Tentative syllabus and reading list

I am worried that published accounting research is increasingly trying to find answers to questions that no one has. However, the costs of producing a publishable paper in our field are sky rocketing. As outlined in my paper (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3368611), a top 50 business school spends anywhere between $200,000 to $400,000 on a top-three publication in accounting. This observation leads inevitably to uncomfortable questions about ROI (return on investment) on that large number. More often than that, the $200k-$400k is financed out of MBA or undergraduate tuition. One has to wonder whether the whole top-tier publication business is financially sustainable.

To address this imbalance, I have suggested that business schools should consider ideas on funding research from engineering and medical schools. These schools produce more “practical knowledge” that stakeholders such as private companies and grant giving agencies are more willing to finance. Of course, there are differences between a business school and these other professional schools that I would rather not go into here (discussed in my above referenced paper).

This thought process led me to a need to encourage work that is more relevant to policy makers and to practitioners. The American Accounting Association (AAA) has begun emphasizing the issue in a series of commissioned reports and conferences as well (https://aaahq.org/About/Directories/2017-2018-AAA-Committees-Task-Forces/Research-Relevance-Task-Force). My class and this syllabus takes a small step in this direction. I have tried to pick topics that are potentially interesting to practice and policy makers and are still “publishable” in our top journals. This class does not explicitly address the usual “capital markets based Ball and Brown” or “positive theory from Watts and Zimmerman” type themes. Rather, these are covered indirectly when we discuss issues related to measurement and incentives. However, the appendix enclosed lists a set of topics and recommended readings in these traditional topics. No accounting PhD student should be allowed to graduate unless he/she has digested these traditional topics. However, these topics are somewhat over-mined and are unlikely to produce many exciting dissertations. Think of the traditional topics as necessary but not sufficient for career success. That’s another reason to invest in the new topics I propose.

The research areas discussed in this seminar relates to topics that I believe are ripe for future investigation: (i) understanding the operating performance of a firm; (ii) reliance on heuristics; (iii) the importance of corporate culture; (iv) measuring the ESG impact of a firm; (v) assessing a country’s sovereign risk via its financial statements; and (vi) improving measurement practices in accounting research. The list of topics and papers are inherently subjective although I will lay out the rationale for why I think these topics are interesting and under-researched.

Each research session will have three parts. We will begin with a presentation of a paper that is central to the topic being discussed. One student will present the paper as if they are the author and as a self-critical referee. That is, their aim will be to present the main ideas of the paper as if they were one of the original authors. They should be prepared to defend and explain all of its contents, and to respond to questions/comments/suggestions from the other participants in the seminar. The talk will also cover a critique of the key paper. This presentation may take up to 60 minutes, though time
The second session will be a presentation (also by a student) of a paper that is related to the key paper along the lines of the first presentation. That is, present the paper as though you are the author and later as a self-critical referee. This presentation should take about 60 minutes. No referee report is expected for this paper.

The final session (which will take about 60 minutes) will be a discussion of the related papers (other than the first two papers). In order to prepare for this session, ONE SELF-DESIGNATED student is required to submit a literature review that describes each of the papers on the reading list and any other papers that are arguably closely related or central to the theme of the main paper. That designated student will present the literature review to the class whenever we do not have an external speaker coming in. As with all literature reviews, this review should include a summary of the main points of each paper and a clear indication of the thread that connects the papers together.

Grade assessment will be allocated as follows:

- Presentation of key paper: 20%
- Presentation of related paper: 20%
- Referee reports for key paper: 20%
- At least one Literature review: 20%
- Research proposal**: 20%

*The literature review must be handed in at the beginning of the day in which the papers will be discussed. My aim is to ensure that every student has carefully read every paper and thought carefully about the way they are connected. I realize that this is a time-consuming task. It is, however, essential to becoming prepared to embark on an academic career. Assessment will be based on the written literature review and participation in class discussion. EVERY STUDENT TAKING THE COURSE FOR CREDIT WILL HAVE TO PRESENT AT LEAST ONE PAPER AND TURN IN AT LEAST ONE LITERATURE REVIEW.

