

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

**ACCT 81200 – Empirical Research Methods
Fall 2024**

Instructors:

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Class meeting day/time: Monday, 10:30 am – 12:30 pm
Classroom: VC 12-224
Office hours: by appointment

Course overview:

The course is intended as a survey of contemporary empirical archival accounting research. The primary objective is to provide a high-level view of branches of the literature and foster an 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 moderator, presenting the key implications of the papers for the session. **The discussion will take a critical approach, emphasizing shortcomings, alternative approaches, and potential extensions.** The other class members (including the instructors) will act as attentive audience, asking questions and making relevant comments and suggestions. The moderator will provide a written summary of the key points and takeaways from the presented papers for the respective session. These summaries are not to exceed a single-space page per paper and will be shared with the other members of the class. 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.”

Some of the sessions may be moderated by guest speakers. Should this happen, the structure of the session and reading list for the respective class most likely will change. Nevertheless, we expect everyone to be familiar with the materials for the session and participate in a constructive manner.

Although the reading list for each class is purposefully kept short, emphasizing new(er) research, we **very strongly** encourage you to engage in an independent review, familiarizing yourself with the studies that form the backbone of the respective literature(s). We do not provide a list of (what we consider to be) the fundamental studies for each topic because we believe there is great value in forming an independent opinion on the origins, evolution, and future of a literature.

Please note that when selecting the papers that serve as a base for the classes, we cast a wide net, aiming for an active discussion each time we meet.

Course project:

Developing an appreciation for the importance and limitations of a specific literature is an important step to identifying viable research questions. As such, the course project comprises a detailed literature review on a topic of your choosing. Although we do not expect a manuscript ready to be published by, say, *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.

As a second component to the project, you will submit a research proposal for a study based on a gap in the literature you identify in preparing the literature review described above. Should you feel the literature you reviewed is “bullet-proof,” you can focus on a research question that is not directly related to your literature review, but was informed by the project. The instructors will provide feedback on the proposed research question(s) by each member of the class; our hope is that these will serve as a basis for a publishable manuscript!

Other assignments:

Referee report(s): In addition to generating original research, academics are expected to provide feedback on the research of their peers. Stated differently, early in your career you will begin receiving requests to review papers submitted for journal publication or for conference admission. To help you prepare for these assignments, we will provide you with an opportunity to practice serving as a reviewer. Specifically, you will be tasked to review a paper (or papers, depending on the class enrollment), with the objective of providing suggestions for improving the manuscript and recommendation for eventual publication (presentation invitation) at a specified journal (conference).

Coding assignments: Conducting empirical research, tautologically, entails the identification, collection, and analysis of data. To help you familiarize yourself with popular datasets and techniques, you will be tasked with completing several data-focused assignments. Detail will be provided as the course progresses.

Course grade:

The course grade comprises:

Class participation (as a moderator and as an audience member)	40%
Written literature review and proposal	30%
Coding assignments	10%
Referee report(s)	10%
Written summaries of moderated papers	10%
Total:	100%

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

Course schedule (tentative & likely to change):

Week	Date		Topic	Instructor
1	9/9/2024	M	Course overview / “lay of the land”	KSK
2	9/16/2024	M	Measurement	KSK
3	9/23/2024	M	Information transfer / externalities	KSK
4	9/30/2024	M	Fair value – mark-to-model	KSK
5	10/7/2024	M	Non-GAAP earnings	KSK
	10/14/2024	M	<i>No Class - Columbus Day</i>	
6	10/15/2024	T	Risk	KSK
7	10/21/2024	M	Non-financial metrics	KSK
8	10/28/2024	M	Insider trading	Seil
9	11/4/2024	M	Insider trading	Seil
10	11/11/2024	M	Investor Disclosures (Long)	Seil
11	11/18/2024	M	Investor Disclosures (Short)	Seil
12	11/25/2024	M	Banking (Mortgage Lending)	Seil
13	12/2/2024	M	Banking (CECL)	Seil
14	12/9/2024	M	Banking (Investments)	Seil

Session details and discussion papers (tentative & likely to change):

Class 1 (Sep 9):

We will start the semester 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 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 (Sep 16):

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 suggested reading list (this hold true for each of the other class meetings)!

