

**EVIDENCES ON DETERMINANTS AND
EFFECTS OF ACCOUNTING AND
MANAGERIAL CHOICES IN M&A**

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ABSTRACT

The aim of my research is to contribute to M&A literature, by providing evidences on the determinants and effects of accounting and managerial choices in M&A.

The research is composed of two main parts and follows a longitudinal path, as the M&A process can be conceptualized in three broad phases subsequent one each other: (i) pre-acquisition, (ii) acquisition and (iii) post-acquisition (Mickelson and Worley, 2003), in the first part of my research I focus on issues related to the pre-acquisition phase while in the second part I focus on issues related to the post-acquisition phase.

In the first part of my research, in particular, I study whether the level of the involvement of family members in a family firm is associated with the choice of the buyer in M&A deals and whether the Social Emotional Wealth is useful in explaining this choice. I base my study on the idea that family firms are more willing to choose a buyer that attenuates the feeling of detachment for family members and ensure growth to the firm. Consequently, I expect that family firms choose Financial Buyers or Strategic Buyers in relation to the level of family involvement. I consider the level of involvement of family members in the firm in relation to three dimensions: (i) family's share ownership, (ii) family's presence in the board, and (iii) the presence of a family CEO. Results show that family involvement in the firm affects the target choice of the buyer, and in particular when the buyer is not a previous minority shareholder.

In the second part of my research I investigate on manager accounting choices, in particular on managers accounting choices on acquired assets during M&A, and more specifically on brand. This second part is composed of two different studies.

In the first study, I investigate on managers accounting choices in the traditional way researches have investigated till now on accounting choices. That is, I study if also brand measurement accounting choices are driven by managers multiple motivations as (i) agency costs, (ii) earnings smoothing, as previous studies make accounting choices consistent with the idea of earnings management, (iii) and information asymmetries. I find that leverage as proxy for agency costs, change in ROA as proxy for earnings smoothing and market to book ratio as proxy for information asymmetries are associated with a particular managers' accounting choices.

The second study is based on the idea of Christensen and Nikolaev (2013) that accounting choices have a different nature respect to earnings management. Accounting choices require an ex-ante commitment while earnings management is the result of managers' continuous choices. In this study, I investigate whether managers use accounting choices to meet or beat analysts' forecasts. Then, I intend to study the association between accounting choices and the adoption of accrual earnings management as both can be considered different tools available to managers to meet or beat analysts' forecasts and if disclosure plays a role. Finally, I focus on whether analysts' forecast properties are associated with managers' joint use of accounting choices and accrual earnings management. Empirical evidences show that both tools affect the probability to meet or beat analysts forecast and that disclosure plays a role, while the hypothesis on analysts forecast properties is not supported.

Although the two parts of the research are linked by a unique *file rouge*, that is to investigate on the determinants and effects of accounting and managerial choices in M&A, the three studies will be address as separate papers. Then, the research proceeds as follows. In chapter 1 I investigate on the following research question: “*To whom*

does the family sell the firm? The determinants of the choice of the buyer in M&A deals"; in chapter 2 I analyze the following research question: *"Contracting, information asymmetry and earnings smoothing. Which determinant influences accounting choices on brand? Evidence from the adoption of IAS38 for brand measurement"*; chapter 3 examines the following research question: *"Are accounting choices a way to meet or beat analysts' forecasts alternative to earnings management? Evidence from the adoption of IAS38 for brand measurement"*.