**The research proposal is a “what, why and how” of an original research idea, preferably motivated by the content of the course. The proposal should be as detailed as possible with information about (i) why is the research question important? (ii) how exactly do you plan on addressing the research question (including comments on research design and data sources)? and (iii) the limitations of your approach and potential approaches to address such limitations. Bill Kinney’s classic on research methods (Kinney, W. 1986, “Empirical Accounting Research Design for Ph.d students,” The Accounting Review 61(2): 338-350 is worth a read and a re-read). Please purchase a copy of Strunk and White’s The Elements of Style. Start consciously using it in your writing. The proposal is due within two weeks after the last day of class. Please send the proposals via email to me at sr3269@gsb.columbia.edu
Reading list: (** represents key paper, *** represents key related paper)

Session 1: Table setting with guest speakers  
January 27, 4-7 pm, WARREN 415

1. Amar Bhide on practical knowledge and on making economics useful, on skype  
2. What questions would a senior practitioner like answered in accounting research? Trevor Harris on skype  
3. What questions would a regulator like answered in accounting research? Bob Herz in person

Class related reading: We will not present these papers in class but please read these before you come to the session


3. Bhide, A, 2019, Syllabus on practical knowledge (on Canvas)

4. Readings that Bob Herz asked me to pass on: A Roadmap for Convergence between IFRSs and US GAAP—2006-2008, Memorandum of Understanding between the FASB and the IASB dated 27 February 2006 (on Canvas) and notes on sustainability reporting as found here: https://www.sec.gov/comments/s7-06-16/s70616-25.pdf

Background reading


Session 2: Understanding the operating performance of a firm  
February 3, 4-7 pm, WARREN 415

Economics 101 tells us that value is added by some combination of materials, labor, capacity and managerial talent. However, the standard reporting model for U.S. companies, shown below, classifies expenses by function and is not very useful to an analyst curious about these value drivers.
In general, it is difficult for an analyst to estimate how much material the firm consumed as that number is hidden in COGS. COGS includes manufacturing labor costs and overhead and most companies do not separately disclose those numbers. Labor costs are hidden in every functional line item on the income statement where labor is employed. For instance, compensation paid to scientists and engineers is in the R&D number. However, very few U.S. firms actually disclose total labor costs, disaggregated by function. Even if firms follow IFRS and disclose labor costs, there is very little information on how many employees work in specific functions.

Capacity costs are poorly handled by the current model because we typically straight-line the historical cost of property, plant and machinery without asking how much capacity costs the firm needs to incur to ensure it retains its market share (also referred to as “maintenance capex.”). Such maintenance capex should be expensed in the income statement, as opposed to growth capex (capacity costs incurred to acquire new customers and new markets), which should ideally be capitalized. Financial statements tell us very little about the quality of managerial talent and corporate culture. One of the CFOs interviewed for the Dichev et al. (2013) told us, “we spend a lot of time conducting a fundamental analysis of the numbers. Very few conduct a fundamental analysis of the people running the company.”

On top of that, there is little information in the current reporting model to parse out the fixed and variable components of the firm’s cost structure. Absent detailed data on costs, it is difficult to answer a question that confronts analysts every quarter: if sales go up by 5%, how much would net income go up by? Answering that question requires information about operating leverage and these data are not easily available from the current income statement.

In the class I co-teach at Columbia with Trevor Harris (FAIME or B8010 and B7010 for Columbia students), we ask the students to recast the income statement into the following format (where price refers to price per unit of the product or service sold, quantity refers to the volume of the product or service sold, FX refers to the component of revenue or costs attributable to changes in foreign currency rates and c refers to variable cost per unit sold):

Revenue (price or p*quantity or q * currency impact or FX)  X
Less: Cost of materials (p*q*FX)  X
Labor costs:
Manufacturing labor costs  X
Fixed cost (time*FX) v/s variable cost (c*q)
Research labor costs (mostly fixed)  X
Selling labor costs  X
Fixed v/s variable
G&A labor costs (mostly fixed)  X  X
Maintenance capex  X
Interest expense  X
Provision of taxes  X
Net income  X
In other words, we ask students to use supplementary data outside of the financial statements to think hard about the actual drivers of value, decomposed into volume, price and fluctuations in foreign currency (FX). The objective is to integrate insights from standard costing in managerial accounting (volume variance, price variance and other variance from other line items such as foreign currency) to understand the sustainability of a firm’s earnings. The intuition is that revenue and income increases driven by price hikes or currency changes, as opposed to quantity changes of the product sold, are less likely to sustainable in the long run.

