

## **Masterarbeit am Lehrstuhl Controlling – Oktober 2023**

### **Topic: Equity-based compensation and incentives for earnings management**

Large public firms considerably rely on equity-based compensation as an instrument to provide productive incentives to their top managers. Arguably, compensating managers for stock market performance is useful because it aligns managers' objectives with the interests of a firm's shareholders. However, empirical studies indicate that equity-based compensation may have undesirable consequences. Compensating managers with stock and stock options motivates dysfunctional behavior such as excessive risk taking and earnings management, which can be costly for the firm. The optimal design of equity-based compensation should account for such undesirable behavior. Particularly, optimal incentives should depend on managers' opportunities to engage in costly earnings management.

This thesis summarizes the relevant empirical and theoretical literature on equality-based executive compensation and earnings management. Based on the model of Fischer and Verrecchia (2000), it outlines important trade-offs in managers' decisions to manage accounting reports. Finally, the thesis uses the model of Goldman and Slezak (2006) to highlight implications for the design of equity-based compensation contracts and explains the empirical predictions from their analysis.

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### **Ausgangsliteratur**

- Fischer, P., and R. E. Verrecchia (2000). Reporting bias. *The Accounting Review*, 75, pp. 229-245. <https://doi.org/10.2308/accr.2000.75.2.229>
- Goldman, E., and S. L. Slezak (2006). An equilibrium model of incentive contracts in the presence of information manipulation. *Journal of Financial Economics*, 80, pp. 603-626. <https://doi.org/10.1016/j.jfineco.2005.05.007>

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### **Bewerbungsprozess**

Interessierte Studierende können sich bis **06.11.2023** per E-Mail bewerben. Dazu senden Sie mir bitte ein aktuelles Sammelzeugnis und ein Motivationsschreiben an [ulrich.schaefer@univie.ac.at](mailto:ulrich.schaefer@univie.ac.at). Für die Bearbeitung des Themas ist das Verständnis von einfachen Vertragsmodellen von Vorteil. Bitte legen Sie im Motivationsschreiben dar, inwiefern Sie mit vertragstheoretischen Prinzipal-Agenten-Modellen vertraut sind.

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