

COMMENTARY

The Kinney Three Paragraphs (and More) for Accounting Ph.D. Students

William R. Kinney, Jr.

The University of Texas at Austin

SYNOPSIS: This Commentary is intended to help beginning Ph.D. students identify, evaluate, and communicate essential components of proposed empirical accounting research using a three-step process. The first step is a structured top-down approach of writing answers to three related questions—What, Why, How—that emphasize the central role of conceptual thinking in research design, as well as practical relevance. The second step is a predictive validity assessment that anticipates concerns likely to arise in the scholarly review process, and the third is consideration of the likely outcome and potential problems to be encountered if the proposal is implemented as planned. First-hand accounts of Ph.D. student experiences using the three paragraphs and three-step approach are presented, along with an exercise that beginners can use to help themselves identify, analyze, and anticipate problems to improve chances for research success *ex ante*.

Keywords: communicating research; experiential and discovery learning.

I. INTRODUCTION

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?”

—Kinney (1986, 349, fn. 18)

We believe that the objective of accounting research is to create legitimate, consequential belief revision about issues associated with accounting-related decision settings. That is, the purpose of accounting research is to change the way informed and creatively skeptical people think about an accounting issue that is important to them or to others.

—Maines, Salamon, and Sprinkle (2006, 86)

You probably have some insights about real-world accounting—how the accounting world works, what causes what (and perhaps why), and maybe how to fix what seems broken. You know you must *do* accounting research, but how do you know if your ideas are good and how can you convince your professors and others to help you? One way to get started is by answering the three related questions (from Kinney above) designed to effectively identify and communicate the essentials of proposed empirical accounting research and to motivate others to listen to your ideas.

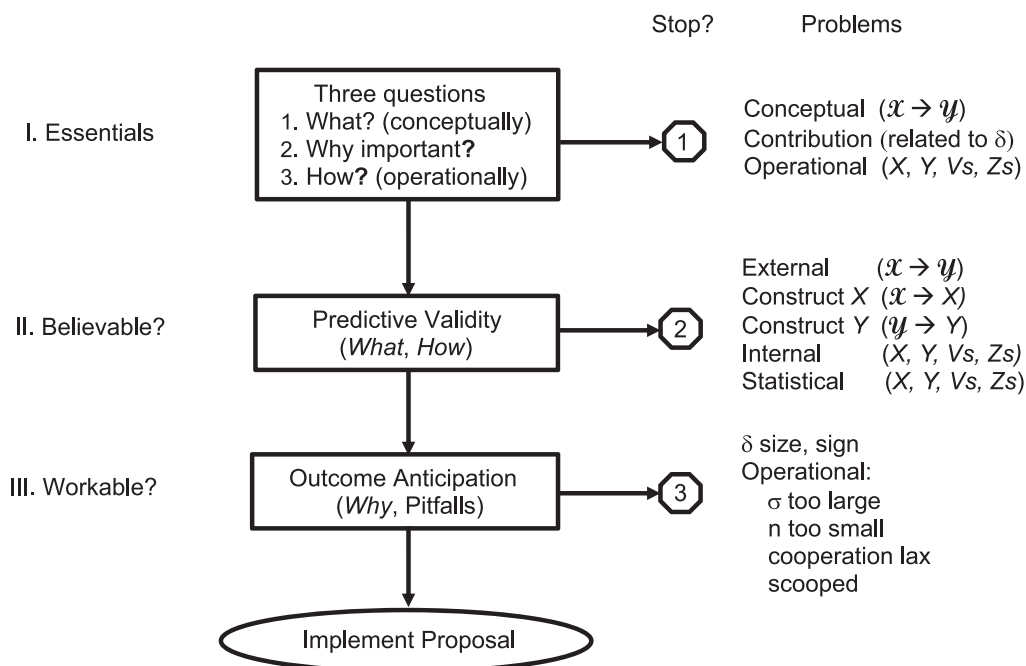
Figure 1 diagrams a three-step research process that can help you evaluate whether your idea is a “good bet” for research success—before you do the hard work of implementation. Step I results in a single-page response that provides answers for the *What, Why, How* questions. Step II is an *ex ante* predictive validity analysis of your *What* and *How* answers that will help you

Dedicated to the Ph.D. students at The University of Iowa, University of Michigan, The University of Texas at Austin, and elsewhere, who, over 45 years, helped me understand the power of the three paragraphs, and especially to the late Linda McDaniel who also encouraged student presentations of three paragraphs for group discussions. My sincere thanks to Dan Collins, Vicky Hoffman, and Sandra Vera-Muñoz for their helpful comments on an early version, and to the exceptional reviewer plus former student users Sandeep Nabar, Russ Lundholm, Dave Burgstahler, Brian Carver, Marsha Keune, Lisa De Simone, and Rebecca Lester. Thanks also to the late Nick Dopuch and to Katherine Schipper who showed me the value of careful and compact exposition, and to Thomas Cook, Bob Libby, and Deirdre McCloskey for timely encouragement. Finally, special thanks to Carolyn Kinney, Ph.D., R.N., for non-accounting reality checks over 60 years.

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FIGURE 1
Three Steps from Ideas to a “Good Bet” Proposal



anticipate common concerns likely to be raised by scholarly readers and editors. Step III addresses the basis for *Why* that provides the link between *What* and *How*, and also anticipates critical research outcome perils that may disrupt implementation. All three steps will help you build intuition about how to structure, refine, and present your own ideas and each of the three has a “Stop Sign” to warn of conditions that may seriously imperil the success of your project.

The three-step approach is then illustrated with experiences and insights of Ph.D. students who have applied the three steps over the years. These experiences include benefits of student presentation of preliminary versions of the *What, Why, How* of Step I to fellow students. As a presenter, you may get insights by explaining to non-expert peers the essence of complex accounting matters, and merely trying to explain the essentials may help you see what is unique, important, or even missing in your proposal.¹ As a listener, you may learn how to quickly “get a handle” on the work of others by reversing the process, and focusing on *only* what you need to put *their* ideas into the “universal” three-paragraph format and then asking them questions.

Two caveats: This is not a generic one-size-fits-all research plan that works “as is” for all empirical accounting-related research ideas (e.g., Kinney 1986; Cooper and Zeff 1992; Kinney 1992). Most of the concepts and ideas are borrowed and adapted; their combination and the student experiences are new. And, you *need not* follow the exact wording format in the final version of your paper (but because the three questions are commonly asked, you should include enough so readers could formulate the answers for themselves).

I begin with Steps I, II, and III of Figure 1. The approach and opt-out points (Stop Signs) are then illustrated with experiences of former Ph.D. students who, over time, helped me improve and better articulate the three-step research approach, and I’ll close with some hints that will help you apply the approach today.

