

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

**ACC 70700 Current Acct Theory and Problems  
Spring 2026**

Instructor: Office: E-mail: Meeting Day/Time: Office Hours:	Prof. Ming Deng VC 12-266 <a href="mailto:Mingcherng.deng@baruch.cuny.edu">Mingcherng.deng@baruch.cuny.edu</a> Fr 11:00 am–1:00 p.m. Fr 1:00–2:00 p.m. or by appointment
Resources	J. Laffont and D. Martimort, <i>The Theory of Incentives: The Principal-Agent Model</i> , Princeton University Press, 2002. P. Bolton and M. Dewatripont, <i>Contract Theory</i> , MIT Press, 2005. B. Salanie, <i>The Economics of Contracts: A Primer</i> , MIT Press, 2005.
Requirements	<b>Participation:</b> You are expected to prepare for class and participate in discussions. <b>Exam:</b> There are one midterm exam and one final exam. <b>Term Paper:</b> You will write a research proposal/paper based on the materials in this class. A successful term paper must address one of the following points <ol style="list-style-type: none"> <li>1. A modification of an existing model</li> <li>2. Applying an existing model to a policy/regulation problem</li> <li>3. Empirical analysis motivated by an existing model.</li> </ol>
Grading	Your final grade will be determined as follows: Participation: 20% Midterm exam: 20% Final exam: 20% Term paper: 40%
Class Preparation	For some classes, write a short summary of one of the papers covered in that class. <ul style="list-style-type: none"> <li>o What is the research question? What is the motivation for this question?</li> <li>o Why would you care about this research question?</li> <li>o What are the main results? Are they interesting or surprising?</li> <li>o What is the weakness of the paper?</li> </ul>



**TENTATIVE CLASS SCHEDULE\***

Date	Topic	References
Jan 30	Lecture 1: Introduction Moral hazard (one agent) LM: Chapter 4	<ul style="list-style-type: none"> <li>• Holmstrom, B. (1979). Moral hazard and observability. <i>The Bell journal of economics</i>: 74–91</li> <li>• Rogerson, W. P. (1985a). The first-order approach to principal-agent problems. <i>Econometrica</i>, 53(6):1357–1367</li> <li>• Innes, R. D. (1990). Limited liability and incentive contracting with ex-ante action choices. <i>Journal of economic theory</i>, 52(1):45–67</li> <li>• Holmstrom, B. and Milgrom, P. (1991). Multitask principal-agent analyses: Incentive contracts, asset ownership, and job design. <i>Journal of Law, Economics, &amp; Organization</i>, 7:24–52</li> <li>• Mirrlees, J. A. (1999). The theory of moral hazard and unobservable behavior: Part i. <i>The Review of Economic Studies</i>, 66(1):3–21</li> </ul>
Feb 06	Lecture 2: Moral Hazard (multiple agent and LEN model) LM: Chapter 5.2 and 9.5.2	<ul style="list-style-type: none"> <li>• Holmstrom, B. and P. Milgrom, (1994), The Firm as an Incentive System, <i>American Economic Review</i>, 84: 972-991.</li> <li>• Holmstrom, B. and P. Milgrom, (1987), Aggregation and Linearity in the Provision of Intertemporal Incentives," <i>Econometrica</i>, 55: 303-328.</li> <li>• Holmstrom and Milgrom (1990), Multitask Principal Agent Analysis: Incentive Contracts, Asset Ownership and Job Design, <i>Journal of Law, Economics and Organization</i></li> </ul>
Feb 13, Feb 20	Lecture 3 & 4: Adverse Selection LM: Chapter 2	<ul style="list-style-type: none"> <li>• J. A. Mirrlees, (1971) An Exploration in the Theory of Optimum Income Taxation, <i>The Review of Economic Studies</i>, 38(2): 175–208.</li> <li>• Baron, D. P., &amp; Myerson, R. B. (1982). Regulating a Monopolist with Unknown Costs. <i>Econometrica</i>, 50(4): 911–930.</li> <li>• Harris, M., &amp; Raviv, A. (1991). The Theory of Capital Structure. <i>The Journal of Finance</i>, 46(1): 297–355.</li> <li>• Dutta, S. (2008) Managerial Expertise, Private Information, and Pay-Performance Sensitivity. <i>Management Science</i> 54(3): 429-442.</li> <li>• Baldenius, T. (2003) Delegated Investment Decisions and Private Benefits of Control. <i>The Accounting Review</i> 78 (4): 909–930.</li> <li>Rajan, M. and R. E. Saouma. (2006) Optimal Information Asymmetry. <i>The Accounting Review</i> 81 (3): 677–712.</li> </ul>

