Stan Ross Department of Accountancy
Zicklin School of Business, Baruch College
City University of New York

ACCT 81200 -- Empirical Research Methods
Spring 2019

Instructor:	Prof. Kalin Kolev	Day/Time:	Tu 2:00 p.m. –
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Course overview:

The course is intended as a survey of current empirical accounting research. The aim is to give you a high-level view of the literature and foster your ability to evaluate research critically, with the ultimate objective of helping you conduct your own research.

Course format:

We will conduct the course in a seminar format. Specifically, each time we meet a member of the class will take the role of a "guest speaker," presenting the key implications of the papers for the session. The rest of the class (including the instructor) will act as attentive audience, asking questions and making relevant comments and suggestions. The person who is in charge of the respective session will provide a summary of the key points and takeaways from the presented papers. These summaries are not to exceed a single-space page per paper and will be shared with the other class members. These summaries will help you in preparing for the comprehensive exam (if you have not taken it yet) and future research, so do not think of it as busy-work!

Course project:

Developing an appreciation for the importance and limitations of a specific literature is a good way to identify viable research questions. As such, the course project comprises a detailed literature review on a topic of your choosing. Although I do not expect a manuscript ready to be published by *Foundations and Trends® in Accounting*, the write-up should be detailed enough to inform a reader on the extant findings in the area and what remains to be done. The write-ups will be shared with all members of the class and you will present the main conclusions, including a brief research proposal for a study based on a gap in the literature you identify in preparing your review, during the last two class sessions.

Course grade:

The course grades will comprise:

Written summaries of presented papers	10%
Class participation (presentations and as an audience member)	40%
Referee reports (two)	10%
Written literature review and proposal	30%
Presentation of the literature review and proposal	10%
Total:	100%

We will discuss the specifics of each deliverable during our first class meeting and will revisit as needed during the course of the semester. *Please see me as early as possible if you have difficulties with any of the papers or assignments!!!*

Course schedule (tentative & subject to change):

Class #	Date:	Topic:	Session moderator:
1	Jan. 29	Course overview / "lay of the land"	KSK
2	Feb. 5	Measurement	KSK
	Feb. 12	***No class***	
3	Feb. 19	Information transfer / externalities	Tammy
4	Feb. 26	Fair value – overview	Elias
5	March 5	Fair value – mark-to-model	Sean
6	March 12	Credit markets	Ge
7	March 19	Banks and trade credit	Sae Young
8	March 26	Non-GAAP earnings	Jimmy
9	April 2	Risk	Lydia / Sae Young
10	April 9	Non-financial metrics	Lydia
11	April 16	CSR	Saghar
	April 23	***Spring Break***	
12	April 30	Cyber security	Saghar / Ge / Tammy
13	**May 7**	**Presentations**	
14	**May 14**	**Presentations**	

Session details and reading lists (tentative & likely to change):

Class 1 (Jan. 29):

We will open with a brief introduction, focusing, among others, on the research interests and current projects of each member of the class. Next, we will discuss the logistics for the course and assign the moderator roles for the subsequent meetings. The rest of the class discussion will focus on issues pertaining to the identification of viable research questions and managing the life cycle of a project.

Class 2 (Feb. 5):

We will dedicate the class to discussing approaches to developing empirical constructs. The topic is very large in scale and scope, so please do not feel restrained by the reading list I suggest (this hold for each of the other class meetings)! As noted on the schedule, I will lead this session; however, I expect you will take an active part in the discussion.

Discussion papers:

Cain, C., Kolev, K. and McVay, S., 2018. Detecting Opportunistic Special Items. *Management Science*, forthcoming.

Chen, Q., Schipper, K. and Zhang, N., 2019. A Balance-Sheet-Based Measure of Accounting Quality. *Working paper*.

Demerjian, P., Lev, B. and McVay, S., 2012. Quantifying managerial ability: A new measure and validity tests. *Management science*, *58*(7), pp.1229-1248.

Class 3 (Feb. 19):

The conversation will center on how the actions of one entity affect its counterparts. Among others, the discussion will touch upon the role of intermediaries, economic linkage, and implications for statement users.

Discussion papers:

Brochet, F., Kolev, K. and Lerman, A., 2018. Information transfer and conference calls. *Review of Accounting Studies*, *23*(3), pp.907-957.

Kedia, S., Koh, K. and Rajgopal, S., 2015. Evidence on contagion in earnings management. *The Accounting Review*, *90*(6), pp.2337-2373.

Li, V. 2016., Do false financial statements distort peer firms' decisions? *The Accounting Review 91(1)*, pp. 251-278.

Class 4 (Feb. 26):

The discussion will focus on aspects of the role and implication of fair value measurement in financial accounting and reporting.

Discussion papers:

Blankespoor, E., Linsmeier, T.J., Petroni, K.R. and Shakespeare, C., 2013. Fair value accounting for financial instruments: Does it improve the association between bank leverage and credit risk? *The Accounting Review*, *88*(4), pp.1143-1177.

Demerjian, P.R., Donovan, J. and Larson, C.R., 2016. Fair value accounting and debt contracting: Evidence from adoption of SFAS 159. *Journal of Accounting Research*, *54*(4), pp.1041-1076.

Huffman, A., 2018. Asset use and the relevance of fair value measurement: evidence from IAS 41. *Review of Accounting Studies*, *23*(4), pp.1274-1314.

Class 5 (March 5):

Building on the discussion in class 4, we will focus on internally generated fair value estimates.

