

Capital Markets Research in Accounting: Topics on Information Intermediaries and Corporate Disclosures

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Professor Information

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Course Materials: Available on elearning.utdallas.edu

Course Objectives

This course is designed for PhD students in accounting to develop a comprehensive understanding of capital markets research examining how information flows through financial markets. The course explores the evolving landscape of information intermediaries—from traditional analysts and institutional investors to emerging social media platforms and AI-driven analysis—and their impact on corporate disclosure strategies and market outcomes. Students will examine both foundational theories and cutting-edge empirical research to understand how information production, dissemination, and processing affect investment decisions, competitive dynamics, and real economic outcomes. The course emphasizes the strategic nature of corporate disclosure choices and the broader spillover effects that extend beyond immediate market reactions to influence firm behavior, industry competition, and social responsibility.

Class Format

The seminar is structured around a comprehensive set of required readings that combine foundational theoretical frameworks with cutting-edge empirical research. Each class session follows a two-part format: I will begin with a one-hour discussion of the theoretical foundations, exploring the key themes from the foundational theory papers and providing an in-depth analysis

of one seminal paper to establish the conceptual framework for the session. The remaining time will be dedicated to student-led discussions of the empirical papers, where each student is expected to critically analyze, summarize, and offer substantive commentary on the assigned research. With typically four empirical papers per session, students should plan to engage deeply with each paper for approximately 30-40 minutes of discussion. This format ensures students develop both theoretical grounding and practical skills in evaluating contemporary research methodologies and findings.

Paper Presentation

Be prepared to engage in comprehensive critical analysis of each paper along the following dimensions:

1. Research Question and Theoretical Motivation You are expected to evaluate the fundamental research question and assess whether it addresses a meaningful literature gap or challenges existing paradigms. Consider the economic significance of the research problem and examine whether the authors present well-specified alternative hypotheses. Critically analyze the logical coherence of the theoretical development and whether the reasoning flows naturally from established theory.

2. Research Design and Methodology Thoroughly examine the study's empirical approach, including sample selection criteria, data sources, and variable construction. Evaluate whether the sample is appropriate for addressing the research question and assess potential selection biases. Analyze the choice of empirical methodology—are the statistical techniques suitable for the data structure and research objectives? Consider issues such as endogeneity concerns, identification strategies, and the appropriateness of control variables.

3. Research Design-Question Alignment and Identification Assess how effectively the research design addresses the stated research question. Evaluate the study's ability to establish causal relationships rather than mere correlations. Consider whether the empirical tests can adequately distinguish between competing hypotheses and alternative explanations. Examine the identification strategy—does it provide credible variation that allows for causal inference? Assess whether the authors adequately address potential confounding factors and alternative mechanisms.

4. Empirical Challenges and Inferential Limitations Identify methodological concerns and limitations that may affect the validity of the findings. Consider issues such as measurement error, omitted variable bias, reverse causality, and external validity. Evaluate how well the authors

acknowledge and address these limitations. Assess whether robustness tests are comprehensive and convincing. Consider the generalizability of findings across different time periods, markets, or institutional settings.

5. Results Interpretation and Contribution Assessment Analyze the major empirical findings and compare the authors' interpretation with your own assessment. Evaluate the economic magnitude and statistical significance of the results. Consider whether the findings represent genuine advances in knowledge or incremental contributions. Assess how the results relate to existing literature—do they confirm, contradict, or extend previous findings? Evaluate whether the evidence is sufficiently compelling to support the authors' conclusions and whether alternative interpretations are plausible.

6. Future Research Directions and Unresolved Questions Identify promising avenues for future research that emerge from the paper's findings and limitations. Consider what new questions are raised by the results and which aspects remain unexplored. Propose specific research designs or methodological approaches that could address unresolved issues. Think about how the research could be extended to different contexts, markets, or time periods. Consider interdisciplinary connections and policy implications that warrant further investigation.

Course Requirement and Grade

Critical Analysis Requirement (weekly): Each student must provide a 2-page written substantive critical engagement for one of the papers discussed that week. You are required to identify at least one methodological limitation, theoretical gap, or empirical concern, and/or propose a meaningful extension of the research (such as an additional empirical test, alternative identification strategy, or related research question). Your critique or extension should be detailed and well-reasoned, explaining why the identified issue matters for interpreting the results or how your proposed extension would advance our understanding of the phenomenon.

Research Proposal and Final Project: You are expected to provide a research proposal (minimum 2 pages) developing an original research question and methodology. While topics related to information intermediaries or capital markets are preferred, any accounting research topic is acceptable. The written proposal is due Oct 30th and must include: (1) research question and motivation, (2) research design and methodology, and (3) contribution to the literature. Ideally,

I would like you to have prior discussions with me about your overall idea at least two weeks before the deadline.

