Case 1: Dual-class ownership structure and financial reporting conservatism

Why is this topic important?
1. Dual class firms are fairly common in the U.S.
2. Dual class ownership represents a unique type of ownership structure.
3. This type of ownership structure enhances insiders’ control.
4. Insiders have incentives to report less conservative financial information in order to expropriate wealth from minority shareholders.

Data:
1. Dual-class data are from Gompers et al. (2009).
2. Family firms are collected from corporate proxy disclosure.
3. Other data are from the commercial databases.

Findings:
Dual-class firms are less conservative in financial reporting. Opaque information environment may help insiders expropriate wealth from minority shareholders.

Implications:
A wholesale abolishment of dual-class ownership structure? Yes, based the results from this study.


Case 2: Founding family ownership, dual-class shares and earning management - in process

Why is this topic important?
1. More than 35% S&P 500 companies are family-owned businesses.
2. Family firms report higher quality accrual-based financial information relative to non-family firms.
3. Structuring transactions is another means of earnings management. Are family firms more likely to manage earnings through structuring transactions such as channel stuffing?

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