Discussion papers:

Altamuro, J. and Zhang, H., 2013. The financial reporting of fair value based on managerial inputs versus market inputs: evidence from mortgage servicing rights. *Review of Accounting Studies*, *18*(3), pp.833-858.

Hanley, K.W., Jagolinzer, A.D. and Nikolova, S., 2018. Strategic estimation of asset fair values. *Journal of Accounting and Economics*.

Iselin, M. and Nicoletti, A., 2017. The effects of SFAS 157 disclosures on investment decisions. *Journal of Accounting and Economics*, *63*(2-3), pp.404-427.

Class 6 (March 12):

The conversation will touch upon credit rating agencies and credit default swaps.

Discussion papers:

Bonsall, S., Koharki, K. and Neamtiu, M., 2015. The effectiveness of credit rating agency monitoring: Evidence from asset securitizations. *The Accounting Review*, *90*(5), pp.1779-1810.

Bonsall, S., Koharki, K. and Neamtiu, M. 2019. The Disciplining Effect of Credit Default Swap Trading on the Performance of Credit Rating Agencies. *Working paper*.

Kim, J.B., Shroff, P., Vyas, D. and Wittenberg - Moerman, R., 2018. Credit default swaps and managers' voluntary disclosure. *Journal of Accounting Research*, *56*(3), pp.953-988.

Class 7 (March 19):

We will discuss issues pertaining to trade and bank lending, considering, among others, monitoring and loan loss provisioning.

Discussion papers:

Beatty, A. and Liao, S., 2011. Do delays in expected loss recognition affect banks' willingness to lend?. *Journal of accounting and economics*, *52*(1), pp.1-20.

Ma, Z., Stice, D. and Williams, C., 2019. The effect of bank monitoring on public bond terms. *Journal of Financial Economics*.

Murfin, J. and Njoroge, K., 2014. The implicit costs of trade credit borrowing by large firms. *The Review of Financial Studies*, *28*(1), pp.112-145.

Class 8 (March 26):

We will consider aspects pertaining to the why, what, and how of non-GAAP reporting.

Discussion papers:

Bradshaw, M.T., Christensen, T.E., Gee, K.H. and Whipple, B.C., 2018. Analysts' GAAP earnings forecasts and their implications for accounting research. *Journal of Accounting and Economics*.

Doyle, J.T., Jennings, J.N. and Soliman, M.T., 2013. Do managers define non-GAAP earnings to meet or beat analyst forecasts?. *Journal of Accounting and Economics*, *56*(1), pp.40-56.

Kyung, H., Lee, H. and Marquardt, C., 2018. The effect of voluntary clawback adoption on non-GAAP reporting. *Journal of Accounting and Economics*.

Class 9 (April 2):

The aim of the class is to offer a (gentle) introduction to the notion of risk, its various manifestations, and ramifications.

Discussion papers:

Bova, F., Kolev, K., Thomas, J.K. and Zhang, X.F., 2014. Non-executive employee ownership and corporate risk. *The Accounting Review*, *90*(1), pp.115-145.

Cheng, M., Dhaliwal, D. and Zhang, Y., 2013. Does investment efficiency improve after the disclosure of material weaknesses in internal control over financial reporting?. *Journal of Accounting and Economics*, *56*(1), pp.1-18.

Kim, J.B., Li, L., Lu, L.Y. and Yu, Y., 2016. Financial statement comparability and expected crash risk. *Journal of Accounting and Economics*, *61*(2-3), pp.294-312.

Class 10 (April 9):

The discussion will focus on the role of non-financial metrics in financial reporting.

Discussion papers:

Bonacchi, M., Kolev, K. and Lev, B., 2015. Customer franchise—A hidden, yet crucial, asset. *Contemporary Accounting Research*, *32*(3), pp.1024-1049.

Brazel, J.F., Jones, K.L. and Zimbelman, M.F., 2009. Using nonfinancial measures to assess fraud risk. *Journal of Accounting Research*, *47*(5), pp.1135-1166.

Ibrahim, S. and Lloyd, C., 2011. The association between non-financial performance measures in executive compensation contracts and earnings management. *Journal of Accounting and Public Policy*, *30*(3), pp.256-274.

Class 11 (April 16):

The main objective of the class is to spark conversation on why firms undertake projects that do not necessarily (appear to) align with their focus and expertise.

Discussion papers:

Dhaliwal, D.S., Li, O.Z., Tsang, A. and Yang, Y.G., 2011. Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The accounting review*, *86*(1), pp.59-100.

Dhaliwal, D.S., Radhakrishnan, S., Tsang, A. and Yang, Y.G., 2012. Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. *The Accounting Review*, *87*(3), pp.723-759.

Lev, B., Petrovits, C. and Radhakrishnan, S., 2010. Is doing good good for you? How corporate charitable contributions enhance revenue growth. *Strategic Management Journal*, *31*(2), pp.182-200.

Class 12 (April 30):

The intended purpose of the class is to start a discussion on how different disciplines interact with accounting research, with the hope of seeding innovative research questions in innovative (repetition intended) settings.

Discussion papers:

Amir, E., Levi, S. and Livne, T., 2018. Do firms underreport information on cyber-attacks? Evidence from capital markets. *Review of Accounting Studies*, pp.1-30.

Haislip, J., Kolev, K, Pinsker, R. and Steffen. T. 2019. The economic cost of cybersecurity breaches: A large sample analysis. Working paper.

Hilary, G., Segal, B. and Zhang, M.H., 2016. Cyber-Risk Disclosure: Who Cares?. Working paper.