ACCT 9140- Capital Markets Research II
Spring 2024

Instructor	Ben Whipple	**Class time**	Thursday 1:00pm - 4:00pm
Email	bwhipple@uga.edu	**Location**	Correll 113
Office	A319 Moore-Rooker	**Office Hours**	By appointment
Phone	706-542-3615		

COURSE DESCRIPTION
Contemporary topics in accounting research.

PREREQUISITES
Permission of department

COURSE OBJECTIVES
The primary objective of this course is to enable you to develop research skills that are necessary to investigate research questions involving financial accounting information and the capital markets. Given that this is a second seminar in capital markets research, the focus of the seminar will change over time to reflect the most relevant current topics in capital markets research. We will achieve our objective by discussing research papers in capital markets-based research areas and by writing the front-end of an empirical research paper.

TOPICAL OUTLINE
This course is updated each time it is offered to reflect current research in the area. Students retaking the class will be exposed to new material each time. Topics may include, but are not limited to, the following:
1. Earnings and accounting numbers as information
2. Timeliness of financial reports
3. Conservative financial reporting
4. Voluntary disclosure of accounting information
5. Managerial discretion over financial reporting (earnings management)
6. The role of the auditor, board of directors, investors, financial analysts, creditors, etc.
7. Accounting information and ownership structure
8. The impact of financial reporting quality on corporate decisions
9. The use of accounting information in assessing management
10. Valuation of accounting information
11. Financial statement analysis
12. Earnings forecasting by analysts, investors, etc.
13. Investor trading on accounting information
14. Presentation of research ideas.

CLASS FORMAT

This course will be held in-person during the scheduled class times and attendance is required. We will typically discuss two papers each class. Read the assigned papers before class and be prepared to rigorously discuss and critique the papers in class. Think about the following questions:

1. What is the research question?
2. What concepts/theories do the authors use to motivate it?
3. Why is the research question interesting or important?
4. How does the paper fit into the existing literature?
5. Any concepts, theories, or institutional details unclear from the paper?
6. Are there well specified alternatives to the hypotheses being tested? How compelling is the intuition or logic used to develop the hypotheses?
7. What is the research design such as the sample selection and empirical method? Is the research design appropriate for the question being addressed? Does the design distinguish between alternative hypotheses? Are there alternative designs that could be used?
8. Any research design choices, measurement issues, etc., unclear from the paper?
9. What are the major results? How do the authors interpret the results? How do you interpret the results? Are the results consistent with theory or/and previous empirical studies?
10. Any unresolved research questions? Can they be investigated? How?

EVALUATION

Class participation and discussion	60%
Writing Project	15%
Final Exam	25%

Class participation and discussion
1. For each assigned paper, all students must prepare a written critique that addresses the above questions. Upload your critique to eLC by 5PM prior to class day.
2. Lead the discussion of the paper/critique for the assigned papers. The discussion should be thorough, rigorous and lively. You may use PowerPoint slides if you think it helps.
3. Actively participate in the discussions led by others.
   - Daily class participation will be evaluated based on the quantity and quality of comments or questions.
4. Please come prepared to at least discuss the introduction of the additional reading.

To find your "lead discussant" assignment, use the following key:

Matt Hall	MH
Collin Rabe	CR
Lynn Davis	LD
Hannah Dalthorp	HD
Jovan Johnson	JJ

Written Introduction Project
1. Prepare a written abstract and introduction to an anonymous published empirical-archival capital markets study assigned by the professor. This is an individual project and should

not be discussed between classmates. Also, please do not search for the paper, as the value comes from the anonymity of the manuscript. Please email me the following information based on the due dates below:

February 1 -- First draft of the abstract.
March 1 -- First draft of the introduction.
April 1 -- Second draft of the abstract and introduction.
April 28 -- Final abstract and introduction (after reviewing peer abstracts and introductions)

FINAL EXAM
I will administer a final exam consisting of certain essay questions. These questions will draw upon the papers covered in the course and focus on an understanding of the topical areas in these papers. We will discuss the requirements of the exam as we get closer to final exam week.

AI TECHNOLOGY
Unless explicitly stated, artificial intelligence-based technologies, such as ChatGPT, must not be used to generate or review responses for student assignments. Unauthorized use of artificial intelligence software or word mixing software to write your paper or disguise plagiarized work is considered unauthorized assistance in this course.

