## University of Arizona

Eller School of Management

PhD Seminar in Financial Accounting – ACCT 682

Spring 2019

Prof. Rick Mergenthaler

## Course Objectives

The objective of this course is to help you learn to critically evaluate and conduct empirical research. More specifically, this course will help you develop:

1. An appreciation for the role of theory in empirical research
2. An understanding of the common research designs used in accounting and finance
3. The necessary skills needed to design and conduct empirical research
4. The necessary skills needed to identify and complete a research paper that can be published in top-tier accounting journals.
5. **Course Materials**

The list of papers we will discuss is provided below. In addition, you will need to refer to “Positive Accounting Theory” by Watts and Zimmerman.

1. **Class Format**

This course will be conducted in a seminar format. Therefore, you will be expected to thoroughly read and understand all aspects of the lead papers assigned including: the introduction, the hypothesis development, the research design, the empirical results and econometric techniques, and the conclusion of each paper. If you do this, you will be ready to actively participate in class. You are expected to actively participate every day where the conversation about the papers is evenly split among the seminar participants regardless of who leads the class. This will require you to plan ahead so you can manage the ebbs and flows of your schedule.

We meet once per week, every Wednesday from 1:00 p.m. – 4:00 p.m. I will split each class into two sessions (1:00 p.m. – 2:20 p.m. and 2:40 p.m. to 4:00 p.m.). Each session will cover two papers where the bulk of the time will be spent on the “lead” paper. The lead paper will be listed first in the syllabus. You will be expected to read every detail of the lead paper (each section, each footnote, and thoroughly understand each table in the paper). You will also be expected to understand or attempt to understand econometric techniques used in the papers we read. If you do not understand an econometric technique, use your econometric textbooks, articles written on the web, or fellow Ph.D. students and faculty to better understand each paper.

When you lead a session discussion, you will be required to provide a handout that will help you and other class participants review the paper. We will assign session leaders in the first week of the class.

Below are some useful questions you may want to answer as you read each paper.

1. What is the research question/hypothesis?
2. What is the motivation for the research question? Is it interesting? Also, who is the target audience – academics, practitioners, standard setters?
3. What is the research design? Consider the sample (firms, time period, data requirements, etc.), the model (is there a succinct analytical model which motivates the design?), and econometric methods.
4. What are the major results?
5. Does the paper adequately answer the research question? What are the major strengths and weaknesses of the study?

6. Are the authors’ conclusions supported by the evidence?

7. What questions or issues are left unresolved, and perhaps warrant further investigation?

1. **Evaluation**

Your grade will be determined as follows:

Percent of Grade Component

5% Research Question/What Why How

15% Performance as a Discussion leader

15% Class participation on days you are not a discussion leader

20% Final examination

20% Paper review

20% Research proposal

Each class session, you will turn in one research idea (two per class day). I will provide my feedback on each idea the next class. Using those ideas as a base, you will be required to complete five one page what/why/hows by March 6th. Your research proposal will be due on the last day of class and should be between 5 and 10 pages in length. Your final exam and paper review will be completed during final exam week.

**Session 1, Friday January 18**

Kothari, S. P. "Capital markets research in accounting." *Journal of accounting and economics*31, no. 1-3 (2001): 105-231.

Lee, Charles MC. "Market efficiency and accounting research: a discussion of ‘capital market research in accounting’by SP Kothari." *Journal of Accounting and Economics* 31, no. 1-3 (2001): 233-253.

**Session 2, Friday January 18**

Ball, Ray, and Philip Brown. "An empirical evaluation of accounting income numbers." *Journal of accounting research* (1968): 159-178.

Beaver, William H., Roger Clarke, and William F. Wright. "The association between unsystematic security returns and the magnitude of earnings forecast errors." *Journal of accounting research*(1979): 316-340.

**Session 3, Friday January 25**

Beaver, William H. "The information content of annual earnings announcements." *Journal of accounting research* (1968): 67-92.

Patell, James M. "Corporate forecasts of earnings per share and stock price behavior: Empirical test." *Journal of accounting research* (1976): 246-276.

**Session 4, Friday January 25**

Brown, Stephen J., and Jerold B. Warner. "Using daily stock returns: The case of event studies." *Journal of financial economics* 14, no. 1 (1985): 3-31.

Kothari, S. P., and Jerold B. Warner. "Econometrics of event studies." *Handbook of empirical corporate finance* 1 (2007): 3-36.