These questions are even more difficult for technology companies that rely on intangible assets for revenue generation. How much maintenance capex and R&D should Netflix invest to ensure it can retain its market dominance in the streaming market? How should we deal with technology companies which are network businesses because networks increase in value with use, as opposed to tangible assets which generally tend to lose value with greater usage? How should digital companies price their product such that they can recover the large fixed costs they incur to create their products? Research into these questions could constitute a fundamental contribution to both the academic literature and to analysts and investors.

A few papers that partially try to address these questions. Note that none of these papers really recasts the income statement along the lines I suggest. So, there is plenty of room for more work:

1. **“The long run average cost puzzle,” by Aytekin Ertan, Stefan Lewellen and Jake Thomas, working paper, London Business School working paper. (on Canvas)**

   STUDENT VOLUNTEER: __________________


   STUDENT VOLUNTEER: __________________


STUDENT VOLUNTEER TO PRESENT AND WRITE LITERATURE REVIEW:

__________________________________________________________________________

Session 3: Corporate culture
February 10, 4-7 pm, WARREN 415

Think of corporate culture as adding color to understanding of labor costs and firm productivity in session 2. Corporate culture is given credit for some of the greatest business successes and blamed for
some of the biggest failures. Policy-makers often point to dysfunctional corporate culture in banking as a first order contributor to the recent financial crisis (e.g., Dudley (2014)). Several books identify culture as a key driver of Google's success (e.g., Edwards (2012), Schmidt and Rosenberg (2014)). The corporate culture at VW, Toshiba, and Wells Fargo are recent examples of failures (Milne (2015); Inagaki (2015); Cancialosi (2016)). Though corporate culture is a very popular topic, many fundamental research questions remain open:

- What is corporate culture?
- How important is corporate culture?
- What mechanisms underlie the creation and effectiveness of corporate culture? How do other formal institutions (e.g., governance or compensation) reinforce or work against culture?
- Do companies think their culture is effective and if not, what deters firms from having an effective corporate culture?
- Are the upside benefits of an effective culture greater than the downside costs of ineffective culture?
- What aspects of business performance does corporate culture affect? Does culture impact firm value, productivity, corporate risk-taking, growth, M&A, financial and tax reporting, whether employees take a long-run view, and/or corporate ethics?
- How can corporate culture be measured?

A few papers that partially try to address these questions are as follows:


STUDENT VOLUNTEER TO PRESENT AND WRITE LITERATURE REVIEW: ________________

Session 4: Measuring the ESG footprint of a firm
February 17, 4-7 pm, URIS CONFERENCE ROOM 208

Think of a firm’s Environmental, Social and Governance (ESG) footprint as a way to understand whether or not firm performance, laid out in session 2, is sustainable. It is often said that one out of every six dollars (and growing) of AUM (Assets Under Management) relies on the ESG footprint of the firm. However, assessing the ESG footprint of a company is very difficult. The commercially available datasets are neither reliable nor relevant sometimes to the problem at hand (see The ABCs of ESG: ESG ratings are not reliable enough,” in Reuters, Breaking Views, August 10, 2018. Available at...
As opposed to reams of work on taking the commercial data as given (e.g., KLD data or Asset 4 and the like), I intend to concentrate on better ways to measure the ESG footprint of a firm or on an evaluation of the quality of data supplied by these commercial vendors. Other questions related to how to use these data to filter our firms with potentially weak future performance remain open.

A few papers that partially try to address these questions:


3. “Do the socially responsible walk the talk?” 2019, work in progress, Aneesh Raghunandan and Shiva Rajgopal (will be posted on Canvas).


STUDENT VOLUNTEER TO PRESENT and WRITE LITERATURE REVIEW:

6-7 pm Guest speaker: Geoffrey Heal https://www8.gsb.columbia.edu/cbs-directory/detail/gmh1. I have requested Geoffrey to address the following, “what questions would a climate economist want answered in the world of ESG measurement and reporting?”

Because of Geoffrey’s presentation, we will NOT have the student volunteer present the literature review today.