Feb 27	Lecture 5: Signaling and Informed Principal BD: Chapter 3 LM: Chapter 9.2	<ul style="list-style-type: none"> <li>• Spence, M. (1973) Job Market Signaling. <i>The Quarterly Journal of Economics</i> 87(3): 355-374.</li> <li>• Spence, M. (1973) Competitive and optimal responses to signals: An analysis of efficiency and distribution. <i>Journal of Economic Theory</i> 7(3): 296-332</li> <li>• Leland, H. E., &amp; Pyle, D. H. (1977). Informational Asymmetries, Financial Structure, and Financial Intermediation. <i>The Journal of Finance</i>, 32(2), 371–387.</li> <li>• Cho, I.-K., &amp; Kreps, D. M. (1987). Signaling Games and Stable Equilibria. <i>The Quarterly Journal of Economics</i>, 102(2), 179–221.</li> <li>• Maskin, E., &amp; Tirole, J. (1992). The Principal-Agent Relationship with an Informed Principal, II: Common Values. <i>Econometrica</i>, 60(1), 1–42.</li> </ul>
Mar 6	Lecture 6: Voluntary Disclosure BD: Chapter 5	<ul style="list-style-type: none"> <li>• Verrecchia, R. E. (1983). Discretionary disclosure. <i>Journal of Accounting and Economics</i>, 5(1), 179-194</li> <li>• Dye, V. W. (1985). Disclosure of nonproprietary information. <i>Journal of Accounting Research</i>, 23(1), 123–145</li> <li>• Jung, W., &amp; Kwon, Y. (1988). Disclosure when the market is unsure of information endowment of managers. <i>Journal of Accounting Research</i>, 26(1), 146–153</li> <li>• Stocken, P.C., 2013. Strategic accounting disclosure. <i>Foundations and Trends® in Accounting</i>, 7(4): 197-291.</li> <li>• Frenkel, S., Guttman, I., &amp; Kremer, I. (2020). The effect of exogenous information on voluntary disclosure and market quality. <i>Journal of Financial Economics</i></li> </ul>
Mar 13	<b>Lecture 7: Midterm Exam</b>	
Mar 20	<b>No Class</b>	
Mar 27	Lecture 8: Voluntary disclosure BD: Chapter 5	<ul style="list-style-type: none"> <li>• Kanodia, C. 2007, Accounting Disclosure and Real Effects. <i>Foundations and Trends in Accounting</i>, Vol. 1, No. 3.</li> <li>• Kanodia, C. and H. Saprà. 2016. A Real Effects Perspective to Accounting Measurement and Disclosure: Implications and Insights for Future Research. <i>Journal of Accounting Research</i>, 2016 54(2): 623-676.</li> <li>• Darrrough, M and N. Stoughton. 1990. Financial disclosure policy in an entry game. <i>Journal of Accounting Economics</i> 12(1-3): 219-243</li> </ul>

