetry, and Timing of Debt Offerings	2375
MAXIMILIAN A. MÜLLER, EDWARD J. RIEDL, and THORSTEN SELLHORN Recognition versus Disclosure of Fair Values	2411
PANOS N. PATATOUKAS, RICHARD G. SLOAN, and JENNY ZHA On the Pricing of Mandatory DCF Disclosures: Evidence from Oil and Gas Royalty Trusts	2449
KYLE PETERSON, ROY SCHMARDEBECK, and T. JEFFREY WILKS The Earnings Quality and Information Processing Effects of Accounting Consistency	2483
JONATHAN S. PYZOHA Why do Restatements Decrease in a Clawback Environment? An Investigation into Financial Reporting Executives' Decision-Making during the Restatement Process	2515
QUINN T. SWANQUIST and ROBERT L. WHITED Do Clients Avoid "Contaminated" Offices? The Economic Consequences of Low-Quality Audits	2537

STEVEN YOUNG and YACHANG ZENG
Accounting Comparability and the Accuracy of Peer-Based Valuation Models. 2571

Annual Report and Editorial Commentary for *The Accounting Review* 2603

Editorial Policy 2639

Editorial Staff of *The Accounting Review*
2015–2016

SENIOR EDITOR

Mark L. DeFond, University of Southern California

EDITORS

Mary E. Barth, Stanford University
Anne Beatty, The Ohio State University
Mark T. Bradshaw, Boston College
David C. Burgstahler, University of Washington
Eddy Cardinaels, KU Leuven
Rachel M. Hayes, The University of Utah
Thomas Hemmer, Rice University
Mingyi Hung, The Hong Kong University of Science and Technology
Christopher D. Ittner, University of Pennsylvania
Kathryn Kadous, Emory University
Clive S. Lennox, University of Southern California
Elaine G. Mauldin, University of Missouri
Edward L. Maydew, The University of North Carolina at Chapel Hill
Gregory S. Miller, University of Michigan
Mark E. Peecher, University of Illinois at Urbana–Champaign
K. R. Subramanyam, University of Southern California and Indian School of Business
Irem Tuna, London Business School
Mohan Venkatachalam, Duke University
T. J. Wong, The Chinese University of Hong Kong

EDITORIAL ASSISTANT

Elizabeth Garrett, American Accounting Association

American Accounting Association

EXECUTIVE DIRECTOR

Tracey E. Sutherland

PUBLICATIONS DEPARTMENT

Diane Hazard
Lisa Habblitz
Stephanie Austin
Elizabeth Garrett
Nate Smith
Jan Kovarik (subcontracted)
Copyediting Team (subcontracted)

OTHER AAA STAFF

Julie Smith David
Karen Wyant
Susan Crosson
Shauna Bigelow
Barbara Brady
Barbara Gutierrez
Nancy Maciag
David Boynton
Dave Frazier
Lisa Hawkins
Ruth Sklar
Jim Farr
Joe Parisi
Jason Kerwin
Suzanne Mullinnix
Erlinda Jones
Debra Gardner
Beverly Collins
Peggy Turczyn
Stephanie Glaser
Kelli Gouwens
Kelly Lee
Jeremy Thompson
Pat Stein
Lorrie Cozzens
Mimi Janotka

Editorial Advisory and Review Board

Christopher P. Agolia, University of Massachusetts
Anwer S. Ahmed, Texas A&M University
Ashiq Ali, The University of Texas at Dallas
Christopher S. Armstrong, University of Pennsylvania
Anil Arya, The Ohio State University
Benjamin C. Ayers, The University of Georgia
William R. Baber, Georgetown University
Brad A. Badertscher, University of Notre Dame
Stephen P. Baginski, The University of Georgia
Ramji Balakrishnan, The University of Iowa
Tim Baldenius, New York University
Sudipta Basu, Temple University
Jean C. Bedard, Bentley University
Messod D. Beneish, Indiana University
Bruce K. Billings, Florida State University
Robert J. Bloomfield, Cornell University
Jennifer L. Blouin, University of Pennsylvania
Jasmijn C. Bol, Tulane University
Francois Brochet, Harvard University
Lawrence D. Brown, Temple University
Brian J. Bushee, University of Pennsylvania
Brian D. Cadman, The University of Utah
Carolyn M. Callahan, University of Louisville
Joseph V. Carcello, The University of Tennessee
Mary Ellen Carter, Boston College
K. Hung Chan, Lingnan University
Paul K. Chaney, Vanderbilt University
Shuping Chen, The University of Texas at Austin
Qi Chen, Duke University
Qiang Cheng, Singapore Management University
Jong-Hag Choi, Seoul National University
Michael B. Clement, The University of Texas at Austin
Daniel A. Cohen, The University of Texas at Dallas
William M. Cready, The University of Texas at Dallas
Hemang A. Desai, Southern Methodist University
Aiysha Dey, University of Minnesota
Shane S. Dikolli, Duke University
Scott D. Dyreng, Duke University
Christine E. Earley, Providence College
W. Brooke Elliott, University of Illinois at Urbana–Champaign
Michael L. Ettredge, The University of Kansas
David B. Farber, The University of Texas at El Paso
Mei Feng, University of Pittsburgh
Paul E. Fischer, University of Pennsylvania
Jere R. Francis, University of Missouri
Mary Margaret Frank, University of Virginia
James R. Frederickson, The University of Melbourne
Cristi A. Gleason, The University of Iowa
David A. Guenther, University of Oregon

