

The University of Texas at Dallas
Naveen Jindal School of Management
PhD

Fall 2023 Course Syllabus

Course Information

Number & Section	ACCT 7313
Title	Contemporary Research in Accounting and Economics
Term	Fall 2023
Dates	TBD

Professor Information

Professor	Gil Sadka
Email address	gil.sadka@utdallas.edu
Office Location	JSOM 4.423
Online Office Hours	By appointment
Phone Number	972-883-5929
Website	https://jindal.utdallas.edu/faculty/gil-sadka

Course Pre-requisites, Co-requisites, and/or Other Restrictions

None

Course Description

The main focus is on asset pricing topics in accounting research. We begin the course examining traditional studies in accounting on the association between firm earnings and firm value. We examine the fundamental relations as well as the different factors that influence this association. We proceed to examine more recent studies in capital markets focusing on aggregate earnings and the relation between earnings and systematic risk.

Student Learning Objectives/Outcomes

Upon completion of this course, the student should be able to:

- ◆ Understand and explain the conceptual relation between earnings and asset pricing
- ◆ Have a basic knowledge of current research on the topic
- ◆ Be able to assess the strengths and weaknesses of the identification strategy employed in papers

Required Textbooks and Materials

Readings: Assigned papers and suggested readings

Academic Calendar

Course Schedule

Professor:
Gil Sadka (GS)

Week	Topic
1	Introduction
2	Value Relevance
3	Asymmetries
4	Aggregate E-R
5	Aggregate and Firm
6	Earnings Dispersion
7	Earnings Vs Cash Flos

Empirical Research in Accounting: Seminar Syllabus

1 Introduction

Ball, Ray and Philip Brown, 1968, An empirical evaluation of accounting income numbers, *Journal of Accounting Research*, 6, 159-178.

Barth, M., Li, K., McClure C., 2022. Evolution in value relevance of accounting information. *The Accounting Review*, forthcoming, available at <https://doi-org.proxy.library.georgetown.edu/10.2308/TAR-2019-0521>.

Beaver, William H., Roger Clarke, William F. Wright, 1979, The association between unsystematic security returns and the magnitude of earnings forecast errors, *Journal of Accounting and Economics*, 17, 316-340.

Beaver, William H., Richard Lambert, and Dale Morse, 1980, The information content of security prices, *Journal of Accounting and Economics*, 2, 3-28.

Collins, D., Kothari, S. P., 1989. An analysis of intertemporal and cross-sectional determinants of earnings response coefficients. *Journal of Accounting and Economics* 11, 143-181.

Collins, D., Kothari, S. P., Rayburn, J., 1987. Firm size and the information content of prices with respect to earnings. *Journal of Accounting and Economics* 9, 111-138.

Easton, Peter D., Trevor S. Harris, and James A. Ohlson, 1992, Aggregate accounting earnings can explain most of security returns: The case of long returns intervals, *Journal of Accounting and Economics*, 15, 119-143.

Easton, P., Harris, T., 1991. Earnings as an explanatory variable for returns. *Journal of Accounting Research* 29, 19-36.

Fama, E.F., L. Fisher, MC. Jensen, and R. Roll, The adjustment of stock prices to new information, 1969, *International Economic Review*, 10(1) 1-21.

Lev, B., Zarowin, P., 1999. The boundaries of financial reporting and how to extend them. *Journal of Accounting Research* 37, 353-385.

2 Value Relevance

Ball, R., Shivakumar L., 2008. How much new information is there in earnings? *Journal of Accounting Research* 46, 975-1016.

Brown, S., Lo, K., Lys, T., 1999. Use of R-squared in accounting research: measuring changes in value relevance over the last four decades. *Journal of Accounting and Economics* 28, 83-115.

Collins, D., Maydew, E., Weiss I., 1997. Changes in the value-relevance of earnings and book values over the past forty years. *Journal of Accounting and Economics* 24, 39-67.

Francis, J., Schipper, K., 1999. Have financial statements lost their relevance? *Journal of Accounting Research* 37, 319-352.

