

The Research Centre of the Faculty of Economics
cordially invites you to a research seminar
on **Thursday, 5th May 2016 at 1 p.m. in P-212** at the **Faculty of Economics, University of Ljubljana**

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will present the article:

"Development cost capitalization in private firms – an earnings management tool or reporting true financial performance?"

“I study the decision to capitalize the development expenditure of non-large private firms. Despite a number of studies dedicated to R&D capitalization in general (and, separately, to private firms), existing research is almost silent on the role of R&D capitalization in the financial reporting process of private firms. I first attempt to explain the factors that affect the decision to and the magnitude of capitalizing development (the “D” part of R&D) expenditures in private firms. I relate this to typical determinants of R&D-capitalization decision: profitability and change in profitability, losses, leverage and change in leverage, growth as well as factors that increase the demand for reporting true firm performance: ownership complexity and presence of an auditor. I then study the importance of development-cost capitalization for future operating profitability. I find that less profitable, leveraged firms are more likely to have capitalized development costs and that capitalization in the current period is associated negatively with future operating profitability. Collectively, these findings indicate that development cost capitalization is primarily an earnings management tool in the financial reporting process of private firms rather than a credible signal of expected future economic benefits.”

You can register for the free seminar by phone (01) 58-92-490, or via e-mail: research.seminars@ef.uni-lj.si by Wednesday, 4th May 2016.

You can find all information regarding future research seminars on following link: http://www.ef.uni-lj.si/raziskovanje/seminarji_in_konference

We look forward to seeing you!