

Contemporary Topics in Empirical Accounting Research – Fall 2021
City University of New York
Baruch College
Stan Ross Department of Accountancy

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Class time: Tuesdays 11:00pm to 1:00pm
Instruction mode: Online
Office Hours: By appointment

Course Objective:

This course provides an overview of contemporary empirical research topics in financial accounting. The objective of the course is to develop your ability to: (1) conduct research yourself; and (2) critically evaluate empirical financial accounting research. This course aims to get you started on identifying important and researchable topics in financial accounting, formulate testable hypotheses about those topics, and select valid and powerful research designs/empirical methods to test these hypotheses. Emphasis will be placed on learning how to identify topics for your own research (although this identification is ultimately each student's responsibility).

Course Format

This semester, we will hold synchronous online classes via Zoom. The course will be conducted using a seminar format. Students are therefore expected to take an active part in discussing and evaluating the readings assigned for each class session. In general, the class discussions will be centered around two to three papers in a particular area. The last three weeks of the course will be conducted using an independent studies format. For these three weeks, you are required to schedule one-on-one meetings with the instructor during our regular class time, to work on your own research idea and prepare the written research proposal.

Grading Policy: The course grade will be based on the following:

Written summaries	10%
Class participation (including paper presentations)	30%
Referee reports (5% x 2)	10%
Presentation of own research proposal	20%
Written research proposal	30%
Total	100%

Written summaries and class participation- **All** participant in the course will be responsible for reading and critically assessing the assigned papers for **each class** and fully participating in the class discussion. However, the responsibility for leading the discussion will rotate among us. Everyone should prepare a written summary (not more than two pages) that will be distributed to all other participants. To guide your preparation of the summary, you should consider (at a minimum) the following:

1. What is the research question and the theoretical/intuitive construct(s) used to motivate it? Why is the question interesting (or not)? Are there alternatives to the hypotheses being proposed? Is the question descriptive rather than predictive? How compelling is the logic or intuition used to develop the hypotheses?

2. What is the research design? Consider the sample selection and empirical tests.
3. How well is the research design tied to the research question? Do the authors actually test the hypotheses that are being put forward? To what extent is the design capable of distinguishing between alternative hypotheses?
4. What difficulties arise in drawing inferences from the empirical work?
5. What are the results? How are the results interpreted? Do you agree with the interpretation?
6. Are the results interesting? Is there a real contribution here?
7. What research questions are raised by the paper's results, and what unresolved research questions related to the paper could be investigated? How?
8. Summarize the paper's strengths and weaknesses and overall contribution to the accounting literature.

Paper presentations – Each class period, the presenter will lead the discussion of his/her assigned paper. In addition to discussing the paper's motivation, methodology, results, and conclusions, the presenter should also identify the **paper's contribution to the literature, its strengths and weaknesses and potential extensions for future research**. For full credit, presentations cannot be merely a summary of the assigned paper.

Referee reports – During the course of the semester, you are required to write two referee reports on a working paper relevant to the course. Reports should follow the suggested referee guidelines provided by *The Accounting Review*. The report will be due two weeks after the paper is distributed.

Research proposal – You will be required to write and present a research proposal on an empirical financial accounting topic of your choosing. The written proposal should be 10-15 pages in length and should include an introduction, in which the research question is clearly stated and motivated, a literature review, a hypothesis development section, and a discussion of data sources and research design. In short, it should be a research paper without the results.

Proposal presentations will be tentatively scheduled for November 12th and 19th. Presentations should include PowerPoint slides. The written proposal will be **due on Friday, December 10th**, to enable you to incorporate any useful comments you might receive during the presentation.

Tentative Schedule Fall 2021 - May be subject to changes

Class 1 (August 31st): Introduction; How to come up with research ideas?

Papers from stronger candidates on the rookie job market in the last few years.

<https://som.yale.edu/event/2020/01/2020-yale-som-accounting-recruiting-conference>

<https://som.yale.edu/event/2019/01/2019-yale-som-accounting-recruiting-conference>

<https://som.yale.edu/event/2018/02/2018-yale-som-accounting-recruiting-conference>

No class on Sept 7th - no classes scheduled at Baruch

Class 2 (Sept 14rd): Who uses financial information and for what purposes?

Students present research ideas developed from their review of finance or law journals.