Session 5: Reliance on heuristics
February 24, 4-7 PM, URIS CONFERENCE ROOM 208

The real world is complex and executives are perpetually pressured for time. Fire-fighting and a reactive, as opposed to a proactive, use of executive time is now more the norm than the exception. Such constraints often lead executives to seek “silver bullet” solutions to difficult problems. Many of these simplistic answers manifest themselves as heuristics. The world of accounting and valuation is replete with heuristics. For instance, till recently when operating lease were not required to be capitalized, Moody’s relied on an ad-hoc 6X or 8X multiple of operating lease rents to capitalize operating leases on a firm’s balance sheet. This is despite footnote availability of a long time series of data on future cash flow obligations on operating leases. Moreover, Moody’s assumes that the
capitalized lease asset and the liability are set to the same number although we know that’s unlikely to be true, except at the beginning and the end of the lease term. This is because the leased asset is usually depreciated at a rate faster than the rate relative to the rate at which the principal component of the lease liability is paid off. Do these heuristics provide a reasonable approximation of a more sophisticated model? Why do these heuristics persist when a simple spreadsheet model can provide better data?

Every year, I interview three analysts, drawn from the buy side and the sell side, before I teach my elective on fundamental statement analysis. I usually ask them questions that we address in the class such as (i) how do you forecast revenue? (ii) how do you estimate the fixed and the variable component of the company’s cost structure? and so on. Most analysts forecast costs as a proportion of sales. For instance, when asked about next year’s R&D costs, they would forecast R&D for the next year as X% of forecasted sales where X is the usually the historical average of R&D/Sales. But forecasting a specific line item as a function of sales is conceptually inaccurate because the underlying assumption is that the specific cost is variable in nature. R&D spending does not necessarily rise or fall in proportion to sales. Lab scientists and software engineers are not necessarily hired and fired as annual sales rise or fall. When confronted with this argument, the analyst would often say, “forecasting is very hard and assuming X% of sales is a reasonable approximation.” Is X% of sales indeed a reasonable approximation?

For another example, consider the rampant use of EBITDA multiples. EBITDA or earnings before interest, tax, depreciation and amortization, is supposed to proxy for operating cash flows although they obviously exclude working capital accruals that should be subtracted out to derive operating cash flows. More damaging, reliance on EBITDA assumes that the company does not have pay for interest or taxes or set aside resources for maintenance capex. I have asked several analysts (i) how they decide to value a company at 10X earnings or 10X EBITDA; and (ii) are they not aware that EBITDA is an inaccurate and potentially misleading measure? Where does 10X come from? The answer I often get that, “we need some kind of valuation shorthand to discuss the stock with our clients and EBITDA multiples serve that role.”

When I asked the analyst about the number of classes devoted to teaching MBA students discounted cash flow calculations (DCF) and the residual income model, the analyst said, “I estimated a DCF perhaps once last year. I rely mostly on P/E and EBITDA multiples and I stopped using residual income models for technology companies as they report negative earnings. Eventually, I stopped using residual income models for all companies.” Are these statements a “market test” of whether better technology is cost-effective? Or do these statements suggest that most of these analysts did not fully understand the better technologies in their MBA (or finance) programs?

In general, it might be worth understanding (i) how did these heuristics become so prevalent in the real world? and (ii) what are the costs and benefits of using such heuristics? Documenting clear long-term costs to reliance on heuristics might convince analysts to take the academic tools more seriously. Alternatively, we might discover that heuristics used in practice are “good enough.” Such a finding would raise questions about the value of over-refining existing tools used in academe for fundamental analysis and valuation.

A few papers that partially try to address these questions


2. ***“EBITDA and managers' investment and leverage choices,” by Oded Rozenbaum, Contemporary Accounting Research, 2019, 36(1): 513-546. STUDENT VOLUNTEER:____________________


6. Own sticky covenant ratios paper if ready by then

STUDENT VOLUNTEER TO PRESENT AND WRITE LITERATURE REVIEW:

Session 6: Sovereign risk via country level financial statements
March 2, 4-7 PM, WARREN 415

The post-crisis world is characterized by high levels of government debt. Sovereign risk stemming from government debt is in the news frequently (e.g., Greek debt, Argentina’s default, emerging market debt). The market for sovereign bonds runs into trillions of dollars and is far larger than equity markets in several countries. Yet, it is unclear whether sovereign risk, inherent in these bonds, is priced correctly.

