**Mondays:  12:30-3:45**

**Class Locations**2/1 – no class
2/4, 2/18, 2/25 – 363 Grace Dodge
2/11, 3/4, (3/25 no class), 4/1, 4/8, 4/15, 4/22, 4/29  – 415 Warren
5/6 – Uris 307
Final Paper Presentations - Date, Time, and Location To Be Announced

**Accounting and Information Economics:  2019 Reading List**

Evaluation: discussions of papers and other class participation (1/3), homework (1/3), and final paper and presentation (1/3).

**February 4 (363 Grace Dodge): Adverse Selection with an Application on Capital Budgeting**

Antle, R. and Eppen, G.D., 1985. Capital rationing and organizational slack in capital budgeting. *Management science*, *31*(2), 163-174.

Antle, R. and Fellingham, J., 1990. Resource rationing and organizational slack in a two-period model. *Journal of Accounting Research*, 1-24.

Arya, A., Glover, J. and Young, R.A., 1996. Capital budgeting in a multidivisional firm. *Journal of Accounting, Auditing & Finance*, *11*(4), 519-533.

Myerson, R.B., 1986. Multistage games with communication. *Econometrica,* 323-358.

**February 11 (415 Warren): Moral Hazard - Individual and Team Incentives**

Hölmstrom, B., 1979. Moral hazard and observability. *The Bell Journal of Economics*, 74-91.

Antle, R. and Demski, J.S., 1988. The controllability principle in responsibility accounting. *Accounting Review*, 700-718.

Holmstrom, B., 1982. Moral hazard in teams. *The Bell Journal of Economics*, 324-340.

Arya, A., Fellingham, J. and Glover, J., 1997. Teams, repeated tasks, and implicit incentives. *Journal of Accounting and Economics*, 23(1), 7-30.

Che, Y.K. and Yoo, S.W., 2001. Optimal incentives for teams. *American Economic Review*, 525-541.

Additional readings:

Lambert, R.A., 1983. Long-term contracts and moral hazard. *The Bell Journal of Economics*, 441-452.

Glover, J. and E. Kim, 2019. Optimal team composition: Diversity to foster mutual monitoring.

Glover, J. and E. Kim, 2019. Teams, career horizon diversity, and tacit collusion.

**February 18 (363 Grace Dodge): Incomplete and Renegotiated Contracts with Applications on Information System and Organizational Design**

Hart, O. and Moore, J., 1990. Property rights and the nature of the firm. *Journal of Political Economy*, 1119-1158.

Fudenberg, D. and Tirole, J., 1990. Moral hazard and renegotiation in agency contracts. *Econometrica*, 1279-1319.

Crémer, J., 1995. Arm’s length relationships. *The Quarterly Journal of Economics*, *110*(2), 275-295.

Arya, A., Glover, J.C. and Sivaramakrishnan, K., 1997. The interaction between decision and control problems and the value of information. *Accounting Review*, 561-574.

Aghion, P. and Tirole, J., 1997. Formal and real authority in organizations. *Journal of Political Economy*, 1-29.

Additional readings:

Bernheim, B.D. and Whinston, M.D., 1998. Incomplete contracts and strategic ambiguity. *American Economic Review*, 902-932.

Hermalin, B.E. and Katz, M.L., 1991. Moral hazard and verifiability: The effects of renegotiation in agency. *Econometrica*, 1735-1753.

Baiman, S., 1975. The evaluation and choice of internal information systems within a multiperson world. *Journal of Accounting Research*, 1-15.

Arya, A., Fellingham, J., Glover, J. and Sivaramakrishnan, K., 2000. Capital budgeting, the hold- up problem, and information system design. *Management Science*, *46*(2), 205-216.

Mookherjee, D., 2006. Decentralization, hierarchies, and incentives: A mechanism design perspective. *Journal of Economic Literature*, *44*(2), 367-390.

**February 25 (363 Grace Dodge): Corporate Culture and Relational Contracts**

Commons, J. 1919. Chapter 3 of *Industrial Goodwill*.

Hermalin, B.E., 2000. *Economics & Corporate Culture*. University of California, Berkeley.

Levin, J., 2003. Relational incentive contracts. *The American Economic Review*, *93*(3), 835- 857.

MacLeod, W.B., 2003. Optimal contracts with subjective evaluation. *American Economic Review.* 93: 216-240.

Baldenius, T., Glover, J. and Xue, H., 2016. Relational contracts with and between agents. *Journal of Accounting and Economics*, *61*(2), 369-390.

