

Stock Repurchases and Executive Compensation Contract Design: The Role of Earnings per Share Performance Conditions

Steven Young; Jing Yang

+ [Author & Article Information](#)

The Accounting Review (2011) 86 (2): 703-733.

<https://doi.org/10.2308/accr.00000024>

Views 

Share 

Tools 

Cite 

ABSTRACT: We examine the link between firms' stock repurchase activity and the presence of earnings per share (EPS) performance conditions in executive compensation contracts. Findings reveal a strong positive association between repurchases and EPS-contingent compensation arrangements. Further analysis suggests net benefits to shareholders from this association. Specifically, repurchasers experience larger increases in total payouts; the positive association between repurchases and cash performance is more pronounced for firms with EPS targets in the presence of surplus cash; undervalued firms with EPS targets are more likely to signal mispricing through a repurchase; and repurchasers with EPS conditions are associated with lower abnormal accruals. We find no evidence that EPS-driven repurchases impose costs on shareholders in the form of investment myopia.

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 (46)

Google Scholar

CrossRef (62)

Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert



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](#)



[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.