II. STEP I—THREE PARAGRAPHS FOR COMMUNICATING RESEARCH

Your ideas about “what causes what” in accounting are based on your experiences and your knowledge of theories, concepts, and organization structures from your courses in accounting and other disciplines.² Your basic idea might be a

¹ Appendix A presents a *Scholarly Improv* exercise that has been used in small group sessions to quickly evaluate and refine research ideas at five AAA Doctoral Consortiums, two Ph.D. Project Annual Meetings, and extended workshops at The University of Arizona; Indiana University; 2006 Kentucky-Tennessee Ph.D. Colloquium; Michigan State University; Rutgers, The State University of New Jersey; Nanyang Technological University; and Texas A&M University.

² Following Kinney 1986, research is defined as developing and testing new theories about “how the world works” or refutation of widely held existing theories.

reasoned prediction of why an accounting method choice or a change in method would affect real-world outcomes such as valuation, performance, or risk perceptions. And you may have thought about testing your ideas with archived accounting data from a particular domain and time period, or originating data via an experiment applying hypothetical accounting treatments where participants are randomly assigned to accounting methods. So—how best to put it all together?

Simply put, answering the three questions below can convert the core of what is in your head to a standard research format that can be understood by others. Using the format and 150 to 300 well-chosen words, most readers can understand enough about your proposal to be able to assess aspects of relevance and research quality—and maybe give you some advice for how to make it better.³

The three questions (the basis for the three paragraphs) are:

1. **What are you trying to find out, conceptually?** (What concepts or theories underlie your idea?)
2. **Why is an answer important and to whom?** (Who will care about your answer and why should they care?)
3. **How will you find the answer, operationally?** (What research method and data will you use to find the answer?)

That's it. Just answer these three questions and avoid the temptation to explain non-essentials (of which there are many). The questions are not easy to answer, but you can get a quick start by copying the bold part of these three lines as a template and then filling in the blanks in your own words:

1. **I am trying to find out whether** ____.
2. **It is important to find out because** ____.
3. **I will find out by** ____.

Populating this single page will make you focus on research essentials from the beginning—you can “pretty it up” and make the words sing *after* you cover the essentials.

Some notation will help understanding. The *What* response for question 1 is usually expressed as a theory or policy positing a “causal” connection between conceptual factor, \mathcal{X} , that in some way “causes” an effect on another conceptual factor, \mathcal{Y} (or $\mathcal{X} \rightarrow \mathcal{Y}$), perhaps across multiple real-world contexts. The *Why* response for question 2 explains the importance to others and usually depends on the sign and magnitude of the connecting link, δ , between concepts \mathcal{X} and \mathcal{Y} , as measured by X and Y in the real-world context studied, other things equal.⁴ As an example, the real-world δ may be important because it is large, so small as to be inconsequential (such as an ineffective policy), or whose sign is opposite of that widely assumed by others.

The question 3 “*How*” response relates the research method applied (say, experiment versus archival), the context or setting, the X and Y you use to measure \mathcal{X} and \mathcal{Y} , how you estimate covariation of X and Y , and how you satisfy “other things equal.” We'll assume that “other things equal” means adjusted for the effects of known and measurable causes of Y other than X —some of which occurred prior to X (denoted V s) and some concurrent with X (denoted Z s), or $X \rightarrow Y$ after adjusting for effects of prior V s and concurrent Z s.⁵

Most new researchers focus prematurely on *How*. Students often ask, “How can I improve my experiment or regression model?” Some ask, “What additional V s and Z s should I add?”; “Who would be the best participants?”; or “What estimators might be better?” These are good *How* questions, but the answers depend upon first answering *What* you are trying to find out conceptually, or *Why* it is important to find out. Others can help you evaluate and refine *How*—but only if they understand your *What* and *Why*.

What is usually key—if all else fails, try theory—and *Why* is a close second. You know that authors get more scholarly credit for illuminating important theoretical or major policy-based ideas that have broad real-world application. So careful articulation of *What* you are trying to find out—in conceptual or policy terms if possible—is often critical to designing your particular experiment or regression to best address the question you want to answer.

Why is the most overlooked response—surprisingly so, because before you read a research paper, don't you ask yourself, “What's in it for *me*? What can *I* learn?” Your readers will want to know why they should seriously attend to your paper, and you

³ I have used versions of these paragraphs since 1973 and believe they work because the method translates what is in your head into what might be called “universal research language” that your readers can understand to varying degrees and help everyone stay focused on what is most likely to help you.

⁴ In words, the magnitude of the link (δ) is the true average change in Y for a one unit change in X , other things equal. Also, the sign of δ is the same as the sign of the correlation coefficient between X and Y .

⁵ This X , Y , V , and Z classification (from Simon and Burstein 1985) helps identify classes and timing of variables to consider and also illustrates one difference between experiments and archival studies. For example, assume a regression model where a dichotomous variable $X_0 = 1$ indicates application of a “new” accounting method at time $t = 0$ and V_{-1} and Z_0 measure the only other prior and contemporaneous causes of Y_1 at $t = 1$. The equation is: $Y_1 = a + b X_0 + c V_{-1} + d Z_0 + e$, where b is the estimate of δ , the effect of X_0 , c and d are the effects of “other things” on Y_1 , and the standard deviation of the e 's reflects σ . Later we'll discuss the roles of δ and σ as they relate to your research outcome risks.

can help yourself by giving them a good answer. Figuring out why others might care is hard and requires some thinking about the relevance of what you are proposing. I've often heard, "Bill, I have a good *What* and *How*, and no one has ever 'examined' the association of *this* particular *X* and *Y* combination, but I just can't think *Why* others should care—can you help?"

Sometimes I can help and here are some hints.⁶ Sometimes you can explain why others haven't tested the particular empirical association—because others didn't have the benefit of your new theory, data access, or your design and estimation skills. Sometimes you just need to think beyond the particular accounting context in your *How* paragraph and reflect on the broader conceptual, theoretical, regulatory, or behavioral implications of your *What* paragraph in order to address importance in *Why*. Again, "if all else fails, try theory" and try thinking top-down—"Does my potential contribution go beyond the specific accounting mechanics that I study?" Sometimes your subconscious mind knows the answer and it eventually will come to you—especially if first you try hard, and then take a break to let your subconscious mind reveal it to you.