Glover, J. and H. Xue, 2019. Team incentives and bonus floors in relational contracts.

Additional readings:

MacLeod, W.B. and Malcomson, J.M., 1989. Implicit contracts, incentive compatibility, and involuntary unemployment. *Econometrica*, 447-480.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 1994. Subjective performance measures in optimal incentive contracts, *Quarterly Journal of Economics* 109: 1125-1156.

Halac, M., 2012. Relational contracts and the value of relationships. *The American Economic Review*, *102*(2), 750-779.

Halac, M., 2015. Investing in a relationship. *The RAND Journal of Economics*, *46*(1), 165-185.

**March 4 (415 Warren): Double-Entry Bookkeeping**

Hatfield, H.R., 1924. An historical defense of bookkeeping. *Journal of Accountancy.*

De Roover, R., 1938. Characteristics of bookkeeping before Paciolo. *The Accounting Review*, *13*(2), 144-149.

Carruthers, B.G. and Espeland, W.N., 1991. Accounting for rationality: Double-entry bookkeeping and the rhetoric of economic rationality. *American journal of sociology*, *97*(1), 31-69.

Ijiri, Y., 1993. The beauty of double-entry bookkeeping and its impact on the nature of accounting information. *Economie Notes by Monte dei Paschi di Siena*, *22*, 265-285.

Arya, A., Fellingham, J.C. and Schroeder, D.A., 2000. Estimating transactions given balance sheets and an income statement. *Issues in Accounting Education*, *15*(3), 393-411.

Arya, A., Fellingham, J.C., Glover, J.C., Schroeder, D.A. and Strang, G., 2000. Inferring transactions from financial statements. *Contemporary Accounting Research*, *17*(3), 366-385.

**April 1 (415 Warren): Conceptual Frameworks of Financial Reporting**

American Accounting Association, 1936. A tentative statement of accounting principles affecting corporate reports. *The Accounting Review*, *11*(2), pp.187-191.

Sanders, T.H., Hatfield, H.R. and Moore, U., 1938. *A Statement of Accounting Principles*. American Institute of Accountants.

Paton, W.A. and Littleton, A.C., 1940. *An introduction to corporate accounting standards*. American Accounting Association.

May, G.O., 1943. The nature of the financial accounting process. *The Accounting Review*, *18*(3), 189-193.

Sprouse, R.T. and Moonitz, M., 1962. *A tentative set of broad accounting principles for business enterprises* (No. 3). American Institute of CPAs.

American Accounting Association, 1966. *A Statement of Basic Accounting Theory*.

American Institute of Certified Public Accountants. 1973. Study Group on the Objectives of Financial Statements. *Objectives of financial statements: Report of the Study Group on the Objectives of Financial Statements*.

Demski, J.S., 1973. The general impossibility of normative accounting standards. *The* *Accounting Review*, *48*(4), 718-723.

Baxter, W.T., 1981. Accounting standards—boon or curse? *Accounting and Business Research*, *12*(45), 3-10.

Glover, J., 2014. Have academic accountants and financial accounting standard setters traded places? *Accounting, Economics and Law Account. Econ. Law*, *4*(1), 17-26.

Additional readings:

Kester, R.B., 1942. Sources of accounting principles. *Journal of Accountancy*.

Storey, R.K. and Storey, S., 1998. *The framework of financial accounting concepts and standards*. Financial Accounting Standards Board.

**April 8 (415 Warren): Accounting Measurement and Measurement Quality**

Dohr, J.L., 1944. Cost and value. *Journal of Accountancy*.

Paton, W.A., 1946. Cost and value in accounting. *Journal of Accountancy.*

Dohr, J.L., 1947. Price and cost. *Journal of Accountancy*.

Ijiri, Y., 1965. Axioms and structures of conventional accounting measurement. *The Accounting Review*, *40*(1), 36-53.

Ijiri, Y. and Jaedicke, R.K., 1966. Reliability and objectivity of accounting measurements. *The accounting review*, *41*(3), 474-483.

Beaver, W.H., 1998. Chapter 3 of *Financial reporting: an accounting revolution*. Upper Saddle River, NJ: Prentice Hall.

Beaver, W.H. and Demski, J.S., 1979. The nature of income measurement. *Accounting Review*, 38-46.

Lambert, R., Leuz, C. and Verrecchia, R.E., 2007. Accounting information, disclosure, and the cost of capital. *Journal of accounting research*, *45*(2), 385-420.

Glover, J. and Levine, C., 2019. Information asymmetries about measurement quality. *Contemporary Accounting Research*.