		<ul style="list-style-type: none"> <li>• Darrough, M. 1993. Disclosure policy and competition: Cournot vs. Bertrant. <i>The Accounting Review</i> 68(3): 534-561</li> </ul>
Apr 3	Spring Break	
Apr 10	Lecture 9: Compensation and performance metrics	<ul style="list-style-type: none"> <li>• Banker, R.D., and S.M. Datar. (1989). Sensitivity, precision, and linear aggregation of signals for performance evaluation. <i>Journal of Accounting Research</i> 27 (1): 21 - 39.</li> <li>• Banker, R.D., R. Huang, and R. Natarajan. (2009). Incentive contracting and value relevance of earnings and cash flows. <i>Journal of Accounting Research</i> 47 (3): 647 - 678.</li> <li>• Huang, R., C. Marquardt, and B. Zhang. (2023) Revenue-expense matching and performance measure Choice. <i>Review of Accounting Studies</i> 28: 1690-1720.</li> <li>• Feltham, G.A., and J. Xie. (1994). Performance measure congruity and diversity in multi-task principal/agent relations. <i>The Accounting Review</i> 69 (3): 429 - 453.</li> <li>• Dikolli, S.S., C. Hofmann, and S.L. Kulp. (2009). Interrelated performance measures, interactive effort, and incentive weights. <i>Journal of Management Accounting Research</i> 21 (1): 125-149.</li> <li>• Bushman, R.M., Indjejikian, R.J., Smith, A., 1996. CEO compensation: The role of individual performance evaluation. <i>Journal of Accounting Economics</i> 21, 161-193.</li> <li>• Bloomfield, M., Gipper, B., Kepler, J.D., Tsui, D., (2021). Cost shielding in executive bonus plans. <i>Journal of Accounting Economics</i> 72: 1014-28.</li> <li>• Bloomfield, M.J., (2021). Compensation disclosures and strategic commitment: Evidence from revenue-based pay. <i>Journal of Financial Economics</i> 141: 620-643.</li> </ul>
Apr 17	Lecture 10: Debt contracting	<ul style="list-style-type: none"> <li>• Gigler, F., Kanodia, C., Sapra, H., &amp; Venugopalan, R. (2009). Accounting conservatism and the efficiency of debt contracts. <i>Journal of Accounting Research</i> 47(3): 767-797.</li> <li>• Li (2013), Accounting conservatism and debt contracts: efficient liquidation and covenant renegotiation, <i>Contemporary Accounting Research</i> 30(3): 1082-1098.</li> <li>• Guttman and Marinovic (2018), Debt contracts in the presence of performance manipulation, <i>Review of Accounting Studies</i> 23: 1005-104</li> <li>• Laux (2022), Debt Covenants and accounting manipulation, <i>The Accounting Review</i> 97 (1): 293-314.</li> <li>• Baldenius, Deng and Li (2024), Accounting Information and risk shifting with asymmetrically informed creditors, <i>Journal of Accounting and Economics</i> 77 (2-3): 1016-1067</li> </ul>

