

Course Syllabus

Course Information

<i>Course Number/Section</i>	ACCT 7314.001
<i>Course Title</i>	Empirical Research in Financial Accounting
<i>Term</i>	Spring 2024
<i>Days & Times</i>	Tuesday 10:00am to 12:45pm (JSOM 14.501)

Professor Contact Information

<i>Professor</i>	Ashiq Ali
<i>Office Phone</i>	972-883-6360
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<i>Office Location</i>	SM 4.434
<i>Office Hours</i>	By appointment

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

Instructor's permission is required if not a PhD student.

Course Description

The goal of this course is for you to develop an understanding of accounting research related to financial reporting and disclosure.

Student Learning Objectives/Outcomes

Develop an understanding of accounting research related to financial reporting and disclosure.

Learn to identify important research questions.

Required Textbooks and Materials

Required Texts

None

Required Materials

Research papers are available through the electronic library services. It is your responsibility to get the papers.

Suggested Course Materials

Suggested Readings/Texts

Weisbach, "The Economist Craft – An Introduction to Research, Publishing, and Professional Development"

Assignments, Academic Calendar, and Grading Policy

The course will be conducted as a seminar/workshop (two sessions with a 10-minute break in between). All students will be responsible for reading the assigned papers for each class and the responsibility of leading the discussion will rotate among students. The Reading List is provided at the end of this document. Please note that the list is tentative and incomplete, and I plan to modify and add to it during the semester. Papers to be presented for a given session will be finalized generally a week in advance.

Classroom Presentation The presenter should present the motivation, research question, hypotheses, and the main findings of the paper. The presentation should also explicitly discuss how the paper contributes to the literature and ideas for future research.

Contribution to Class Discussion Non-presenting students are expected to actively participate.

Paper Summaries For each paper you are not presenting, prepare a two-page summary of the paper. Follow the guidelines provided above under “Classroom Presentation.” Focus your write-up on the paper’s contribution to the literature, and to any related unanswered questions. Also, discuss any shortcomings the paper may have. This summary should be emailed to me by 5 pm the day before the class meets.

Term Paper:

1. I suggest that you keep a journal during the course in which you write down research ideas that come to your mind when going over the course material, attending weekly workshops, etc. This will help you in your topic selection. Also, consider research topics related to securities rules and regulations, examining intended and unintended consequences; such topics are easy to motivate.
2. Explain the research question in detail and discuss why it is interesting and important. Present your hypotheses and support them with conceptual arguments. Also, the conclusion from your analysis should not be obvious.
3. Discuss how your topic fits in the broader literature and how it contributes to it.
4. Give careful thought to the causality issue in your research design. In other words, simply showing association may not be enough. Consider using cross-sectional tests, an exogenous shock, or an event study.
5. What will be the sources for your data? Are they available at UTD? If not, how will you obtain the data?
6. In sum, your write-up should include a discussion of the research question, methodology, preliminary data analysis (optional, if data is readily available), and contribution to the literature. Explain how your methodology compares and improves on a recently published study that most closely relates to yours.
7. Try to pick a topic related to financial reporting and corporate disclosures, but I will be happy to make exceptions if you think you have a good topic in some other area.

Important Dates related to the term paper:

March 26: Discuss your term paper topic with me. 15-minute office appointments (in alphabetical order) from 3:30 to 4:45 pm. Email a one-page write-up to me before 9 am on March 25.

April 25: Proposal presentation (4 students, 30 min. each). Email proposal and a closely related published paper to everyone in the class before 9 am on April 24.

Final Exam (closed book) on May 2.

