



# Financial Reporting Quality, Private Information, Monitoring, and the Lease-versus-Buy Decision

Anne Beatty; Scott Liao; Joseph Weber

+ Author & Article Information

*The Accounting Review* (2010) 85 (4): 1215-1238.

<https://doi.org/10.2308/accr.2010.85.4.1215>

Views 	Share 	Tools 	Cite 
---	---	---	--

**ABSTRACT:** A flourishing stream of research suggests that liquidity-constrained firms with low accounting quality have limited access to capital for investments. We extend this research by investigating whether these firms are more likely to lease their assets. Lessors’ superior control rights allow them to provide capital to constrained firms with low-quality accounting reports. Consistent with this conjecture, we find that low accounting quality firms have a higher propensity to lease than purchase assets. To verify that leasing does not merely reflect these firms’ desire for off-balance-sheet accounting, we investigate whether banks’ access to private information and monitoring affect the relation between accounting quality and leasing. We find the association between accounting quality and leasing decreases when banks have higher monitoring incentives and when loans contain capital expenditure provisions. These results suggest that other mechanisms can substitute for the role of accounting quality in reducing information problems.

This content is only available via PDF.

American Accounting Association

You do not currently have access to this content.

Sign in

Don’t already have an account? [Register](#)

Member Login

Log in

[Skip to Main Content](#)

Pay-Per-View Access  
\$25.00

**AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.**

 [Buy This Article](#)



[View Metrics](#)

### Citing Articles Via

Web Of Science (88)

Google Scholar

CrossRef (130)

### Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert



**American  
Accounting  
Association**  
Thought Leaders in  
Accounting

**Print ISSN:** 0001-4826 **Online ISSN:** 1558-7967

[Skip to Main Content](#)

[Information for Authors](#)

[Authorship Policy](#)

[Plagiarism Policy](#)

[Data Integrity Policy](#)

[Citing Corrected Articles Policy](#)

[Minimizing Overlapping Decision Rights Policy](#)

[Prior Publication Policy](#)

