“Accounting Conservatism and Corporate Social Responsibility”

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Abstract: We examine the association between accounting conservatism, expressed in the form of asymmetric timeliness of recognition of economic gains and losses, and Corporate Social Responsibility (CSR). Our aim is to assess whether financial responsibility towards capital providers, as manifested through a conservative stance in financial reporting, is associated with a social responsibility orientation. Our evidence overall suggests that higher levels of conservatism are negatively associated with a CSR orientation by firms. Managers, hence, appear to prioritize responsibility in financial reporting, and relevant costs incurred, over costs for promoting CSR-related investments, arguably considered beneficial for a larger number of stakeholders. We find this negative association to be more prominent in the post-2008-09 crisis period; we interpret this as an indication that the prevailing economic conditions can impact on managerial choices over CSR and financial responsibility, with the latter being a priority in an adverse economic environment.