

Course Syllabus

Course Information

<i>Course Number/Section</i>	ACCT 7323 001
<i>Course Title</i>	Foundations of Accounting Research
<i>Term</i>	Fall 2025, First Half 8/25 to 10/13
<i>Days & Times</i>	Mondays 1:00 PM to 3:45 PM

Professor Contact Information

<i>Professor</i>	Suresh Radhakrishnan
<i>Office Phone</i>	972-883-4438
<i>Email Address</i>	sradhakr@utdallas.edu
<i>Office Location</i>	SM 4.426
<i>Office Hours</i>	By appointment

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

Admission to the doctoral program OR instructor's permission.

Course Description

The first half of the course will introduce valuation, real effects of disclosure, hidden-action, and hidden-information agency models.

Student Learning Objectives/Outcomes

- To provide a theoretical underpinning to accounting research
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Required Textbooks and Materials

Required Materials

The research papers are available through eLearning. You must **ensure** that you have the materials to discuss in class.

Recommended Text

None

Assignments & Academic Calendar

SEE ATTACHMENT A

COVID-19 Guidelines and Resources

The information contained in the following link lists the University's COVID-19 resources for students and instructors of record.

Please see <http://go.utdallas.edu/syllabus-policies>.

Class Recordings

Classes will not be recorded.

Failure to comply with these University requirements is a violation of the [Student Code of Conduct](#).

Grading Policy

The following are your requirements/deliverables.

1. **Homework assignments:** There will be homework assignments for you to turn in. You will need to submit a handwritten scanned PDF file to my email (sradhkr@utdallas.edu) **by the end of the day Sunday, before the class on Monday, so that I can print the homework and bring it to class and discuss it (if I find it necessary).** In the PDF file, please **provide your name, repeat the question, and follow it with your response.** Grades will be awarded for effort and clarity of the steps and approach, not just correctness. **Graded homework will not be returned. You will get a zero grade if the homework is not submitted on time.**

2. **Class Participation:** Please be actively engaged in class, and don't hesitate to ask questions.

3. **Paper Summary and Presentation:** You must choose an analytical paper from the reading list or one published in the last five years. You are encouraged to select the paper from the reading list in italics, since they will also be covered in your qualifiers. Present/ summarize the model and derive the equilibrium. You can turn in scanned, handwritten notes and use these notes for your presentation.

The relative weights for the deliverables for the first-half of this course are:

Class Participation	50%
Homework	20%
Paper presentation/ summary	30%

4. The final course grade will be based upon your performance in Professor Cready's portion of the course as well.

Course & Instructor Policies

There are no make-up exams or extra credit work.

You should read the background materials and the papers before class to focus on following the discussion and presenting your viewpoints.

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."

UT Dallas Syllabus Policies and Procedures

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.

ATTACHMENT A: Tentative Course Outline

Notes

1. I will introduce and lead the discussions using the lecture notes (Word document).
2. The papers highlighted in bold font are discussed in the lecture notes.
3. You will be responsible for all papers (highlighted in bold and italics) for the qualifying exam.

