



**BUSINESS SCHOOL**

## **Course Outline 2017**

### **ACCTG 771 ACCOUNTING INFORMATION AND CAPITAL MARKETS**

#### **Semester 2 (1175)**

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#### **Course Prescription**

This paper examines the relation between financial accounting information and capital markets. It considers how accounting information is packaged and communicated to investors. Topics include management's communication with investors, financial analysts, international issues, the business press, and trust.

#### **Goals of the Course**

Objectives of this paper are to:

- Gain an awareness of the different types of research about accounting information and capital markets
- Learn how to read and evaluate academic accounting studies
- Develop a better understanding of the research process.

#### **Learning Outcomes**

At the end of the course, the student should be able to:

- Identify and describe different types of research about accounting information and capital markets
- Read an accounting research article and be able to explain it and critique it
- Identify and discuss examples of recent financial accounting research
- Complete a project in the area of accounting information and capital markets.

#### **Content Outline**

See Readings and Seminar Schedule below.

#### **Learning and Teaching**

This course will be delivered at the City Campus and a seminar format will be utilized. As a result, student involvement is essential. Students will make presentations and will be involved in class discussions. Students are required to read all articles whether presenting or not. Participation will be assessed, and attendance is mandatory.

Instructor:

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## Learning Resources

All required readings will be provided.

## Assessment

The final grade will be determined as follows:

Seminar presentation <sup>1</sup>	15%
Class participation <sup>2</sup>	25%
Project <sup>3</sup>	20%
Final examination <sup>4</sup>	<u>40%</u>
	100%

<sup>1</sup> Each student will present one paper during the semester. Each presentation should last between 25-30 minutes. In the presentation, the student should provide an overview of the study. Each student should discuss the:

- 1/ research question,
- 2/ motivation and contribution,
- 3/ literature review,
- 4/ conceptual model and hypotheses,
- 5/ research design including the sample, variables, and methods of analysis,
- 6/ results,
- 7/ conclusion, and
- 8/ strengths/weaknesses of the paper.

The presentation will be assessed on the content (scope and depth of coverage of the items listed above), explanation (ability to clearly explain the material), and presentation (organisation, visual aids, communication skills, time management). A *'good' presentation is one where the presenter explains the paper in his/her own words and adds value by helping the class to better understand the study. A presentation that involves re-reading substantial parts of the assigned article is not acceptable.* Slides that are creative both in terms of what information is presented and how it is shown (e.g., how much on each slide, use of diagrams or figures) are an integral part of a 'good' presentation.

Presentations that exceed 30 minutes will be penalized. As it is unlikely that you will be able to cover every aspect of the paper in 30 minutes, you will need to decide on which points to emphasize. Presentation slides should be emailed to the instructor by 12 noon on the day prior to your presentation. You should also bring sufficient copies to distribute in class.

<sup>2</sup> Class participation will be based on the quality and quantity of the student's verbal interactions. Students should be able to participate in general discussions, e.g., asking/answering questions, discussing the paper's strengths and weaknesses. Attendance at the seminars is compulsory and will not be considered in evaluating class participation.

<sup>3</sup> The requirements for the project will be distributed after the semester break.

<sup>4</sup> The final examination will be a 40 mark two-hour open book exam.

▪ **Readings and Seminar Schedule**

**Seminar 1                    3 August**

Topic: Management's communication with investors

Drake, M., Roulstone, D., Thornock, J. 2012. Investor information demand: Evidence from Google searches around earnings announcement. *Journal of Accounting Research* 50, 1001-1040.

Blankespoor, E., Miller, G., White, H. 2014. The role of dissemination in market liquidity: Evidence from firms' use of Twitter. *The Accounting Review* 89, 79-112.

**No class                    10 August**

**Seminar 2                    17 August**

Topic: Management's communication with investors

Huang, X., Teoh, S., Zhang, Y. 2014. Tone management. *The Accounting Review* 89, 1083-1113.

Lundholm, R., Rogo, R., Zhang, J. 2014. Restoring the tower of Babel: How foreign investors communicate with US investors. *The Accounting Review* 89, 1453-1485.

**Seminar 3                    24 August**

Topic: Management's communication with investors

Larcker, D., Zakolyukina, A. 2012. Detecting deceptive discussions in conference calls. *Journal of Accounting Research* 50, 495-540.

Kimbrough, M., Wang, I. 2014. Are seemingly self-serving attributions in earnings press releases plausible? Empirical evidence. *The Accounting Review* 89, 635-667.

**Seminar 4                    31 August**

Topic: International issues

Chen, L., Khurana, I. 2015. The impact of eliminating the form 20-F reconciliation on shareholder wealth: Evidence from US cross-listed firms. *The Accounting Review* 90, 199-228.

Hong, H., Hung, M., Lobo, G. 2014. The impact of mandatory IFRS adoption on IPOs in global capital markets. *The Accounting Review* 89, 1365-1397.

**Semester Break        7, 14 September**

**Seminar 5                    21 September**

Topic: International issues

Yu, G., Wahid, A. 2014. Accounting standards and international portfolio holdings. *The Accounting Review* 89, 1895-1930.

Ramanna, K., Sletten, E. 2014. Network effects in countries' adoption of IFRS. *The Accounting Review* 89, 1517-1543.

**Seminar 6                    28 September**

Topic: Financial analysts

Jung, M., Wong, M., Zhang, X. 2015. Analyst interest as an early indicator of firm fundamental changes and stock returns. *The Accounting Review* 90, 1049-1078.

Kirk, M., Reppenhagen, D., Tucker, J. 2014. Meeting individual analyst expectations. *The Accounting Review* 89, 2203-2231.

**Seminar 7                      5 October**

Topic: Financial analysts

Billings, B., Buslepp, W., Huston, G. 2014. Worth the hype? The relevance of paid-for analyst research for the buy-and-hold investor. *The Accounting Review* 89, 903-931.

Huang, A., Zang, A., Zheng, R. 2014. Evidence on the information content of text in analyst reports. *The Accounting Review* 89, 2151-2180.

**No class                      12 October**

**Seminar 8/9                      19 October**

Topic: Business press

Drake, M., Guest, N., Twedt, B. 2014. The media and mispricing: The role of the business press in the pricing of accounting information. *The Accounting Review* 89, 1673-1701.

Dai, L., Parwada, J., Zhang, B. 2015. The governance effect of the media's news dissemination role: Evidence from insider trading. *Journal of Accounting Research* 53, 331-366.

Cahan, S., Chen, C., Chen, L., Nguyen, N. 2015. Corporate social responsibility and media coverage. *Journal of Banking and Finance* 59, 409-422.

**Seminar 10                      26 October**

Topic: Trust

Garrett, J., Hoitash, R., Prawitt, D. 2014. Trust and financial reporting. *Journal of Accounting Research* 52, 1087-1125.

Prevzner, M., Xie, F., Xin, X. 2015. When firms talk, do investors listen? The role of trust in stock market reactions to corporate earnings announcements. *Journal of Financial Economics* 117, 190-223.