

Impact Factor: **1.3**

5-Year Impact Factor:

 Contents More


Abstract

We investigate involuntary CFO turnover following financial restatements, the labor market penalties for former CFOs, and the disciplinary consequences have resulted in higher rates of involuntary CFO turnover, and that former restatement-firm CFOs face stiff labor market penalties. We generally find that the passage of SOX has not increased involuntary CFO turnover rates following restatements. However, we find that labor market penalties for former CFOs of restatement firms are more severe in the post-SOX period, suggesting that SOX has increased ex post settling-up costs. Our results suggest that the influence of SOX on the labor market has resulted in CFOs being held more accountable for their actions.



Get full access to this article

View all access and purchase options for this article.

Get Access 

References

Agrawal A., Cooper T. 2007. "Corporate Governance Consequences of Accounting Scandals: Evidence from Top Management, CFO and Auditor Turnover". Working paper, University of Alabama.

[Google Scholar](#)

Arthaud-Day M. L., Certo S. T., Dalton C. M., Dalton D. R. 2006. "A Changing of the Guard: Executive and Director Turnover Following Corporate Financial Restatements". *Academy of Management Journal*, 49 (6): 1119-1136.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Balsam S., Miharjo S. 2007. "The Effect of Equity Compensation on Voluntary Executive Turnover". *Journal of Accounting and Economics*, 43 (1): 95–119.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Beneish M. D. 1999. "Incentives and Penalties Related to Earnings Overstatements That Violate GAAP". *The Accounting Review*, 74 (4): 425–457.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Burks J. J. 2008. "Sarbanes-Oxley and the Effect of Restatements on CEO and CFO Compensation and Turnover". Working paper, University of Notre Dame.

[Google Scholar](#)

Defond M., Jiambalvo J. 1991. "Incidence and Circumstances of Accounting Errors". *The Accounting Review*, 66: 643–655.

[Web of Science](#)

[Google Scholar](#)

Desai H., Hogan C., Wilkins M. 2006. "The Reputational Penalty for Aggressive Accounting: Earnings Restatements and Managerial Turnover". *The Accounting Review*, 81 (1): 83–112.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Erickson M., Hanlon M., Maydew E. 2004. "How Much Will Firms Pay for Earnings That Do Not Exist? Evidence of Taxes Paid on Allegedly Fraudulent Earnings". *The Accounting Review*, 79 (2): 387–408.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Fama E. F. 1980. "Agency Problems and the Theory of the Firm". *The Journal of Political Economy*, 88 (1): 288–307.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Fee E., Hadlock C. 2004. "Management Turnover across the Corporate Hierarchy". *Journal of Accounting & Economics*, 37: 3–38.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Forbes.com. 2002. "The CFO's Changing Role". <http://www.forbes.com:80/2002/10/03/1003/cfo.html>.

[Google Scholar](#)

General Accounting Office (GAO). 2002. *Financial Statement Restatements: Trends, Market Impacts, Regulatory Responses, and Remaining Challenges*. GAO-03-138. Washington, DC: GAO.

[Google Scholar](#)

General Accounting Office (GAO). 2003. *Financial Statement Restatement Database*. GAO-03-395R. Washington, DC: GAO.

[Google Scholar](#)

General Accounting Office (GAO). 2006. *Financial Statement Restatement Database*. GAO-06-1053R. Washington, DC: GAO.

[Google Scholar](#)

Gilson S. 1989. "Management Turnover and Financial Distress". *Journal of Financial Economics*, 25: 241–262.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Hennes K., Leone A., Miller B. 2008. "Management Intent and CEO and CFO Turnover around Earnings Restatements: Evidence from the Post-Enron Era". Working paper, Penn State University. Forthcoming at *The Accounting Review*.

