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Course Web Page: via Canvas (<http://canvas.utexas.edu/>)
Course Time and Location: To be decided

COURSE OBJECTIVES

This seminar focuses on experimental research in financial accounting, managerial accounting and auditing. By the end of the course, you should be better able to answer the following questions:

- What makes a good research question, at both a conceptual and operational level?
- What does “validity” mean in research? How is it established?
- What is the difference between a “main effect” and an “interaction”?
- How does one decide whether a research question is important?
- What are some key ethical issues in accounting research?
- What accounting issues are currently being addressed using experimental methods?
- What theories have accounting researchers drawn on to address these issues?
- When is experimentation an appropriate method to address an accounting research question?
- What can experimental design teach us about research using other methods?
- How has experimental accounting research influenced accounting policy making and practice?
- What are the greatest opportunities for future experimental research in accounting?

COURSE REQUIREMENTS

<i>Component</i>	<i>Percentage of Total Evaluation</i>
1. Pre-class summaries	15%
2. Participation in class	25%
3. Critique	10%
4. Review	10%
5. Research Proposal	20%
6. Final Exam	20%
TOTAL	100%

1. Pre-class summaries (15%)

Please complete a pre-class summary for each research paper before class (do not prepare these for background papers or other readings. A summary has two parts: “Libby Boxes” and “Kinney Three Paragraphs.” A template is attached to the syllabus and also available for download on Canvas. Please use only the space provided (one single-sided page for each part).

The purpose of these summaries is to help you identify the conceptual and operational research questions in each article, the importance of these questions, and how they are addressed. I have also asked you propose a possible extension that you can raise in class. Please note that you should work alone in preparing these pre-class summaries.

I will use your summaries to guide our in-class discussion, so summaries should be submitted to me by **9am** on class days.

2. Participation in class (25%)

This component includes both in-class presentations (“advocate” or “critic”) and your general participation in class.

In-class presentations

Beginning with Session 2, each session will include one or more background papers and several (usually three) research papers from the experimental literature in accounting. Although we will not cover the background papers in detail, please do read the background papers and bring any questions that you have about the background papers to class. For each research paper, one student will present the article as an *advocate* and one will present it as a *critic*.

Advocate: The advocate should do more than just summarize the article, as we should all have read and summarized it beforehand. That said, the advocate should start by summarizing the Libby Boxes for the article. In addition, the advocate should highlight the study’s *contribution* and why that contribution is important. Take the authors’ position and make the best possible case for the paper’s contribution.

Critic: The critic should point out the paper’s limitations, including limitations to the study’s incremental contribution and any validity threats. In developing these points, keep in mind that the goal is to provide constructive criticism, not merely to find fault. A constructive critic should suggest potential ways to address the concerns raised.

Outlines: All presenters (advocates and critics) should prepare an outline of for class distribution. These can be in any format you like (commonly bullet points or PowerPoint slides), but should be brief and to the point. Please bring enough hard copies for each seminar participant, plus a couple of extras for visitors.

Advice: Embrace your role. This approach only works when we see spirited views on both sides. Have fun and make your presentations interesting. If successful, the advocate and critic in combination should lead us to a balanced discussion of the strengths and weaknesses of each assigned article.

General Participation

This seminar succeeds with your active participation. I expect everyone to participate in the discussion of each article, whether or not you are assigned to present that article as its advocate or critic. Challenge the advocate and critic, making them defend their positions.

3. Critique (10%), DUE DATE

For this exercise, I will post a working paper (the same paper for everyone) and a detailed assignment with specific questions to answer in your critique. There is no specific length requirement, but I would expect good critiques to be 2,000-3,000 words. This will be good practice for the final exam for this class and the comprehensive exam that you will take at the end of your second year in the program.

See “*What is the difference between a critique and a review?*” below for more on this exercise.

4. Review (10%), DUE DATE

This exercise is designed to give you some practice with the editorial review process. First, read the two articles below (available on Canvas) for some guidance on doing a constructive review:

Oler, D. K., and W. R. Pasewark. 2016. How to review a paper. *Issues in Accounting Education* 31(2): 219-234.

Kachelmeier, S. J. 2004. Reviewing the review process. *Journal of the American Taxation Association* 2(Supplement): 143-154.

I will also post a couple of journal reviews that I have written as examples on Canvas.

After you read this background, find an accounting research working paper (using experimental methods) at www.ssrn.com. Use keywords to find a paper that looks like it would be of interest to you. Then download and read the paper you pick.

