

CAPITAL INVESTMENT, DISCRETIONARY ACCRUALS AND MANAGERIAL MYOPIA

Eric Fricke, Caifornial State University East Bay

[dx.doi.org/10.18374/JIFE-13-4.4](https://doi.org/10.18374/JIFE-13-4.4)

ABSTRACT

Theories of managerial myopia or short-termism suggest that myopic managers will alter investment plans, if needed to improve short-term performance. Previous studies, however, concentrate on either theoretical models of myopia or surveys of earnings management and do not focus on the empirical linkage between earnings management activities and long-term capital investments. This study aims to establish this linkage. Our results provide evidence that higher levels of discretionary accruals are associated with reduced capital investments. These results continue to hold after controlling for firm equity dependence and firm cash holdings.

Keywords: *Capital Investment, Discretionary Accruals, Managerial Myopia*