A major driver of such mispricing is the lack of awareness of deficiencies in governments’ financial statements among bond holders, the rating agencies and the citizenry. Only seven countries in the world (U.S., Canada, U.K., Israel, France, Australia and New Zealand) actually use something close to accrual accounting, the standard in the corporate world, to reflect their assets and liabilities. Some governments, such as France and Switzerland, leave out public employees’ pensions from their financial statements. Many advanced countries, such as Japan and Germany, report results on a cash basis and more worrisome do not report consolidated financial statements. For instance, Japan reports a list of financial and non-financial assets and liabilities at different places on the websites of the Ministry of Finance and the Bank of Japan. Some governments, such as the Vatican and Abu Dhabi do not release any financial statements. In the absence of financial statements, stakeholders have little information related to how specific assets and liabilities are measured, whether the liabilities, especially contingencies and commitments are comprehensive and what is the actual net debt owed by the Government.

When firms run into financial difficulties, the pressure to misreport obligations and spending goes up. These incentives work in the same way for governments. The financial crisis has created a mountain of government debt and consequent pressure to misrepresent such debt (Greece is a prime example).

Unlike the corporate sector, one cannot rely on boards of directors or competent auditors or even short sellers to keep governments honest. Several finance ministries in the world are populated by officials who under emphasize the importance of reporting standards and of accounting measurement. Perhaps the sovereign bond market provides the only mechanism for enforcing accountability on government finances. Even the ability of the bond market to enforce reporting transparency is limited.

In this session, I want you to think about how (i) to consider the fundamentals of governmental financial statements; and (ii) to exploit these fundamentals to make better investment decisions related to sovereign risk. In particular, we will ask one simple question over and over again: “what would these governmental obligations, assets, spending and revenues look like if we applied accounting and measurement policies prescribed by U.S. GAAP (Generally Accepted Accounting Principles) and IFRS
GAAP and IFRS are the standard measurement and disclosure frameworks employed by corporate America and global companies. A systematic evidence based approach to answering these questions will lead to insights on (i) the glaring gulf between the stated and true economic obligations of governments; and (ii) a better appreciation for sovereign risk.

A few papers that partially try to address these questions

1. ***Accounting devices and fiscal illusions,” Timothy Irwin, IMF paper. STUDENT VOLUNTEER:__________________________

2. ** Consequences of GAAP disclosure regulation: Evidence from municipal debt issues by Bill Baber and Angela K. Gore, 2008, The Accounting Review: Vol. 83, No. 3, pp. 565-592. Baber and Gore have several papers on municipal debt that might be worth looking up if you are interested in this area. STUDENT VOLUNTEER:__________________________


5. “Interest rate risk and other determinants of post-WWII US Government debt/GDP dynamics” by George Hall and Thomas J. Sargent


7. My paper on EU reservations and CDS spreads/sovereign bond yields, if ready in time for the class

STUDENT VOLUNTEER TO PRESENT AND WRITE THE LITERATURE REVIEW:

6-7 pm Guest speaker: Pierre Yared. I have requested Pierre Yared to address the following, “Can you please identify unanswered questions in sovereign risk that an accounting PhD student could potentially work on.”

Because of Pierre’s presentation, we will NOT have the student volunteer present the literature review today.

***************NO CLASS TILL MARCH 23*****

Session 7: Improving measurement in accounting research
March 23, 4-7 PM, WARREN 415

In my experience, real progress in evaluating the costs, benefits and consequences of accounting regulation is stymied by a lack of consensus among researchers on some of these basic questions: (i) how to measure earnings management? (ii) how to distinguish earnings management that is explained by benign economic changes in the business versus opportunistic manipulation? (iii) how to measure the frequency and quality of disclosure of non-mandatory financial information by managers? (iv) how to measure comparability of financial statements? (v) how to measure a company’s cost of capital?; (vi) how to measure audit quality?; (vii) what does investment-sales growth sensitivity measure? What do over and underinvestment measure pick up. We study these topics over the next few sessions (including the current one).
A few papers that partially try to address these questions

**Earnings/financial reporting quality**

1. ***“Measuring accruals quality: A theoretical and empirical evaluation,” by Alex Nezlobin, Richard Sloan, and Jenny Giedt, available on SSRN, STUDENT VOLUNTEER:__________________________


**Cost of capital**


STUDENT VOLUNTEER:__________________________

**Comparability of financial statements**


   STUDENT VOLUNTEER:__________________________


STUDENT VOLUNTEER TO WRITE LITERATURE REVIEW: _____________________

Because we want to get through three different areas, we will NOT have the student volunteer present the literature review today.