Date	Readings
8/25,	<p>Block A</p> <p>Residual Income Valuation (RIV) Models</p> <p>0. RIV_01_RIV_Models_SureshR_Notes</p> <p>1. <i>Ohlson, J. 1987. "On the nature of income measurement: The basic results," CAR 4, 1-15.</i></p> <p>2. <i>Ohlson, J. 1995. "Earnings, book values and dividends in equity valuation," CAR: 661-687. [pg 666-669]</i></p> <p>3. Ohlson, J., Gao Z., 2006. "Earnings, Earnings Growth and Value", FTA, [Sections 3.1 to 3.4]</p> <p>4. <i>Ohlson, J. 2001. "Earnings, book values and dividends in equity valuation: An empirical perspective," CAR 107-120.</i></p> <p>5. <i>Hao, S., Q. Jin, G. Zhang. 2011. "Investment Growth and the relation between equity value, earnings and equity book value, TAR.</i></p> <p>6. <i>C. Chen, P. F. Chen, Q. Jin, 2015. "Economic freedom, investment flexibility and equity value: A cross country study," TAR.</i></p> <p>7. <i>Penman S. Zhang X. 2021. "Connecting book rate of return to risk and return: The information conveyed by conservative accounting," RAST.</i></p>
9/08	<p>Block B</p> <p>Market Price, Trading & Information (PTI)</p> <p>0. PTI_00_MathPreliminaries_SureshR</p> <p>0. PTI_01 Market Price Trading information_SureshR</p> <p>1. Grossman, S., and J. Stiglitz, 1980. On the Impossibility of Informationally Efficient Markets, AER 70: 393-408.</p> <p>2. <i>Verrecchia, R. 1982. The Use of Mathematical Models in Financial Accounting, JAR 20 (Supplement): 1-42.</i></p> <p>3. <i>Verrecchia, R. 1982. Information Acquisition in a Noisy Rational Expectations Economy, Econometrica 50: 1415-1430.</i></p> <p>4. <i>Kyle, P. 1985. Continuous Auctions and Insider Trade, Econometrica 53: 1315-1335.</i></p> <p>5. <i>Lambert, R., C. Leuz, and R. Verrecchia, 2012. Information Asymmetry, Information Precision and the Cost of Capital. RoF 16(1): 1-29.</i></p> <p>6. <i>Gigler F., Kanodia C., Sapra H., Venugopalan R., 2014. How frequent financial reporting can cause managerial short-termism: An analysis of costs and benefits of increasing reporting frequency, JAR.</i></p> <p>7. Kanodia C., H. Sapra. 2016. "A real effects perspective to accounting measurement and disclosure: Implications and insights for future research," JAR 2016 54: 623-676. (SR/All) [Section 3.1-3.2]</p> <p>8. <i>Lambert, R., C. Leuz, and R. Verrecchia. 2007. Accounting Information, Disclosure, and the Cost of Capital. JAR 45(2): 385-420.</i></p>

ATTACHMENT A: Tentative Course Outline (contd)

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9/15	<p>Block C</p> <p>Disclosure Models</p> <p>0. DISC_01_InformatinDisclosure_SureshR</p> <ol style="list-style-type: none"> 1. Verrecchia, R. 1983. Discretionary Disclosure, JAE 5: 179-194. 2. <i>Dye, R. 1985. Disclosure of Nonproprietary Information, JAR 23(1): 123-145.</i> 3. <i>Jung, W. and Y. Kwon. 1988. Disclosure When the Market is Unsure of Information Endowment of Managers, JAR 26(1): 146-153.</i> 4. <i>Darrough, M. 1993. Disclosure policy and competition: Cournot vs. Bertrand, TAR, 36(3): 534-561.</i> 5. Shavell S. 1994. Acquisition and disclosure of information prior to sale, RAND, 25: 20-36. 6. Einhorn, E. 2007. Voluntary Disclosure under Uncertainty about the Reporting Objective. JAE 43(2-3): 245-274. 7. Einhorn, E. and A. Ziv. 2008. Intertemporal Dynamics of Corporate Voluntary Disclosures. JAR 46(3): 567-589. 8. Kim, T.W. and S. Pae. 2022. Disclosure of Disaggregated Information in the Presence of Reputational Concerns. MgtSci 69(9):5668-5690. 9. <i>Jiang X., Xin B., Xiong Y. 2023. The value of mandatory certification: A real effects perspective, JAR, 2023.</i>
9/22	<p>Block D</p> <p>Agency Models, Hidden Action and Hidden Information</p> <p>0. AGT_01_Hidden-Action_Hidden-Information_Models</p> <ol style="list-style-type: none"> 1. Glover J. 2012. "Explicit and implicit contracts for multiple agents," FTA 2012, 7(1): 1-71 (SR/All) [Sections 3.1, 3.23.3] 2. Liao P. and S. Radhakrishnan. 2016. The effects of the auditor's insurance role on reporting conservatism and audit quality, TAR. 3. <i>Glover J.C., Lin H.H. 2018. "Accounting conservatism and incentives: Intertemporal considerations, TAR.</i> 4. Liao P., Radhakrishnan S. 2020. "Auditors' liability to lenders and auditor conservatism," Mgt Sci. 5. <i>Ewert R., Wagenhofer A. 2020. "Motivating managers to invest in accounting quality: The role of conservative accounting" CAR.</i> 6. Christensen P.O., G.A.Feltham, C. Hofmann, F. Sabac. 2021. Timeliness, accuracy, and relevance in dynamic incentive contracts, WP. 7. Liao P., Ma G., Radhakrishnan S.2021. "Adverse selection, diversion of resources and conservatism," CAR. 8. <i>Infuehr J. 2022. Relative performance evaluation and earnings management, CAR..</i> 9. Wu S., Xue W. 2023. "Accounting comparability and relative performance evaluation by capital markets," JAE.