Grading

Classroom presentations.	20 points
Contribution to Class Discussion.	10
Paper Summaries.	15
Term Paper.	20
Final Exam. (May 2)	35

ACCT 7314.001 (Spring 2024) - Reading List (updated 1/24/2024)

Financial Reporting Quality - Accruals

1. **Dechow, P., Dichev, I. 2002. The quality of accruals and earnings: the role of accrual estimation errors. *The Accounting Review* 77, 35–59**
2. **Francis, J., Lafond, Olsson, P., Schipper, K., 2005a. The market pricing of accruals quality. *Journal of Accounting and Economics* 39, 295–327.**
3. Jones, J., 1991. Earnings management during import relief investigations. *Journal of Accounting Research* 29, 193–228.
4. Kothari, S., Leone, A., Wasley, C., 2005. Performance matched discretionary accrual measures. *Journal of Accounting and Economics* 39, 163–197.
5. Dechow, Ge, and Schrand. 2010. Understanding earnings quality, *Journal of Accounting and Economics*
6. Larson, Sloan, and Giedt, 2018. Defining, measuring, and modeling accruals: a guide for researchers. *Review of Accounting Studies*
7. Breuer, Schutt (RAST 2023) Accounting for uncertainty: an application of Bayesian methods to accruals models

Earnings Management – Accruals and Real Activities

8. **Ali, A. and W. Zhang. 2015. CEO tenure and earnings management, *Journal of Accounting and Economics***
9. **Roychowdhury. 2006. Earnings Management through Real Activities Management, *Journal of Accounting and Economics***
10. Graham, Harvey, Rajgopal. 2005. The economic implication of corporate financial reporting, *Journal of Accounting and Economics*
11. Srivastava. 2019. Improving the measures of real earnings management. *Review of Accounting Studies*
12. Christensen et al. 2022. A Simple Approach to Better Distinguish Real Earnings Manipulation from Strategy Changes. *Contemporary Accounting Research*
13. Samuels, Taylor, and Verrecchia. 2021. The economics of misreporting and the role of public scrutiny. *Journal of Accounting and Economics*
14. Oswald, Simpson, Zarowin. 2022. Capitalization versus expensing and the behavior of R&D expenditures. *Review of Accounting Studies*
15. Gross, Wagenhofer, Windisch. 2024. Internal performance measures and earnings management: evidence from segment earnings. *The Accounting Review*

Restatements, Non-GAAP Earnings, AAER, Target Beating, Internal Control Weakness

16. **Desai, H., Hogan, C., & Wilkins, M. 2006. The reputational penalty for aggressive accounting: Earnings restatements and management turnover. *The Accounting Review***
17. Guggenmos et al. 2022. The relation between non-GAAP earnings and aggressive estimates in reported GAAP numbers. *Journal of Accounting Research*
18. **Dechow and Sloan. 1996. Causes and consequences of earnings manipulation: An analysis of firms subject to enforcement actions by the SEC. *Contemporary Accounting Research***
19. Burgstahler and Dichev. 1997. Earnings management to avoid earnings decreases and losses. *Journal of Accounting and Economics* 24, 99–126.

20. Degeorge, F., Patel, J., Zeckhauser, R. 1999. Earnings management to exceed thresholds. *Journal of Business* 72, 1–33.
21. Doyle, G., and McVay. 2007. Determinants of weaknesses in internal control over financial reporting. *Journal of Accounting and Economics*
22. Amiram et al. 2018. Financial reporting fraud and other forms of misconduct: a multidisciplinary review of the literature. *Review of Accounting Studies*

Cross-country Studies on Financial Reporting Quality

23. **Bushman and Piotroski. 2006. Financial Reporting Incentives for Conservative Accounting: The Influence of Legal and Political Institutions. *Journal of Accounting and Economics***
24. **Ali, Fan, Jia, Li. 2022. The Effect of Ancestral Kinship Tightness on Financial Reporting Quality. Working paper**
25. Isidro, Nanda, Wysocki. 2020. On the Relation between Financial Reporting Quality and Country Attributes: Research Challenges and Opportunities. *The Accounting Review*
26. Leuz and Wysocki. 2016. The Economics of Disclosure and Financial Reporting Regulation: Evidence and Suggestions for Future Research. *Journal of Accounting Research*