Overall, what's in the three paragraphs is needed to articulate and convey *your own unique potential contribution* to knowledge about accounting. Think about it: the only thing you have to offer, your research *raison d'être*, is your insight into some slice of the accounting domain. What is it? What is new—is it your theory, data, or estimation (that's about all there is)? Give the essentials (and only the essentials) in a few well-chosen words.⁷

An Example Proposal Illustration

Figure 2 shows a one-page, double-spaced example of what an informative title and a *What, Why, How* proposal (e.g., no data or results) can convey, and how these responses anchor the three-step process. The proposal is based on Kinney, Palmrose, Scholz (2004) (KPS).⁸

The ten-word title captures some of the research idea and suggests a real-world controversy, while the 216 words of text—that easily fit on half of a single page, double-spaced, 12pt font, and normal margins—provide essentials of the planned research. If these 226 words were a proposal for an accounting workshop paper and were all that you read before the presentation, then could you ask the presenter two or three sensible questions about the context, methods, and prospects for success?

Your questions will depend on your background, and diversity is good because KPS (like most accounting studies) combines multiple knowledge domains. For example, an audit expert might ask about the operational *How* problem: "Will big audit firms give you confidential (and contentious) fees from their audit clients?"⁹ If you could ask two or three such questions, then good—for everyone. Without much effort, *you* got an understanding that was sufficient for you to help the authors make their paper better. The 226 words also helped you, the authors, and the audience save discussion time for clarification and more advanced questions.

For KPS, the conceptual *What* addresses whether economic *dependence* on an audit client's NAS fees "causes" the audit firm to allow poor financial reporting quality ($\mathcal{X} \rightarrow \mathcal{Y}$), and *How* is addressed by somehow obtaining NAS fees received (X_s) and empirically relating them to subsequently available financial restatement data to identify materially misstated financial statements filed with the SEC (Y). *Why* important relates to whether, for its audit clients, certain audit firm services should be banned or restricted and is of direct interest to regulators, auditors, and issuers of public securities. "Other things equal" for the operational *How* involves matching each restating firm with a similar non-restating firm to account for some V_s , and a contemporaneous acquisitions indicator accounts for a Z when KPS calculates the correlation of NAS fees and future restatement probabilities ($X \rightarrow Y \mid V_s \text{ and } Z_s$).

To summarize, KPS's three paragraphs make sense individually and are consistent with each other by design, plus they have an informative title per the *What, Why, How* criteria for Step I in Figure 1. KPS is ready to proceed past Stop Sign 1 and go to Step II to assess predictive ability that a scholarly reviewer might apply to their study, and maybe to Step III to evaluate whether the project is likely to be a good research bet for them. The KPS example is used to illustrate each step in Figure 1 and the problems to be resolved before deciding whether to continue or suspend the proposal at one of the Stop Signs.

⁶ At the end of this section, we'll discuss what to do if you can't find a good answer to *Why*.

⁷ I recently learned from Greg Miller that our Michigan colleague, Vic Bernard, gave similar communication advice. Vic said, "You need an integrative story to explain what your research is about—if readers get your story, then they will understand what is important and what is not." Wise professor.

⁸ KPS is motivated by a late twentieth century view expressed by regulators (e.g., the SEC chair) and others that, when an audit firm collects large non-audit services (NAS) fees from an audit client, the audit firm will come to *depend upon* these fees and thus allow poor accounting quality financial statements by these clients. As a result of this assertion and a number of widely-publicized audit failures at the turn of the century, the SEC-mandated disclosure of audit and NAS fees starting in 2000, and Congress proscribed some types of NAS for an audit client with passage of the Sarbanes-Oxley Act in 2002.

⁹ This *How* problem will be answered below by relating data access to *Why* and will also be discussed as part of outcome anticipation in Step III.

FIGURE 2
One-Page Title and Three-Paragraph Example

**Auditor Independence and Non-Audit Services:
 Was the U.S. Government Right?**

Does an audit firm's *dependence* on fees for non-audit services to an audit client result in reduced *financial reporting quality* by that client?

The answer is *important because* (a) the Sarbanes-Oxley Act of 2002 presumes so, banning some services to audit clients, and (b) some registrants now voluntarily restrict tax and other legally permitted services, and if the presumption is false, then banning or restricting such consulting services may reduce *financial reporting quality* and also raise assurance, consulting, and enforcement *costs*.

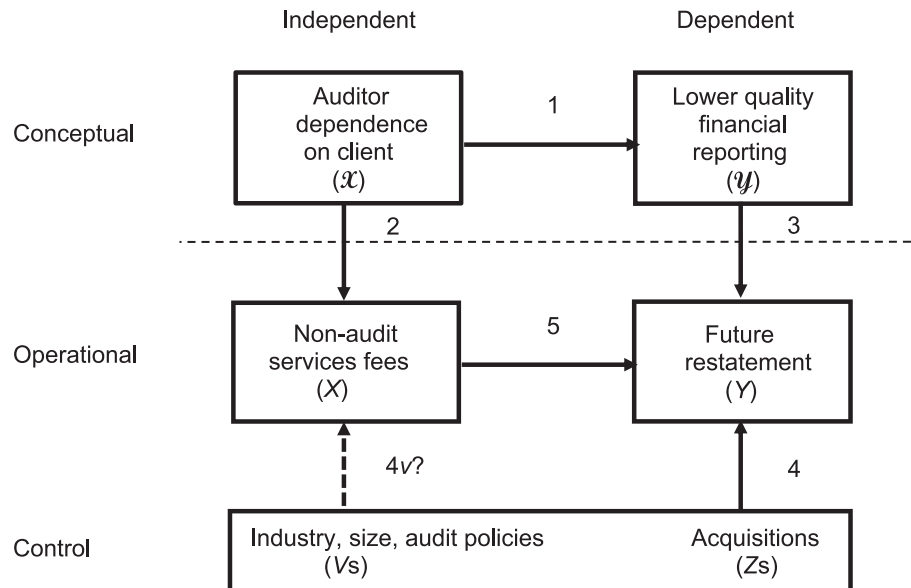
We will identify all SEC registrants whose 10-K filings from 1995-2000 are subsequently restated (i.e., were materially misstated at the time of filing) and match each of them with a registrant of about the same size, from the same industry, and audited by the same global audit firm, but that did not restate 10-K filings and we will note any acquisitions during the restated year. Confidential audit fees, audit-related fees, tax services fees, financial information system design and implementation fees, internal audit fees, and unspecified services fees will be obtained from large audit firms. We will use logistic regression to predict restatements among these filings and determine the sign of the correlation of various non-audit services fees with restatement where a positive coefficient would be consistent with audit firm *dependence* on the non-audit fees.

III. STEP II—PREDICTIVE VALIDITY TO ASSESS “WHAT, HOW”

When evaluating a manuscript for publication, scholarly reviewers typically make judgments about its “predictive validity.”¹⁰ You can anticipate what a reviewer might say about your finished research by parsing implications of your *What, Why, How* proposal. Specifically, you can judge how well you meet the five common aspects of predictive validity from [Runkel and McGrath \(1972\)](#), [Shadish et al. \(2002\)](#), [Libby \(1976\)](#), and [Libby \(1981\)](#). The basics are diagrammed in Figure 3.