CHANGES TO THE SYLLABUS
The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

DISABILITY RESOURCES
Accommodations and access can be provided for people with disabilities. Please contact me for specific requests.

ACADEMIC INTEGRITY
As a University of Georgia student, you have agreed to abide by the University's academic honesty policy, "A Culture of Honesty," and the Student Honor Code. In particular, the honor code states: "I will be academically honest in all of my academic work and will not tolerate academic dishonesty of others." All academic work must meet the standards described in "A Culture of Honesty". The University's policy and procedures for handling cases of suspected dishonesty, can be found at www.uga.edu/ovpi. Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.

UGA WELL-BEING RESOURCES
UGA Well-being Resources promote student success by cultivating a culture that supports a more active, healthy, and engaged student community.

Anyone needing assistance is encouraged to contact Student Care & Outreach (SCO) in the Division of Student Affairs at 706-542-8479 or visit sco.uga.edu. Student Care & Outreach helps students navigate difficult circumstances by connecting them with the most appropriate resources

or services. They also administer the Embark@UGA program which supports students experiencing, or who have experienced, homelessness, foster care, or housing insecurity.

UGA provides both clinical and non-clinical options to support student well-being and mental health, any time, any place. Whether on campus, or studying from home or abroad, UGA Well-being Resources are here to help.

- Well-being Resources: well-being.uga.edu
- Student Care and Outreach: sco.uga.edu
- University Health Center: healthcenter.uga.edu
- Counseling and Psychiatric Services: caps.uga.edu or CAPS 24/7 crisis support at 706-542-2273
- Health Promotion/ Fontaine Center: healthpromotion.uga.edu
- Disability Resource Center and Testing Services: drc.uga.edu

Additional information, including free digital well-being resources, can be accessed through the UGA app or by visiting https://well-being.uga.edu.

DIVERSITY, EQUITY, AND INCLUSION
The Terry College of Business is committed to promoting an inclusive learning and working environment among its students, faculty, and staff. This class welcomes the open exchange of ideas and values freedom of thought and expression and provides a professional environment that recognizes the inherent worth of every person. It aims to foster dignity, understanding, and mutual respect among all individuals in the class.

Course Schedule

Date	Topic and Reading
1/11 Ben Ben	**Introduction & Overview Papers** Kothari and Wasley, 2019. Commemorating the 50-Year Anniversary of Ball and Brown (1968): The Evolution of Capital Market Research over the Past 50 Years. *Journal of Accounting Research*. Ball, 2023. By What Criteria Do We Evaluate Accounting? Some Thoughts on Economic Welfare and the Archival Literature. *Journal of Accounting Research*.
1/16 or 1/17 MH CR All	**Causality in Accounting Research** Gow, Larcker, and Reiss, 2016. Causal Inference in Accounting Research. *Journal of Accounting Research*. Armstrong, Kepler, Samuels, and Taylor, 2022. Causality Redux: The Evolution of Empirical Methods in Accounting Research and the Growth of Quasi-Experiments. *Journal of Accounting and Economics*. Leuz, 2022. Towards a Design-based Approach to Accounting Research (Discussion of Armstrong et al.). *Journal of Accounting and Economics.*
1/25 Bob Bob Bob	**Earnings Management and Earnings Quality (with Professor Bob Resutek)** Allen, Larson, and Sloan, 2013. Accrual Reversals, Earnings and Stock Returns. *Journal of Accounting and Economics*. Lewellen and Resutek, 2019. Why do Accruals Predict Earnings? *Journal of Accounting and Economics.* Dechow, Larson, and Resutek, 2022. The Effect of Accrual Heterogeneity on Accrual Quality Inferences. *The Accounting Review.* *Background/Other readings (not discussed in class)*: Dechow and Dichev, 2002. The Quality of Accruals and Earnings: The Role of Accrual Estimation Errors. *The Accounting Review*. Fairfield, Whisenant, and Yohn, 2003. Accrued Earnings and Growth: Implications for Future Profitability and Market Mispricing. *The Accounting Review.*