		<ul style="list-style-type: none"> <li>• Darrough, M. N., and M. Deng. (2019). The role of accounting information in optimal debt contracts with informed lenders. <i>The Accounting Review</i> 94(6): 165-200.</li> </ul>
Apr 24	Lecture 11: Auditing research	<ul style="list-style-type: none"> <li>• Minlei Y (2023), The Theory of Auditing Economics: Evidence and Suggestions for Future Research ". <i>Foundations and Trends in Accounting</i>, 18(3): 138–267</li> <li>• DeFond, M., and J. Zhang. 2014. A review of archival auditing research. <i>Journal of Accounting and Economics</i> 58 (2-3): 275--326.</li> <li>• Chan, D. K., and S. Pae. 1998. An analysis of the economic consequences of the proportionate liability rule. <i>Contemporary Accounting Research</i> 15 (4): 457--480.</li> <li>• Morgan, J., and P. Stocken. 1998. The effects of business risk on audit pricing. <i>Review of Accounting Studies</i> 3 (4): 365--385.</li> <li>• Laux, V., and P. Newman. 2010. Auditor liability and client acceptance decisions. <i>The Accounting Review</i> 85 (1): 261--285.</li> <li>• Ye, M., and D. A. Simunic. 2013. The economics of setting auditing standards. <i>Contemporary Accounting Research</i> 30 (3): 1191--1215.</li> <li>• Deng, M., N. Melumad, and T. Shibano. 2012. Auditors' liability, investment, and capital markets: A potential unintended consequence of the Sarbances-Oxley Act. <i>Journal of Accounting Research</i> 50 (5): 1179--1215.</li> </ul>
May 1	Lecture 12: Supply chain management and transparency	<ul style="list-style-type: none"> <li>• Cachon, G. P. (2003). Supply chain coordination with contracts. <i>Handbooks in Operations Research and Management Science</i> 11: 227-339.</li> <li>• Costello, A. (2013). Mitigating incentive conflicts in inter-firm relationships: Evidence from long-term supply contracts. <i>Journal of Accounting and Economics</i> 56(1): 19-39.</li> <li>• Patatoukas, P. N. (2012). Customer-base concentration: Implications for firm performance and capital markets. <i>The Accounting Review</i> 87(2): 363-392.</li> <li>• Shi, Y., J. Wu, Y. Zhang, and Y. Zhou. 2026. Supply Chain Washing: Strategic Disclosure of Corporate Suppliers. <i>Journal of Accounting and Economics</i> forthcoming.</li> <li>• Afrin, F., J. Kim, S. Roychowdhury, and B. P. Yost. 2025. Internalizing Peer Firm Product Market Concerns: Supply Chain Relations and M&amp;A Activity. <i>Journal of Accounting Research</i> 63 (2): 599–647.</li> <li>Chen, J., X. Su, X. Tian, B. Xu, and L. Zuo. 2025 Do major corporate customers deter supplier misconduct?, <i>Journal of Accounting and Economics</i>, 80 (2–3): 101801.</li> <li>• Cohen, D. A., and Li, B. (2020). Customer-base concentration, investment, and profitability: The US government as a major customer. <i>The Accounting Review</i> 95(1): 101-131.</li> </ul>

		<ul style="list-style-type: none"> <li>• Dhaliwal, D., Judd, J. S., Serfling, M., and Shaikh, S. (2016). Customer concentration risk and the cost of equity capital. <i>Journal of Accounting and Economics</i> 61(1): 23-48.</li> <li>• Irvine, P. J., Park, S. S., and Yildizhan, C. (2016). Customer-base concentration, profitability, and the relationship life cycle. <i>The Accounting Review</i> 91(3): 883–906.</li> <li>• Raman, K., and Shahrur, H. (2008). Relationship-specific investments and earnings management: Evidence on corporate suppliers and customers. <i>The Accounting Review</i> 83(4): 1041-1081.</li> <li>• Sodhi, M. and C. Tang (2019). Research opportunities in supply chain transparency. <i>Production and Operations Management</i> 28(12): 2946-2959.</li> <li>• Deng, M., Dai, J., &amp; Yan, Y. (2024). Customers' Social Capital and Suppliers' Profitability. <i>Production and Operations Management</i>. 33, 2328-2345.</li> </ul>
May 8	Lecture 13: Presentation	
May 15	<b>Lecture 14: Final Exam</b>	

## ***TENTATIVE CLASS SCHEDULE\****

*\* The professor reserves the right to make any necessary changes to the syllabus with appropriate announcements in class and on Brightspace.*

LeJanuary 30: Lecture 1: Introduction and Moral Hazard (one agent)

Lecture 2 (February 6): Moral Hazard (multitask and LEN model)

Lecture 3 (February 13): Adverse Selection

Lecture 4 (February 20): Adverse Selection

Lecture 5 (February 27): Signaling and Informed Principal

Lecture 6 (March 6): Voluntary Disclosure

Lecture 7 (March 13): Midterm Exam

Lecture 8 (

Adverse Selection