¹⁰ Two leading sources say: “In predictive validity, you assess the operationalization’s ability to predict something it should theoretically be able to predict” ([Trochim and Donnelly 2008](#)), and somewhat more generally, “When we say something is valid, we make a judgment about the extent to which relevant evidence supports that inference as being true or correct” ([Shadish, Cook, and Campbell 2002](#)).

FIGURE 3
Threats to Validity—KPS Example



Here is a one-sentence summary of validity links implicit in the *What* and *How* paragraphs: It is “more believable” that the theoretical $\mathcal{X} \rightarrow \mathcal{Y}$ presumed in your *What* paragraph and your implicit X, Y, Vs , and Zs analysis from your *How* paragraph describe real-world behaviors, if these links are satisfied (listed in reverse order per Figure 3):

Link 5: X and Y are correlated, other things equal, (How)

Link 4: other-than- X causes of Y are accounted for/ruled out by research design (i.e., rule out $Vs \rightarrow Y$, or $Zs \rightarrow Y$, and $Y \rightarrow X$), (How)

Link 3: there is reason to believe Y reasonably measures \mathcal{Y} , (How, What)

Link 2: there is reason to believe X reasonably measures \mathcal{X} , and, (How, What)

Link 1: there is reason to believe that the $X \rightarrow Y \mid Vs, Zs$ result generalizes to other persons, times, and settings or $\mathcal{X} \rightarrow \mathcal{Y}$. (How)

These five validity links appear as the numbered arrows in Figure 3 and the KPS *What* and *How* provide an illustration for the links and boxes. The *Why* is not directly involved in validity analysis and will be further discussed in Step III.

The *What* paragraph defines link 1 and typically reflects the top (conceptual) row of Figure 3, the presumed cause and effect relation between abstract theoretical concepts or policy prescriptions ($\mathcal{X} \rightarrow \mathcal{Y}$). Because the relation is conceptual, its essence may apply to other real-world contexts, locations, and time periods. The generalizability of the relation to predict outcomes in other settings determines *external validity* (link 1 in Figure 3). Link 1 has two roles: initially, it describes the direction of causality predicted by the researcher’s theory or presumed by a policy setter, and after evaluating links 2–5, it addresses whether the association from link 5 can reasonably be extended to predict outcomes for other contexts.

The *Why* paragraph establishes the importance of connecting the concepts in *What* with their empirical operationalization in *How*, but is *not part* of predictive validity *per se*. The importance of research typically depends upon the real-world magnitude and/or sign of δ the true, but unknown, effect of X on Y as described in *How*. The estimate of δ is used to judge whether the presumed *What* relation ($\mathcal{X} \rightarrow \mathcal{Y}$), as shown as link 1 in the top (conceptual) row in Figure 3, is supported. We’ll elaborate on the role of δ and *Why* in Step III below.

The *How* paragraph ties the conceptual row to the operational and control rows in two steps. The first is whether the chosen measures of underlying concepts ($\mathcal{X} \rightarrow X$ and $\mathcal{Y} \rightarrow Y$) are reasonable, and labeled *Construct validity of the cause* (link 2) and *Construct validity of the effect* (link 3). The second, labeled *Internal validity* (link 4), is the degree to which Y is caused by X (or $X \rightarrow Y$) and not by something else. Timing of measurement may be a factor in internal validity—if Y is measured at $t = 1$ and X

is measured at $t=0$, then $Y_1 \rightarrow X_0$ may be ruled out by logic, as can effects of some other causes of Y_1 that occurred prior to $t=0$ (e.g., V_{-1}) or at $t=0$ (e.g., Z_0).¹¹

Finally, *statistical conclusion validity* (link 5) (Shadish et al. 2002) requires that you “do the statistics right” and includes the basis for your sample estimates of δ and σ . To summarize, if statistical requirements are met, X and Y are correlated as predicted by your theory ($\mathcal{X} \rightarrow \mathcal{Y}$), and links 1–4 seem reasonably valid, then belief in your theory is increased, other things equal.

The KPS proposal allows isolation of each of the five links to see whether the proposal, if fully implemented, would be judged to have reasonable predictive validity for each link.

External Validity (What)

The conceptual basis for prediction in KPS’s paragraph 1 is a presumed causal link between two *theoretical* constructs: \mathcal{X} , audit firm *dependence on consulting fees* from its audit clients causes lax audits that lower \mathcal{Y} , *financial reporting quality*. Such a link might generalize and apply to some other countries and audit firm services and to other three-party relationships such as appraiser, owner, and potential buyer—but seem unlikely to generalize beyond auditing and similar three-party services. Also, KPS did not elaborate the dependence concept or consider other theories that might explain the fee/quality correlation.

Construct Validity of Cause and Construct Validity of Effect (What and How)

The magnitudes of various NAS fees (X s) and financial restatements (Y) are chosen as measures of dependence (the conceptual cause) and financial reporting quality (the conceptual effect). As to cause, during the late 1990s, “lucrative consulting fees” were often mentioned by critics of audit firms and particularly by the SEC Chairman. For the effect, there are alternative empirical quality proxies, but restatements are the *only* publicly available large sample indicator for known accounting *misstatements* judged sufficiently “material” to require restatement of original filings. Thus, there is rather strong construct validity for both X and Y based on logical reasoning. Also, critics seem more likely to be convinced by empirical tests using these X and Y measures. In particular, a senior SEC official expressed to me a belief that increasingly large consulting fees were correlated with increases in restatements filed with the SEC.¹² The official said something like, “A professor should get *consulting fees from the firms* and compare *fees* with *restatements*—I believe they would find a positive correlation” (emphasis added). I knew Zoe-Vonna and Sue had collected a restatement database, so I agreed to ask the firms and we took the challenge.

This is about as good as it gets for construct validity regarding a policy matter *ex ante*. But success would be conditional on KPS defining and obtaining the fee data and, before 2000, there were no standardized fee data definitions and *no source* for NAS fees other than each individual audit firm. No fee data were required by the SEC, no *Audit Analytics*, and no agreement on NAS fee categories—so no standardized or observable X values!¹³ We had to define common fee categories and convince each audit firm to help us. We asked for confidential fees for audits and five categories of seemingly relevant non-audit services for audit clients we selected. To isolate the particularly contentious NAS, we defined audit-related, financial information systems design and implementation (FISDI), internal audit, tax, and “unspecified” services.¹⁴

When I asked each of the seven largest firms to make a substantial investment and increase their risk by providing specific and detailed confidential fee information for a large number of clients that we had identified, the responses across audit firms were almost identical. It was, essentially:

We don’t want to provide the data, but we will if all of the big firms are participating. We also want to know the answers and we know that releasing our fees to your team is the only way to get answers. We trust the research team not to break the client confidentiality agreement and we agree that we cannot constrain the research or its outcome.

