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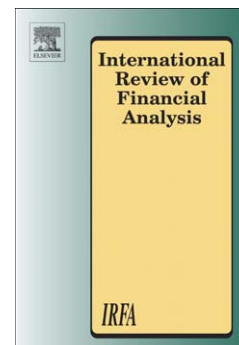
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The effect of accounting academics in the boardroom on the value relevance of financial reporting information

Haijie Huang, Edward Lee, Changjiang Lyu, and Zhenmei Zhu*

Abstract: We examine whether accounting academics on the board of directors affect their firm's financial reporting quality. While regulations mandate firms to include financial experts as outside directors to enhance transparency, there is also a shortage of suitable individuals with both the relevant expertise and the appropriate management and communication skills. Although increasing evidence suggests that academics as outside directors improve firm performance, previous studies do not focus on the role of accounting professors per se on accounting quality. The prevalence of hiring academics as outside directors renders China a suitable research setting. We observe greater value relevance of reported earnings when accounting academics serve as financial experts in the board, especially in firms where their influence are expected to be more pronounced. Our evidence implies that accounting scholarship contributes to the efficiency of the capital market, and can potentially supply the boardroom demand for financial experts.

JEL classification: G34, M41

Keywords: Board of directors; financial experts; accounting academics; value relevance; China

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