

Rita Nevada Gunn
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Academic Appointment

Owen Graduate School of Management, Vanderbilt University; Nashville, TN
Assistant Professor of Accounting; 2017 – Present

Education

Kellogg School of Management, Northwestern University; Evanston, IL
Ph.D. in Accounting; 2012 – 2017

North Carolina State University; Raleigh, NC
B.S. in Accounting (Valedictorian); 2009 – 2012
B.A. in Economics

Professional Experience

Federal Deposit Insurance Corporation; Raleigh, NC
Student Career Experience Participant; May – August 2010, 2011
Conducted examinations of ten banks throughout eastern North Carolina; Analyzed capital, other assets and liabilities, management, earnings, liquidity, interest rate sensitivity, and internal controls; Researched current banking regulations

Research

Interests: Mergers and Acquisitions; Earnings Management; Valuation; Taxation; Regulation

Publications:

Chaney, P. and Rita Nevada Gunn, “A critical review of the mergers and acquisition literature: A roadmap for future research” Special Issue of *The International Journal of Accounting*, 2020.

Dissertation: *Essays on Earn-outs*

Working Papers:

Reaching into the Earn-out Cookie Jar

Using the fair value disclosures related to earn-outs, I investigate and find that earnings management, particularly earnings smoothing, leads to more informative earnings. Accounting Standards Codification (ASC) 805 requires acquirers to fair value the earn-out liability on the date of transaction close and then adjust the accrued liability quarterly for the life of the

contingency. This setting allows for a precise measurement of the pre-adjusted earnings and eases concerns regarding other accruals due to the short-term nature of the reserve, low cost to management, and relatively high cost of detection. My results show that, on average, managers create “cookie-jar” reserves by overestimating the fair value of the earn-out at the close of the transaction. Subsequently, managers use the reserve to smooth earnings by making quarterly adjustments to the earn-out liability. These smoother earnings are more predictive of future cash flows than the unadjusted earnings. In addition, the market values the earn-out adjustments.

The Effect of Voluntary Accounting Policy Changes on Earnings Informativeness with Paul Chaney, Michael Stuart, and Jing Wang

We examine the impact of voluntary accounting policy changes (VAPCs) on earnings informativeness. In 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 154 (SFAS 154), which altered the way firms account for VAPCs. Although SFAS 154 was expected to improve financial reporting consistency, it enables managers to opportunistically report greater future earnings without reporting the cumulative effect of the change as a loss in the year of the change. We find evidence that VAPCs increased earning informativeness during the pre-SFAS 154 period, but do not change informativeness following the adoption of SFAS 154. In addition, we find that opportunistic VAPCs, which increase future earnings, result in lower earnings informativeness. These opportunistic VAPCs are more likely following the SFAS 154 adoption and, following the adoption of SFAS 154, they are associated with a greater likelihood of meeting or just beating prior year earnings. Our research highlights an overlooked opportunistic use of VAPCs and an unintended consequence of the SFAS 154 adoption.

Do Acquisitions of Private Targets Create Higher Value? The Role of Intangible Assets Acquired with Thomas Lys and Nir Yehuda

We use a novel dataset that includes estimates of the fair value of the targets’ purchased tangible and intangible assets to demonstrate that private targets have significantly more intangible assets than do public targets. We then develop a valuation model based on the fair values of the targets’ tangible and intangible assets and show private targets generate higher synergies in acquisitions relative to public targets. However, the higher synergies in private target acquisitions are not the result of the target status but are driven by the larger amount of intangible assets acquired in those deals. We also find that the variance of synergies in private targets is much larger than that in acquisitions of public targets. Finally, our results are robust for known effects documented in the prior M&A literature.

How do investors respond to targets’ interim earnings? with Spencer Pierce and Miles Romney
Fundamental to the accounting literature is that firms’ stock prices relate positively to their earnings news. We examine a setting where investors may be unsure to which firm the announced earnings accrue: earnings announced by acquisition targets between the announcement and completion of the acquisition. We find targets’ stock prices relate positively to their unexpected earnings during this interim period, but only for unsuccessful M&A deals. For completed deals, we fail to find that the target’s or acquirer’s stock prices respond to the target’s unexpected interim earnings at the time of announcement. However, we find that targets’ interim earnings predict future returns of the combined firm following deal completion. These

returns are economically significant as a trading strategy based on targets' interim earnings produces annualized abnormal returns of 8.3%. Our findings suggest investors respond inefficiently to the earnings that targets announce between the announcement and completion of acquisitions.

The Paradoxical Impact of Corporate Inversions on US Tax Revenue with Miles Romney and Thomas Lys

Corporate inversions – reorganizations that result in relocating corporate tax domiciles from the US to a foreign country – are alleged to cost the US Treasury billions of dollars in tax revenue. Contrary to these assertions, we find that that inverting firms pay no less taxes after the inversion than they did before. Moreover, contrary to the common belief, we estimate that the inversions result in US shareholders realizing \$81,415.92 million in capital gains and annual increases in dividends of \$9,959.37 million. Thus, paradoxically, inversions are likely to increase tax collections by the US Treasury.

