UNIVERSITY OF ALBERTA

CPA Research Speaker Series (Accounting)

Alberta School of Business
Department of Accounting, Operations, and Information Systems

Presents:

Dan (Sabrina) Gong

Alberta School of Business

Topic:

Classification Shifting and Cost Stickiness

Friday, February 9, 2018
2:00pm – 3:30pm
BUS Room 3-10

ABSTRACT

I examine whether classification shifting to enable managers to meet or beat benchmarks affects observed cost stickiness. I find that, in instances where managers are targeting "Street" earnings rather than bottom-line GAAP earnings to meet or beat the analysts' consensus forecast, they shift SG&A costs into the restructuring charge category, with the result that SG&A costs appear to be less sticky. I further confirm that the decrease in observed cost stickiness is not due to accelerated cuts to SG&A expenditures. Overall, my findings suggest that financial market pressure can influence managers to distort the reporting of SG&A cost behavior through their use of classification shifting.

(Copy of the paper is attached)