Chapter 1

I examine whether earnings management increases when investors’ uncertainty about the firm’s earnings increases, as predicted in Fischer and Verrecchia (2000). In their model, the manager can benefit from biasing the report as the market is uncertain about his reporting objective and, therefore, cannot perfectly back out the reporting bias in the earnings report. In equilibrium, the optimal reporting bias is an increasing function of the manager’s report objective and the variance of the firm’s terminal value. The implication is the manager will increase earnings management as the uncertainty regarding the firm’s earnings increases. I use the 2018 China-U.S. trade war as an instrument to capture an increase in the earnings uncertainty of affected firms. I find that uncertainty, as captured by the analyst forecast dispersion and the stock return volatility, increases for firms exposed to the trade war and these firms engage in more earnings management.

Chapter 2

The pandemic has led to a step change in the prevalence of teleworking across many businesses. The change is particularly evident in the finance sector. According to the SWAA survey, in 2023, over 70 percent of working arrangements in the finance industry are hybrid or full work from home in the U.S. This shift has led to a change in the way financial analysts gather information, as analysts started to use virtual private meetings more frequently to gather information from managers. This raises the question of whether virtual meetings can adequately substitute for in-person meetings. This paper seeks to address this important question by exploiting unique private meeting data and COVID policy in China. Specifically, I will examine whether the format of private meetings - in-person or virtual – will affect the quality of information obtained during these meetings and the subsequent forecasts made by analysts.