2/1 LD HD	**Earnings Properties** Ball and Nikolaev, 2022. On Earnings and Cash Flows as Predictors of Future Cash Flows. *Journal of Accounting and Economics*. Srivastava, 2023. Trivialization of the Bottom Line and Losing Relevance of Losses. *Review of Accounting Studies*. *Background/Other readings (not discussed in class)*: Chen, Schipper, and Zhang, 2022. Measuring Accounting Asset Informativeness. *The Accounting Review*. Gu, Lev, and Zhu, 2023. All Losses are Not Alike: Real vs Accounting-driven Reported Losses. *Review of Accounting Studies*.
2/8 JJ MH	**Social Media** Booker, Curtis, and Richardson, 2023. Investor Disagreement, Disclosure Processing Costs, and Trading Volume Evidence from Social Media. *The Accounting Review*. Campbell, DeAngelis, and Moon, Jr., 2019. Skin in the Game: Personal Stock Holdings and Investors' Response to Stock Analysis on Social Media. *Review of Accounting Studies*. *Background/Other readings (not discussed in class)*: Jame, Johnston, Markov, and Wolfe, 2016. The Value of Crowdsourced Earnings Forecasts. *Journal of Accounting Research*. Bartov, Faurel, and Mohanram, 2018. Can Twitter Help Predict Firm-Level Earnings and Stock Returns? *The Accounting Review*. Teoh, 2018. The promise and challenges of new datasets for accounting research. *Accounting, Organizations and Society*.
2/15 CR LD	**Textual Analysis (with Professor John Campbell)** Coleman, Merkley, and Pacelli, 2022. Human versus Machine: A Comparison of Robo-Analyst and Traditional Research Analyst Investment Recommendations. *The Accounting Review*. Cao, Jiang, Wang, and Yang, 2022. From Man vs. Machine to Man + Machine: The Art and AI of Stock Analyses. *Working paper*.

HD	Campbell, Ham, Lu, and Wood, 2023. Can Machine Learning predict Earnings better than Analysts? A Comprehensive Examination. *Working paper*. ***Background/Other readings (not discussed in class)*:** Bochkay, Brown, Leone, and Tucker, 2022. Textual Analysis in Accounting: What's Next? *Contemporary Accounting Research*.
2/22 JJ MH	**CSR/ESG** Fiechter, Hitz, and Lehmann, 2022. Real Effects of a Widespread CSR Reporting Mandate: Evidence from the European Union's CSR Directive. *Journal of Accounting Research*. Christensen, Serafeim, and Sikochi, 2022. Why is Corporate Virtue in the Eye of the Beholder? The Case of ESG Ratings. *The Accounting Review*. ***Background/Other readings (not discussed in class)*:** Christensen, Hail, and Leuz, 2021. Mandatory CSR and Sustainability Reporting: Economic Analysis and Literature Review. *Review of Accounting Studies*. Stuart, Koch, and Starks, L. 2021. Firms and Social Responsibility: A Review of ESG and CSR Research in Corporate Finance. *Journal of Corporate Finance*. Larcker and Watts, 2020. Where's the Greenium? *Journal of Accounting and Economics*. Thomas, Yao, Zhang, and Zhu, 2022. Meet, Beat, and Pollute. *Review of Accounting Studies*.
2/29 CR LD	**Auditing** Gipper, Hail, and Leuz, 2021. On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data. *The Accounting Review*. Arif, Kepler, Schroeder, and Taylor, 2022. Audit Process, Private Information, and Insider Trading. *Review of Accounting Studies*. ***Background/Other readings (not discussed in class)*:** DeFond and Zhang, 2014. A Review of Archival Auditing Research. *Journal of Accounting and Economics*.

