



CERF Fellow Report

Please note this information will be published on the CERF website.

1. Personal Details

Name and Faculty:	Amir Amel-Zadeh
Date:	31 March 2016
CERF Fellowship Period:	2014-2016

2. Research Update

Research Title and Abstract Please tell us your CERF Funded Research Title and Abstract (250 words max)	Earnings Management and Bank Capital This project considers the role of earnings management in generating incentives for financial institutions to carry risk on their balance sheet. The role of mark-to-market accounting and asset sales have been emphasized as a problem for restructuring loan portfolios and recapitalizing banks, but there is less investigation of this channel in creating balance sheet problems in the first place. In particular, we examine how market sentiment affects the valuation of different sources of bank earnings, interest income versus trading gains, over the economic cycle. If mark-to-market generated income attracts a higher market valuation during economic booms, bank managers will, in the short run, be inclined to cater to market sentiment in their quest to maximize value thus holding more assets on their balance sheet that are susceptible to
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	market movements. We believe this hypothesis is underemphasized in the crisis and efforts at reform.
Key Research findings to date: (250 words max)	In time-series test we find that different sources of bank earnings, interest income and trading gains, i.e., cash versus mark-to-market generated income, are valued differently throughout the economic cycle. In particular, trading gains seem to attract a valuation premium during economic booms generating incentives for bank to provide more mark-to-market related income during economic upturns. The time-series results are robust to different data sorts and specifications of mark-to-market income. In the second phase we aim to relate the time-series evidence to cross-sectional variation in banks holdings of trading related assets. A variation of this project is currently in progress examining whether investors understand bank earnings.

3. Weblinks to your work

We would like to provide CERF Managers with weblinks to the research output of CERF Funded Projects and the following information:

- links to your research outputs
- publications generated during the CERF fellowship
- seminars, conference presentations, press releases and other academic activities



Publications during CERF Fellowship:

- Agliardi, E., Amel-Zadeh, A., and N. Koussis (2016). "Leverage Changes and Growth Options in Mergers and Acquisitions" *Journal of Empirical Finance* 37, 37-58.
- Amel-Zadeh, A., and Y. Zhang (2015), 'The Economic Consequences of Financial Restatements: Evidence from the Market for Corporate Control'. *The Accounting Review* 90, 1-29.
- Amel-Zadeh, A., and G. Meeks (2015), 'Fair Value and the Global Financial Crisis: Traditional Theories Challenged' in Jones, S. (ed.), *Routledge Companion to Accounting Theory*, London: Routledge, 197- 216.

Conference invitations during CERF Fellowship:

- 2016 University of Glasgow; University of Mannheim (scheduled); European Accounting Association Annual Congress (scheduled); 6th International Conference of the Financial Engineering and Banking Society (scheduled)
- 2015 American Accounting Association annual meeting, Chicago (discussant); Said Business School, University of Oxford; Baffi Carefin 7th International Banking Conference, Bocconi University, Milan; Goethe University Conference on "Finance between Liquidity and Insolvency", Frankfurt.
- 2014 Financial Accounting and Reporting Section (FARS) Midyear meeting, Houston, (two papers accepted); University of North Carolina; Stanford University; Haas Business School, University of California at Berkeley; Harvard Business School; American Accounting Association annual meeting, Atlanta.

Press Releases

See <http://www.jbs.cam.ac.uk/research/faculty/amelzadeha.html>

4. Additional information

Is there any other information you would like to share with us about your work to date?



Please return completed form to The Administrator, admin@cerf.cam.ac.uk