

## ACCT 70600 INTRODUCTION TO EMPIRICAL RESEARCH IN FINANCIAL ACCOUNTING

Spring 2025, Wednesday 1:30pm-3:30pm

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Zoom link for online session:

<https://baruch.zoom.us/j/4415506507?pwd=RytyTitkdTJzYnFvY3I6cjdBdTF4Zz09&omn=87031379288>, Passcode: bcacc



### COURSE OBJECTIVES

This course has three main objectives:

1. To provide junior Ph.D. students with an understanding of what the expectations are in the accounting Ph.D. program, what accounting research and the review process entail, and an idea of how to prepare for a successful academic career.
2. To provide a broad framework to understand and appreciate scholarly accounting research and an overview of various paradigms and topics in accounting research.
3. To familiarize students with the department faculty and their research interests.

We will also try to learn how to identify topics for your own research, although this identification is ultimately your responsibility. You should take this responsibility seriously and spend time and effort on this activity throughout your program and career. There are various ways to identify research topics; the approach that is most common is to read papers (not limited to accounting or academic journals) and identify questions that the authors do not address that interest you. Talk about your ideas with faculty, fellow students, skim recent issues of the top journals from various disciplines, sign up for SSRN subscriptions, the Wall Street Journal, forums, etc.

Accounting as an empirical research discipline essentially began in the late 1960s, notably with Ball and Brown (1968) and Beaver (1968). The volume and variety of empirical research has exploded in recent years, due to factors such as the standardization of empirical research methods, the timely and widespread distribution of working papers through SSRN, and the training of successive generations of accounting researchers. There is no way to cover the volume and variety of this research in a single course. We will cover the general topics and discuss specific papers to give you a sense of this research. We have also included in this course outline lists of papers on topics. We do not plan to cover in the course to give you a sense for this research. As students, you must dive into this expanding body of research. An ability to read and review papers and a sense for the literature as a whole come with time, effort, and thought.

### CLASS ORGANIZATION

Each session is usually organized into three parts:

Presentation and Discussion	Literature Review	Idea Generation
Students present and/or discuss 1-2 research papers.	Students present and discuss survey/review papers on specific literature.	Students present their idea(s) generated by reading articles from the source specified.

Presentation: 30 minutes Discussion: 20 minutes	Presentation & Discussion 40 minutes	Presentations of Ideas 30 minutes
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For “Presentation and Discussion,” you will be assigned a research paper to present or discuss. It is important to learn how to manage your time effectively (i.e., usually presentation 25-30 minutes, discussion 15-20 minutes). Watch the 2021 JAE conference video clip here: <https://www.youtube.com/watch?v=NvyfL02IUTO> and follow those examples as a guide.

For “Literature Review,” you will be assigned a survey/review paper to present and will be in charge of the discussion. Instead of the entire paper, your focus can be on a specific stream of research (i.e., part of the review paper). Your presentation should be more of a story about the evolution of literature rather than a mechanical list of papers.

For “Idea Generation,” you are expected to come up with at least one idea per week and present it in class. The different inspiration sources for each week are listed in the course outline below.

## COURSE REQUIREMENTS

Class participation - All participants in the course are required to read and think about the main papers **in bold** assigned for the session and to contribute actively to class discussion. A reading list will be provided in a separate file. Skimming or reading reviews or other significant background papers is also desirable. We have aimed for 1-2 main papers for each session, although sometimes there are more. We have also aimed for a mix of classic and recent papers. The early part of the course will be devoted more to classic topics (i.e., offspring of Ball and Brown [BB1968] and Watts and Zimmerman [WZ1979]) and the later part of the course will be devoted more to contemporaneous subjects.

Each participant will be responsible for reading the assigned papers for each class, but the responsibility for leading the discussion will rotate among us. For each main paper that you are *not* presenting, you should write a one- to two-page summary that includes the 3 Kinney questions (1986, note 18, which is excerpted below) and critic of the paper. All students (presenter or not) are required to formally develop at least two questions/discussion points (and prepare to answer these questions). The summaries are due in class and must be prepared independently. Please bring two hard copies of your summaries to class – one for you and one for me.