Weekly Schedule

Week	Date	Topic
1	8/26/25	<i>Analyst information production</i>
2	9/2/25	<i>The implications of analyst information</i>
3	9/9/25	<i>Institutional investors and underwriters</i>
4	9/16/25	<i>Media</i>
5	9/23/25	<i>Social media and other non-traditional information intermediaries</i>
6	9/30/25	<i>Corporate Disclosures – Determinants and Incentives</i>
7	10/7/25	<i>Information Environment: Real Effects and Spillovers</i>

Reading List (subject to change)

Session 1: Analyst Information Production

This collection of papers examines the critical role financial analysts play as information intermediaries in capital markets, exploring how their access to management, cultural influences, concurrent information events, and social learning dynamics affect the quality and informativeness of their research.

Foundational Theory Papers:

1. (*) Jensen, M.C., and Meckling, W.H. (1976). "Theory of the firm: Managerial behavior, agency costs and ownership structure." *Journal of Financial Economics*, 3(4), 305-360.
2. Diamond, D.W. (1985). "Optimal release of information by firms." *The Journal of Finance*, 40(4), 1071-1094.
3. Holmström, B. (1979). "Moral hazard and observability." *The Bell Journal of Economics*, 10(1), 74-91.
4. Grossman, S.J., and Stiglitz, J.E. (1980). "On the impossibility of informationally efficient markets." *The American Economic Review*, 70(3), 393-408.
5. Crawford, V.P., and Sobel, J. (1982). "Strategic information transmission." *Econometrica*, 50(6), 1431-1451.

Empirical Papers:

1. (**) Bhushan, R. (1989). "Firm characteristics and analyst following." *Journal of Accounting and Economics*, 11(2-3), 255-274.
2. (**) Green, T. C., Jame, R., Markov, S., & Subasi, M. (2014). "Access to management and the informativeness of analyst research." *Journal of Financial Economics*, 114(2), 239-255.
3. Pacelli, J. (2019). "Corporate culture and analyst catering." *Journal of Accounting and Economics*, 67(1), 120-143.
4. Driskill, M., Kirk, M.P. and Tucker, J.W. (2020). "Concurrent earnings announcements and analysts' information production." *The Accounting Review*, 95(1), 165-189.
5. (**) Kumar, A., Rantala, V. and Xu, R. (2022). "Social learning and analyst behavior." *Journal of Financial Economics*, 143(1), 434-461.

Session 2: The Implications of Analyst Information

This session examines how analyst information affects market outcomes, investment decisions, and firm behavior, exploring the real-world consequences of analyst research beyond initial forecasts and recommendations.

Foundational Theory Papers:

1. (*) Hirshleifer, J. (1971). "The private and social value of information and the reward to inventive activity." *The American Economic Review*, 61(4), 561-574.
2. Kyle, A.S. (1985). "Continuous auctions and insider trading." *Econometrica*, 53(6), 1315-1335.
3. Admati, A.R., and Pfleiderer, P. (1988). "A theory of intraday patterns: Volume and price variability." *The Review of Financial Studies*, 1(1), 3-40.
4. Schipper, K. (1991). "Analysts' forecasts." *Accounting Horizons*, 5(4), 105-121.
5. Beyer, A., Cohen, D.A., Lys, T.Z. and Walther, B.R. (2010). "The financial reporting environment: Review of the recent literature." *Journal of Accounting and Economics*, 50(2-3), 296-343.

Empirical Papers:

1. (**) O'Brien, P.C. and Bhushan, R. (1990). "Analyst following and institutional ownership." *Journal of Financial Economics*, 28(1-2), 23-54.
2. Mikhail, M.B., Walther, B.R. and Willis, R.H. (1999). "Does forecast accuracy matter to security analysts?" *The Accounting Review*, 74(2), 185-200.
3. (**) Zhang, Y. (2008). "Analysts' responsiveness and the post earnings announcement drift." *Journal of Accounting & Economics*, 46(1), 201-215.
4. Ayres, D.R., Campbell, J.L., Chyz, J.A. and Shipman, J.E. (2019). "Do financial analysts compel firms to make accounting decisions? Evidence from goodwill impairments." *Review of Accounting Studies*, 24, 1214-1251.
5. (**) Guo, R.J. and Zhong, R. (2023). "Do Managers Learn from Analysts about Investing? Evidence from Internal Capital Allocation." *The Accounting Review*, 98(2), 215-246.

Session 3: Institutional Investors and Underwriters

These papers investigate how sophisticated market participants, specifically institutional investors and underwriters, influence corporate transparency and information production.