**Session 8: Improving measurement practices in accounting research**

**March 30, 4-7 PM, URIS CONFERENCE 208**

**Audit quality**


STUDENT VOLUNTEER:__________________________

1. “A review of archival auditing research,” by M. Defond and J. Zhang. Journal of Accounting and
Economics, 2014, 58(2): 275-326 (concentrate on discussion related to measures of audit quality)


Voluntary disclosure


9. I am looking for a paper that documents what exactly is in the IBES analyst consensus estimate. If you find one, please let me know.

10. There are several papers by the same author team on non-GAAP or pro-forma earnings. Here is one representative example: “Non GAAP reporting: Evidence from academia and current practice” by D. Black, T. Christensen, and J. Ciesielski, and B. Whipple. Journal of Business Finance and Accounting, 2018, 45(3-4), 259-294.

11. ***“Lazy prices” by L. Cohen, C. Malloy and Q. Nguyen, 2015, available on SSRN, STUDENT VOLUNTEER:__________________________

Investment sensitivity measures


STUDENT VOLUNTEER TO WRITE LITERATURE REVIEW: ________________

Because we want to get through three different areas, we will NOT have the student volunteer present the literature review today.

Session 9: Improving measurement practices in accounting research
April 6, 4-7 PM, CONFERENCE ROOM 208

Excess compensation and board measures

1. ***“Corporate governance, chief executive compensation, and firm performance,” John Core, David Larcker and R. Holthausen, 1999, 371-406. STUDENT VOLUNTEER:__________________________


4. There is a vast literature on boards and efficacy of directors. A few references can be found in the appendix. A reasonable literature survey to serve as a starting point is by Renee Adams, Ben

5. Own paper on cost of capital indexed options WP (on Canvas)

6. I also want to assign a paper on measuring pay-for-performance sensitivity (PPS) so that students can understand that measure and critique it: “Executive Compensation: A survey of the theory and evidence” by Alex Edmans, Xavier Gabaix and Dirk Jenter is a detailed summary of the executive compensation literature (pay attention to measurement of PPS and WPS (wealth-for-performance sensitivity) for writing the literature review).

6-7 pm, Guest speaker: Stephen O’ Bryne: http://www.valueadvisors.com/Consultants.html. I have requested Stephen to address the following, “what questions would a compensation expert want answered in the world of executive compensation?” Stephen has requested that I circulate two papers to serve as background material for his talk: (i) Say on Pay: Is it needed? Does it work?, Journal of Applied Corporate Finance, 30(1), 2018, 30-38; and (ii) working paper on “Using EVA to measure management’s contribution to value: A missed opportunity at ISS,” can be found on Canvas.

Because of Stephen’s presentation, we will NOT have the student volunteer present the literature review today.

Session 10: Learning from accounting history
April 13, 4-7 PM, CONFERENCE ROOM 208

Many thanks to Gary Previts of Case Western University for suggestions on readings.

1. ***“Financial accounting and reporting in the United States of America – 1820 to 2010: Toward the sunshine from the shadows. by Gary J. Previts and Dale L. Flesher. STUDENT VOLUNTEER:__________________________ (on Canvas)


3. Sprague’s Algebra of Accounts (1880) brief set of papers (on Canvas)

4. The Dohr, Paton, Dohr exchanges of the 1940s (on Canvas)

5. **“The objectives of financial reporting: a historical survey and analysis,” 2013, By Stephen Zeff, Accounting and Business Research, 2013, (on Canvas), STUDENT VOLUNTEER:__________________________


Also consider Jamie Catherwood’s blog on “Investor Amnesia” where he makes the point that several of the modern debates have roots somewhere in history.

