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Companies that restate prior results due to accounting irregularities cause investors to tune out their future quarterly numbers, according to recently published academicresearch. How long they tune out, however, may be within the restating company's control.

When companies have a material restatement, for example the result of fraud or other misconduct, their stocks tend to trade less volatilely after future earnings statements, an effect that can last nearly three years on average. But companies that take swift, decisive action can trim the investor shunning by more than half, a study in the current issue of the Accounting Review, an American Accounting Association publication, suggests.

The research, by academics at Singapore Management University and Boston College, finds that stock swings surrounding an earnings release, when the company takes little remedial action, are more muted for an average of 11 quarters after a material restatement. The researchers, who studied thousands of restating companies from the late 1990s through 2008, interpret that to mean investors are less trustworthy of the results reported by companies after accounting irregularities.

"When the company issues the earnings report, investors don't react to the news," says Alvis Lo, an assistant professor in the accounting department of Boston College's Carroll School of Management who co-authored the study.

However, companies that move quickly to replace their chief executives and finance chiefs, rejigger the audit committees on their boards or outright fire their accountants, for example, can find their stocks responding more normally to earnings news within five quarters or fewer, Mr. Lo said.

More decisive action, Mr. Lo contends, "can limit the potential damage" to a company's credibility with investors.