

Contemporary Topics in Empirical Accounting Research – Fall 2023
City University of New York
Baruch College
Stan Ross Department of Accountancy

Instructor: Monica Neamtiu

Office: VC 12-265

Email: monica.neamtiu@baruch.cuny.edu

Class time: Mondays 9:30am to 11:30am

Classroom: 12-224

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 **in person classes**. 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	<u>30%</u>
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 13th and 20th. Presentations should include PowerPoint slides. The written proposal will be **due on Wednesday, December 13th**, to enable you to incorporate any useful comments you may receive during your presentation.

Tentative Schedule Fall 2023 - May be subject to changes

Class 1 (August 28th): Introduction; How to come up with research ideas?

No class on Sept 4th - College Closed

Class 2 (Sept 11th): 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.

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*, 68(2-3), 101246.

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 18th): **Creditors** – monitoring by creditors; creditors' use of financial information

- 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.
- Becher, D. A., Griffin, T. P., & Nini, G. (2022). Creditor control of corporate acquisitions. *The Review of Financial Studies*, 35(4), 1897-1932.

- De Franco, G., Shohfi, T., Xu, D., & Zhu, Z. V. (2023). Fixed income conference calls. *Journal of Accounting and Economics*, 75(1), 101518.

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.

Krupa, N., Lee, R., & Tucker, J. W. (2023). Private Loan Disclosure Covenants and Public Management Guidance. Working paper, Available at SSRN 4476858.

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.

Gustafson, M. T., Ivanov, I. T., & Meisenzahl, R. R. (2021). Bank monitoring: Evidence from syndicated loans. *Journal of Financial Economics*, 139(2), 452-477.

Frankel, R., Kim, B. H., Ma, T., & Martin, X. (2020). Bank monitoring and financial reporting quality: The case of accounts receivable-based loans. *Contemporary Accounting Research*, 37(4), 2120-2144.

No class on Sept 25th -No classes scheduled at Baruch

Class 4 (Oct 2nd)- Trade partners (suppliers and customers) – monitoring by trade partners; trade partners’ use of financial information

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

- 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.
- Darendeli, A., Fiechter, P., Hitz, J. M., & Lehmann, N. (2022). The role of corporate social responsibility (CSR) information in supply-chain contracting: Evidence from the expansion of CSR rating coverage. *Journal of Accounting and Economics*, 74(2-3), 101525.

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.

Cohen, D., Li, B., Li, N., & Lou, Y. (2021). Major government customers and loan contract terms. *Review of Accounting Studies*, 1-38.

Class 5 (Oct 10th) TUESDAY: Media - Monitoring by the media; financial journalists' use of financial information

Students turn in preliminary written research proposals

- Heese, J., Perez Cavazos, G., & Peter, C. D. (2022). When the local newspaper leaves town: The effects of local newspaper closures on corporate misconduct. *Journal of Financial Economics*, 145(2), 445-463.
- Call, A. C., Emett, S. A., Maksymov, E., & Sharp, N. Y. (2022). Meet the press: Survey evidence on financial journalists as information intermediaries. *Journal of Accounting and Economics*, 73(2-3), 101455.

Background reading:

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.

Dube, S., & Zhu, C. (2021). The disciplinary effect of social media: Evidence from firms' responses to Glassdoor reviews. *Journal of Accounting Research*, 59(5), 1783-1825.

Kyung, H., & Nam, J. S. (2023). Insider Trading in News Deserts. *The Accounting Review*, 1-27.

Ru, Y., Xue, J., Zhang, Y., & Zhou, X. (2020). Social connections between media and firm executives and the properties of media reporting. *Review of Accounting Studies*, 25, 963-1001.

Class 6 (Oct 16th): Regulators – SEC monitoring

- 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*.
- Holzman, E. R., Marshall, N. T., & Schmidt, B. A. (2023). When are firms on the hot seat? An analysis of SEC investigation preferences. *Journal of Accounting and Economics*, Forthcoming

- Cunningham, L. M., & Leidner, J. J. (2022). The SEC filing review process: A survey and future research opportunities. *Contemporary Accounting Research*, 39(3), 1653-1688.

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.

Kubic, M. (2021). Examining the Examiners: SEC Error Detection Rates and Human Capital Allocation. *The Accounting Review*, 96(3), 313-341.

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.

Kubic, M., & Toynbee, S. (2023). Regulator continuity and decision-making quality: Evidence from SEC comment letters. *The Accounting Review*, 98(1), 365-398.

Class 7 (Oct 23rd): Market for corporate control - Monitoring by the market for corporate control; the use of financial information in the market for corporate control

- Liu, Y., & Wu, X. (2023). How does shareholder governance affect the cost of borrowing? Evidence from the passage of anti-takeover provisions. *Journal of Accounting and Economics*, 75(2-3), 101569.
- Choi, A., Kim, J. B., Lee, J. J., & Park, J. C. (2023). Market for corporate control and demand for auditing: evidence from international M&A laws. *Review of Accounting Studies*, 1-45.

Background reading:

Khurana, I. K., & Wang, W. (2019). International Mergers and Acquisitions Laws, the Market for Corporate Control, and Accounting Conservatism. *Journal of Accounting Research*, 57(1), 241-290.

McNichols, M. F., & Stubben, S. R. (2015). The effect of target-firm accounting quality on valuation in acquisitions. *Review of Accounting Studies*, 20, 110-140.

Frattonoli, M. (2020). Does protectionist anti-takeover legislation lead to managerial entrenchment?. *Journal of financial economics*, 136(1), 106-136.

Jansen, M. (2020). Resolving information asymmetry through contractual risk sharing: The case of private firm acquisitions. *Journal of Accounting Research*, 58(5), 1203-1248.

Class 8 (Oct 30th): Topic - TBD

Guest speaker – **Edgar Rodriguez-Vazquez**

Class 9 (Nov 6th): Topic - TBD

Guest speaker – **Svenja Dube**

Class 10 and 11 (Nov 13th and Nov 20th): Students present own research ideas

Classes 12 to 14 (Nov 27th, Dec 4th and Dec 11th): Independent studies – weekly one-on-one meetings with the instructor to further work on own research idea and prepare written research proposal.