

UNIVERSITY OF TEXAS AT AUSTIN
ACC 380K.22, Accounting Research Design and Evaluation

Fall 2018 Syllabus

Time and Location:

MW 11:00 – 12:30, SZB 330 (unique #02695)

Instructor

Steven Kachelmeier, Ph.D., CPA (New Mexico)

Randal B. McDonald Chair in Accounting

Office: CBA 4M.236; Ph.: 471-3517; E-mail: kach@mail.utexas.edu

Office hours: **Mondays and Wednesdays 2:30 - 4:00**, or as announced, and by appointment.

Teaching Assistant

Dan Rimkus, CPA (Illinois) - Ph.D. student, Daniel.Rimkus@mcombs.utexas.edu

Dan's experience:

- University of Notre Dame accounting graduate, 2011
- KPMG auditor (Chicago), 2011-2013
- McDonald's Corporation, Financial Analyst (Oak Brook, IL), 2013-2016

Dan's office hours: **Tuesdays and Thursdays 10:30-12:00 noon**, CBA 1.310A

Canvas and readings

There is no textbook for this course. However, I have assembled a packet of required readings (articles) for purchase at the McCombs Copy Center (GSB 3.136). For your convenience, I will make all readings available on Canvas (<http://canvas.utexas.edu>), but I strongly encourage you to buy the packet rather than download and print everything from Canvas. I also use Canvas to post assignments and announcements, so please monitor the course Canvas site on a regular basis. I cannot be responsible for information that students miss even though it is posted prominently on Canvas.

Please feel free to post questions or comments (or reply to others' questions or comments) in the discussion board area of Canvas. I will reply to any reasonable question that does not get a reply from a fellow student before I get to it. ***Hence, if you have a question of general interest, please use the Canvas discussion board, not email. That way everyone benefits.***

All written assignments must be submitted electronically to Canvas no later than 10:45 a.m. on the assignment due date. The intent of this rule is to remove any incentive to complete the assignment after it is discussed in class. ***In addition, students are responsible for printing and handing in a hard-copy of each assignment in class on the due date.*** Failure to abide by these rules will result in a penalty to be determined by the instructor on a case-by-case basis.

Course Objectives

At the end of the semester, you should be able to provide reasonable answers to the following questions:

1. How can the scientific method be used to address important accounting questions?
2. What is the difference between the kind of accounting research that is typically done in practice and the kind of accounting research that is typically done in universities?
3. What is the relevance of scientific-method accounting research to accounting practitioners and policymakers?
4. What is the relevance of scientific-method accounting research to accounting education and teaching?
5. What is research validity and what makes a study believable?
6. What is an interaction?
7. How do ethical principles bear upon sound research?
8. What examples of scientific-method accounting research are at the cutting edge in financial accounting, auditing, management accounting, and taxation?
9. What are the biggest needs for future accounting research?
10. At a basic level, how does one go about conducting an accounting research study?

Overview of Course Plan

- We will cover objectives 1-7 in a traditional class format in the first month, but with ample opportunity for discussion. An examination over this material on Wednesday, September 26 will be the only examination in this course.
- After the exam on September 26, the remainder of the semester will be dedicated to course objectives 8 and 9, with an article each Monday to illustrate that week's theme, followed by student discussion on Wednesday to identify opportunities for future research.
- Objective 10 (conducting research) will be covered by a research assignment involving an archival database and statistical testing, following instructions I will distribute later in the semester. It is due on the last day of class, December 10. This assignment serves in lieu of a final exam.

Evaluated Components and Grades

Your accountability for this course will be based on a 800-point scale, as follows:

	Points Possible	Percentage of Final Grade
Mini-assignments for the first month	30	3.75%
In-class examination over research fundamentals, Wednesday, September 26, 2017	130	16.25%
Research proposal 1 (see description later)	100	12.5%
Research proposal 2 (see description later)	100	12.5%
Weekly article quizzes	160	20.0%
End-of-semester research project	120	15.0%
Class participation	160	20.0%
Total points possible	800	100.0%

I do not establish point cutoffs for letter grades until the end of the semester, although I start by considering the traditional 90% = “A”; 80% = “B” guidelines, with +/- grades awarded around the borderlines -- particularly the A/B borderline. Depending on the overall point distribution at the end of the semester, I reserve the right to use cutoffs that are more generous than the traditional guidelines. Students should not count on this possibility, however, as my hope is that it will not be necessary. My intent is to establish an overall grade-point average for this course between 3.4 and 3.6 (where “A” = 4.0), consistent with guidance from the Department of Accounting MPA Program Office regarding the expected grade distribution for a graduate-level accounting elective.

While I expect to award several “A” and “A-” grades for a graduate-level elective in a program as strong as ours, I also interpret such grades as exceptional performance. Thus, students who meet but do not necessarily exceed my basic expectations for this course will typically receive a “B+” or “B.” Grades of “B-” or worse in a graduate-level course are appropriate when a student has not met expectations. My overall “expectation benchmark” is around 80% of the available points, so to avoid a B- or worse, aim for at least 640 points. Please also note that severe academic penalties, up to a failing grade in the course, can result from cases of scholastic dishonesty.

Plus/Minus Grading

I award +/- grades in an approximately “GPA neutral” manner. This means that I award plus or minus grades for borderline cases (primarily at the A/B cutoff) in a way that does not significantly alter the grade-point average for the class as a whole. Thus, the number of students who get an A- instead of an A will be about the same as the number who get a B+ instead of a B. Plus-minus grading simply allows a finer distinction between different levels of performance.