- Roychowdhury, S., & Srinivasan, S. (2019). The Role of Gatekeepers in Capital Markets. *Journal of Accounting Research*, 57(2), 295-322
- Ormazabal, G. (2018). The role of stakeholders in corporate governance: A view from accounting research. *Foundations and Trends® in Accounting*, 11(4), 193-290.

Background reading:

Armstrong, C. S., Guay, W. R., & Weber, J. P. (2010). The role of information and financial reporting in corporate governance and debt contracting. *Journal of Accounting and Economics*, 50(2-3), 179-234.

Focus on Sections 3.2 and 5

Cascino, S., Clatworthy, M., Garcia Osma, B., Gassen, J., Imam, S., & Jeanjean, T. (2014). Who uses financial reports and for what purpose? Evidence from capital providers. *Accounting in Europe*, 11(2), 185-209

Watts, R. L., & Zuo, L. (2016). Understanding practice and institutions: A historical perspective. *Accounting Horizons*, 30(3), 409-423.

Other review studies:

Kothari, S. P., & Wasley, C. (2019). Commemorating the Fifty-Year Anniversary of Ball and Brown (1968): The Evolution of Capital Market Research over the Past Fifty Years. *Journal of Accounting Research*. Forthcoming

Roychowdhury, S., Shroff, N., & Verdi, R. S. (2019). The effects of financial reporting and disclosure on corporate investment: A review. *Journal of Accounting and Economics* Forthcoming

Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. *Journal of Accounting Research*, 54(2), 525-622.

Class 3 (Sept 21th): Monitoring by creditors

- Vashishtha, R. (2014). The role of bank monitoring in borrowers' discretionary disclosure: Evidence from covenant violations. *Journal of Accounting and Economics*, 57(2-3), 176-195.
- Gustafson, M. T., Ivanov, I. T., & Meisenzahl, R. R. (2021). Bank monitoring: Evidence from syndicated loans. *Journal of Financial Economics*, 139(2), 452-477.
- Berlin, M., Nini, G., & Edison, G. Y. (2020). Concentration of control rights in leveraged loan syndicates. *Journal of Financial Economics*, 137(1), 249-271.

Background reading:

Christensen, T. E., Pei, H., Pierce, S. R., & Tan, L. (2019). Non-GAAP reporting following debt covenant violations. *Review of Accounting Studies*, 24(2), 629-664.

Shan, C., Tang, D. Y., & Winton, A. (2019). Do banks still monitor when there is a market for credit protection?. *Journal of Accounting and Economics*, 68(2-3), 101241.

Ma, Z., Stice, D., & Williams, C. (2019). The effect of bank monitoring on public bond terms. *Journal of Financial Economics*, 133(2), 379-396.

Nini, G., Smith, D. C., & Sufi, A. (2012). Creditor control rights, corporate governance, and firm value. *The Review of Financial Studies*, 25(6), 1713-1761.

Class 4 (Sept 28th)- Monitoring by trade partners – suppliers and customers

- Crawford, S., Huang, Y., Li, N., & Yang, Z. (2020). Customer concentration and public disclosure: Evidence from management earnings and sales forecasts. *Contemporary Accounting Research*, 37(1), 131-159.
- Cohen, D., Li, B., Li, N., & Lou, Y. (2021). Major government customers and loan contract terms. *Review of Accounting Studies*, 1-38.

Background reading:

Chen, J., Dou, Y., & Zou, Y. (2021). Information externalities of SFAS 161: Evidence from supply chains. *The Accounting Review*, 96(4), 179-202.

Cho, Y. J., Kim, Y., & Zang, Y. (2020). Information Externalities and Voluntary Disclosure: Evidence from a Major Customer's Earnings Announcement. *The Accounting Review*, 95(6).

Hui, K. W., Klasa, S., & Yeung, P. E. (2012). Corporate suppliers and customers and accounting conservatism. *Journal of Accounting and Economics*, 53(1-2), 115-135.

Hirshleifer, D. A., Li, Y., Lourie, B., & Ruchti, T. (2020). Do Trade Creditors Possess Private Information? Evidence from Firm Performance. *Working paper*, University of California, Irvin

Class 5 (Oct 5th): Monitoring by the media

Students present research ideas developed from their review of recent SEC/FASB rule-making

- Heese, J., Perez Cavazos, G., & Peter, C. D. (2021). When the local newspaper leaves town: The effects of local newspaper closures on corporate misconduct. *Journal of Financial Economics*, Forthcoming.
- Bushman, R. M., Williams, C. D., & Wittenberg-Moerman, R. (2017). The informational role of the media in private lending. *Journal of Accounting Research*, 55(1), 115-152.

