Choice of Seasoned Equity offerings, Managerial ability, Audit quality and Earnings quality

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Abstract
Extant research examines the issuance choice of seasoned equity offerings (SEOs). Surprisingly, prior empirical studies do not examine the issuance choice of accelerated book built offerings versus bought deals versus firm commitment versus private placement versus rights offering. Moreover, the previous literature is silent on the impact of managerial ability, audit quality and earnings quality on the issuance choice of US SEO offerings.

Demerjian et al. (2012) report that more able managers to better understand business and invest in higher value projects and manage their employees efficiently than less able managers. Further Chemmanur (1993) finds that the more reputable firm management can be able to convey the value of their firm more credibly to the equity market, thus reducing information asymmetry, resulting in lower under-pricing in the equity offerings of this firms. But previous studies ignore the role of managerial ability on the issuance choice of SEOs. This study fills this void.

Chang, Dasgupta, Hilary (2009) argue that auditor quality is quite critical to the success of corporate financing decisions as auditors play an important role in assuring the integrity of financial statements and reducing information asymmetry. However, Lack of research on the impact of audit quality on the issuance choice of SEOs. This study addresses this gap. Francis et al. (2008) argue that the firms with poor earnings quality tend to have higher costs of capital. Demerjian et al. (2012) defines that the high-quality earnings to be those that accurately reflect companies’ current operating performance (quality). However, there is a scarcity of research on the impact of audit quality on the issuance choice of SEOs. This study fills this void.