

Silvia Ferramosca · Alessandro Ghio

Accounting Choices in Family Firms

An Analysis of Influences and Implications

Contents

1	Introduction	1
1.1	An Overview of the Book	1
1.2	Theoretical Approach	3
1.3	Methodological Approach	5
1.4	Target Audience	6
1.5	Structure of the Manuscript	9
	References	10
2	The Family Business	13
2.1	Introduction	13
2.2	Family Businesses Around the World	18
2.3	The Definition of the Family Business: An Open Discussion	24
2.3.1	The Definition of the Family Business: The Essence Approach	26
2.3.2	The Definition of the Family Business: The Component Approach	29
2.3.3	The Definition of the Family Business: The Public and Policy Discussion	37
2.3.4	Brief Summary of the Family Business Definition: A Discussion Still Wide Open	39
2.4	The Family Business and Accounting	42
2.4.1	The Family Business, Accounting and Theoretical Frameworks	43
2.4.2	The Family Business, Accounting and the Transition from Agency to Socioemotional Wealth Theory	47
2.5	Conclusion: The Family Business and Accounting	51
2.6	The Ensuing Chapters and Contributions	55
	References	86

3 Earnings Management in Family Firms	103
3.1 Introduction	103
3.2 Theoretical Reasons for Earnings Management in Family Firms	107
3.2.1 Agency Theory	107
3.2.2 Socioemotional Wealth Theory	111
3.3 Measures and Empirical Evidence of Earnings Management	113
3.3.1 Accruals-Based Earnings Management	113
3.3.2 Real Activities-Based Earnings Management	120
3.3.3 Additional Earnings Management Techniques	124
3.4 Challenges and Opportunities	125
3.4.1 Extending and Developing the Theoretical Frameworks	126
3.4.2 Development of the Research Design	127
3.4.3 Family Firm Characteristics	129
3.4.4 Analysis of the Institutional Environment	130
3.4.5 Analysis of the Extent of Discretionary Choices	131
3.4.6 Insider Trading and Fraudulent Activities	132
3.4.7 Empirical Consequences of Earnings Management in Family Firms	133
3.4.8 Roadmap for Future Studies	133
References	134
4 Accounting Conservatism in Family Firms	139
4.1 Introduction	139
4.2 The Notion of Conservatism	142
4.3 Accounting Conservatism in Today's Accounting Principles	144
4.4 Explanations for Accounting Conservatism	146
4.4.1 Contracting Theory and Accounting Conservatism	146
4.4.2 Other Sources of Accounting Conservatism	148
4.5 Measures and Empirical Evidence for Conservatism	150
4.5.1 Models to Measure Accounting Conservatism	150
4.6 Empirical Evidence on Accounting Conservatism	153
4.6.1 The State of the Art in a Nutshell	153
4.6.2 The Role of Corporate Governance in Accounting Conservatism: Evidence from Family Firms	154
4.7 An Extension to the Notion of Conservatism: Tax Aggressiveness in Family Firms	156
4.8 Challenges and Opportunities of Accounting Conservatism in Family Businesses	158
References	161

5 Corporate Disclosure in Family Firms	165
5.1 Introduction	165
5.2 Corporate Disclosure	170
5.3 Financial Reporting	172
5.3.1 Annual Financial Statements (Annual Reports)—a Brief Overview of Earnings Quality in Family Firms	174
5.3.2 Audit Reports and Audit Quality	176
5.3.3 Management Report	183
5.4 Non-financial Reporting	185
5.5 Types of Voluntary Disclosure	188
5.5.1 Types of Voluntary Disclosure: <i>Quis</i>	192
5.5.2 Types of Voluntary Disclosure: <i>Quid</i>	194
5.5.3 Types of Voluntary Disclosure: <i>Quando</i>	195
5.5.4 Types of Voluntary Disclosure: <i>Ubi</i>	197
5.5.5 Types of Voluntary Disclosure: <i>Cur</i>	198
5.5.6 Types of Voluntary Disclosure: <i>Quantum</i>	199
5.5.7 Types of Voluntary Disclosure: <i>Quomodo</i>	200
5.5.8 Types of Voluntary Disclosure: <i>Quibus Auxiliis</i>	202
5.6 Corporate Social Responsibility	203
5.7 Analysts' and Financial Disclosure	207
5.8 Challenges and Opportunities for Financial and Non-financial Disclosure in Family Business	209
References	212
6 The Relationship Between Accounting Choice and Family Business: What Is the Role of Culture?	223
6.1 Introduction	223
6.2 Culture	227
6.2.1 Definition of Culture	227
6.2.2 The Hofstede's Model "Customised" on Family Firms	229
6.2.3 National Culture	231
6.2.4 Organisational Culture	237
6.3 Accounting Harmonisation and Standardisation	243
6.4 Culture and Earnings Management	245
6.4.1 Conservatism Versus Optimism	246
6.5 Cultural Influences in Family Firms Accounting Choices	247
References	249
7 Conclusions	255
7.1 Introduction	255
7.2 Research Overview	256
7.3 Contributions of the Manuscript	258
7.3.1 Theoretical Contributions	258

7.3.2	Practical Implications for Academic Literature	260
7.3.3	Practical Implications for Managers, Investors and Policy Makers	261
7.4	Limitations and Future Challenges	262
	References	263