

Accepted Manuscript

Title: Litigation Risk, Financial Distress, and the Use of Subsidiaries

Authors: James A. Ligon, James Malm

PII: S1062-9769(17)30225-9

DOI: <http://dx.doi.org/doi:10.1016/j.qref.2017.07.008>

Reference: QUAECO 1057

To appear in: *The Quarterly Review of Economics and Finance*

Received date: 20-9-2016

Revised date: 21-5-2017

Accepted date: 12-7-2017

Please cite this article as: Ligon, James A., & Malm, James., Litigation Risk, Financial Distress, and the Use of Subsidiaries. *Quarterly Review of Economics and Finance* <http://dx.doi.org/10.1016/j.qref.2017.07.008>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Litigation Risk, Financial Distress, and the Use of Subsidiaries

James A. Ligon
The University of Alabama

James Malm
College of Charleston

James A. Ligon is Professor Emeritus of Finance in the Department of Economics, Finance and Legal Studies at the University of Alabama. James Malm is Assistant Professor of Finance in the Department of Finance at the College of Charleston, South Carolina.

HIGHLIGHTS

- We study the relationship between litigation risk and subsidiary usage by U.S. firms.
- We also examine the difference between firms with low and high financial positions.
- We find that firms in general, tend to use more subsidiaries when exposed to high litigation risk.
- The effect is stronger in firms with low financial position, while it is less pronounced in firms with high financial position.

Abstract

Using a unique hand-collected dataset on corporate subsidiaries and lawsuits, we examine the relationship between litigation risk and subsidiary usage by large U.S. corporations. We find that firms, in general, tend to have a large number of subsidiaries when exposed to high litigation risk. We find that this tendency is strong in firms with relatively

Download English Version:

<https://daneshyari.com/en/article/7383489>

Download Persian Version:

<https://daneshyari.com/article/7383489>

[Daneshyari.com](https://daneshyari.com)