

Irina Luneva

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Education

The Wharton School, University of Pennsylvania Ph.D.: Accounting	2019 - Present (Expected 2024)
Lomonosov Moscow State University B. Sc.: Economics; Cum Laude	2015 - 2019

Research Interests

Debt contracting, information quality, earnings management, disclosure

Working Papers

A theoretical framework for ESG reporting to investors

with H. Friedman and M. Heinle

- Revise & resubmit - Journal of Accounting Research
- FARS best paper award

We provide a theoretical framework for reporting of firms' environmental, social, and governance (ESG) activities to investors. In our model, investors receive an ESG report and use it to price the firm. Because the manager is interested in the firm's price, disclosing an ESG report provides effort and greenwashing incentives. We analyze the impact of different reporting characteristics on the firm's price, cash flows, and ESG performance. In particular, we investigate the consequences of whether the report captures ESG inputs or outcomes, how the report aggregates different ESG dimensions, and the manager's tradeoffs regarding ESG efforts and reporting bias. We find that, for example, an ESG report that weights efforts by their impact on the firm's cash flows tends to have a stronger price reaction than an ESG report that focuses on the ESG impact per se. ESG reports aligned with investors' aggregate preferences provide stronger incentives and lead to higher cash flows and ESG than reports that focus on either ESG or cash flow effects individually. Additionally, in the presence of informative financial reporting, ESG reports that focus on ESG impacts lead to the same cash flow and better ESG results than reports focusing on cash flow impacts alone.

Presented at: NBER Conference Measuring and Reporting Corporate Carbon Footprints and Climate Risk Exposure*, Miami Winter Warm-Up Conference*, FARS Midyear Meeting, Utah Winter Accounting Conference*, Columbia/Georgetown ADP*, DAR & DART Accounting Theory Seminar*, UC Riverside Accounting Workshop*, 14th workshop on Accounting and Economics, AAA Annual Meeting

* denotes presented by a co-author

What does the market know?

I measure how much information the market knows about firms' fundamentals and managers' incentives to misreport on these fundamentals. The market knows 76.5% of current earnings and 36.8% of managers' incentives to misreport in a current report before the current earnings report arrives. 40.0% of this fundamental and 88.5% of this misreporting incentives information is learned about one year in advance, concurrently with the previous earnings report. A 1% increase in the market's fundamental information will increase earnings quality by 0.885% and improve price efficiency by 1.254%. A 1% increase in the market's misreporting incentives information will reduce earnings quality by 0.158% and improve price efficiency by 0.067%.

Presented at: Junior Accounting Theory Conference, Duke Accounting Theory Summer Camp, Melbourne Accounting Research Seminar, Wharton-INSEAD Doctoral Consortium, Financial Markets and Corporate Governance Conference

Where do brown companies borrow from?

with S. Sarkisyan

We study sources of debt for companies with poor ESG performance. Using a structural model of credit risk, we show that for low-ESG-rated firms, it is less expensive to borrow from banks than from public market compared to high-ESG-rated firms. As a result, after a company experiences an adverse ESG event, it starts borrowing more from banks than from the bond market. At the same time, we find that banks have incentives to discipline brown companies that they lend to: banks' stocks drop after a public announcement that a borrower experienced an adverse ESG event. The stronger the market's reaction and the more adverse events borrowers experience, the higher loan spreads that the banks set for their brown borrowers. We conclude that both loan and bond markets offer higher costs of debt to brown firms, but the bond market's "punishment" is higher than the loan market's.

Financial information and diverging beliefs

with C. Armstrong and M. Heinle

Standard Bayesians' beliefs converge when they receive the same piece of new information. However, when agents have uncertainty about the precision of a signal, their beliefs might instead diverge more despite receiving the same information. We demonstrate that this divergence leads to a unimodal effect of the absolute surprise in the signal on trading volume. We show that this prediction is consistent with the empirical evidence using trading volume around earnings announcements of US firms. We find evidence of elevated volume following moderate surprises and depressed volume following more extreme surprises, a pattern that is more pronounced when investors are more uncertain about earnings' precision. Because investors can disagree even further after receiving the same piece of news, the relationship between news and trading volume is not necessarily linear, suggesting that trading volume may not be an appropriate proxy for market liquidity.

Presented at: Twelfth Accounting Research Workshop, World Finance Conference

Work-in-progress

Dynamic debt contracts, information acquisition, and information quality

Voluntary disclosure in the face of information leaks

with M. Bloomfield and M. Heinle

Dynamics of costly persuasion

with F. Zhou

Conference and Seminar Presentations

2022: Stanford Corporate Carbon Disclosures Conference (scheduled), Junior Accounting Theory Conference, 14th Workshop on Accounting & Economics, AAA Annual Meeting, Duke Accounting Theory Summer Camp, Melbourne Accounting Research Seminar, Wharton-INSEAD Doctoral Consortium, Financial Markets and Corporate Governance Conference, FARS Midyear Meeting

2021: Twelfth Accounting Research Workshop, World Finance Conference

Invited Seminar Participations

2022: Accounting and Economics Society Retreat (scheduled), UNC Tax Doctoral Consortium

Invited Discussions

2022: 14th Workshop on Accounting & Economics, AAA Annual Meeting

2021: World Finance Conference

Teaching

2021: Research in Accounting (graduate, Lomonosov MSU), Strategic Cost Analysis (undergraduate)

Service

Ad hoc referee

Journal of Accounting and Economics, FARS, AAA

Honors and Awards

2022: Duckworth Fellowship, George James Travel Award, Financial Accounting and Reporting Section (FARS) Best Paper Award, FARS Excellence in Reviewing Award, Jacobs Levy Equity Management Center for Quantitative Financial Research Grant

2021: Jacobs Levy Equity Management Center for Quantitative Financial Research Grant, Mack Institute for Innovation Management Research Grant

2020: Jacobs Levy Equity Management Center for Quantitative Financial Research Grant

Certifications

Center for Teaching and Learning, Teaching Certificate

Membership

American Accounting Association, American Finance Association, European Finance Association

Employment

The Central Bank of Russia
First category economist

2018-2019

Personal Information

Citizenship: Russia

Languages: Russian (native), English

Interests: traveling (39 countries), yoga, Russian literature