STUDENT VOLUNTEER FOR WRITING AND PRESENTING THE LITERATURE REVIEW:__________________________

Session 11: Getting ideas from practitioner research
April 20, 4-7 PM, CONFERENCE ROOM 208


2. ***“Value is dead: Long live value” by Chris Meredith, available at https://osam.com/pdfs/research/Value-is-Dead-Long-Live-Value.pdf, STUDENT VOLUNTEER: ____________________


Session 12: Idea generation from the financial press
April 27, 4-7 PM, URIS 305

Most students in accounting PhD programs that I have met are by and large well trained in methods but have a hard time coming up with exciting research ideas. Idea generation occurs by extensively reading journals from other areas such as finance and economics. Another fruitful way to come up with new ideas is to make oneself aware of the developments in the popular press. In this session, I intend to bring a copy of the latest Economist, The Wall Street Journal, The Financial Times and the Business section of the New York Times to go over potential leads for future papers from the popular press. Also consider sources as Matt Levine’s blog on Bloomberg, the Econtalk podcast by Russ Roberts and Conversations with Tyler podcast by Tyler Cowen.

6-7 pm: Students present lightning talks on their proposals
Future sessions I may rotate in and out of

Session: Law and economics interface with accounting

1. Audit quality paper by Honisgberg et al.
APPENDIX ON TRADITIONAL TOPICS THAT I HAVE TAUGHT BEFORE AND AM HAPPY TO CHAT ABOUT

A couple of caveats:

1. Although I have taught a classic capital markets seminar relating stock prices to accounting information, I do not list those topics here because Stephen Penman and Doron Nissim would cover those topics in their PhD seminars.
2. I have not actively updated the list below. Suggestions on additions and deletions to the list are welcome.

MODULE 1: POSITIVE THEORY RESEARCH IN ACCOUNTING

1.1 Earnings Management

1. Dechow, Ge and Schrand, 2010. Understanding Earnings Quality: A Review of the Proxies, Their Determinants and Their Consequences. Journal of Accounting and Economics. (Read sections 1 and 2 before class)


Supplemental readings


1.2 Earnings Quality


Supplementary Readings


20. Leftwich, R. Accounting Information in Private Markets: Evidence from Private Lending
1.3: Auditors

1. DeFond, M. L., & Zhang, J. (2013). A review of archival auditing research. JAE conference review paper. (Read Intro, skim the rest to know contents. Understand Figure 1 and Table 1).


5. Supplementary Readings


1.4 Reputation and Litigation incentives for auditors


Supplementary Readings


Research 42 (3):561-588.


Litigation and reputational incentives - Supplementary readings


1.5 International research on role of auditor


Supplementary readings


1.6: Litigation Risk


3. Bebchuk, Lucian A. and Ferrell, Allen, “Rethinking Basic” (December 2013). Available at SSRN: http://ssrn.com/abstract=2371304 – (This paper describes the Halliburton lawsuit that seeks to overturn the class action logic prevailing for the last 25 years. This will give you useful background to the above papers.)

Supplementary readings


1.7 Regulation (Focus on Sarbanes-Oxley)


Supplementary readings


1.8 Corporate Governance and Accounting Information


Supplementary Readings


1.9 Financial reporting incentives: International evidence


Supplementary Readings


MODULE 2: EXECUTIVE COMPENSATION AND BOARDS OF DIRECTORS

2.1: Executive Compensation: overview


Background readings-Finance


Background readings - Accounting


2.2: Compensation Theory


Background readings - Finance


2.3: Pay-Performance Sensitivity


Background readings - Finance


Background readings - Accounting


2.4: Stock Options


Background readings - Finance


**Background readings - Accounting**


**2.5: CEO Turnover**


**Background readings - Finance**


Background readings- Accounting


2.6: Compensation Disclosure and Regulation


Background readings- Finance


2.7: The Market for Directors


Background readings- Finance


Boards of Directors


Supplementary readings


MODULE 3: SPECIAL TOPICS

3.1 Valuation and Governance Impact of Cross-Country Institutional Variation


Supplementary Readings


3.2 Foreign Firms Listing in U.S.


Supplementary Readings


Structure and Cross-Listed Firms’ Compliance with SOX-Mandated Internal Control Deficiency Disclosures.” SSRN eLibrary


3.2 Short Selling


Supplementary readings