Discussion papers:

Cain, C. A., Kolev, K. S. and McVay, S., 2020. Detecting opportunistic special items. *Management Science*, 66(5), pp. 2099-2119.

Dietrich, J. R., Muller, K. A. and Riedl, E. J., 2022. On the validity of asymmetric timeliness measures of accounting conservatism. *Review of Accounting Studies*, pp. 1-46.

Gardner, J., Sloan, R. G. and Yoon, J. S., 2024. Distinguishing between recurring and nonrecurring components of earnings using unobserved components modeling. *Journal of Accounting and Economics*, p.101687.

Class 3 (Sep 23):

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

Discussion papers:

Beatty, A., Liao, S. and Yu, J. J., 2013. The spillover effect of fraudulent financial reporting on peer firms' investments. *Journal of Accounting and Economics*, 55(2-3), pp. 183-205.

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

Hann, R. N., Kim, H. and Zheng, Y., 2019. Intra-industry information transfers: evidence from changes in implied volatility around earnings announcements. *Review of Accounting Studies*, 24(3), pp. 927-971.

Class 4 (Sep 30):

We will discuss internally generated fair value estimates.

Discussion papers:

Hanley, K. W., Jagolinzer, A. D. and Nikolova, S., 2018. Strategic estimation of asset fair values. *Journal of Accounting and Economics*, 66(1), pp. 25-45.

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.

Lawrence, A., Siriviriyakul, S. and Sloan, R. G., 2016. Who's the fairest of them all? Evidence from closed-end funds. *The Accounting Review*, 91(1), pp. 207-227.

Class 5 (Oct 7):

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

Discussion papers:

Abdel-Meguid, A., Jennings, J. N., Olsen, K. J. and Soliman, M. T., 2021. The Impact of the CEO's Personal Narcissism on Non-GAAP Earnings. *The Accounting Review*, 96(3), pp. 1-25.

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*, 66(1), pp. 46-66.

Kyung, H., Lee, H. and Marquardt, C., 2019. The effect of voluntary clawback adoption on non-GAAP reporting. *Journal of Accounting and Economics*, 67(1), pp. 175-201.

Class 6 (Oct 15 Tuesday):

The aim of the class is to offer a (gentle) introduction to the notion of risk in Accounting research.

Discussion papers:

Bova, F., Kolev, K., Thomas, J. K. and Zhang, X. F., 2015. Non-executive employee ownership and corporate risk. *The Accounting Review*, 90(1), pp. 115-145.

Heflin, F., Kolev, K. S. and Whipple, B. C., 2022. The risk-relevance of street earnings. *Review of Accounting Studies*, forthcoming.

Hsu, C., Wang, R. and Whipple, B. C., 2022. Non-GAAP earnings and stock price crash risk. *Journal of Accounting and Economics*, 73(2-3), p. 101473.

Class 7 (Oct 21):

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

Discussion papers:

Badia, M., Barth, M. E., Duro, M. and Ormazabal, G., 2020. Firm Risk and Disclosures about Dispersion of Asset Values: Evidence from Oil and Gas Reserves. *The Accounting Review*, 95(1), pp. 1-29.

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

Givoly, D., Li, Y., Lourie, B. and Nekrasov, A., 2019. Key performance indicators as supplements to earnings: Incremental informativeness, demand factors, measurement issues, and properties of their forecasts. *Review of Accounting Studies*, 24, 1147-1183.

Class 8 (Oct 28):

We will cover impactful studies that focus on beneficial ownership disclosures. We will also discuss different approaches to doing research.