Your assignment is to write a review as if you were assigned to do so by an editor at a top accounting journal. As your pretend editor, I will not have read the paper beforehand, so your review must both summarize and evaluate the manuscript. You must submit the manuscript along with your review.

What is the difference between a critique and a review?

The main distinction between the critique and review exercises for this class is that the critique should be more detailed and comprehensive than a review.

The critique exercise is structured around specific questions related to (a) the independent and dependent variables at a conceptual and operational level (i.e., the Libby Boxes), (b) the paper’s motivation, (c) the theory and hypotheses, (d) the experiment’s design and data analyses, and (e) suggestions for improving the paper. This structure is designed to let you “show what you know,” and is therefore good practice for the final exam in this class and for the comprehensive exam. The closest real-world analog to a critique is probably a conference discussion (which are sometimes published for journal conferences), although the format for such discussions varies quite widely.

A review, on the other hand, is designed to help a journal editor or program coordinator for a conference decide whether to accept, reject or request a revision of a submitted paper. Therefore, a typical review includes a short summary of the paper's research question and results, but does not do a comprehensive analysis of the construct and operational level variables or discuss the research design in detail. Instead, most (good) reviews provide a short summary and overall evaluation of the paper, and then focus on specific concerns regarding motivation, contribution and/or validity, and how (or whether) those concerns can be addressed.

5. Research proposal and presentation (20%), DUE DATE

In addition to the objective of familiarizing you with the recent literature, there is also a *forward-looking* objective to this seminar, encouraging you to contemplate research needs and opportunities for the future. To achieve this objective, each student will submit an experimental research proposal. In approximately 4,000-5,000 words, your proposal should contain the following.

- Statement and motivation of the research question
- Theory
- Hypotheses
- Experimental design
- Plan of analysis

The key to a successful proposal is precision. Help the reader to see clearly what research question you are addressing, why that question is important to accounting, what hypotheses you predict and why, and how exactly you propose to carry out the experiment. Essentially, the requirement is to write the front end of a manuscript on an accounting experiment, without actually conducting the research. I am available for consultation as needed.

In addition to the written proposal, each student will present his or her research proposal to the class during the last class session. The format will be ten minutes for an uninterrupted presentation, followed by ten minutes of questioning from the audience. This will be great practice for presenting your research at conferences.

6. Final exam (20%) DATE

A final examination will reinforce the major points emphasized in this seminar. I will offer some guidance for preparation as the date approaches.

COURSE SCHEDULE

I have organized the course as follows:

Sessions 1-2: Background and fundamentals

Sessions 3-4: Testing a common theory in financial, managerial and audit research

Sessions 5-8: Experimental research in financial accounting

Sessions 9-11: Experimental research in managerial accounting

Sessions 12-14: Experimental research in auditing

A detailed schedule follows.

BACKGROUND AND FUNDAMENTALS (SESSIONS 1-2)

Session 1: Research fundamentals

Key reading for class discussions:

Chapters 1, 2 and 3 from Shadish, W.R., T.D. Cook and D.T. Campbell. 2002. *Experimental and Quasi-Experimental Designs for Generalized Causal Inference*. Boston: Houghton Mifflin Co.

NOTE: This is the only reading you will need to obtain on your own (I will post all other readings on Canvas). I recommend purchasing the book, as it is a great resource to have on your shelf. Earlier editions should be fine, including the 1979 edition by Cook and Campbell.

Kachelmeier, S. J. (with minor amendments by B. White). 2019. Research fundamentals. Notes prepared for this seminar.

Kinney, W. R. 2019. The Kinney three paragraphs (and more) for accounting PhD students. *Accounting Horizons*, in press.

Research paper:

Emett, S.A. 2019. Investor reaction to disclosure of past performance and future plans. *The Accounting Review*, in press.

Additional readings (good background but not for class discussion):

Bailey, C.D. 2015. Psychopathy, academic accountants' attitudes towards unethical research practices, and publication success. *The Accounting Review* 90 (4): 1307-1332.

Bell, T. B., T. J. Frecka, and I. Solomon. 1993. The relation between research productivity and teaching effectiveness: Empirical evidence for accounting educators. *Accounting Horizons* 7 (4): 33-49.

Bloomfield, R. 2015. How to Be a Good Professor. Working paper.

Bloomfield, R., M. W. Nelson, and E. Soltes. 2016. Gathering data for archival, field, survey, and experimental accounting research. *Journal of Accounting Research* 54 (2): 341-395.