¹¹ Link “4v” exceeds our scope (see Bonner 2008), but is a reminder to consider the question “How did the X accounting treatment get there?” For example, some prior V s may cause both X and Y to vary and affect interpretation of your results. Also, 4v highlights a distinction between experiments and archival studies. An experimenter may say, “I randomly assigned participants to the accounting treatments, so possible V effects are randomized and unlikely to affect my estimate of Y .” An archivist may have to consider modeling the X choice (link 4v) because it’s hard to argue that accounting methods are chosen randomly—and still argue that accounting choice is important.

¹² In contrast, some professors argued that tax consultations might lead to better audits and fewer restatements—and that buying consulting from their own audit firm might lower total costs.

¹³ Obtaining the newly defined confidential fees from the Big 5 audit firms was essential for KPS and suggests the need for “outcome anticipation” and a potential Stop Sign 3 to be discussed in Step III below.

¹⁴ In 2002, the Sarbanes-Oxley Act banned FISDI and internal audit services by audit firms to audit clients. In 2003, the SEC staff considered (but excluded) tax services from the list of additional audit firm services not allowed for a firm’s audit clients.

The firms were willing to incur the cost of retrieving fee amounts and accept the outcome risk *because* they believed that knowing the empirical answer from *How* would be in their interest and the interests of others. In other words, addressing the “*Why* important” question solved our data access problem—so *Why* was essential for proceeding with KPS.

Internal Validity (How)

Prior research had established that financial restatements ($Y = 1$) vary across registrant size, registrant industry, and audit firms, and also that a business acquisition is often accompanied by accounting mistakes that require a restatement. Because data were to be obtained from the audit firms, we first selected prior restatement firm-years and then matched each firm-year by year, industry, and audit firm to the non-restatement firm closest in total revenues (to equalize V s as best we could). To account for the acquisition effect, we noted acquisitions during the eventually restated year (our only Z).

Statistical Conclusion Validity (How)

The *sign* of the correlation between X for each NAS and Y is of interest and key to potential importance per *Why*. For each X , Y correlation, the related effect size δ , will be clearly (significantly) > 0 (as presumed by regulators), clearly < 0 (as proposed by some scholars), or, “can’t tell.” Any of the three statistical outcomes has an implication for whether banning the service might be desirable or perhaps of little importance.

Overall, KPS seems to have reasonable predictive validity for the audit policy question, but has limited external validity with respect to generalizing to other contexts. If your proposal’s *What*, *Why*, *How* does not support an expectation for reasonable predictive validity, then you may want to proceed to Stop Sign 2 and suspend project development until you can support it.

IV. STEP III—OUTCOME ANTICIPATION: IS THIS PROPOSAL A GOOD BET?

A well-worded *What*, *Why*, *How* proposal (Step I) and a reasonable predictive validity analysis (Step II) are good, but don’t mean that your research results will be deemed important by others or will go as planned. Taking a cautionary “let’s think about this” or “let’s think this through” moment to consider possible implementation results may lead to at least a temporary visit to Stop Sign 3 and save fruitless effort.¹⁵ In contrast to predictive validity for *What* and *How*, Step III relates to δ and the illusive *Why* important, and to possible implementation perils ahead for σ and n . Both threats affect whether the proposal is a good bet for your success.

Effect Size Matters

Probably the most common reason for not meeting the *Why* important objective is the likely “effect size” at the conceptual level ($\mathcal{X} \rightarrow \mathcal{Y}$) and at the operational level ($X \rightarrow Y$) when the null hypothesis that $\delta = 0$ cannot be rejected (i.e., the $1 - \alpha$ or $1 - \alpha/2$ confidence interval on δ includes 0).

Speaking intuitively, statistical test outcomes will depend on your sample estimates of δ and σ that connect X with Y , your n , and α —the (Type I error) risk that “when δ is ≤ 0 , a false theory that δ is > 0 will be supported by the data.” As the researcher, you are vitally interested in β , the (Type II error) risk that “when, consistent with your theory, the true δ is > 0 , the test statistic using the data and statistical methods you plan to use *will not reject* the false hypothesis that δ is ≤ 0 .” For a particular value of δ , say $\delta = \delta^*$, $\beta = f(\delta^*, \sigma, n, \alpha)$. Happily, you can make a “ball park” guess about the β you face by assuming a reasonable value for δ^* , and incorporating reasonable values for σ and n to be obtained from your research sample, and $\alpha = 0.05$.¹⁶ For many proposals, the approximate calculation will suggest the β you face is well above 0.60—usually not a good bet for the researcher.

I learned to recommend to students a “let’s think about this” moment to anticipate β for a particular proposed project in the 1990s. A first-year student, Sandeep Nabar, asked if I thought implementing his beginning research methods seminar *proposal* would yield a statistically significant positive stock price effect for a hypothesized financial reporting interaction. His conceptual reasoning was sound and the results might be statistically and economically important—if the interaction has a large pricing effect. We talked through likely outcomes and I said something like, “The true δ for the interaction is *probably* small, the σ based on market returns is large, and the available relevant sample size, n , is small—so you probably would not get

¹⁵ I learned to conduct cautionary thought experiments for *my own* work, after the third time a particularly thoughtful and caring colleague appeared at my door with a document I had written in hand and said, “Let’s think about this.” Evans, Feng, Hoffman, Moser, and Van der Stede (2015) also offer cautionary hints about frequently encountered research implementation problems.

¹⁶ You might choose the most likely value of δ , or be conservative and choose the smallest reasonable value, or even evaluate how big δ would have to be to yield a moderate β . Kinney (2018) provides more on the accounting researcher’s problem.

statistically significant results.” Much later, Sandeep brought a completed study to my office and said, “It didn’t work—how did you know?” I didn’t *know*, but the quick mental experiment suggested it probably wasn’t a good bet. Full implementation of a well-reasoned class project proposal reminded me that β really does matter, plus we can and should think ahead. So, thanks to Sandeep, I added *ex ante* outcome assessment to the research methods seminar topics.