Givoly, D., Hayn, C., 2000. The changing time-series properties of earnings, cash flows and accruals: Has financial reporting become more conservative? *Journal of Accounting and Economics* 21-3, 287-320.

Lev, B., 1989. On the usefulness of earnings and earnings research: Lessons and directions from two decades of empirical research. *Journal of Accounting Research* 27, 153-192.

3 Asymmetry

Ball, R. SP Kothari, and A. Robin, 2000, The effect of international institutional factors on properties of accounting earnings, *Journal of Accounting and Economics*, 29 1-51.

Basu, S. 1997, The conservatism principle and the asymmetric timeliness of earning, *Journal of Accounting and Economic*, 24 3-37.

Conrad, J. B. Cornell, W. R. Landsman, When is bad news really bad news? *Journal of Finance*, 57(6) 2507-2532.

Freeman, R.N. and S. Y. Tse, A nonlinear model of security price response to unexpected earnings, *Journal of Accounting Research*, 30(2) 185-209.

Givoly, D., Hayn, C., 2000. The changing time-series properties of earnings, cash flows and accruals: Has financial reporting become more conservative? *Journal of Accounting and Economics* 21-3, 287-320.

Givoly, D. C. K. Hayn, A. Natarajan, 2007, Measuring reporting conservatism, *The Accounting Review* 82(1) 65-106.

Hayn, C., 1995. The information content of losses. *Journal of Accounting and Economics* 20, 125-153.

Lafond, R. and S. Roychowdhury, 2008, Managerial ownership and accounting conservatism, *Journal of Accounting Research*, 46(1) 101-135.

Penman, S. H., XJ Zhang, 2002, Accounting conservatism, the quality of earnings, and stock returns, *The Accounting Review*, 77(2) 237-264.

4 Aggregate Earnings

Ball, R., Sadka, G., 2015. Aggregate earnings and why they matter. *Journal of Accounting Literature* 34, 39-57.

Chen, Nai-Fu, 1991, Financial investment opportunities and the macroeconomy, *Journal of Finance*, 46, 529-554.

Choi Jung Ho, Alon Kalay and Gil Sadka. 2016. Earnings news, expected earnings and aggregate stock returns, *Journal of Financial Markets* Vol. 29, 110-143

Cready, W. M., Gurun, U. G., 2010. Aggregate market reaction to earnings announcements. *Journal of Accounting Research* 48, 289-334.

Hecht P. and T. Vuolteenaho, 2006, Explaining returns with cash-flow proxies, *The Review of Financial Studies*, 19(1) 159-194.

Kothari, S. P., Lewellen J., Warner J., 2006. Stock returns, aggregate earnings surprises, and behavioral finance. *Journal of Financial Economics* 79, 537-568.

Sadka, Gil, 2007, Understanding stock price volatility: The role of earnings, *Journal of Accounting Research* 45: 199-228.

Sadka, Gil and Ronnie Sadka, 2009, Predictability and the earnings-returns relation, *Journal of Financial Economics*, 94(87-106).

5 Aggregate to Firm-Level Earnings

Ball, R., Sadka, G., Sadka, R., 2009. Aggregate earnings and asset prices. *Journal of Accounting Research* 47, 1097-1133.

Ball, R., Sadka, G., Tseng, A., 2022. Using accounting earnings and aggregate economic indicators to estimate firm-level systematic risk. *Review of Accounting Studies* 27, 607-646.

Bartram, S. M., Brown, G. W., Stulz, R. M., 2019. Why is there a secular decline in idiosyncratic risk in the 2000s? Working paper available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3450845.

Beaver, W., Kettler, P., & Scholes, M. (1970). The association between market-determined and accounting-determined measures of risk. *The Accounting Review*, 45(4), 654–682.

Ellahie, A., 2021. Earnings beta. *Review of Accounting Studies*, 26, 81-122.

6 Dispersion

Bloom, N., 2009, The impact of uncertainty shocks. *Econometrica*, 77, 623--685.

Lilien, D.M., 1982. Sectoral shifts and cyclical unemployment. *The Journal of Political Economy* 90, 777--793.