Demski, J. S., and J. L. Zimmerman. 2000. On 'research vs. teaching': A long-term perspective. *Accounting Horizons* 14 (3): 343-352.

Oler, D. K., M. J. Oler, and C. J. Skousen. 2010. Characterizing accounting research. *Accounting Horizons* 24 (4): 635-670.

Salterio, S. E. 2014. We don't replicate accounting research – or do we? *Contemporary Accounting Research* 31 (4): 1134-1142.

Summers, S. L., and D. A. Wood. 2017. An evaluation of the general versus specialist nature of top accounting journals. *Accounting Horizons* 31 (2): 105-124.

Wood, D. A., 2016. Comparing the publication process in accounting, economics, finance, management, marketing, psychology, and the natural sciences. *Accounting Horizons* 30 (3): 341-361.

Session 2: Foundations of behavioral accounting research: economics and psychology

Background:

Haynes, C.M. and S.J. Kachelmeier. 1998. The effects of accounting contexts on accounting decisions: A synthesis of cognitive and economic perspectives in accounting experimentation. *Journal of Accounting Literature* 17: 97-136.

Libby, R., R. Bloomfield, and M.W. Nelson. 2002. Experimental research in financial accounting. *Accounting, Organizations and Society* 27: 775-810.

Kahneman, D. 2003. Maps of bounded rationality: Psychology for behavioral economics. *The American Economic Review* 93(5): 1449-1475.

Bazerman, M.H. and D. Molhotra. 2006. Economics Wins, Psychology Loses, and Society Pays. In *Social Psychology and Economics*, edited by David de Cremer, J. Keith Murnighan, and Marcel Zeelenberg, 263–280. Mahwah, NJ: Lawrence Erlbaum Associates.

Thaler, R.H. 2018. From cashews to nudges: The evolution of behavioral economics. *The American Economic Review* 93(5): 1265-1287.

Research papers:

Hobson, J.L. 2011. Do the benefits of reducing accounting complexity persist in markets prone to bubble? *Contemporary Accounting Research* 28(3): 957-989.

Elliott, W.B., S.D. Krische, and M.E. Peecher. 2010. Expected mispricing: The joint influence of accounting transparency and investor base. *Journal of Accounting Research* 48(2): 343-381.

TESTING A COMMON THEORY IN FINANCIAL, AUDIT AND MANAGERIAL ACCOUNTING (SESSIONS 3-4)

Session 3: Motivated reasoning

Background:

Kunda, Z. 1990. The case for motivated reasoning. *Psychological Bulletin* 108(3): 480-498.

Ditto, P.H., and D.F. Lopez. 1992. Motivated skepticism: Use of differential decision criteria for preferred and nonpreferred conclusions. *Journal of Personality and Social Psychology* 63(4): 568-584.

Research papers:

Hales, J. 2007. Directional preferences, information processing, and investors' forecasts of earnings. *Journal of Accounting Research* 45(3): 607-628.

Kadous, K., S.J. Kennedy, and M.E. Peecher. 2003. The effect of quality assessment and directional goal commitment on auditors' acceptance of client-preferred accounting methods. *The Accounting Review* 78(3): 759-778.

Taylor, W.B. 2010. The balanced scorecard as a strategy-evaluation tool: The effects of implementation involvement and a causal-chain focus. *The Accounting Review* 85(3): 1095-1117.

Session 4: Affect and emotion

Background:

Lerner, J.S., Y. Li, P. Valdesolo, and K.S. Kassam. Emotion and decision making. *Annual Review of Psychology* 66(1): 799-823.

Research papers:

Frank, M.L., and V.B. Hoffman. 2015. How audit reviewers respond to an audit preparer's affective bias: The ironic rebound effect. *The Accounting Review* 90(2): 559-577.

Hobson, J.L., W.J. Mayew, and M. Venkatachalam. 2012. Analyzing speech to detect financial misreporting. *Journal of Accounting Research* 50(2): 349-392.

Farrell, A.M., J.O. Goh, and B.J. White. 2014. The effect of performance-based incentive contracts on system 1 and system 2 processing in affective decision contexts: fMRI and behavioral evidence. *The Accounting Review* 89(6): 1979-2010.

EXPERIMENTAL RESEARCH IN FINANCIAL ACCOUNTING (SESSIONS 5-8)

Session 5: Policy-oriented research in financial accounting (and tax)

Background:

Barth, M.E. 2015. Financial accounting research, practice, and financial accountability. *ABACUS* 51(4): 499-510.

