

**Rita Nevada Gunn**  
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## **Academic Appointment**

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

## **Education**

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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

## **Research**

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**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.

*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 targets' or acquirers' stock prices respond to targets' 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. A trading strategy based on targets' interim earnings produces economically significant annualized abnormal returns of 7.25%. Our findings suggest investors respond inefficiently to the earnings that targets announce between the announcement and completion of acquisitions.

*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 standard setters expected SFAS 154 to improve financial reporting consistency, it enables managers to opportunistically report greater future earnings without reporting the cumulative earnings effect of the change as a loss in the year of the change. We find that VAPCs increased earning informativeness during the pre-SFAS 154 period, but not following the SFAS 154 adoption. In addition, we find VAPCs that increase future earnings, result in lower earnings informativeness. Future income increasing VAPCs are more likely following the SFAS 154 adoption and, following the adoption of SFAS 154, 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.

*Analyzing Taxation in Totality: The Paradoxical Impact of Corporate Inversions on US Tax Revenue* with Thomas Lys and Miles Romney

The US has a comprehensive corporate tax policy that taxes both the corporation, as well as, the shareholders upon receipt of certain distributions. When considering regulation, it is necessary to

analyze the taxation in totality to avoid inefficient policies. To highlight this problem, we consider corporate inversions – reorganizations that result in relocating corporate tax domiciles from the US to a foreign country. They were 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 resulted in US shareholders realizing \$81,415.92 million in capital gains and annual increases in dividends of \$9,959.37 million. Thus, paradoxically, inversions were likely to increase tax collections by the US Treasury.

### **Works in Progress:**

*Bargaining Power in M&A*

*Scaling in the Financial Statements*

*Double Dipping Impairments*

*Stale Earnings*

*What Do Firms Actually Pay for Acquisitions?*

*Merger Pro Forma Earnings*

*A Step in the Wrong Direction: Moving to One-Step Goodwill Impairment Testing*

### **Teaching Experience**

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Essentials of Financial Reporting (2017 – Present)

Financial Reporting I (2020 – Present)

Language of Business (2021 – Present)

### **Workshops and Conferences**

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#### **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:**

*Senior Leadership over Financial Reporting: Does Female Representation on the Audit Committee Impact the Association between Executive Gender and Reporting Failures?*  
by Adrienne Rhodes and Dan Russomanno  
Financial Accounting and Reporting Section Midyear Meeting (2022)

*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  
                  Financial Accounting and Reporting Section Midyear Meeting  
                  Virginia Tech Accounting Research Conference  
                  Vanderbilt University Music City Accounting Research Conference (Organizer)  
                  Washington University at St. Louis 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**

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- 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)

### **Professional Experience**

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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