**Session 5, Friday February 1**

Kormendi, Roger, and Robert Lipe. "Earnings innovations, earnings persistence, and stock returns." *Journal of business* (1987): 323-345.

Collins, Daniel W., and S. P. Kothari. "An analysis of intertemporal and cross-sectional determinants of earnings response coefficients." *Journal of accounting and economics* 11, no. 2-3 (1989): 143-181.

**Session 6, Friday February 1**

Kothari, Stephen P., and Richard G. Sloan. "Information in prices about future earnings: Implications for earnings response coefficients." *Journal of Accounting and Economics* 15, no. 2-3 (1992): 143-171.

Lundholm, Russell, and Linda A. Myers. "Bringing the future forward: the effect of disclosure on the returns‐earnings relation." *Journal of Accounting Research* 40, no. 3 (2002): 809-839.

**Session 7, Friday February 6**

Holthausen, Robert W., and Ross L. Watts. "The relevance of the value-relevance literature for financial accounting standard setting." *Journal of accounting and economics* 31, no. 1-3 (2001): 3-75.

Barth, Mary E., William H. Beaver, and Wayne R. Landsman. "The relevance of the value relevance literature for financial accounting standard setting: another view." *Journal of accounting and economics* 31, no. 1-3 (2001): 77-104.

**Session 8, Friday February 6**

Barth, Mary E., Wayne R. Landsman, Mark Lang, and Christopher Williams. "Are IFRS-based and US GAAP-based accounting amounts comparable?." *Journal of Accounting and Economics* 54, no. 1 (2012): 68-93.

Ball, Ray, and Lakshmanan Shivakumar. "How much new information is there in earnings?." *Journal of Accounting Research* 46, no. 5 (2008): 975-1016.

**Session 9, Friday February 13**

Dechow, Patricia M. "Accounting earnings and cash flows as measures of firm performance: The role of accounting accruals." *Journal of accounting and economics* 18, no. 1 (1994): 3-42.

Dhaliwal, Dan, K. R. Subramanyam, and Robert Trezevant. "Is comprehensive income superior to net income as a measure of firm performance? 1." *Journal of Accounting and Economics* 26, no. 1-3 (1999): 43-67.

**Session 10, Friday February 13**

Sloan, Richard G. "Do stock prices fully reflect information in accruals and cash flows about future earnings?." *Accounting review* (1996): 289-315.

Kraft, Arthur, Andrew J. Leone, and Charles Wasley. "An analysis of the theories and explanations offered for the mispricing of accruals and accrual components." *Journal of Accounting Research* 44, no. 2 (2006): 297-339.

**Session 11, Friday February 20**

Bernard, Victor L., and Jacob K. Thomas. "Evidence that stock prices do not fully reflect the implications of current earnings for future earnings." *Journal of Accounting and Economics*13, no. 4 (1990): 305-340.

Bernard, Victor L., and Jacob K. Thomas. "Post-earnings-announcement drift: delayed price response or risk premium?." *Journal of Accounting research* (1989): 1-36.

**Session 12, Friday February 20**

Chordia, Tarun, Avanidhar Subrahmanyam, and Qing Tong. "Have capital market anomalies attenuated in the recent era of high liquidity and trading activity?." *Journal of Accounting and Economics* 58, no. 1 (2014): 41-58.

Kraft, Arthur, Andrew J. Leone, and Charles Wasley. "An analysis of the theories and explanations offered for the mispricing of accruals and accrual components." *Journal of Accounting Research* 44, no. 2 (2006): 297-339.

**Session 13, Friday February 27**

Dechow, Patricia, Weili Ge, and Catherine Schrand. "Understanding earnings quality: A review of the proxies, their determinants and their consequences." *Journal of accounting and economics* 50, no. 2-3 (2010): 344-401.

Graham, John R., Campbell R. Harvey, and Shiva Rajgopal. "The economic implications of corporate financial reporting." *Journal of accounting and economics* 40, no. 1-3 (2005): 3-73.

**Session 13, Friday February 27**

Jones, Jennifer J. "Earnings management during import relief investigations." *Journal of accounting research* (1991): 193-228.

Collins, Daniel W., Raunaq S. Pungaliya, and Anand M. Vijh. "The effects of firm growth and model specification choices on tests of earnings management in quarterly settings." *The Accounting Review* 92, no. 2 (2016): 69-100.