Kachelmeier, S.J, and R.R. King. 2002. Using laboratory experiments to evaluate accounting policy issues. *Accounting Horizons* 16(3): 219-232.

Schipper, K. 1995. Academic accounting research and the standard setting process. *Accounting Horizons* 8(4): 61-73.

FASB webpage for academics (<https://www.fasb.org/academics>)

IASB webpage for academics (<https://www.ifrs.org/academics/>)

Research papers:

Cade, N.L., L. Koonce, and K.I. Mendoza. 2019. Assets and liabilities: When do they exist? *Contemporary Accounting Research*, in press.

Koonce, L., Z. Leitter, and B.J. White. 2019. Linked balance sheet presentation. *Journal of Accounting and Economics*, forthcoming.

Falsetta, D., T.J. Rupert, and A.M. Wright. 2013. The effect of timing and direction of capital gain tax changes on investment in risky assets. *The Accounting Review* 88(2): 499-520.

Session 6: Presentation effects in financial reporting

Background:

Libby, R.L., and S.A. Emett. 2014. Earnings presentation effects on manager reporting choices and investor decisions. *Accounting and Business Research* 44(4): 410-438.

Research papers:

Hopkins, P.E. 1996. The effect of financial statement classification of hybrid financial instruments on financial analysts' stock price judgments. *Journal of Accounting Research* 34(Supp): 33-50.

Clor-Proell, S., L. Koonce, and B.J. White. 2016. How do experienced users evaluate hybrid financial instruments. *Journal of Accounting Research* 54(5): 1267-1295.

Clor-Proell, S., and L.A. Maines. 2014. The impact of recognition versus disclosure on financial information: A preparer's perspective. *Journal of Accounting Research* 52(3): 671-701.

Session 7: Linguistic characteristics of corporate disclosures

Background:

Lipe, M.G. 2018. Unpacking the disclosure package: Using experiments to investigate investor reactions to narrative disclosures. *Accounting, Organizations and Society*. 68-69(July): 15-20.

Research papers:

Hales, J., X. Kuang, and S. Venkataraman. 2011. Who believes the hype? An experimental examination of how language affects investor judgments. *Journal of Accounting Research* 49(1): 223-255.

Asay, H.S., R. Libby, and K. Rennekamp. 2018. Firm performance, reporting goals, and language choices in narrative disclosures. *Journal of Accounting and Economics* 65: 380-398.

Tan, H-T, E.Y. Wang, and G-S Yoo. 2019. Who likes jargon? The joint effect of jargon type and industry knowledge on investors' judgments. *Journal of Accounting and Economics*, in press.

Session 8: Corporate social responsibility

Background:

Christensen, H.B., L. Hail and C. Leuz. 2018. Economic Analysis of Widespread Adoption of CSR and Sustainability Reporting Standards. Working Paper. Available at: <https://ssrn.com/abstract=3315673>

Research papers:

Elliott, W.B., K.E. Jackson, M.E. Peecher and B.J. White. 2014. The unintended effect of corporate social responsibility performance on investors' estimates of fundamental value. *The Accounting Review* 89(1): 275-302.

Martin, P.R. and D.V. Moser. 2016. Managers' green investment disclosures and investors' reaction. *Journal of Accounting and Economics* 61:239-254.

Elliott, W.B., S.M. Grant and K.M. Rennekamp. 2017. How disclosure features of corporate social responsibility reports interact with investor numeracy to influence investor judgments. *Contemporary Accounting Research* 34(3): 1596-1621.

EXPERIMENTAL RESEARCH IN MANAGERIAL ACCOUNTING (SESSIONS 9-11)

Session 9: Incentives and controls

Background:

Bonner, S.E., and G. B. Sprinkle. 2007. The effects of monetary incentives on effort and task performance: theories, evidence, and a framework for research. *Accounting, Organizations and Society* 27: 303-345.

Research papers:

Kelly, K., A. Presslee, and R.A. Webb. 2017. The effects of tangible rewards versus cash rewards in consecutive sales tournaments: A field experiment. *The Accounting Review* 92(6): 165-185.

Choi, J., G. Hecht, I.D. Tafkov and K.L. Towry. 2016. Vicarious learning under implicit contracts. *The Accounting Review* 91(4): 1087-1108.

Haesebrouck, K., M. Cools, and A. Van den Abbeele. 2018. Status differences and knowledge transfer: The effect of incentives. *The Accounting Review* 93(1): 213-234.

