

# PRAJAKTA (PRAJ) DESAI

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## EDUCATION

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| 2009-2014 | <b>Manchester Business School (MBS), UK</b><br>PhD in Accounting and Finance                           |
| 2007-2008 | <b>MBS, UK</b><br>Masters in Accounting and Finance (with Distinction)                                 |
| 2002-2005 | <b>University of Mumbai, India</b><br>Bachelor of Commerce, Major in Financial Accounting and Auditing |

## ACADEMIC APPOINTMENTS

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| 2014- Present | London School of Economics and Political Science (LSE), UK<br>Research Fellow in Accounting |
| 2009-2012     | University of Manchester, UK<br>Graduate Teaching Assistant                                 |

## WORKING PAPERS

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| 2016 | The credit risk market reaction to compliance with the Sarbanes-Oxley Act for foreign private issuers<br>(Job Market Paper) |
| 2016 | A real consequence of real activities earnings management<br>(co-authored with Susanne Espenlaub and Arif Khurshed)         |
| 2015 | An empirical analysis of the nature of sovereign credit risk<br>(co-authored with Massimo Guidolin)                         |
| 2015 | Performance persistence and optimal asset allocation strategies<br>(co-authored with Massimo Guidolin)                      |

## WORK-IN-PROGRESS

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| 2016 | Does accounting information explain sovereign credit risk<br>(co-authored with Emmanuel DeGeorge)  |
| 2016 | Valuation of entrepreneurial firms: Evidence from Lion's Den<br>(co-authored with Bjorn Jorgensen) |

## RESEARCH INTERESTS

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Accounting quality, corporate governance, earnings management, financial reporting

## TEACHING INTERESTS

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Financial accounting, management accounting, valuation

## TEACHING ASSISTANT

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### LSE

2014-2016 Financial Accounting, Analysis, and Valuation (*B.Sc*)  
Teaching evaluation: 3.8 on a 1-5 scale in 2014-2015 and 2015-2016

2015 and 2016 Applied Valuation and Securities Analysis (Summer School)

2015 Business Analysis and Valuation (Summer School)

### Manchester

2014 Statistics for Economists and Macroeconomics (*B.Sc*)

2009-2012 Financial Decision-Making and Business Economics (*B.Sc*)

2009-2011 Fundamentals of Financial Reporting (*B.Sc*)

2009-2011 Fundamentals of Management Accounting (*B.Sc*)

## PROFESSIONAL EXPERIENCE

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2007 **Precision Instrument Company, Mumbai, India**  
Accountant and Management Representative

2005 **Amit Singh & Associates, Mumbai, India**  
Accountant and Junior Auditor

## ACCREDITATIONS/CERTIFICATIONS

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2015 Postgraduate Certificate in Education (PGCert) in Higher Education (Associate Level), UK

2009 Chartered Institute of Management Accountants (CIMA), Professional Qualification, Completed Diploma in CIMA

## INVITED CONFERENCES AND PRESENTATIONS

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2016 Accounting and Finance Association of Australia and New Zealand, Australia

2016 European Accounting Association Conference, The Netherlands

2015 Financial Management Association Conference, FL, USA

2014 Financial Management Association Conference, TN, USA

2014 LSE, UK

2014 Loughborough University Business School, UK

## CONFERENCE AND WORKSHOP ATTENDANCE

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2014 and 2016 LSE, MBS, and The Institute of Chartered Accountants in England and Wales (ICAEW) joint conference

2015 Financial Accounting Symposium by Cambridge Endowment for Research in Finance (CERF), Judge Business School, Cambridge, UK

## ACADEMIC AWARDS

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2009-2013	MBS Bursary for Doctoral Studies, Manchester, UK
2005	Dean's special award for consistent meritorious contribution to University Activities, Mumbai, India

## PROFESSIONAL SERVICE

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**Memberships:** American Accounting Association, European Accounting Association, Accounting and Finance Association of Australia and New Zealand (AFAANZ), European Finance Association, American Finance Association, Financial Management Association

**Ad-hoc reviewer:** Journal of Accounting and Public Policy, American Accounting Association (AAA) Annual Meeting, Accounting and Finance Association of Australia and New Zealand (AFAANZ) Annual Meeting