Effect size estimates can also be statistically significant, but not economically or behaviorally important. This outcome can occur when n is huge, say $n > 25,000$, as occurs when archival financial data are aggregated over decades or jurisdictions, or perhaps an experiment when a large body of participants is available online. A huge n can make the $1 - \alpha/2$ lower confidence limit on δ lie above 0, so the null hypothesis is rejected. At the same time, the huge n may also cause the $1 - \alpha/2$ upper confidence limit to be *less than the smallest* δ that could be judged “important” or “material” in the real world. Thus, results are statistically significant, but not important—perhaps even trivial (see Ziliak and McCloskey [2008] for elaboration).

Unfortunately, most of us don’t think about likely values of β , δ , or σ *ex ante*—but nature does. For a scholarly researcher, everything but β is fixed or semi-fixed *ex ante* and journal editors effectively set $\alpha = 0.05$ or 0.10 . Most accounting researchers face a “small n ” due to lack of sufficient archival data or lack of a sufficient number of qualified participants for an experiment. And nature sets δ , which typically results in a “small δ ” for accounting researchers—because “how the accounting is done” is often a relatively small and second-order effect. Finally, because accounting deals with information, money, and self-interested players, accounting researchers face a “large σ ” arising from first-order business, regulatory, and other behavioral effects in accounting settings. This makes identification and thoughtful inclusion of multiple V s and Z s critical for reducing σ in accounting research studies.

Implementation Pitfalls

The second outcome risk to consider is practical problems arising when collecting and analyzing archival or experimental data that determine your significance test results. Specifically, your sample-based estimate of σ may be much larger or the available n much smaller than you had expected or were promised (the achieved n may even be 0).

If you need data or cooperation from firms or agencies, it helps to make clear to the data holders why it is important *to them* to let you have their data or access (with appropriate controls and boundaries). What’s in it for them? Your answer may come from the “*Why* important” part of your proposal and thinking hard about what, if anything, is in it for your benefactors. KPS used the public interest, the firms’ individual interests, and the *inability* of the firms or the government to do the research on their own.

Finally, there is a risk that your idea will be scooped—that someone else will have the same idea, use essentially the same model and data sources, and get on SSRN first. New data does attract researchers, but you can be creative in why and how you use it. The “getting scooped risk” is typically small—if you differentiate from other proposals *What* you are trying to find out conceptually and *How* you plan to do it, and also make clear your *Why* important message.

KPS Outcome Anticipation

Implementation results for KPS illustrate how a *What, Why, How* proposal changes to a *What, Why, What Found* completed paper. For example, the last two sentences of the proposal in Figure 2 might be replaced by:

For our sample of 432 matched pairs, we find no consistent association between FISDI or internal audit services *fees* and future *restatements*, but find some significant positive associations between unspecified services *fees* and *restatements* and find *consistently* significant negative associations between *tax services fees* and *restatements*. The significant associations are driven primarily by larger registrants.

The overall n is reasonably large, the firms did supply the requested fees for the registrants and time periods we selected, and the precision matching design reduced our estimate of σ by holding approximately constant several important factors known to affect the probability of material misstatements that later require restatement.

As to findings, the consistent negative correlations for analysis of tax services fees suggest that large tax services fees aren’t associated with lax financial reporting, and may even improve financial reporting quality, in addition to meeting tax advice needs.¹⁷ For audit-firm-provided FISDI and internal audit services, there is no consistent fee correlation in either direction and thus results are inconclusive as to effect direction. Finally, the “sometimes positive” correlation for “unspecified services” may be evidence that consulting fees for audit firm services—other than those that apply expertise in accounting,

¹⁷ It may also be the case that the observed negative association is due to the client hiring *any* outside tax experts for tax services, so that a lower restatement likelihood would be observed for, say, a Deloitte audit client who purchased tax advice from PricewaterhouseCoopers, other things equal. We could not rule out this competing explanation because tax services consulting fees were not (and are not today) publicly available.

internal auditing, tax, or financial information systems design and implementation—have some positive relation to poor financial reporting.

As to impact on the SEC, in 2003, the audit firms presented to the SEC staff a two-page synopsis of KPS's *What, Why, How* proposal with abbreviated results as support for the firms' position that the SEC should not restrict audit firms from providing tax advisory services to their own audit clients. As a result, tax consulting was excluded from the list of SEC-banned services for audit clients. None of the authors is aware of any subsequent calls by the SEC, Congress, or the PCAOB for bans on tax services for audit clients.

Finally, here are two limitations of KPS and one implication that should be noted in retrospect regarding effect size. First, KPS did not try to quantify the size of δ (i.e., the change in probability of restatement per dollar of NAS fees). This omission may have been misleading in that statistical significance is emphasized (Ziliak and McCloskey 2008) and the difference in the probability of material misstatement may have been of minor real-world importance. Also, KPS did not try to model or otherwise account for link 4v explaining why clients choose to buy NAS from their audit firm, which might change link 5 results.

V. PH.D. STUDENT EXPERIENCES WITH THE THREE STEPS

The reviewer suggested that first-hand accounts of former Ph.D. student experiences would be helpful for beginners and offered the first entry as an example. I agreed fully and asked several former students to recall their experiences from memory. All of them accepted.

Your Peers Can (and Will) Help You

In my very first semester I had to write one of Bill Kinney's famous "three paragraphs" for a research project. I was completely stumped on what to write about. I had recently read about "multidimensional scaling" and it sounded very cool to me, so I was attempting to connect this statistical method to anything I could think of in accounting, with little success. Bill kept sending my three paragraphs back covered with question marks. The other Ph.D. students—Judy Rayburn, S.P. Kothari, Charles Wasley, and Tom Omer, to name a few—would gather around and look at Bill's comments as if they were some sacred script that we had to decipher. We would collectively revise the document, and I would give it back to Bill, and it would return again with a new set of questions. Finally, after four or five rounds, I slid a revision under Bill's door while he was at lunch. The three paragraphs came back to me a few hours later with three words, "okay, do it," and a big footprint right in the middle of the page. The footprint spoke volumes, but so did all the high-fives all around in the Ph.D. offices when we collectively got me past my first "three paragraphs." (Russ Lundholm, <https://tippie.uiowa.edu/sidney-winter-lecture-series-Ph.D.-testimonials>)

In 1982, Russ's fellow students empathized with and helped him. They had different research methods, skills, and accounting areas, but everyone could help because the format is generalized.

Paragraph Order Can Matter—Research Jeopardy

In the early 1980s, Ph.D. student Dave Burgstahler and I were calculating confidence intervals on stock price surprises to estimate the size of "earnings surprises" that are reliably "material" to investors (our δ). In drafting the final version of our manuscript, I got frustrated trying to write an introduction by expanding our abstract, so I asked Dave to see what was wrong. In a few days he returned with a clear and convincing introduction. I asked how he did it and he said something like:

Our three paragraphs were jumbled and out of order in the abstract and as a result, we omitted some conceptual linkage and importance discussion. So I sorted them into *What Why How* order and added the missing elements.¹⁸
(Dave Burgstahler)

Dave demonstrated that the three paragraphs are a set and must be consistent with each other.