Background reading:

Dube, S., & Zhu, C. (2021). The Disciplinary Effect of Social Media: Evidence From Firms' Responses to Glassdoor Reviews. *Journal of Accounting Research*.

Miller, G. S., & Skinner, D. J. (2015). The evolving disclosure landscape: How changes in technology, the media, and capital markets are affecting disclosure. *Journal of Accounting Research*, 53(2), 221-239.

Miller, Gregory S. "The press as a watchdog for accounting fraud." *Journal of Accounting Research* 44.5 (2006): 1001-1033.

Bushee, Brian J., et al. "The role of the business press as an information intermediary." *Journal of Accounting Research* 48.1 (2010): 1-19.

Bonsall IV, S. B., Green, J., & Muller III, K. A. (2020). Market uncertainty and the importance of media coverage at earnings announcements. *Journal of Accounting and Economics*, 69(1), 101264.

Class 6 (Oct 12^h): Monitoring by regulators – SEC monitoring

Students turn in preliminary research proposal

- Hutton, A., Shu, S., & Zheng, X. (2021). Regulatory transparency and the alignment of private and public enforcement: Evidence from the public disclosure of SEC comment letters. *Journal of Financial Economics*.
- Kubic, M. (2021). Examining the Examiners: SEC Error Detection Rates and Human Capital Allocation. *The Accounting Review*, 96(3), 313-341.
- Cunningham, L. M., & Leidner, J. J. (2021). The SEC filing review process: Insights from accounting research. Available at SSRN 3494830.

Background reading:

Mahoney, P. (2021). The Economics of Securities Regulation: A Survey. *Foundations and Trends in Finance*, forthcoming

Cassell, C. A., Dreher, L. M., & Myers, L. A. (2013). Reviewing the SEC's review process: 10-K comment letters and the cost of remediation. *The Accounting Review*, 88(6), 1875-1908.

Zingales, L. (2009). The future of securities regulation. *Journal of Accounting Research*, 47(2), 391-425.

Heese, J., Khan, M., & Ramanna, K. (2017). Is the SEC captured? Evidence from comment-letter reviews. *Journal of Accounting and Economics*, 64(1), 98-122.

Johnston, Rick, and Reining Petacchi. "Regulatory oversight of financial reporting: Securities and Exchange Commission comment letters." *Contemporary Accounting Research* 34.2 (2017): 1128-1155.

Class 7 (Oct 19th): Monitoring by employees

- Call, A. C., Campbell, J. L., Dhaliwal, D. S., & Moon Jr, J. R. (2017). Employee quality and financial reporting outcomes. *Journal of Accounting and Economics*, 64(1), 123-149.
- Stubben, S. R., & Welch, K. T. (2020). Evidence on the use and efficacy of internal whistleblowing systems. *Journal of Accounting Research*, 58(2), 473-518.

Background reading:

Bowen, R. M., Call, A. C., & Rajgopal, S. (2010). Whistle-blowing: Target firm characteristics and economic consequences. *The Accounting Review*, 85(4), 1239-1271.

Dyck, A., Morse, A., & Zingales, L. (2010). Who blows the whistle on corporate fraud? *The Journal of Finance*, 65(6), 2213-2253.

Lee, G., & Xiao, X. (2018). Whistleblowing on accounting-related misconduct: A synthesis of the literature. *Journal of Accounting Literature*, 41, 22-46.

Wilde, J. H. (2017). The deterrent effect of employee whistleblowing on firms' financial misreporting and tax aggressiveness. *The Accounting Review*, 92(5), 247-280.

Class 8 (Oct 26th): TBD

Guest speaker – Prof. Yue Zhang

Class 9 (Nov 2nd): TBD

Guest speaker – Prof. Yanrong Jia

Class 10 and 11 (Nov 9th and Nov 16th): Students present own research ideas

Classes 12 to 14 (Nov 23th, Nov 30th and Dec 7th): Independent studies – weekly one-on-one meetings with the instructor to further work on own research idea and prepare written research proposal