



# Corporate Social Responsibility and the Market Reaction to Negative Events: Evidence from Inadvertent and Fraudulent Restatement Announcements



by

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**Date:** 19 December 2018 (Wednesday)  
**Time:** 6:15pm to 6:30pm (Tea Reception)  
6:30pm to 8:00pm (Public Lecture)  
**Venue:** Rm M714, Li Ka Shing Tower, PolyU

## **Abstract:**

Can CSR performance exacerbate, not necessarily moderate, the negative market response to negative events? To answer this question, we investigate the interplay between a company's CSR performance and the capital market consequences of restatement announcements, considering management conduct leading to the announcement. Specifically, we analyze 3-day restatement announcement returns and 60-day post-announcement returns using a broad sample of inadvertent and fraudulent accounting misstatements. We hypothesize and find that CSR performance alleviates (magnifies) the immediate negative market response to inadvertent (fraudulent) restatement announcements, and that this relation is stronger for restatements containing material than immaterial error. In addition, our post-announcement return analysis shows that the market underreacts to all types of restatement announcements, and that a company's CSR performance explains in a predictable manner the cross-sectional variation in the observed underreaction. Overall, using restatement announcements as a channel through which CSR performance may affect company value, we show, in contrast to prior research, that depending on management conduct leading to the restatement, a company's CSR performance may destroy, not necessarily enhance, firm value. Our findings may, thus, inform researchers, market participants, and regulators.

## **A Short Bio:**

Professor Bartov is the Professor of Accounting in Leonard N. Stern School of Business. He has published many papers in top-tier journals in accounting and finance, including JAE, JAR, TAR, RAST, CAR, JF, and JFE. Professor Bartov's research focuses on executive compensation, executive stock options, earnings management, earnings expectation management, and various aspects of equity valuation and trading strategies.