Works in Progress:

Merger Probabilities

Manipulating the Purchase Price Allocation

Who Merges

Audit Fees and M&A

Bargaining Power in M&A

Pro Forma Earnings in M&A

Scaling in the Financial Statements

Does Accounting for Depreciation Matter?

The Impact of Assurance on Fair Values in Contingent Consideration

Double Dipping Impairments

Stale Earnings

Teaching Experience

Essentials of Financial Reporting (2017 – Present)

Financial Reporting I (2020 – Present)

Language of Business (2021 – Present)

Workshops and Conferences

Presentations:

The Paradoxical Impact of Corporate Inversions on US Tax Revenue with Miles Romney

Thomas Lys

American Accounting Association Annual Meeting (2016)

University of Technology Sydney Emerging Accounting Researcher Consortium (2016)

Reaching into the Earn-out Cookie Jar

Accounting PhD Rookie Recruiting and Research Camp (2016)

University of Notre Dame (2017)

University of California at Los Angeles (2017)

University of Minnesota (2017)
University of Illinois at Urbana-Champaign (2017)
Vanderbilt University (2017)
University of British Columbia (2017)
American Accounting Association Annual Meeting (2018)

Do Acquisitions of Private Targets Create Higher Value? The Role of Intangible Assets Acquired
with Thomas Lys and Nir Yehuda
North Carolina State University (2018)

How do investors respond to targets' interim earnings? with Spencer Pierce and Miles Romney
American Accounting Association Annual Meeting (2021)
Hawaii Accounting Research Conference (2022)

Discussant:

Rights Issues and Earnings Management: New Evidence on Tunneling by Varun Jindal and Rama Seth
Hawaii Accounting Research Conference (2022)

Why Do Advisors use Trailing Multiples? Accounting Reports as Arbiters of Value by Katherine Bruere and Matthew Shaffer
Hawaii Accounting Research Conference (2022)

Meet, Beat, and Pollute by Jake Thomas, Wentao Yao, Frank Zhang, and Wei Zhu
American Accounting Association Annual Meeting (2021)

The Effect of Financial Reporting for Restructuring on Firm Choice of Divestiture Form by Diana Lynn Weng
American Accounting Association Annual Meeting (2021)

Wining, Dining, and Contracting in M&A by Alex G.H. Chu and Vicki Wei Tang
Hawaii Accounting Research Conference (2021)

Acquiring to Sell: Acquisition Flippers and Earnings Management by Lyungmae Choi, Shawn Huang, and Min Kim
Financial Accounting and Reporting Section Midyear Meeting (2020)

Accounting Conservatism and the Timing of M&A by Claudia Imperatore and Gabriel Pereira Pundrich
American Accounting Association Annual Meeting (2019)

Customer Concentration of Targets in Mergers and Acquisitions by Mei Cheng, Jacob Jaggi, and Spencer Young
American Accounting Association Annual Meeting (2019)

The Relation between Tax Risk and Firm Value: Evidence from the Luxembourg Tax Leaks by Wayne Nesbitt, Edmund Outslay, and Anh Young
American Accounting Association Annual Meeting (2016)

Other Conference Attendance:

2022 Hawaii Accounting Research Conference

- 2021 Hawaii Accounting Research Conference
Financial Accounting and Reporting Section Midyear Meeting
Mergers and Acquisitions Research Centre Conference
American Accounting Association Annual Meeting
Contemporary Accounting Research Conference
Review of Accounting Studies Conference
- 2020 Financial Accounting and Reporting Section Midyear Meeting
Contemporary Accounting Research Conference
- 2019 Financial Accounting and Reporting Section Midyear Meeting
Audit Midyear Meeting
Ernst & Young Accounting Research Colloquium
American Accounting Association Annual Meeting
- 2018 New Faculty Consortium
Financial Accounting and Reporting Section Midyear Meeting
Ernst & Young Accounting Research Colloquium
American Accounting Association Annual Meeting
Financial Management Association Annual Meeting
Miami Rookie Conference
- 2017 American Accounting Association Annual Meeting
- 2016 Journal of Accounting and Economics Conference
AAA / Deloitte / J. Michael Cook Doctoral Consortium
University of Technology Sydney Summer Accounting Conference
University of North Carolina Tax Doctoral Seminar
- 2015 American Accounting Association Annual Meeting
University of Minnesota Empirical Accounting Research Conference
Financial Accounting and Reporting Section Midyear Meeting
- 2014 Kellogg Accounting Research Conference
- 2013 Kellogg Accounting Research Conference

Awards

- 2021 Financial Accounting and Reporting Section Excellence in Reviewing Award
(American Accounting Association Annual Meeting)
- 2019 Financial Accounting and Reporting Section Excellence in Reviewing Award
(American Accounting Association Annual Meeting)