Session 10: Measuring and motivating creativity

Background:

Byron, K. and S. Khazanchi. 2012. Rewards and creative performance: A meta-analytic test of theoretically derived hypotheses. *Psychological Bulletin* 138(4): 809-830.

Research papers:

Bruggen, A., C. Feichter, and M.G. Williamson. 2018. The effect of input and output targets for routine tasks on creative task performance. *The Accounting Review* 93(1): 29-43.

Kachelmeier, S.J., L.W. Wang, and M.G. Williamson. 2018. Incentivizing the creative process: From initial quantity to eventual creativity. *The Accounting Review* 94(2): 249-266.

Cools, M., K. Stouthuysen, and A. Ven den Abbeele. 2017. Management control for stimulating different types of creativity. *Journal of Management Accounting Research* 29(3): 1-21.

Session 11: Performance measurement and feedback

Background:

Hannan, R. L., R. Krishnan, and A. H. Newman. 2008. The effects of disseminating relative performance feedback in tournament and individual performance compensation plans. *The Accounting Review* 83(4): 893-913.

Choi, J., G. W. Hecht, and W. B. Tayler. 2012. Lost in translation: The effects of incentive compensation on strategy surrogation. *The Accounting Review* 87(4): 1135-1163.

Research papers:

Chan, E.W. 2018. Promotion, relative performance information, and the Peter Principle. *The Accounting Review* 93(3): 83-103.

Loftus, S. and L.J. Tanlu. 2018. Because of “because”: Examining the use of causal language in relative performance feedback. *The Accounting Review* 93(2): 277-297.

Bentley, J. 2018. Decreasing operational distortion and surrogation through narrative reporting. *The Accounting Review*, in press.

EXPERIMENTAL RESEARCH IN AUDITING (SESSIONS 12-14)

Session 12: Auditor judgment quality

Background:

Griffith, E.E., K. Kadous, and D. Young. 2016. How insights from the “new” JDM research can improve auditor judgment: Fundamental research questions and methodological advice. *Auditing: A Journal of Practice & Theory* 35(2): 1-22.

Research papers:

Bonner, S., T. Majors, and S. Ritter. 2018. Prepopulating audit workpapers with prior year assessments: Default option effects on risk rating accuracy. *Journal of Accounting Research* 56(5): 1453-1481.

Bennett, G.B., and R.C. Hatfield. 2018. Staff auditors’ proclivity for computer-mediated communication with clients and its effect on skeptical behavior. *Accounting, Organizations and Society* 68-69(July): 42-57.

Asay, H.S., T. Brown, M.W. Nelson, and T.J. Wilks. 2017. The effects of out-of-regime guidance on auditor judgments about appropriate application of accounting standards. *Contemporary Accounting Research* 34(2): 1026-1047.

Session 13: Advice and tacit knowledge

Background:

Yaniv, I. 2004. Receiving Other People’s Advice: Influence and Benefit. *Organizational Behavior and Human Decision Processes* 93 (2004): 1–13.

Tan, H-T, and R. Libby. 1997. Tacit managerial versus technical knowledge as determinants of audit expertise. *Journal of Accounting Research* 35(1): 97-113.

Research papers:

Bol, J., C. Estep, F. Moers, and M. Peecher. 2018. The Role of Tacit Knowledge in Auditor Expertise and Human Capital Development. *Journal of Accounting Research* 56 (4): 1205-1252.

Kadous, K., J. Leiby, and M. Peecher. 2013. How do auditors weight informal contrary advice? The joint influence of advisor social bond and advice justifiability. *The Accounting Review* 88(6): 2061-2087.

Knechel, W.R. and J. Leiby. 2016. If you want my advice: Status motives and audit consultations about accounting estimates. *Journal of Accounting Research* 54(5): 1331-1363.

Session 14: Auditing complex estimates

Background:

Barth, M.E. 2006. Including estimates of the future in today's financial statements. *Accounting Horizons* 20(3): 271-285.

Research papers:

Griffith, E.E., J.S. Hammersley, K. Kadous, and D. Young. 2015. Auditor mindsets and audits of complex estimates. *Journal of Accounting Research* 53(1): 49-77.