Excerpts from Kinney (1986, note 18):

*“In planning research or evaluating the research of others, a useful practice is to give early attention to the purpose of the research through preparation of a three-short-paragraph abstract, synopsis, or working model of the research. The first paragraph answers the question “What is the problem?” The second asks, “Why is it an important problem?” and the third, “How will it be solved?” Alternatively, the questions might be: “What are you (or the researcher) trying to find out?”, “Why?”, and “How will it be done?”*

To guide your preparation, you should consider (at a minimum) the following:

Presentations and discussions of individual papers

The presenter will lead the discussion of his/her assigned paper. After briefly discussing the paper's main results, and conclusions, your presentation should focus on identifying the paper's contribution to the literature, its strengths and weaknesses, and potential extensions for future research. **Presentations CANNOT be an uncritical summary of the paper.**

We are attaching a document titled "Analyzing Empirical Research," prepared by Dr. Michael Shields at Michigan State University. We encourage you to adopt this framework in your discussion.

#### Presentations of review/survey papers

The presenter will lead the discussion of his/her assigned review/survey paper. The emphasis should be on the evolution of a body of literature and its underlying logic, rather than a disorganized list of individual papers.

#### Referee process

In the first five sessions, We will walk you through the referee process using a real-world example. For Week 2 through Week 6, We will assign you a working paper and ask you to write a referee report on it and then write a response memorandum to an actual referee report (2 reports and 2 responses should be turned in at their respective due dates). The referee report should evaluate the significance of the paper's contribution to the literature, the testability of the hypotheses, the validity of the research design, and the power of the empirical methods. It should include a clear recommendation to the editor to accept, allow revise and resubmit, or reject the paper. Reports should follow the suggested referee guidelines provided by *The Accounting Review*. The response memo should be a thorough and well-considered response to each of the referee's comments. If you disagree with a comment, you must be able to produce convincing arguments and designs to persuade the referee.

#### Research proposals

During the term, you are required to submit three (3) written proposals based on the weekly research ideas you generate. The write-ups should follow one of the two approaches suggested in Kinney. In addition to that, you should explain what the impetus behind your idea is (including references to academic papers, practitioner articles, business press, etc.). The write-ups can be short and sweet (e.g., two or three pages, double spaced). Although We do not expect a comprehensive literature review, We would like you to review at least a few closely related papers. Also, We would like you to at least do a quick Google Scholar search to make sure that what you are proposing has not already been done. More importantly, our assessment will heavily depend on how well and clearly you motivate your idea (and the ensuing hypothesis).

#### **Due Dates for 3 Research Proposals:**

First one: February 26;

Second one: March 19;

Third one: April 23;

The course grade will be based on the following:

Referee process (2 Reports and 2 Responses):	20%
Research Paper Presentation and Discussion:	30%
Literature Review Presentation and Discussion:	20%

Idea Generation Presentation + 3 written research proposals

30%

100%

**The comprehensive exam:** You will have to take and pass the accounting comprehensive exam. A portion of that exam will relate to material covered in this course. Here is one suggested route for preparing for the comprehensive exam:

1. Take notes on each paper as you read it.
2. Take notes on each paper as it is discussed in class.
3. Synthesize 1 and 2 into a coherent set of notes after class or at the end of the term. Don't wait for the comprehensive exam to do this, as you will forget significant points the longer you wait.

These notes will provide an efficient basis for your studying for the comprehensive exam when the time comes.