Our first pass abstract had a vague "why important" statement and used a common "Research Jeopardy" format that, like the television show, began with our empirically based answer rather than a statement of our conceptual question. In other words, we applied Figure 1's three essential questions in 3, 1, 2 order. This "Research Jeopardy" format is: "*If this is my*

¹⁸ I wrote this segment and confirmed most of it with Dave. Also, Dave's revision made our 1980s version tractable, but the referee still didn't see our question as being important so we went to Stop Sign 3—for 18 years. After the SEC chairman's 1998 *call for research on what is "material" to investors*, we updated our motivation and methods—including the "S-curve" (Freeman and Tse 1992), advanced data plotting, and a coauthor, Roger Martin. Kinney, Burgstahler, and Martin (2002) received an enthusiastic editor's report and the core question remains relevant today for accounting and auditing research, as well as practice, standard setting, and regulation.

(empirical) answer, then what was my (conceptual) question?” In “three-paragraph” form, the generic structure of “Research Jeopardy” is:

3. I *examine* the regression of [operational *Y*] on [operational *X*] and find significant positive correlation.
1. My results are *consistent with* [insert applicable label] theory that more [conceptual *X*] causes more [conceptual *Y*].
2. My findings have important [but unstated] implications for standards setters, regulators, and others.

What’s wrong with the “Research Jeopardy” format? Perhaps nothing—but it may also be risky, as Dave and I discovered in the early 1980s. You may have developed a theory before you chose the particular regression as the best way to test it. Also, your results may have huge and specific implications for others and you may explain all of these matters later in the paper. But in the “Research Jeopardy” format, these critical elements are left for the *reader* to locate or determine. Can you depend on your reader to be diligent and figure out what is missing in your answers to these common questions? Can you afford to take such chances?

You Can Help Yourself

When I first heard of the single page (double-spaced!) “What,” “Why,” and “How” research proposal for our research methods course, I felt like award-winner Rita Moreno, who once said something like, “I have to prepare a one-minute [acceptance] speech, which is hilarious. I’m Puerto Rican—I can’t even say *hello* in one minute!” I had to reprogram a “Spanish-thinking” brain to waste neither words nor space when expressing research ideas. Eventually, I did it. On proposal presentation day at our seminar’s end (and after multiple marked drafts), classmates Alicia Jackson, Shelley Rhoades, and Brian Spilker and I were nervously awaiting Bill when his assistant announced an hour’s delay. When Bill arrived, I volunteered to present first and *all of us* did remarkably well and were very pleased with ourselves. During that extra hour, we practiced our abstract presentations among ourselves and gave each other constructive critiques guided by the three paragraphs’ structure. Much later, while wrapping up my dissertation and Bill was teaching abroad, I decided to reread my drafts while asking myself “How would Bill react to this?” I found that I could readily slice, dice, and *fix* some of my own work—and pre-empt many of Bill’s comments. Powerful. (Sandra Vera-Muñoz)

You Can Help Each Other Get Started

In 2006, I agreed to present a *What, Why, How* session to a meeting of Tennessee and Kentucky Ph.D. students—if it could be followed by presentation of three or four Ph.D. student proposals to demonstrate how the exercise works. I was worried, of course, about failure to communicate and potential for student embarrassment. Here is one first-hand account:

As a doctoral student at The University of Tennessee, I was afforded the opportunity to write a three paragraph summary of my yet-to-be-proposed dissertation idea for potential inclusion in one of Bill Kinney’s sessions at the 2006 Kentucky-Tennessee Ph.D. Colloquium. During the session, I was chosen to present my idea. The only caveat was that I had to read my summary as it was written verbatim, and then wait. For a Ph.D. student, this was quite uncomfortable. My one-page summary was so general in nature that I felt it really didn’t describe my idea adequately. Moreover, the audience contained not only Bill but also Linda McDaniel, Joe Carcello, and Terry Neal (the latter two of whom would serve on my dissertation committee). This, however, was the beauty of Bill’s “scholarly improv” session. The information in the summary provoked the imaginations of a very research savvy audience and allowed Bill to use the Libby boxes to frame the research idea. This led to questions; lots of them and really good ones. Those questions forced me to adjust my idea on the fly, which prompted further questions and suggestions. In the end, the exchange of ideas led to a better, more focused research proposal that had a greater potential for successful publication.¹⁹ (Brian Carver)

The experience in Kentucky was so promising that I tried it again at the 2007 AAA Doctoral Consortium opening session. All students were asked to write a one page *What, Why, How* proposal and Marsha Keune’s was one selected for discussion.

At the 2007 Doctoral Consortium, Bill (and 84 other attendees in the opening session) applied the three-paragraph approach to one of my co-authored projects in the idea generation and planning stage. As the discussion began, I

¹⁹ Brian’s experience foreshadowed the success of the approach at the AAA Doctoral Consortium in 2007. And thanks to program co-chairs for 2013, Linda McDaniel and Teri Yohn, every Consortium student used the “Scholarly Improv” format to present a breakout session proposal. The 2013 exercise was repeated in 2014, 2015, and 2016.

questioned my decision to voluntarily submit our project for the exercise. Receiving and responding to comments from such a large group was challenging, and my co-author and I were eager to move our project forward as planned. However, the 15-minute exercise provided meaningful early feedback on the importance of our research question, which had a significant impact on the study's direction. One observation suggested that the study's conceptual independent measure of interest might have only a second-order effect on the conceptual dependent measure of interest. After the Consortium, my co-author and I reflected on the feedback and decided that our original question was not the most important question that we could examine. Accordingly, we modified the study's research question. The three-paragraph approach and the fifteen minutes of early feedback it provided were instrumental to the project's development, our ability to succinctly communicate its importance, and, ultimately, its publication. After experiencing the value, I have used it consistently to evaluate my own early-stage projects and encouraged Ph.D. students to do the same. (Marsha Keune)

Scholarly Improv Sessions Can Help

Appendix A provides presenter instructions and rules for “Scholarly Improv,” the 15- to 25-minute interactive improvisation exercise that Brian and Marsha experienced. You and your peers can do it without faculty help. You *read* your title and three structured paragraphs and then improvise answers to your peers' questions. You and your fellow students can help each other by writing and presenting research proposals limited to one page. The rules are *explicit* and *necessary* to keep *you* from wasting time with distractors. You'll be amazed how much you can learn by just listening and reacting. You set the discussion structure and boundaries. You'll learn what essentials are missing from your three-paragraph write up, sometimes discover fatal flaws, and find that much of your full page of text isn't needed to “tell your story and nothing more.” Plus, as others present, you'll learn how to quickly identify the research essentials while you help your peers. All are valuable.

