

# Essays on behavioral determinants of earnings quality

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1. Savvas Papadopoulos and Jan Marton  
*The relative importance of conditional conservatism for bond and equity investors.*
2. Savvas Papadopoulos  
*What determines bank loan loss provisions quality? A study of CEO hubris.*
3. Savvas Papadopoulos  
*Accruals quality: Does CEO marital status really matter?*
4. Savvas Papadopoulos  
*Trust beyond numbers: CFO gender as a moderator of investors' information risk.*



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## Abstract

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### Essays on behavioral determinants of earnings quality

The neoclassical economic view of the firm – upon which most of the empirical financial accounting research is based – assumes that managers are rational wealth optimizers. Therefore, managers are considered homogeneous and selfless inputs into the production process, and this implies that different managers are perfect substitutes for one another. Although managers might have differences regarding their preferences, risk profiles, and skills, neoclassical economic theory assumes that none of these individual characteristics reflects upon actual corporate policies; the implication here is that individual managers are not able to influence corporate decisions through managerial discretion. On the other hand, upper echelons theory suggests that individual managers *do* matter when it comes to corporate decisions and outputs, and that top executives' experiences, values, and personality influence their subjective interpretations of the situations they face, and thus affect their decisions.

Based on the assumptions inherent in upper echelons theory, this Ph.D. dissertation investigates the potential effect of top executives' personal characteristics on financial reporting decision-making; in particular, it focuses on those of chief executive officers (CEOs) and chief financial officers (CFOs). The underlying objective of the dissertation is to determine whether the individual-level characteristics of CEOs and CFOs explain earnings quality in firms. Additionally, this dissertation also considers the economic characteristics of users of financial information as determinants of earnings quality.

The empirical findings of the studies carried out within the scope of this dissertation show that managerial characteristics indeed explain earnings quality. Specifically, CEO marital status and the gender of a CEO's first-born child are found to significantly determine accruals quality – and by implication, earnings quality – among firms. Likewise, CEO personality traits such as hubris are also significant determinants of accruals (i.e., loan loss provisions) quality in banks. Meanwhile, CFO gender has been found to influence earnings quality in terms of the usefulness to investors of earnings information. Finally, the results indicate that the economic characteristics of users of financial information also determine the usefulness of earnings.

**Keywords:** Managerial characteristics, CEOs, CFOs, earnings quality, accruals quality, loan loss provisions, bond markets, equity markets, earnings announcement, risk

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