Foundational Theory Papers:

1. (**) Shleifer, A., and Vishny, R.W. (1986). "Large shareholders and corporate control." *Journal of Political Economy*, 94(3), 461-488.
2. Diamond, D.W., and Verrecchia, R.E. (1991). "Disclosure, liquidity, and the cost of capital." *The Journal of Finance*, 46(4), 1325-1359.
3. Admati, A.R., and Pfleiderer, P. (1988). "A theory of intraday patterns: Volume and price variability." *The Review of Financial Studies*, 1(1), 3-40.
4. Baron, D.P. (1982). "A model of the demand for investment banking advising and distribution services for new issues." *The Journal of Finance*, 37(4), 955-976.
5. Rock, K. (1986). "Why new issues are underpriced." *Journal of Financial Economics*, 15(1-2), 187-212.

Empirical Papers:

1. (**) Gompers, P.A. and Metrick, A. (2001). "Institutional Investors and Equity Prices." *The Quarterly Journal of Economics*, 116(1), 229-259.
2. Ajinkya, B., Bhojraj, S. and Sengupta, P. (2005). "The association between outside directors, institutional investors and the properties of management earnings forecasts." *Journal of Accounting Research*, 43(3), 343-376.
3. (**) Boone, A.L. and White, J.T. (2015). "The effect of institutional ownership on firm transparency and information production." *Journal of Financial Economics*, 117(3), 508-533.
4. Chiang, Y.M., Lowry, M. and Qian, Y. (2019). "The information advantage of underwriters in IPOs." *Management Science*, 65(12), 5721-5740.
5. (**) Abramova, I., Core, J.E. and Sutherland, A. (2020). "Institutional investor attention and firm disclosure." *The Accounting Review*, 95(6), 1-21.

Session 4: Media

This session examines the media's evolving role as an information intermediary in financial markets, highlighting how news dissemination affects market outcomes and how technological changes are reshaping this traditional intermediary function.

Foundational Theory Papers:

1. Dyck, A., and Zingales, L. (2002). "The corporate governance role of the media." *The World Bank Economic Review*, 16(3), 107-140.
2. (*) Mullainathan, S., and Shleifer, A. (2005). "The market for news." *The American Economic Review*, 95(4), 1031-1053.
3. Gentzkow, M., and Shapiro, J.M. (2006). "Media bias and reputation." *Journal of Political Economy*, 114(2), 280-316.
4. Stromberg, D. (2004). "Mass media competition, political competition, and public policy." *The Review of Economic Studies*, 71(1), 265-284.
5. Baron, D.P. (2006). "Persistent media bias." *Journal of Public Economics*, 90(1-2), 1-36.

Empirical Papers:

1. (**) Fang, L. and Peress, J. (2009). "Media coverage and the cross-section of stock returns." *Journal of Finance*, 64(5), 2023-2052.
2. Dai, L., Parwada, J.T., & Zhang, B. (2015). "The governance effect of the media's news dissemination role: Evidence from insider trading." *Journal of Accounting Research*, 53(2), 331–366.
3. Blankespoor, E., deHaan, E., & Zhu, C. (2018). "Capital market effects of media synthesis and dissemination: Evidence from robo-journalism." *Review of Accounting Studies*, 23(1), 1–36.
4. (**) Bonsall IV, S.B., Green, J. and Muller III, K.A. (2020). "Market uncertainty and the importance of media coverage at earnings announcements." *Journal of Accounting and Economics*, 69(1), 101264.
5. (**) Guest, N.M. (2021). "The information role of the media in earnings news." *Journal of Accounting Research*, 59(3), 1021-1076.

Session 5: Social Media and Other Non-traditional Information Intermediaries

These papers explore emerging information channels beyond traditional intermediaries, examining how social media platforms, information aggregators, and technological innovations are creating new pathways for information flow.

Foundational Theory Papers:

1. Hayek, F.A. (1945). "The use of knowledge in society." *The American Economic Review*, 35(4), 519-530.
2. Merton, R.C. (1987). "A simple model of capital market equilibrium with incomplete information." *The Journal of Finance*, 42(3), 483-510.
3. Morris, S., and Shin, H.S. (2002). "Social value of public information." *The American Economic Review*, 92(5), 1521-1534.
4. (*) Bikhchandani, S., Hirshleifer, D., and Welch, I. (1992). "A theory of fads, fashion, custom, and cultural change as informational cascades." *Journal of Political Economy*, 100(5), 992-1026.
5. Veldkamp, L.L. (2006). "Information markets and the comovement of asset prices." *The Review of Economic Studies*, 73(3), 823-845.