Jorgensen, B., Li, J., Sadka, G., 2012. Earnings dispersion and aggregate stock returns. *Journal of Accounting and Economics* 53, 1-20.

Uncertainty and Sectoral Shifts: The Interaction between Firm-Level and Aggregate-Level Shocks, and Macroeconomic Activity, 201, *Management Science*, 64(1) 198-214 (with Alon Kalay and Suresh Nallareddy).

Cross-Sectional Dispersion, Expected Loan Losses, and Debt Cycles, 2020, (with Xanthi Gkougkousi, Kose John, Suresh Radhakrishnan, Anthony Saunder).

6 Earnings Vs Cash Flows

Ball R. and V. V. Nikolaev, 2022, On earnings and cash flows as predictors of future cash flows, *Journal of Accounting and Economics*, 73

Bushman, R. M., A. Lerman, and X. F. Zhang, 2016, The changing landscape of accrual accounting, *Journal of Accounting Research*, 54(1) 41-78.

Dechow, P. M., 1994, Accounting earnings and cash flows as measures of firm performance The role of accounting accruals, *Journal of Accounting and Economics*, 12 3-42.

Nallareddy, S., M. Sethuraman, and M. Venkatachalam, 2020, Changes in accrual properties and operating environment: Implications for cash flow predictability, *Journal of Accounting and Economics*, 69

Grading Policies

Grading Formula

- The seminar is organized around a set of required readings. The readings are selected to give a balanced coverage of both the development of the major areas of empirical research in financial accounting, and the principal current controversies in those areas.
- Course grades will be based upon:
 1. Exam (100%)

Course Policies

Late Assignments

THERE ARE NO EXTENSIONS FOR HOMEWORKS. Assignments are of varying lengths. Plan well ahead so that you are not surprised by the time needed to complete the assignment.

Course Evaluation

The completion of a course evaluation is a strongly recommended. A link will be provided via eLearning for completing the course evaluation.

Program Policies

Program Policy on Sourcing and Plagiarism

Students are expected to write at a professional level. This includes using proper grammar and syntax, having a logical flow, and giving credit to sources of information used in developing reports and papers. Students shall not copy the work of others and represent it as their original work.

All submitted work is subject to checking for the above. Should plagiarism happen and become known to the professor program director, there will be formal consequences.

- The professor involved will be asked to consider failure on the paper or in the course, as appropriate.
- There will be a conference with the student and the director. Formal action or probation may follow.
- Repeated offenses may result in program expulsion.

Program Policy on Attendance

Students are expected to attend all classes offered to their particular class.

If absence is unavoidable, an Executive MBA student should

- Notify the professor involved of the cause of the absence
- Ask if any make-up work is required
- Tell the program director and administrative coordinator that the above steps have been taken.

There is a limit to the number of unavoidable absences that will be excused.

- More than one such absence per course will trigger a reminder from the program director that class attendance is expected
- Three or more absences (whether excused or not) will lead to a conference between the program director and professor involved. The aim of the conference will be to determine whether course failure can be expected, whether withdrawal from the course is justified, or a reduction in course grade is more appropriate. This decision will be communicated to the student in writing.

Program Policy on Instructor Expectations

Business professionals have important legal and ethical duties to investors, creditors and to non-investor stakeholders who rely on their comments, analyses, forecasts and representations. Students in this course are expected to act with personal integrity at all times. Academic dishonesty is incompatible with preparation for a career as a responsible business professional. As such, academic dishonesty will not be tolerated in this course. Any offenders will be subject to appropriate sanctions and discipline, a process which begins with a referral to Judicial Affairs. For purposes of this course, the instructor will always seek a score of zero for any exam or assignment in which the student has engaged in academic dishonesty.

University Policies

Comet Creed

This creed was voted on by the UT Dallas student body in 2014. It is a standard that Comets choose to live by and encourage others to do the same:

“As a Comet, I pledge honesty, integrity, and service in all that I do.”

University Policies

The information contained in the following link constitutes the University’s policies and procedures segment of the course syllabus. Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.