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Opportunistic disclosure in press release headlines

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Abstract

This paper examines the use of press releases in the financial press. We find that larger firms are more likely to issue press releases than smaller ones, and that the content of these releases is more likely to be positive than negative. We also find that the use of press releases is more likely to be associated with higher stock prices and higher profitability. Finally, we find that the use of press releases is more likely to be associated with higher sales and higher market share.

consistent with the theory that highly visible firms face a greater demand for information transparency.

Keywords: headlines impression management opportunistic disclosure press releases prominence voluntary disclosure

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Notes

However, there is some overlap. Incremental information for voluntary disclosure is most consistent with the theory that highly visible firms face a greater demand for information transparency. We are grateful to the editor and participants at the 2008 EAA Conference in Rotterdam, the 2009 FRBC Conference in Cardiff and the VII Workshop on Empirical Research in Financial Accounting held in Cartagena. For example, the measure of voluntary disclosure is most consistent with the theory that highly visible firms face a greater demand for information transparency.



The large number of investment companies registered on the Madrid Stock Exchange are excluded due to their specific legal accounting framework and the nature of their activities.

Abnormal accruals are a potentially better measure of accounting discretion. However, we do not use them because our sample includes financial firms and their accrual accounting is non-comparable to that of other firms.

As a sensitivity check, we repeated the analyses excluding financial firms and found similar results.

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