

Title: Seeing Through the Fog: Financial Statement Disaggregation and Managerial Oversight

Speaker: Prof. Partha Mohanram, University of Toronto

Area: F&A

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Abstract:

The role of financial information disaggregation in contracting is important but remains underexplored. Leveraging a regulatory change in China that requires firms to disclose R&D expenses as a separate line item in their income statement rather than aggregating them under administrative expenses, we examine whether such disaggregation enhances external monitoring of managerial behavior. Using a difference-in-differences design, we find that firms that are more affected by the disclosure rule experience a significantly larger decline in both abnormal executive compensation and perks embedded within administrative expenses. The effect is more pronounced in firms with stronger external monitoring of administrative expenses, less sophisticated investors, excessive pre-reform administrative expenses, and in non-state-owned enterprises. We also find that abnormal administrative expenses are priced more negatively and that administrative expenses become less sticky following the reform. Overall, our findings offer new insights into the role of disaggregated financial information in strengthening corporate governance and improving resource allocation efficiency.

Speaker Profile:



Partha Mohanram is the John H. Watson Chair in Value Investing. He has published extensively in the areas of financial statement analysis, valuation of growth firms, implied cost of capital and executive compensation. His recent work is in the area of social media, artificial intelligence and machine learning. He was the Editor-in-chief of Contemporary Accounting Research and serves on the editorial board of The Accounting Review and Review of Accounting Studies. His research work has won numerous awards including the Haim Falk award from the CAAA (2017), the Rotman research impact award (2018) and the Notable Contributions Award from the AAA (2022).

Professor Mohanram teaches advanced electives on Business Analysis and Valuation, and has taught in the MBA, PhD, undergraduate and executive education programs, including the Directors Education Program (DEP). He has won numerous teaching awards during his career.

Professor Mohanram served as the Area coordinator for the accounting area from 2016 to 2022, and was the acting Vice-Dean of Research, Strategy and Resources for the Rotman School of Management in 2022-23. He has also served as the academic director of the India Innovation Institute at the University of Toronto since 2016 and chaired the university President's council for the Indian subcontinent from 2017 to 2022.

Professor Mohanram joined Rotman after serving on the faculty of Columbia University and New York University. He obtained his PhD in Business Economics from Harvard University, MBA from IIM – Ahmedabad where he won a gold medal for being the best allround student, and B.Tech in computer science from IIT-Madras.

Professor Mohanram holds the prestigious Chartered Professional Accountant (CPA-CGA) designation and is also a certified board director (ICD.D). He currently serves on the board of the Canadian Academic Accounting Association (CAAA) and previously served on the board of CGA Ontario (2012-2014).

Webpage Link: <https://www.rotman.utoronto.ca/the-rotman-experience/our-community/people/mohanram-partha-sarathy/>