Mechanisms to Commit to Financial Reporting Quality

27. **LaFond and Watts. 2008. The Information Role of Conservatism. *The Accounting Review***
28. **Klein, A. 2002. Audit committee, board of director characteristics, and earnings management. *Journal of Accounting and Economics*.**
29. Ahmed and Duellman, 2007, Accounting conservatism and board of director characteristics: An empirical analysis. *Journal of Accounting and Economics*
30. Armstrong, Guay, Weber, 2010. The role of information and financial reporting in corporate governance and debt contracting
31. Badia et al. 2021. Debiasing the measurement of conditional conservatism. *Journal of Accounting Research*
32. Dietrich, Muller, Riedl. 2023. On the validity of asymmetric timeliness measures of accounting conservatism. *Review of Accounting Studies*

Corporate Disclosure Motives – Litigation Costs and Career Concerns

33. **Field, L., Lowry, M., Shu, S. 2005. Does disclosure deter or trigger litigation? *Journal of Accounting and Economics* 39, 487–507.**
34. **Ali, Li, Zhang. 2019. Restrictions on Managers' Outside Employment Opportunities and Asymmetric Disclosure of Bad versus Good News. *The Accounting Review***
35. Kothari, Shu and Wysocki. 2009. Do managers withhold bad news? *Journal of Accounting Research*
36. Roychowdhury and Sletten. 2012. Voluntary disclosure incentives and earnings informativeness. *The Accounting Review*
37. Skinner, D., 1994. Why firms voluntarily disclose bad news. *Journal of Accounting Research* 32, 38–60.
38. Francis, J., Philbrick, D., Schipper, K., 1994. Shareholder litigation and corporate disclosures. *Journal of Accounting Research* 32, 137–164.

39. Houston, J., Lev, B., Tucker, J.W., 2010. To guide or not to guide? Causes and consequences of stopping quarterly earnings guidance. *Contemporary Accounting Research* 27,143–185.

Corporate Disclosure Motives – Institutional Ownership and Family Firms & Other

40. **Ajinkya, Bhojraj, Sengupta. 2005. The association between outside directors, institutional investors and the properties of management earnings forecasts. *Journal of Accounting Research***
41. **Ali, Chen, Radhakrishnan. 2007. Corporate disclosures by family firms. *Journal of Accounting and Economics***
42. Chen, Chen, Cheng. 2008. Do family firms provide more or less voluntary disclosure? *Journal of Accounting Research*
43. Abramova, Core, and Sutherland. 2020. Institutional investor attention and firm disclosure. *The Accounting Review*
44. Hribar et al. 2021. Do managers issue more voluntary disclosures when GAAP limits their reporting discretion in financial statements. *Journal of Accounting Research*

Proprietary Costs of Corporate Disclosures

45. **Cao, Ma, Tucker, Wan. 2018. Technological peer pressure and product disclosure. *The Accounting Review***
46. **Bourveau, She, Zaldokas. 2020. Corporate disclosure as a tacit coordination mechanism: evidence from cartel enforcement. *Journal of Accounting Research*.**
47. Park, Sami, Shroff, White. 2020. Disclosure incentives when competing firms have common ownership. *Journal of Accounting and Economics*
48. Powliczek et al. 2023. Facilitating Tacit Collusion through voluntary disclosure: evidence from common ownership. *Journal of Accounting Research*
49. Kepler. 2021. Private communication among competitors and public disclosure. *Journal of Accounting and Economics*
50. Glaeser and Landsman. 2021. Deterrent Disclosure. *The Accounting Review*