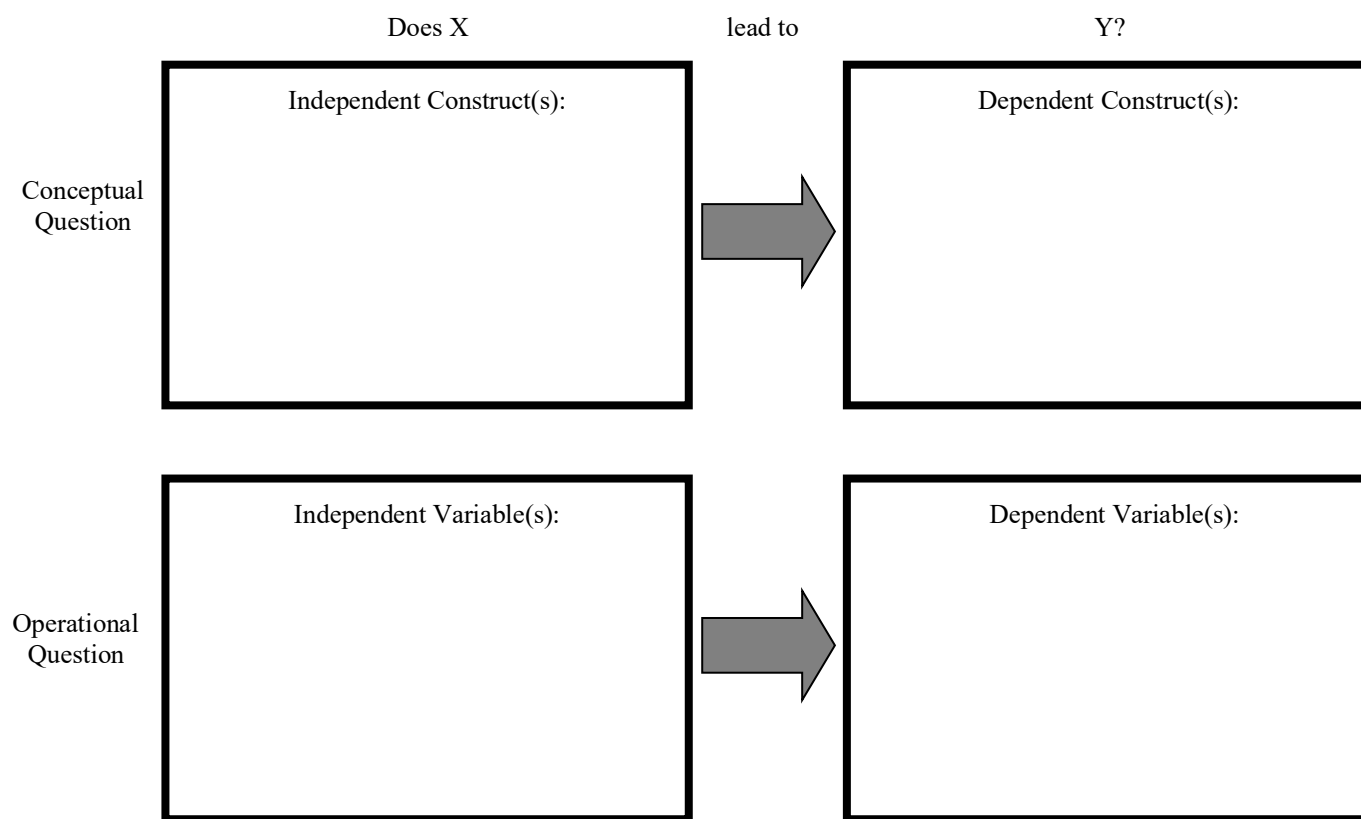
Kachelmeier, S.J., D. Rimkus, J.J. Schmidt, and K. Valentine. 2019. The forewarning effect of critical audit matter disclosures involving measurement uncertainty. Conditionally accepted at *Contemporary Accounting Research*.

Griffith, E.E., K. Kadous, and D. Young. 2019. Conditions for high-quality complex audit judgments: When are interventions needed? Working paper.

Session 15: Research presentations

Predictive Validity Framework (“Libby Boxes”)

Your Name: _____ **Article Reference:** _____



Moderating variable(s), if any _____

Mediating variable(s), if any _____

Describe at least one possible extension of this article (preferably including proposed DVs and IVs):

[illegible]

- 1) What is the research question? If you think the authors state a different research question than what they are actually answering, then you should say that.
- 2) Why is it important? This should be YOUR evaluation, not just reiterating what the authors say. Does the paper contribute something that they don't mention? How does the paper fit in with what's been done before?
- 3) How is the research question addressed? Describe (briefly) the critical design choices.