

## Executive Stock Options, Business Ethics and Financial Reporting Quality

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**Abstract :** This paper tests the improvement of financial reporting quality when firms award stock options to their executives. The originality of this study is that we introduce the moderating effect of business ethics in the model. The sample is made up of 116 Canadian high-technology firms with available data for the fiscal year ending in 2012. We define the quality of financial reporting as the value relevance of accounting information as developed by Ohlson. Our results show that executive stock option award alone does not improve the quality of financial reporting. Rather, the quality improves when a firm awards stock options to its executives and investors perceive that the level of business ethics in that firm is high.

**Keywords :** business ethics, Canada, high-tech firms, stock options, value relevance

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