Effects of Disclosure on Firms' Investment Decisions

51. **Roychowdhury, Shroff, Verdi. 2019. The effects of financial reporting and disclosure on corporate investments: A review. *Journal of Accounting and Economics*.**
52. Kim and Olbert. 2022. How does private firm disclosure affect demand for public firm equity? Evidence from global equity market. *Journal of Accounting and Economics*
53. Ferracuti and Stubben. 2019. Discussion of “The effects of financial reporting and disclosure on corporate investments.” *Journal of Accounting and Economics*
54. Minnis. 2022. Does greater private firm disclosure affect public equity markets? A discussion of Kim and Olbert (2022). *Journal of Accounting and Economics*
55. Liu et al. 2023. Does public firm's mandatory IFRS reporting crowd out private firms' capital investments. *Journal of Accounting Research*
56. Theodore H. Goodman; Monica Neamtiu; Nemit Shroff; Hal D. White. 2014. Management Forecast Quality and Capital Investment Decisions. *The Accounting Review*
57. Bennett Stultz, and Wang. 2020. Does the stock market make firms more productive. *Journal of Financial Economics*
58. Chen, Correia, Urcan. 2023. Accounting for Leases and corporate investments. *The Accounting Review*

Corporate Disclosure and Market Feedback

- 59. **Jayaraman and Wu. 2019. Is Silence Golden? Real Effects of Mandatory Disclosure. Review of Financial studies**
- 60. Sani, Shroff, and White. 2023. Spillover Effects of Mandatory Portfolio Disclosures in Corporate Investments. Journal of Accounting and Economics
- 61. Gelsomin and Hutton. 2023. The Learning Hypothesis Revisited: A discussion of Sani et al. 2023. Journal of Accounting and Economics
- 62. **Jayaraman and Wu. 2020. Should I Stay or Should I Grow? Using Voluntary Disclosure to Elicit Market Feedback. Review of Financial Studies**

Disclosure Processing Costs

- 63. **Blankespoor, deHann, Marinovic (JAE 2020) Disclosure processing costs, investors' information choice, and equity market outcomes: A review**
- 64. **Banerjee et al. (JAE 2020) Discussion of disclosure processing costs, investors' information choice and equity market outcomes: A review**

Disclosure - Textual Analysis

- 65. **BochKay, Brown, Leone, Tucker. 2022. Textual Analysis in Accounting: What's Next? Contemporary Accounting Research**
- 66. Ding et al. 2020 Machine learning improves accounting estimates: evidence from insurance payments. Review of Accounting Studies
- 67. Bertomeu. 2020. Machine learning improves accounting: discussion, implementation, and research opportunities. Review of Accounting Studies
- 68. Loughran and McDonald. 2011. When is liability not a liability? Textual Analysis, Dictionaries and 10-Ks. Journal of Finance

CSR Reporting

- 69. Christensen, Hail, Leuz. 2021. Mandatory CSR and sustainability reporting: Economic analysis and literature review. Review of Accounting Studies
- 70. Cohen, Kadach, and Ormazabal. 2023. Institutional investors, climate disclosure, and carbon emissions. Journal of Accounting and Economics

Databases at UTD

- 71. Accounting and finance databases at UTD

A Potpourri of Recently Published General Interest Papers

- 72. Armstrong et al. (JAE 2022) Causality redux: The evolution of empirical methods in accounting research and the growth of quasi-experiments.
- 73. Whited (JAE 2022) Parallels between structural estimation and causal inferences: A discussion of Armstrong et al. (2022)
- 74. Leuz (JAE 2022) Towards a design-based approach to accounting research
- 75. Glaeser and Lang (JAE 2023) A Review of Accounting Literature on Innovation
- 76. Ma and Thomas (JAE 2023), Economic Consequences of Operating Lease Recognition

77. Bertomeu et al. 2023. A primer on structural estimation in accounting research, Foundations and Trends in Accounting
78. Chen, Hribar, and Meklessa. 2023. Standard error biases when using generated regressors in accounting research. Journal of Accounting Research
79. Brown, Ma, and Tucker. 2023. Financial statement similarity, Contemporary Accounting Research.
80. Goulding et al. 2023. Disagreement of Disagreement. Working paper.
81. Ball. 2023. By what criteria do we evaluate accounting? Some thoughts on economic welfare and the archival literature. Journal of Accounting Research