[Google Scholar](#)

Jensen M.C., Meckling W. 1976. "Theory of the Firm: Managerial Behavior, Agency Costs, and Capital Structure". *Journal of Financial Economics*, 3 (4): 305–360.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Kinney W., McDaniel L. 1989. "Characteristics of Firms Correcting Previously Reported Quarterly Earnings". *Journal of Accounting & Economics*, 11: 71–93.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Lehn K., Zhao M. 2006. "CEO Turnover after Acquisitions: Are Bad Bidders Fired?" *The Journal of Finance*, 61 (4): 1759–1811.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Manne H. G. 1965. "Mergers and the Market for Corporate Control". *The Journal of Political Economy*, 73 (2): 110–120.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Manne H. G. 1967. "Our Two Corporation Systems: Law and Economics". *Virginia Law Review*, 53 (2): 259–284.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Mian S. 2001. "On the Choice and Replacement of Chief Financial Officers". *Journal of Financial Economics*, 60 (1): 143–175.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Murphy K. 1999. *Executive Compensation*. North Holland, Amsterdam.

[Google Scholar](#)

Palmrose Z., Richardson V., Scholz S. 2004. "Determinants of Market Reactions to Restatement Announcements". *Journal of Accounting & Economics*, 37: 59–89.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Parrino R. 1997. "CEO Turnover and Outside Succession: A Cross Sectional Analysis". *Journal of Financial Economics*, 46 (2): 165–197.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Richardson S. 2005. "Discussion of Consequences of Financial Reporting Failure for Outside Directors: Evidence from Accounting Restatements". *Journal of Accounting Research*, 43 (May): 335–342.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Richardson S., Tuna I., Wu M. 2002. "Predicting Earnings Management: The Case of Earnings Restatements", October. <http://ssrn.com/abstract=338681>.

[Google Scholar](#)

Srinivasan S. 2005. "Consequences of Financial Reporting Failure for Outside Directors: Evidence from Accounting Restatements". *Journal of Accounting Research*, 43 (May): 291–334.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Turner L., Dietrich J., Anderson K., Bailey A. 2001. "Accounting Restatements". Working paper, Securities and Exchange Commission.

[Google Scholar](#)

Warner J., Watts R. L., Wruck K. H. 1988. "Stock Prices and Top Management Changes". *Journal of Financial Economics*, 20: 461–492.

[Crossref](#)
[Web of Science](#)

[Google Scholar](#)

Washington CEO. 2006. "New Corporate Rules Expand Demands on Today's CFOs". *Washington-CEO* (January): 55–61.

[Google Scholar](#)

White H. 1980. "A Heteroscedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroscedasticity". *Econometrica*, 48: 817–838.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Wu M. 2002. "*Earnings Restatements: A Capital Market Perspective*". Working paper, New York University.

[Google Scholar](#)

Similar articles:



Restricted access

[Comment Letter Frequency and CFO Turnover: A Dynamic Survival Analysis](#)

Show Details ▾



Restricted access

[Changes in Discretionary Financial Reporting Behavior following the Sarbanes-Oxley Act](#)

Show Details ▾



Restricted access

[Clawback Provision of SOX, Financial Misstatements, and CEO Compensation Contracts](#)

Show Details ▾

[View More](#)

Sage recommends:

SAGE Knowledge

Entry

[Chief Financial Officer \(CFO\)](#)

Show Details ▾

SAGE Knowledge

Entry

[Financial Restatements](#)

Show Details ▾

SAGE Knowledge

Case

[Koss Corporation Corporate Governance, Internal Controls, and Ethics: What Went Wrong?](#)

Show Details ▾

[View More](#)

You currently have no access to this content. Visit the [access options](#) page to authenticate.

[Download PDF](#)

Also from Sage

CQ Library

Elevating debate

Sage Data

Uncovering insight

Sage Business Cases

Shaping futures

Sage Campus

Unleashing potential

Sage Knowledge

Sage Research Methods

Multimedia learning resources

Supercharging research

Sage Video

Streaming knowledge

Technology from Sage

Library digital services