ATTACHMENT A: Tentative Course Outline (contd)

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9/29	<p>Block E</p> <p>Earnings Management: Application of Various Techniques in Blocks B & C</p> <p>0. EM_01_EarningsManagementModels_SureshR</p> <ol style="list-style-type: none"> 1. Fisher, P., R. Verrecchia. 2000. Reporting Bias. TAR 75(2): 229-245. 2. Dye, R.A. 2002. Classifications Manipulation and Nash Accounting Standards. JAR 40(4): 1125-1162. 3. <i>Demski, J.S., D. Frimor, D.E.M. Sappington. 2004. Efficient manipulation in a repeated setting, JAR 42(1): 31-49.</i> 4. Dye, R.A. and S. Sridharan. 2004. Reliability-Relevance Tradeoffs and the Efficiency of Aggregation. JAR 42(1): 51-88. 5. Demski, J.S., D. Frimor, D.E.M. Sappington. 2006. Audit error. Jrnl Eng. Tech. Mgt. 23: 4-17. 6. Ewert R., Wagenhofer A. 2011. Earnings management, conservatism, and earnings quality, FTA. [Sections 2.1, 2.2] 7. Bertomeu J., M. Darrough, W. Xue. 2017. Optimal conservatism with earnings manipulation, CAR 34(1): 252-284. 8. Fang, V.W., A.E. Huang, and W. Wang. 2017. Imperfect Accounting and Reporting Bias. JAR 55(4): 743-1017. 9. <i>Samuels, D., D. Taylor, and R. Verrecchia. 2021. The Economics of Misreporting and the Role of Public Scrutiny. JAE 71(1): 101340.</i> 10. <i>Corona, C. and T.W. Kim. 2024. Contract Disclosure under External Scrutiny. TAR 99(2): 169-194.</i>
10/6	<p>Block F</p> <p>CAPM & Econometric Issues</p> <p>0. OTH_01 CAPM_SureshR</p> <p>0. OTH_01 EconometricIssues_SureshR</p> <ol style="list-style-type: none"> 1. Fama E., French K., 2004. "The capital asset pricing model: Theory and evidence," JEP 2004: 35-46. 2. Lewellen J.2010. "Accounting anomalies and fundamental analysis: An alternative view," JAE: 455-466. 3. Richardson S., Tuna I., Wysocki P. 2021. "Accounting Anomalies and fundamental analysis: A review of recent research advances," JAE: 410-454. 4. Ellahie A. 2021. "Earnings beta," RAST.

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10/6	<p>Block G</p> <p>Other useful readings</p> <ol style="list-style-type: none"> 1. Ijiri Y. 1980. An introduction to corporate accounting standards: A Review" TAR. 2. Krugman P. 1997. "Accidental Theorist," Slate, 1997. 3. Varian H.R. 1997. "How to build an economic model in your spare time," WP. 4. Demski J.S., Fellingham J.C., Ijiri Y., Sunder S., 2002. "Some thoughts on the intellectual foundations of accounting," AH. 5. Demski J.S. 2005. "Analytic modeling in Management Accounting," WP. 6. Ball R. 2013. "Accounting informs investors and earnings management is rife: Two questionable beliefs," AH. 7. Dichev I., Graham J., Harvey C.R., Rajgopal S.2016. "The misrepresentation of earnings," FAJ. 8. Zeff S. 2018. "An introduction to corporate accounting standards: Detecting Paton's and Littleton's influences," AH. 9. Ohlson J.A. 2021. "How to meet your needs when a regression disappoints," WP. <p>Concluding remarks (SR)</p>
10/13	<p>Student Presentations</p>