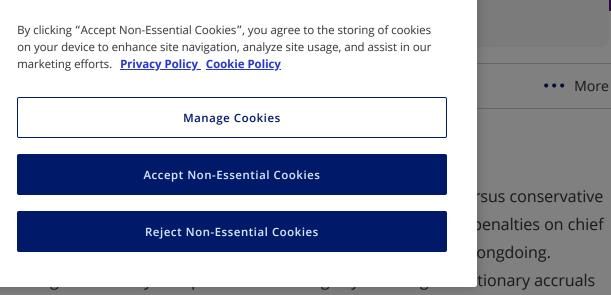
Journal of Accounting, Auditing & Finance



Abstract

We examine the effortering behavior executive officers (Continuous Therefore, risk-aver



following SOX. Our results, based on a matched sample of dual-listed Canadian firms and their domestically listed counterparts, indicate that (1) firms subject to SOX are more conservative in financial reporting in the post-SOX period as evidenced by lower signed discretionary accruals, the Ball and Shivakumar (2005) conditional conservatism measure, and the Penman and Zhang (2002) unconditional conservatism measure; and (2) the impact of SOX on firms' conservative reporting through discretionary accruals in the post-SOX period is not homogeneous—that is, it is more pronounced for firms that were aggressive in the pre-SOX period.



Get full access to this article

View all access and purchase options for this article.



References

Ball R., Shivakumar L. 2005. "Earnings Quality in UK Private Firms: Comparative Loss Recognition Timeliness". *Journal of Accounting and Economics*, 39 (1): 83–128.

Crossref

Google Scholar

Becker C., DeFond M., Jiambalvo J., Subramanyam K. R. 1998. "The Effect of Audit Quality on Earnings Management". *Contemporary Accounting Research*, 15 (Spring): 1–24.

Crossref

Google Scholar

Beckett P. 2002. "New SEC Order Forces Executives to Swear by Their Numbers". *The Wall Street Journal* July 5, A1.

Google Scholar

Burgstahler D., Dichev I. 1997. "Earnings Management to Avoid Earnings Decreases and Losses". *Journal of Accounting and Economics*, 24 (1): 99–126.

Crossref

Web of Science

Google Scholar

Cohen D., Dey A., Lys T. 2007. *Real and Accrual-based Earnings Management in the Pre- and Post-Sarbanes Oxley Periods. Working Paper.* New York University, University of Chicago and Northwestern University.

Crossref

Google Scholar

DeFond M., Jiambalvo J. 1994. "Debt Covenant Effects and the Manipulation of Accruals". *Journal of Accounting and Economics*, 17 (January): 145–176.

Crossref

Web of Science

Google Scholar

DeFond M., Subramanyam K. R. 1997. "Restrictions to Accounting Choice: Evidence from Auditor Realignment". Working paper, University of Southern California.

Google Scholar

Gray T. 2005. "Canadian Response to the US Sarbanes-Oxley Act of 2002: New Directions for Corporate Governance". Library of Parliament, Canada. PRB 05-37E.

Google Scholar

Heflin F., Hsu C. 2004. "The Impact of the Sarbanes-Oxley Act of 2002 on the Use of non-GAAP Earnings Measures". Working paper, Purdue University.

Google Scholar

Hribar P., Collins D. 2002. "Errors in Estimating Accruals: Implications for Empirical Research". *Journal of Accounting Research*, 40 (1): 105–134.

Crossref

Web of Science

Google Scholar

Jain P., Rezaee Z. 2004. "The Sarbanes-Oxley Act of 2002 and Accounting Conservatism". Working paper, University of Memphis.

Google Scholar

Kothari S. P., Leone A. J., Wasley C. E. 2005. "Performance Matched Discretionary Accrual Measures". *Journal of Accounting and Economics*, 39 (February): 163–197.

Crossref

Web of Science

Google Scholar

Lobo G., Zhou J. 2006. "Did Conservatism in Financial Reporting Increase after the Sarbanes-Oxley Act? Initial Evidence". *Accounting Horizons*, 20 (1): 57–73.

Crossref

Google Scholar

McNichols M. F. 2000. "Research Design Issues in Earnings Management Studies". *Journal of Accounting and Public Policy*, 19 (4–5): 313–345.

Crossref

Google Scholar

McNichols M. F. 2002. "Discussion of the Quality of Accruals and Earnings: The Role of Accrual Estimation Errors". *The Accounting Review*, 77 (Supplement): 61–69.

Crossref

Web of Science

Google Scholar

Penman S., Zhang X. 2002. "Accounting Conservatism, the Quality of Earnings, and Stock Returns". *The Accounting Review*, 77 (2): 237–264.

Crossref

Web of Science

Google Scholar

Sweeney A. 1994. "Debt Covenant Violations and Managers' Accounting Responses". *Journal of Accounting and Economics*, 17 (May): 281–308.

Crossref

Google Scholar

U.S. Public Law. 2002. *The Sarbanes-Oxley Act of 2002*, Public Law 107-204 [H. R. 3863], New York: Lexis-Nexis Congressional.

Google Scholar

Zhou J. 2007. "Financial Reporting after the Sarbanes-Oxley Act: Conservative or Less Earnings Management?" *Research in Accounting Regulations*, 20: 187–192.

Crossref

Google Scholar

Similar articles: Restricted access Corporate Governance and Earnings Management in the Pre- and Post-Sarbanes-Oxley Act Regimes: Evidence from Implicated Option Backdating Firms Show Details Restricted access Internal Control Weaknesses and Accounting Conservatism: Evidence From the Post-Sarbanes-Oxley Period Show Details Restricted access Earnings Restatements, the Sarbanes-Oxley Act, and the Disciplining of Chief Financial Officers Show Details Show Details Show Details Show Details Restricted access Earnings Restatements, the Sarbanes-Oxley Act, and the Disciplining of Chief Financial Officers

View More

Sage recommends:

SAGE Knowledge

Entry

Chief Financial Officer (CFO)

Show Details V	
SAGE Knowledge	
Entry	
<u>Directors, Corporate</u>	
Show Details $$	
SAGE Knowledge	
Case	
<u>Disclosure Strategy: A Ca</u>	ase of Ethics in Financial Reporting
Show Details $$	
	<u>View More</u>

You currently have no access to this content. Visit the <u>access options</u> 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 ———— Multimedia learning resources	Sage Research Methods Supercharging research
Sage Video	Technology from Sage