Empirical Papers:

1. (**) Antweiler, W. and Frank, M.Z. (2004). "Is all that talk just noise? The information content of internet stock message boards." *Journal of Finance*, 59(3), 1259-1294.
2. Lee, L.F., Hutton, A.P. and Shu, S. (2015). "The role of social media in the capital market: Evidence from consumer product recalls." *Journal of Accounting Research*, 53(2), 367-404.
3. Akbas, F., Markov, S., Subasi, M. and Weisbrod, E. (2018). "Determinants and consequences of information processing delay: Evidence from the Thomson Reuters Institutional Brokers' Estimate System." *Journal of Financial Economics*, 127(2), 366-388.
4. (**) Dube, S. and Zhu, C. (2021). "The disciplinary effect of social media: Evidence from firms' responses to Glassdoor reviews." *Journal of Accounting Research*, 59(5), 1783-1825.
5. (**) Campbell, B., Drake, M., Thornock, J. and Twedt, B. (2023). "Earnings virality." *Journal of Accounting and Economics*, 75(1), 101517.

Session 6: Corporate Disclosures – Determinants and Incentives

These studies examine how companies strategically manage their communication with capital markets, exploring the relationship between financial statement complexity and voluntary disclosure, CEO communication styles, and strategic framing.

Foundational Theory Papers:

1. Verrecchia, R.E. (2001). "Essays on disclosure." *Journal of Accounting and Economics*, 32(1-3), 97-180.
2. (*) Dye, R.A. (1985). "Disclosure of nonproprietary information." *Journal of Accounting Research*, 23(1), 123-145.
3. Spence, M. (1973). "Job market signaling." *The Quarterly Journal of Economics*, 87(3), 355-374.
4. Gigler, F. (1994). "Self-enforcing voluntary disclosures." *Journal of Accounting Research*, 32(2), 224-240.
5. Milgrom, P.R. (1981). "Good news and bad news: Representation theorems and applications." *The Bell Journal of Economics*, 12(2), 380-391.

Empirical Papers:

1. (**) Healy, P.M. and Palepu, K.G. (2001). "Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature." *Journal of Accounting and Economics*, 31(1-3), 405-440.
2. Guay, W., D. Samuels, D. Taylor. (2016). "Guiding through the Fog: Financial statement complexity and voluntary disclosure." *Journal of Accounting and Economics*, 62(2–3), 234-269.
3. (**) Bochkay, K., Chychyla, R. and Nanda, D. (2019). "Dynamics of CEO disclosure style." *The Accounting Review*, 94(4), 103-140.
4. Allee, K.D., Do, C. and Sterin, M. (2021). "Product market competition, disclosure framing, and casting in earnings conference calls." *Journal of Accounting and Economics*, 72(1), 101405.
5. (**) Glaeser, S.A. and Landsman, W.R. (2021). "Deterrent disclosure." *The Accounting Review*, 96(5), 291-315.

Session 7: Information Environment: Real Effects and Spillovers

This session explores how information disclosures generate consequences beyond immediate market reactions, affecting real investment decisions, competitive dynamics, and social responsibility.

Foundational Theory Papers:

1. Stiglitz, J.E. (2000). "The contributions of the economics of information to twentieth century economics." *The Quarterly Journal of Economics*, 115(4), 1441-1478.
2. (*) Admati, A.R., and Pfleiderer, P. (2000). "Forcing firms to talk: Financial disclosure regulation and externalities." *The Review of Financial Studies*, 13(3), 479-519.
3. Hirshleifer, J. (1971). "The private and social value of information and the reward to inventive activity." *The American Economic Review*, 61(4), 561-574.
4. (*) Fishman, M.J., and Hagerty, K.M. (1989). "Disclosure decisions by firms and the competition for price efficiency." *The Journal of Finance*, 44(3), 633-646.
5. Foster, G. (1981). "Intra-industry information transfers associated with earnings releases." *Journal of Accounting and Economics*, 3(4), 201-232.

Empirical Papers:

1. (**) Foster, G. (1981). "Intra-industry information transfers associated with earnings releases." *Journal of Accounting and Economics*, 3(4), 201-232.
2. Shroff, N., Verdi, R.S. and Yost, B.P. (2017). "When does the peer information environment matter?" *Journal of Accounting and Economics*, 64(2-3), 183-214.
3. (**) Durnev, A. and Mangen, C. (2020). "The spillover effects of MD&A disclosures for real investment: The role of industry competition." *Journal of Accounting and Economics*, 70(1), 101299.
4. Christensen, H.B., Floyd, E., Liu, L.Y. and Maffett, M. (2017). "The real effects of mandated information on social responsibility in financial reports: Evidence from mine-safety records." *Journal of Accounting and Economics*, 64(2-3), 284-304.
5. (**) Aobdia, D. and Cheng, L. (2018). "Unionization, product market competition, and strategic disclosure." *Journal of Accounting and Economics*, 65(2-3), 331-357.