Luzi Hail, University of Pennsylvania
Jeffrey W. Hales, Georgia Institute of Technology
Jacqueline S. Hammersley, The University of Georgia
Rebecca N. Hann, University of Maryland
Shane M. Heitzman, University of Southern California
Gilles Hilary, INSEAD
Frank D. Hodge, University of Washington
Vicky B. Hoffman, University of Pittsburgh
Chris E. Hogan, Michigan State University
Ole-Kristian Hope, University of Toronto
Richard W. Houston, The University of Alabama
Raffi J. Indjejikian, University of Michigan
Sudarshan Jayaraman, Washington University in St. Louis
Karla M. Johnstone, University of Wisconsin-Madison
Sharon P. Katz, Columbia University
Bin Ke, Nanyang Technological University
Inder K. Khurana, University of Missouri
Michael D. Kimbrough, University of Maryland
William R. Kinney, Jr., The University of Texas at Austin
W. Robert Knechel, University of Florida
Jagan (Krish) Krishnan, Temple University
Jayanthi Krishnan, Temple University
Ranjani Krishnan, Michigan State University
Xi (Jason) Kuang, Georgia Institute of Technology
Wayne R. Landsman, The University of North Carolina at Chapel Hill
William N. Lanen, University of Michigan
Volker Laux, The University of Texas at Austin
Charles M. C. Lee, Stanford University
Reuven Lehavy, University of Michigan
Andrew J. Leone, University of Miami
Wei-Yiu (Scott) Liao, University of Toronto
Robert Libby, Cornell University
Marlys G. Lipe, University of South Carolina
Joshua Livnat, New York University
Thomas J. Lopez, The University of Alabama
Henock Louis, The Pennsylvania State University
Joan L. Luft, Michigan State University
Carol A. Marquardt, Baruch College–CUNY
Xiumin Martin, Washington University
Michal Matějka, Arizona State University
Dawn A. Matsumoto, University of Washington
William J. Mayew, Duke University
John M. McInnis, The University of Texas at Austin
Sarah E. McVay, University of Washington
Kenneth A. Merchant, University of Southern California
Kenneth J. Merkley, Cornell University
Lillian F. Mills, The University of Texas at Austin
Brian Mittendorf, The Ohio State University
Frank Moers, Maastricht University
Partha S. Mohanram, University of Toronto
Richard M. Morton, Florida State University
Donald V. Moser, University of Pittsburgh
James N. Myers, University of Arkansas
Linda A. Myers, University of Arkansas
Venkatesh K. Nagar, University of Michigan
Terry L. Neal, The University of Tennessee
Karen K. Nelson, Rice University
Mark W. Nelson, Cornell University
Jeffrey Ng, Singapore Management University
Maria Ogneva, University of Southern California
Per M. Olsson, Duke University
Thomas C. Omer, University of Nebraska
Linda M. Parsons, The University of Alabama
Kathy R. Petroni, Michigan State University
Joseph D. Piotroski, Stanford University
Morton Pincus, University of California, Irvine
Marlene A. Plumlee, The University of Utah
Suresh Radhakrishnan, The University of Texas at Dallas
K. Raghunandan, Florida International University
Sonja O. Rego, Indiana University
Vernon J. Richardson, University of Arkansas
Edward J. Riedl, Boston University
John R. Robinson, The University of Texas at Austin
Darren T. Roulstone, The Ohio State University
Brian R. Rountree, Rice University
Sugata Roychowdhury, Boston College
Katherine Schipper, Duke University
Jason D. Schloetzer, Georgetown University
Susan W. Scholz, The University of Kansas
Karen L. Sedatole, Michigan State University
Catherine Shakespeare, University of Michigan
Terry Shevlin, University of California, Irvine
Stephanie A. Sikes, University of Pennsylvania
K. (Shiva) Sivaramakrishnan, Rice University
J. Reed Smith, Indiana University–Purdue University Indianapolis
Mark T. Soliman, University of Southern California
Phillip C. Stocken, Dartmouth College
Stephen R. Stubben, The University of Utah
Hun-Tong Tan, Nanyang Technological University
William B. Tayler, Brigham Young University
Siew Hong Teoh, University of California, Irvine
Jacob R. Thornock, University of Washington
Kristy L. Towry, Emory University
Senyo Y. Tse, Texas A&M University
Jennifer W. Tucker, University of Florida
Andrew Van Buskirk, The Ohio State University
Wim A. Van der Stede, The London School of Economics and Political Science
Florin P. Vasvari, London Business School
Rodrigo S. Verdi, Massachusetts Institute of Technology
Isabel Nyanan Wang, Michigan State University
Xue Wang, The Ohio State University
Gregory B. Waymire, Emory University
Alan Webb, University of Waterloo
Joseph P. Weber, Massachusetts Institute of Technology
Michael Welker, Queen's University
Hal D. White, The Pennsylvania State University
Michael S. Wilkins, Trinity University
Christopher D. Williams, University of Michigan
Michael G. Williamson, The University of Texas at Austin
Richard H. Willis, Vanderbilt University
Ryan J. Wilson, University of Oregon
Robert J. Yetman, University of California, Davis
P. Eric Yeung, Cornell University
Teri L. Yohn, Indiana University
Gwen Yu, Harvard University
Yong Yu, The University of Texas at Austin
Yoonseok Zang, Singapore Management University
Paul A. Zarowin, New York University
Sarah L. Zechman, The University of Chicago
Jieying Zhang, The University of Texas at Dallas
Tianyu Zhang, The Chinese University of Hong Kong
Mark F. Zimbelman, Brigham Young University

