

Municipal financial reporting and competition among underwriters for new issues of general obligation bonds*

EARL R. WILSON, JENICE P. STEWART

First published: Spring 1990

<https://doi.org/10.1111/j.1911-3846.1990.tb00776.x>

Citations: 2

* We are grateful to the editor and two anonymous reviewers for their many helpful comments and suggestions.

Abstract

Abstract. This study develops and tests the hypothesis that the quality and quantity of municipal financial information are positively associated with increased competition in the primary market for new issues of general obligation bonds. A measure of market competition, the number of underwriter bids tendered, is regressed on several market-related and issue-specific control variables and a group of financial reporting test variables. A sample of 224 new issues of municipal general obligation bonds sold by competitive bid between 1978 and 1983 is examined. The results generally support the hypothesis. Employment of an independent CPA firm auditor and more extensive disclosure increase competition, as expected. However, no support was found for the argument that holding a Government Finance Officers Association Certificate of Conformance increases the level of underwriter competition.

Résumé. Les auteurs établissent et vérifient l'hypothèse selon laquelle la qualité et la quantité d'information financière municipale sont en relation positive avec l'augmentation de la concurrence sur le marché primaire pour les nouvelles émissions d'obligations générales. Une mesure de la concurrence sur le marché, soit le nombre d'offres de preneurs ferme, est soumise à une analyse de régression basée sur plusieurs variables de contrôle reliées au marché et particulières à l'émission et sur un groupe de variables-tests reliées à l'information financière. Les auteurs examinent un échantillon de 224 nouvelles émissions d'obligations municipales générales vendues par soumission concurrentielle entre 1978 et 1983. Les résultats obtenus corroborent de façon générale l'hypothèse posée. Le recours à un vérificateur d'un cabinet de CPA indépendant et la publication d'informations plus étendues accentuent la concurrence, comme prévu. Cependant, rien ne confirme l'hypothèse selon laquelle la détention d'un *Government Finance Officers Association Certificate of Conformance* intensifie le degré de concurrence chez les preneurs ferme.

Benson, E.D., "The Search for Information by Underwriters and Its Impact on Municipal Interest Cost," *Journal of Finance* (September 1979) pp. 871-885.

[Web of Science®](#) | [Google Scholar](#)

Benson, E.D. "The Dispersion of Bids on Individual New Municipal Issues," *Journal of Financial Research* (Fall 1982) pp. 207-219.

[Google Scholar](#)

Chan, J.L. and R.D. Picur, "Advances in Governmental Accounting: A Review of Research and Policy," *Advances in Accounting* (1986) pp. 181-220.

[Google Scholar](#)

Cook, T., "Determinants of Individual Tax-Exempt Bond Yields: A Survey of the Evidence," *Economic Review* (Richmond: Federal Reserve Bank of Richmond, May/June 1982) pp. 14-39.

[Google Scholar](#)

Evans, J.H. and J.M. Patton, "An Economic Analysis of Participation in the Municipal Finance Officers Association Certificate of Conformance Program," *Journal of Accounting and Economics* 5 (1983) pp. 151-175.

[CAS](#) | [Web of Science®](#) | [Google Scholar](#)

Evans, J.H. "Signaling and Monitoring in Public Sector Accounting," Supplement to *Journal of Accounting Research* (1987).

[Google Scholar](#)

Hastie, K., "Determinants of Municipal Bond Yields," *Journal of Financial and Quantitative Analysis* (June 1972) pp. 1729-1748.

[Web of Science®](#) | [Google Scholar](#)

Herhold, S.H., "The Information Content of the Audit Report as Perceived by Municipal Analysts," *Research in Governmental and Nonprofit Accounting* (1986) pp. 53-88.

[Google Scholar](#)

Higgins, W.W. and B.J. Moore, "Market Structure Versus Information Costs as Determinants of Underwriters' Spreads on Municipal Bonds," *Journal of Financial and Quantitative Analysis* (March 1980) pp. 85-97.

[Web of Science®](#) | [Google Scholar](#)

Ingram, R.W. and R.M. Copeland, "Municipal Market Measures and Reporting Practices: An Extension," *Journal of Accounting Research* (Autumn 1982, part 2) pp. 766-772.

[Web of Science®](#) | [Google Scholar](#) |

Ingram, R.W., K.K. Raman, and E.R. Wilson, "Governmental Capital Markets Research in Accounting: A Review," *Research in Governmental and Nonprofit Accounting* (1987) pp. 111–132.

[CAS](#) | [Web of Science®](#) | [Google Scholar](#) |

Kessel, R., "A Study of the Effects of Competition in the Tax-Exempt Bond Market," *Journal of Political Economy* (July/August 1971) pp. 706–738.

[Web of Science®](#) | [Google Scholar](#) |

Lamb, R. and S.P. Rappaport, *Municipal Bonds: The Comprehensive Review of Tax-Exempt Securities and Public Finance*, 2d. ed. (New York: McGraw-Hill, 1987).

[Google Scholar](#) |

Moak, L.L., *Municipal Bonds: Planning, Sale, and Administration* (Chicago: Municipal Finance Officers Association, 1982).

[Google Scholar](#) |

Neter, J., W. Wasserman, and M.H. Kutner, *Applied Linear Regression Models* (Homewood, IL: Irwin, 1983).

[Google Scholar](#) |

Public Securities Association, *Fundamentals of Municipal Bonds* (New York: Public Securities Association, 1981).

[Google Scholar](#) |

Rees, D., "User-Oriented Municipal Footnote Reporting Models: Ideal and Practical," Ph.D. Dissertation, Texas Tech University (1982).

[Google Scholar](#) |

Stigler, G.J., "The Economics of Information," *Journal of Political Economy* (June 1961) pp. 213–225.

[Web of Science®](#) | [Google Scholar](#) |

van Horne, J., *Financial Rates and Flows*, 2d. ed. (Englewood Cliffs, N.J.: Prentice-Hall, 1984).

[Google Scholar](#) |

Wallace, W.A., "The Association between Municipal Market Measures and Selected Financial Reporting Practices," *Journal of Accounting Research* (Autumn 1981) pp. 502–521.

[Web of Science®](#) | [Google Scholar](#) |

West, R.R., "Determinants of Underwriters' Spreads on Tax Exempt Bond Issues," *Journal of Financial and Quantitative Analysis* (September 1967) pp. 241-263.

[Web of Science®](#) | [Google Scholar](#)

Wilson, E.R. and T.P. Howard, "The Association between Municipal Market Measures and Selected Financial Reporting Practices: Additional Evidence," *Journal of Accounting Research* (Spring 1984) pp. 207-224.

[Web of Science®](#) | [Google Scholar](#)

Citing Literature



[Download PDF](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)
[Terms of Use](#)
[About Cookies](#)
[Manage Cookies](#)
[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)
[Developing World Access](#)

HELP & SUPPORT

[Contact Us](#)
[Training and Support](#)
[DMCA & Reporting Piracy](#)

OPPORTUNITIES

[Subscription Agents](#)
[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)
[Wiley Press Room](#)