	Aobdia, 2019. Do practitioner assessments agree with academic proxies for audit quality? Evidence from PCAOB and internal inspections. *Journal of Accounting and Economics*. Fedyk, Fedyk, Hodson, and Khimich, 2022. Is Artificial Intelligence Improving the Audit Process? *Review of Accounting Studies*.
3/14 HD JJ	**Information Processing** Blankespoor, deHaan, Zhu, 2018. Capital Market Effects of Media Synthesis and Dissemination: Evidence from Robo Journalism, *Review of Accounting Studies*. Blankespoor, deHaan, and Zhu, 2019. Why Do Individual Investors Disregard Accounting Information? The Roles of Information Awareness and Acquisition Costs. *Journal of Accounting Research*. *Background/Other readings (not discussed in class)*: Blankespoor, deHaan, and Marinovic, 2019. Disclosure Processing Costs, Investors' Information Choice, and Equity Market Outcomes: A Review. *Journal of Accounting and Economics*.
3/21 Kristen MH	**Innovation (with Professor Kristin Valentine)** Kim and Valentine, 2021. The Innovation Consequences of Mandatory Patent Disclosures. *Journal of Accounting and Economics*. Oswald, Simpson, and Zarowin, 2021. Capitalization vs. Expensing and the behavior of R&D expenditures. *Review of Accounting Studies*. *Background/Other readings (not discussed in class)*: Glaeser, 2018. The Effects of Proprietary Information on Corporate Disclosure and Transparency: Evidence from Trade Secrets. *Journal of Accounting and Economics*. Cao, Ma, Tucker, and Wan, 2018. Technological Peer Pressure and Product Disclosure. *The Accounting Review*. Glaeser and Lang, 2023. A Review of the Accounting Literature on Innovation. *Working Paper*.
3/28 Ben	**Non-GAAP Disclosure** Black, Christensen, Ciesielski, and Whipple, 2021. Non-GAAP Earnings: A Consistency and Comparability Crisis? *Contemporary Accounting Research*.

LD	Brown, Huffman, and Cohen, 2023. Accounting Reporting Complexity and Non-GAAP Earnings Disclosures. *The Accounting Review*. ***Background/Other readings (not discussed in class)*:** Bentley, Christensen, Gee, and Whipple: Disentangling Managers' and Analysts' Non-GAAP Reporting. *Journal of Accounting Research*. Black, Christensen, Ciesielski, and Whipple, 2018. Non-GAAP Reporting: Evidence from Academia and Current Practice. *Journal of Business, Finance, and Accounting*. Ashby, Chyz, Myers, and Whipple, 2024. Non-GAAP Earnings and Definite-Lived Intangible Asset Allocations in Mergers and Acquisitions. *The Accounting Review*, Forthcoming. Heflin, Tan, Ton, and Wang, 2024. Does Auditor Style Influence Non-GAAP Reporting. *Contemporary Accounting Research*, Forthcoming.
4/4 HD JJ	**Taxes and Financial Accounting (with Professor Erin Towery)** Chychyla, Falsetta, and Ramnath, 2022. Strategic Choice of Presentation Format: The Case of ETR Reconciliations. *The Accounting Review*. Beardsley, Mayberry, and McGuire, 2021. Street versus GAAP: Which Effective Tax Rate Is More Informative? *Contemporary Accounting Research*.
4/11 CR MH	**Methods 1** Jennings, Kim, Lee, and Taylor, 2023. Measurement Error, Fixed Effects, and False Positives in Accounting Research. *Review of Accounting Studies*. Barrios, 2021. Staggeringly Problematic: A Primer on Staggered DiD for Accounting Researchers. *Working Paper*. ***Background/Other readings (not discussed in class)*:** Breuer and deHaan, 2023. Using and Interpreting Fixed Effects Models. *Working Paper*. Callaway and Sant'Anna, 2021. Difference-in-Differences with Multiple Time Periods. *Journal of Econometrics*. Cohn, Liu, and Wardlaw, 2022. Count (and count-like) data in finance. *Journal of Financial Economics*.

4/18 HD JJ	**Shareholder Monitoring (with Professor Santhosh Ramalingegowda)** TBD TBD
4/25 LD CR	**Methods 2** McMullin and Schonberger, 2022. When Good Balance Goes Bad: A Discussion of Common Pitfalls When Using Entropy Balancing. *Journal of Financial Reporting*. Chen, Hribar, and Melessa, 2018. Incorrect Inferences When Using Residuals as Dependent Variables. *Journal of Accounting Research*. *Background/Other readings (not discussed in class)*: Whited, Swanquist, Shipman, and Moon, Jr, 2022. Out of Control: The (Over)use of Controls in Accounting Research. *The Accounting Review*. deHaan, Moon Jr., Swanquist, Shipman, and Whited, 2023. Control Variables in Interactive Models. *Journal of Financial Reporting*. Gassen and Veenman, 2023. Outliers and Robust Inference in Archival Accounting Research. *Working Paper*.
5/2	*Final Exam*