PAST EDITORS

1926–1929	William A. Paton	1978–1983	Stephen A. Zeff
1929–1943	Eric L. Kohler	1983–1987	Gary L. Sundem
1944–1947	A. C. Littleton	1987–1990	William Kinney
1948–1949	Robert L. Dixon	1990–1994	A. Rashad Abdel-khalik
1950–1959	Frank P. Smith	1994–1997	Robert P. Magee
1959–1962	Robert K. Mautz	1997–2000	Gerald L. Salamon
1962–1965	Lawrence L. Vance	2000–2002	Linda Smith Bamber
1965–1967	Wendell Trumbull	2002–2005	Terry Shevlin
1968–1970	Charles H. Griffin	2005–2008	Dan S. Dhaliwal
1971–1972	Eldon S. Hendriksen	2008–2011	Steven J. Kachelmeier
1973–1975	Thomas F. Keller	2012–2014	John Harry Evans III
1976–1978	Don T. DeCoster		



**UNITED STATES
POSTAL SERVICE®**

**Statement of Ownership, Management, and Circulation
(All Periodicals Publications Except Requester Publications)**

1. Publication Title The Accounting Review		2. Publication Number 0 0 4 - 0 0 0		3. Filing Date 9/16/15
4. Issue Frequency 6 times a year in January, March May, September, and November		5. Number of Issues Published Annually 6		6. Annual Subscription Price \$468.00
7. Complete Mailing Address of Known Office of Publication (Not printer) (Street, city, county, state, and ZIP+4®) 5717 Bessie Drive, Sarasota, FL 34233-2399				Contact Person Nate Smith Telephone (Include area code) 941-556-4128

8. Complete Mailing Address of Headquarters or General Business Office of Publisher (Not printer)
5717 Bessie Drive, Sarasota, FL 34233-2399

9. Full Names and Complete Mailing Addresses of Publisher, Editor, and Managing Editor (Do not leave blank)
 Publisher (Name and complete mailing address)
 American Accounting Association
 5717 Bessie Drive, Sarasota, FL 34233-2399

Editor (Name and complete mailing address)
 Mark DeFond
 430 Paulette Place, La Canada, CA 91011

Managing Editor (Name and complete mailing address)
 Same as above

10. Owner (Do not leave blank. If the publication is owned by a corporation, give the name and address of the corporation immediately followed by the names and addresses of all stockholders owning or holding 1 percent or more of the total amount of stock. If not owned by a corporation, give the names and addresses of the individual owners. If owned by a partnership or other unincorporated firm, give its name and address as well as those of each individual owner. If the publication is published by a nonprofit organization, give its name and address.)

Full Name	Complete Mailing Address
American Accounting Association	5717 Bessie Drive, Sarasota, FL 34233-2399

11. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages, or Other Securities. If none, check box None

Full Name	Complete Mailing Address

12. Tax Status (For completion by nonprofit organizations authorized to mail at nonprofit rates) (Check one)
 The purpose, function, and nonprofit status of this organization and the exempt status for federal income tax purposes:
 Has Not Changed During Preceding 12 Months
 Has Changed During Preceding 12 Months (Publisher must submit explanation of change with this statement)

Downloaded from http://meridian.allenpress.com/accounting-review/article-pdf/90/6/1287/1762/1558-7967-90_6_1.pdf by guest on 26 October 2021

THE ACCOUNTING REVIEW
ISSN 0001-4826

PERIODICALS POSTAGE PAID
SARASOTA, FLORIDA
AND ADDITIONAL MAILING OFFICES

POSTMASTER
Send Address Changes To:

AMERICAN ACCOUNTING ASSOCIATION
5717 BESSIE DRIVE
SARASOTA, FL 34233

VOLUME 90, No. 6

THE ACCOUNTING REVIEW

NOVEMBER 2015