Discussion papers:

Lie, E., 2005. On the Timing of CEO Stock Option Awards. *Management Science*, 51(5), pp. 802-812.

Heron, R. A. and Lie, E., 2007. Does Backdating Explain the Stock Price Pattern Around Executive Stock Option Grants. *Journal of Financial Economics*, 83(2), pp. 271-295.

Rogers, J. L., Skinner, D. J. and Zechman, S. L. C., 2017. Run EDGAR Run: SEC Dissemination in a High-Frequency World. *Journal of Accounting Research*, 55(2), pp. 459-505.

Coding Assignment:

Calculating returns to transactions of insider purchases and sales.

Class 9 (Nov 4):

Continuing from Class 9, we will discuss empirical methods related to insider trading.

Discussion papers:

Jackson, R., Lynch-Levy, B., Taylor, D., 2024. Holding Foreign Insiders Accountable. *Management Science*, forthcoming.

Kim, S. and Kim, S., 2024. Fragmented Securities Regulation, Information-Processing Costs, and Insider Trading. *Management Science*, forthcoming.

Class 10 (Nov 11):

We will discuss disclosure requirements of institutional investors and related incentives.

Discussion papers:

McDonough, R., Nagar, V., Schoenfeld, J., 2024. Voluntary Disclosures by Activist Investors: The Role of Activist Expectations. <https://ssrn.com/abstract=3137216>

Cao, S., Da, Z., Jiang, X.D., Yang, B. Do Hedge Funds Strategically Misreport Their Holdings? Evidence from 13F Restatements. <https://ssrn.com/abstract=3907560>

Coding Assignment:

Download 13-F filings and draw a histogram of ownership and see what kinds of discontinuities exist.

Class 11 (Nov 18):

We will discuss short activism and its consequences.

Discussion papers:

Ljungqvist, A. and Qian, W., 2016. How Constraining are Limits to Arbitrage? *Review of Financial Studies* 29 (8): 1975-2028.

Stice-Lawrence, L., Wong, Y.T.F., and Zhao, W., 2024. Short Squeezes After Short-Selling Attacks. <https://ssrn.com/abstract=3849581>

Class 12 (Nov 25):

We will cover studies related to disclosure and banks' mortgage lending.

Discussion papers:

Even-Tov, O., Su, A., and Wang, K.P., 2024. Do Information Processing Costs Matter to Regulators? Evidence from U.S. Mortgage Companies' Supervision. <https://ssrn.com/abstract=4306194>

Dou, Y., Hung, M., She, G., Wang, L.L., 2024 Learning from Peers: Evidence from Disclosure of Consumer Complaints. *Journal of Accounting and Economics* 77: 101620

Coding Assignment:

Download HMDA for 2023 and calculate average approval rates by bank.

Class 13 (Dec 2):

We will cover studies related to effects of accounting regulation on banks.

Discussion papers:

Kim, S., Kim, S., and Ryan, S.G., 2024. Banks' Motivations for Designating Securities as Held to Maturity. <https://ssrn.com/abstract=4452667>

Gopalan, Y., and Granja, J., 2024. How (In)effective was Bank Supervision During the 2022 Monetary Tightening? <https://ssrn.com/abstract=4588186>

Coding Assignment:

Download bank regulatory FR Y-9C filings for 2024Q3 and calculate banks' unrealized gains and losses on securities.

Class 14 (Dec 9):

We will cover studies related to effects of accounting regulation on banks.

Discussion papers:

Gee, K.H., Neilson, J., Schmidt, B., and Xie, B., 2024. Are Recognized Expected Credit Losses Decision-Useful and New to Investors? Evidence From CECL Adoption. <https://ssrn.com/abstract=4038479>

Kim, S., Kim, S., Kleymenova, A., and Li, R., 2024. Current Expected Credit Losses (CECL) Standard and Banks' Information Production. <https://ssrn.com/abstract=4117869>