## COURSE OUTLINE

Empirical Research in Financial Accounting (*Guest Speakers in Italics*)

Class Date	Topic ( <i>Guest Speakers in Italics</i> )	A. Presentation and Discussion	B. Literature Review	C. Idea and Motivation
Class 1: Feb 5	Introduction to Accounting Research	Ramesh (2021) Cochrane (2005); Choi (2022) Strunk (2011)	Kothari & Wasley (2019)	Solo Publications <i>JAE, JAR, TAR</i>
Class 2: Feb 19	BB1: Accounting Earnings and Security Returns ( <i>Edgar Rodriguez-Vazquez</i> )	Ball & Brown (1968)*; Beaver (1968) Rodrigues-Vazquez (2022); McVay, Rodrigues-Vazquez & Toynbee (2022)*  <i>RP: Referee Report 1</i>	Blankspoor, deHann & Marinovic (2020)*; Kothari (2001)	<i>Wall Street Journal</i>
Class 3: Feb 26	BB2: Earnings Accruals and Earnings Management ( <i>Elisha Yu</i> )	Dechow, Sloan & Sweeney (1995) Graham, Harvey & Rajgopal (2005) Leone (2022)  <i>RP: Response Memo 1</i>	Ball (2013); Schipper (1989) Dechow, Ge & Schrand (2010)	<a href="#"><i>Harvard Forum on Corporate Governance</i></a>
Class 4: Mar 5	BB3: Accounting Properties: Conservatism, Comparability, etc.	Basu (1997) De la Parra (2022)  <i>RP: Referee Report 2</i>	Watts (2003a, b)	<a href="#"><i>Duke FinReg Blog</i></a>
Class 5: Mar 6	BB4: Information and Market Efficiency ( <i>Hagit Levy</i> )	Bernard & Thomas (1989, 1990) Sloan (1996) Levy, Rossi, Shalev & Zur (2022)	Lee (2001) Mclean & Pontiff (2016)	<i>Journal of Finance</i>

Class 6: Mar 12	Analysts ( <i>TBD</i> )	TBD <i>RP: Response Memo 2</i>		
Class 7: Mar 19	WZ1: Contracting/Agen cy Theory II: Debt Contracting and Banking – Integrating Theory in Accounting Research	Li, Neamtiu & Tu (2022) Christensen & Nikolaev (2012)  Background Reading (Do not need to summarize) : Watts & Zimmerman (1986) Kothari, Ramanna & Skinner (2010)	Christensen, Nikolaev, & Wittenberg- Moreman (2016)	<i>Quarterly Journal of Economics</i>
Class 8: Mar 26	WZ2: Accounting, the Political Process, and Enforcement ( <i>Heemin Lee &amp; Yanrong Jia</i> )	Berger and Lee (2022) Maffett, Samuels & Zhou (2022)		<i>American Political Science Review</i>
Class 9: Apr 2	Macroeconomics and Accounting ( <i>TBD</i> )	TBD		<i>Journal of Political Economy</i>
Class 10: Apr 9	ESG-Related Research ( <i>TBD</i> )	TBD		<i>Accounting, Organization, and Society</i>
Class 11: Apr 23	International Securities Regulation ( <i>Donal Byard</i> )	Breuer, Leuz & Vanhaverbeke (2019) Allman and Won (2022)	Armstrong, Kepler, Samuels & Taylor (2022) Leuz & Wysocki (2016) Cheng, Hail & Yu (2022)	<a href="#"><i>European Money and Finance Forum</i></a>

Class 12: Apr 30	AI and LLMs in Accounting Research <i>(Brandon Lock)</i>	Naughton, Zheng & Zhou (2022) Huang, Wan & Yang (2022) <b>TBD</b>	Bertomeu (2020) Bochkay, Brown, Leone & Tucker (2022)	<i>Communication Methods and Measures</i>
Class 13: May 7	Disclosure and Economic Consequences – Patent, R&D related <i>(Yue Zhang)</i>	Park, Tong & Zhang (2023) Kim and Valentine (2021)		<i>American Economic Review</i>
Class 14: May 14	Contemporary Accounting Research <i>(Huihao Yan &amp; Diana Weng)</i>	Sautner, van Lent, Vikov & Zhang (2022 JF) Lee et al. 2018 JFE Li 2024 RAS- labor peers	Christensen, Hail & Leuz (2021 RAST)	<a href="#"><i>Davis Polk Client Updates</i></a>