**Book contribution:** Selected to contribute to the online resources of 'Financial Accounting Theory' book by Craig Deegan and Jeffrey Unerman, published by McGraw-Hill (2011)

## SERVICE ACTIVITIES AT LSE

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2014-2015	MSc Dissertation Supervisor for MSc Accounting, Organisations, and Institutions students
2014-2015	MSc Dissertation Examiner for MSc Accounting, Organisations, and Institutions students
2014-2015	MSc Accounting and Finance Admissions Selector
2014-2015	MSc Accounting, Organisations, and Institutions Selector

## OTHER INFORMATION

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**Nationality:** UK permanent residency (Indefinite Leave to Remain)  
Indian citizenship

## REFERENCES

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Professor Susanne Espenlaub (co-chairs)  
Alliance Manchester Business School  
Accounting and Finance Group  
Booth Street East, Manchester, M15 6PB, UK  
Email: [Susanne.Espenlaub@manchester.ac.uk](mailto:Susanne.Espenlaub@manchester.ac.uk)

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Professor Arif Khurshed (co-chairs)  
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Booth Street East, Manchester, M15 6PB, UK  
Tel: +44 (0) 161 275 4475  
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**The credit risk market reaction to compliance with the Sarbanes-Oxley Act for foreign private issuers (Solo-authored Job Market Paper)**

This study examines the reaction of the credit risk market to compliance with the Sarbanes-Oxley Act of 2002 (SOX) for foreign private issuers (FPIs) listing in the U.S. I estimate earnings attributes for FPIs before and after SOX and investigate the reaction of the credit risk market, as reflected by credit default swap (CDS) spreads, to compliance with the law. I find that SOX boosts *Relevance*, *Timeliness*, and *AccrualQuality*. Among the earnings attributes, the CDS market particularly responds to *AccrualQuality*, *Predictability*, *Relevance*, and *Conservatism*. For instance, I find that following compliance with SOX a one percentage increase in *AccrualQuality* leads to an increase of 11 basis points in CDS spreads. Additionally, the *Smoothness* measure for FPIs and *AccrualQuality* for U.S. firms are economically and statistically significant in explaining credit risk after SOX. Overall, this indicates that CDS markets are affected by regulations such as SOX.

**A real consequence of real activities earnings management (with Susanne Espenlaub and Arif Khurshed)**

Manipulating earnings around important corporate events is expected to affect subsequent corporate performance. We examine whether real earnings management at the time of an Initial Public Offering (IPO) results in involuntary delisting post-IPO. We find that firms managing earnings using real activities are more likely to be delisted post-IPO. Compared to conservative firms, those managing earnings more aggressively are likely to be delisted sooner. This finding is robust to alternative specifications of delisting, potential endogeneity concerns, and controls for accruals-based earnings management.

**Performance persistence and optimal asset allocation strategies (with Massimo Guidolin)**

This study explores whether optimal asset-allocation strategies, defined by permutations and combinations of different predictor variables, produce consistently superior performance for investors. We extend prior literature by exploring whether such strategies benefit investors over the entire investment period or whether investors are forced to adopt a different strategy at some point. For comparison, we employ 1/N (equally weighted) and myopic (no predictability) strategies as benchmarks. Persistence tests suggest that no single optimal strategy outperforms the remaining optimal and benchmark strategies over the entire sample. However, in two out of three subsample periods, some optimal strategies persistently outperform the benchmarks.

**An empirical analysis of the nature of sovereign credit risk (with Massimo Guidolin)**

Sovereign credit risk is the risk that a government will default on its debt. This study examines the time-varying nature of sovereign credit risk represented by the sovereign Credit Default Swap (CDS) spreads. Specifically, we investigate whether the underlying source of sovereign credit risk is influenced by country-specific (idiosyncratic) factors or by wider U.S.-based global (systematic) factors. We add to the existing literature by examining how the behaviour of sovereign credit spreads changes over time, especially in the presence of the recent financial crisis of 2007. Prior literature finds systematic influences in sovereign credit risk. In contrast we find that sovereign credit risk displays idiosyncratic and to some extent systematic influences. In particular, the local factors – mainly local stock market returns and the local exchange rate – as well as a few global factors – U.S. stock market excess returns and volatility premiums – are influential in explaining the variation in credit risk.

September 2016