Choose Words and Concepts Carefully, Then Repeat

I'll never forget feeling equal parts excitement and fear when Bill Kinney chose my draft dissertation abstract for a live workshop in front of the department. What I thought would be 30 minutes in the hot-seat was just the beginning of nine months of back and forth with Bill, developing and refining my dissertation idea via the three paragraphs. I was amazed to discover how changing just a few words (does it have to be IFRS or would any common accounting standard have the same effect?) substantially impacted the broadness of my research question, and therefore the contribution. At times I thought it would never end—and that I would never graduate—but I had to laugh when Bill finally conceded our editing had surpassed the point of diminishing returns. What I learned from this process dramatically impacted how I think about constructs, communicating research ideas, and evaluating a study's contribution. A bullet-form version of the abstract is always my first slide when presenting. I draft the three paragraphs before starting any project and, in many cases, it's enough to convince me to keep looking for the next paper idea! I am indebted to Bill Kinney and his process for teaching me how to think and write about research. (Lisa De Simone)

Think Through Research Outcomes and Help Others Help You

My advisor, Michelle Hanlon, encouraged me very early on in my Ph.D. program to use the “Kinney 3” format for research ideas. When I thought that I had a potentially interesting research question, I learned to write out the Kinney 3 before taking the idea to faculty. Several times, the process of attempting to write the three paragraphs resulted in a quick demise to the project, particularly if I couldn't succinctly convey the importance of the question or how it contributed to the academic literature. For those ideas for which I could complete the Kinney 3, I felt much better prepared to circulate the idea and elicit feedback; it signaled that I had spent time trying to think through the question myself, and I also received more detailed feedback because I had attempted to outline hypotheses, predictions, and a research design. While many ideas did not pan out, the Kinney 3 was an important step in my dissertation. I iterated the Kinney 3 paragraphs for my dissertation over and over again, until it turned into a short Introduction, and then an outline, and then the front end of the paper. At each step and with each iteration, my committee would provide comments that helped me to improve on both the idea and the exposition. The Kinney 3 remains an essential research tool that I use for every single paper idea, as it helps me to evaluate the potential contribution and the empirical research design of a research project. (Rebecca Lester)

VI. SOME HELPFUL HINTS

To close, here are three hints about how you as a beginning accounting researcher might “put it all together.” One hint is based on the Irish agricultural economics principle: “You get the *biggest* potatoes on the *first pass* through the field” (at least according to economist Frank O’Connor at Iowa). The idea is not to search for big potatoes *per se*, but to be mindful of potentially new *fields*—that may have big potatoes waiting to be found. One way to be mindful is monitoring changes in the accounting environment for new problem-based questions, along with new theories that might provide answers to accounting questions, and new methods and data to do your work. I’ve “found” new opportunities by observing and participating on AICPA, FASB, SEC, PCAOB, GAO, NACD, and IFAC programs, boards, councils, and task forces. Tracking activities of such groups can help you *because* they must deal with new and emerging accounting issues and problems—some of which are important—and you may have solutions.

Second, study Ball and Brown (2014), which provides a retrospective on events leading to Ball and Brown (1968) that revolutionized accounting research. It also demonstrates both headnotes to this Commentary. The two Ph.D. students adapted then-new market efficiency theory from finance and invented methods and operational measures to empirically test the information in accounting earnings. They refuted a null hypothesis reflecting 1960s theorists’ view that “financial statement information prepared under existing reporting rules is meaningless” and established a new δ to measure accounting earnings effect size that became known as “earnings surprise.” They clearly “change[d] the way informed and creatively skeptical people think about an accounting issue that is important to them or to others” per Maines, Salamon, and Sprinkle (2006) as cited above.

As to process per Kinney (1986), Ball and Brown (2014) discusses their 1968 *What, Why, How* thinking and construct validity of their new measures. They also anticipate the research outcome and the importance of belief in your own ideas: “if we had not rejected the null hypothesis, then most likely we would have believed there was something fundamentally wrong with our experimental design.” As to the editorial review process, they share initial rejection of the 1968 manuscript and the foresight of Editor Nick Dopuch. Finally, they articulate open and timeless empirical accounting questions that depend on δ , σ , and environmental changes that are awaiting study by 21st century scholars with new backgrounds, insights, and tools.²⁰ All good.

Last hint: to be successful today, you must explain to others—in writing—your new ideas about how (and why) the accounting world works. This Commentary’s reviewer said:

Benefits of the three-paragraph approach involve (1) effectively identifying which research projects are worth pursuing, (2) providing a lens to evaluate the strengths and weaknesses of a proposed research project, and (3) efficiently communicating a proposed research project to academic peers and mentors.

Completing the blanks in the example template presented in Step I above is one structured, systematic, and economical way to start the process.

Let’s think about this—let’s think this through.

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²⁰ Two personal notes. First, at the turn of the century, Ray Ball heard that KPS had unique fee data access and asked that we submit our results to the *Journal of Accounting Research*—my only editor’s request for a paper submission over my 50 years. Second, my dissertation at Michigan State (Kinney 1969) used a large retail chain’s quarterly sales by store to test a location potential model for evaluating store manager performance adapted from my agricultural statistics class at Oklahoma State. Again, new ideas and methods, relevant data access, and insight by the editor (Nick Dopuch) were vital to research success.

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APPENDIX A

Scholarly Improv Guide

Presenter: Write an informative title and your answers to the three universal questions. Make it fit on a single page (12-point font, double-spaced, and normal margins). Print it and share it.

This is *all* you get to write (and say)—until prompted by your audience (a full page has more words than you need, but your audience can help you reduce its length).

When it’s your turn, *read* your single page—and then STOP! Resist the temptation to tell how you got the idea or “provide some background on ____.” Let the audience *ask you* about what isn’t clear or needs to be explained to them (whatever else you say at the start will reduce time available to find out where your *written* proposal needs work).

Audience members: Your job is to give the presenter an informed “big picture” research reality check. Read and listen to the presenter’s title and three paragraphs. Does the proposal make sense overall? Is it complete as to *What Why How*, and are the parts internally consistent and clearly written? Do your own readings, courses, or experiences suggest additional concepts, factors, or considerations that might be relevant for the presenter? Speak up and share your thoughts. All will benefit.

Limits: Separate handouts or PowerPoint slides are *not allowed* (they reduce time for questions and detract from top/down essentials). Twenty minutes per presenter is usually adequate, but designate a time keeper to speak up after twenty-five minutes.

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