**April 15 (415 Warren): Accounting Recognition and Earnings Management**

Dye, R.A., 1988. Earnings management in an overlapping generations model. *Journal of Accounting research*, 195-235.

Demski, J.S., 1998. Performance measure manipulation. *Contemporary Accounting Research*, *15*(3), 261-285.

Arya, A., Glover, J. and Sunder, S., 1998. Earnings management and the revelation principle. *Review of Accounting Studies*, *3*(1-2), 7-34.

Dye, R.A., Glover, J.C. and Sunder, S., 2014. Financial engineering and the arms race between accounting standard setters and preparers. *Accounting Horizons*, *29*(2), 265-295.

Gao, P. and X. Jiang. 2018. The economic consequences of discrete recognition and continuous measurement.

Additional readings:

Liang, P.J., 2004. Equilibrium earnings management, incentive contracts, and accounting standards. *Contemporary Accounting Research*, *21*(3), 685-718.

Crocker, K.J. and Slemrod, J., 2007. The economics of earnings manipulation and managerial compensation. *The RAND Journal of Economics*, *38*(3), 698-713.

Arya, A. and Glover, J., 2008. Performance measurement manipulation: cherry-picking what to correct. *Review of Accounting Studies*, *13*(1), 119-139.

Gao, P. and G. Zhang. 2018. Accounting manipulation, peer pressure, and internal control. *The Accounting Review.*

**April 22 (415 Warren): Earnings Quality**

Stein, J.C., 1989. Efficient capital markets, inefficient firms: A model of myopic corporate behavior. *The Quarterly Journal of Economics*, *104*(4), 655-669.

Fischer, Paul E. and Robert E. Verrecchia. 2000. Reporting bias. *The Accounting Review,* 75(2): 229-245.

Ferri, F., Zheng, R. and Zou, Y., 2018. Uncertainty in managers’ reporting objectives and investors’ response to earnings reports: Evidence from the 2006 executive compensation disclosures. *Journal of Accounting and Economics.*

Ewert, R. and Wagenhofer, A., 2005. Economic effects of tightening accounting standards to restrict earnings management. *The Accounting Review*, *80*(4), 1101-1124.

Kirschenheiter, M. and Melumad, N., 2002. Can “Big Bath” and earnings smoothing co-­‐exist as equilibrium financial reporting strategies? *Journal of Accounting Research*, *40*, 761-796.

Marinovic, I., 2013. Internal control system, earnings quality, and the dynamics of financial reporting. *The RAND Journal of Economics*, *44*(1), 145-167.

**April 29 (415 Warren): Accounting Conservatism**

Antle, R. and Nalebuff, B., 1991. Conservatism and auditor-client negotiations. *Journal of Accounting Research*, 31-54.

Kwon, Y.K., Newman, D.P. and Suh, Y.S., 2001. The demand for accounting conservatism for management control. *Review of Accounting Studies*, *6*(1), 29-52.

Gigler, F., Kanodia, C., Sapra, H. and Venugopalan, R., 2009. Accounting conservatism and the efficiency of debt contracts. *Journal of Accounting Research*, *47*(3), 767-797.

Gao, P., 2013. A measurement approach to conservatism and earnings management. *Journal of Accounting and Economics*, *55*(2), 251-268.

Glover, J. and Lin, H., 2018. Accounting conservatism and incentives: intertemporal considerations. *The Accounting Review*.

Glover, J. and Xue, H., 2019. Accounting conservatism and relational contracting.

**May 6 (Uris 307): Voluntary Disclosure, Cheap Talk, and Bayesian Persuasion**

Grossman, Sanford. 1981. The Informational Role of Warranties and Private Disclosure about Product Quality*.  Journal of Law and Economics* 24(3): 461– 83.

Verrecchia, R., 1983. Discretionary disclosure, *Journal of Accounting and Economics*, 179-194.

Dye, R., 1985. Disclosure of nonproprietary information, *Journal of Accounting Research*, 123-145

Jung, W. and Kwon, Y., 1988. When the market is unsure of information Endowment of Managers, *Journal of Accounting Research*, 146-153.

Bertomeu, J., Ma, P. and Marinovic, I., 2018. How often do managers withhold information?

Crawford, V.P. and Sobel, J., 1982. Strategic information transmission, *Econometrica,* 1431-1451.

Kamenica, E. and Gentzkow, M., 2011. Bayesian persuasion. *The American Economic Review*, *101*(6), 2590-2615.