Descriptions of Evaluated Components

Mini-Assignments for the First Month (30 points total)

These small assignments are intended to give you an incentive to keep up with the readings when we cover research fundamentals at the beginning of the semester. Four of these mini-assignments, worth five points each, ask you to document an important question or observation from the assigned introductory readings for each of the four class weeks in September. In addition, a ten-point assignment due on September 12, 2018 will give you some basic practice in finding research articles.

In-Class Examination over Research Fundamentals (130 points)

Wednesday, September 26 is scheduled for an in-class examination over the background material to that point. The intent is to give all students the background necessary to engage a meaningful evaluation of the research articles we will cover over the remainder of the semester.

Research Proposals (two proposals worth 100 points each, for a total of 200 points)

Starting in October through the first week of December, we will cover a different research theme each week. Each Monday we will cover an article illustrating that week’s theme. With two exceptions, the Wednesday class will be devoted to student proposals on research that could be conducted within the same theme, broadly interpreted. The two exceptions are Wednesday, October 3, when I will present a proposal I wrote myself to illustrate what I have in mind for your proposals, and Wednesday, November 21, which begins the University holiday for Thanksgiving. Each student will pick *two* of the eight available weeks to develop an individual research proposal on that week’s theme. To avoid the problem of too many students picking the same weeks, spaces for each week will be limited, available for selection on a first-come, first-served basis via Canvas. For the students who select any given week, we will use the Wednesday session to discuss proposals on a volunteer basis.

Although more detailed instructions will be provided later, the basic structure of each proposal will be to (1) specify the research question of interest, (2) identify three articles relevant to the question, and (3) refine the research question and develop a basic design to examine it. I do not expect students to actually conduct the research they propose, but proposals should be specific enough to provide a reasonable idea of what would need to be done.

Weekly Article Quizzes (160 points)

Beginning on Monday, October 1, each Monday session will begin with a 20-point quiz over the article assigned for that day. The intent of these quizzes is to give you an incentive to read the article before class, so that you can participate meaningfully in the class discussion. The first five short-answer questions for each quiz will always be the same, as follows:

1. What is the primary research question addressed in this study?
2. In “Libby Box” format, what are the study’s primary independent and dependent constructs (i.e., the top two boxes) as well as its primary independent and dependent operational variables (i.e., the two bottom boxes)?
3. Name one insight from the findings that you believe is of particular practical importance.
4. Name one flaw or limitation of the study that you believe is of particular concern.
5. Name one thing from the article that you found particularly confusing.

These questions are worth six points in total. As these questions involve judgment and opinions, any reasonable answers are acceptable. Thus, if you read the article and come prepared, you should be able to get all six of these points in the vast majority of cases unless you significantly misunderstand the article.

The remaining fourteen points will consist of seven multiple choice questions worth two points each. Questions will cover my sense of the most important aspects of the article, but they may come from any part of the article. (Interpretation: Do not just read the introduction and assume you have done enough.) In fairness, I will not base questions on details from tables that are not otherwise reasonably covered in the article’s narrative. (Interpretation: I do not expect you to memorize tables, so as long as you read the narrative, you may safely just “skim” the tables. I do expect you to read the article, however, including the conclusions it draws from the tables.)

To account for unexpected personal circumstances that may arise, I will **drop your two lowest quiz scores**. Thus, the total score for this category will be based on **eight** quiz scores out of the ten quizzes administered from Monday, October 1 through Monday, December 3, accounting for the total maximum points available of 160 ($= 8 \times 20$). With this structure, students can miss (or score poorly) on up to two quizzes without penalty. Please understand, however, that I will still be monitoring your attendance and class participation (see Class Participation on the next page).

End-of-Semester Structured Research Project (120 points)

In lieu of a final exam, I will provide detailed instructions for a research exercise in which students will access data from the Audit Analytics database to investigate the association between internal control findings and audit fees, as well as whether the nature of this association differs between Big-Four and non-Big-Four audit firms. The statistical analysis, which involves multiple linear regression, can be done on Excel, as I will explain. Your completed project must be uploaded to Canvas by 10:45 a.m. on Monday, December 10, 2018, the last day of class. In addition, students must bring a printed hard copy to turn in during class on December 10.

Class Participation (160 points)

A discussion-oriented class can only succeed with your help. Accordingly, I maintain a daily log to document the students who were the most helpful in each day's discussion. More specifically, after each class (starting in week 2), I place each student to the best of my ability in one of five categories for that day's discussion:

Category 1: Did not attend and did not provide notification of an excused absence due to medical emergency, family emergency, religious holiday, or a conflict with a University-sponsored event. I also reserve the right to assign students to this category for disruptive and/or discourteous actions such as using cell phones when others are speaking, excessive tardiness, etc.

Category 2: Attended, but with no evidence of participation.

Category 3: Attended with at least some evidence of participation besides just attending.

Category 4: Attended with good evidence of participation.

Category 5: Attended with exceptional participation.

Notes:

- Placement in Category 4 or 5 is not just based on the number of times you speak. Rather, I will do my best to monitor the *quality* of your comments. Even one comment in a class discussion can get you to Category 5 if it provides an exceptional insight that adds significantly to our understanding or offers an important new perspective.
- I also take favorable note of students who comment meaningfully and constructively on other students' proposals during the Wednesday sessions in October, November, and December.
- For calibration, just attending class and doing nothing else all semester long will generally get you about half of the available participation points. I do not expect students to say something each and every day, but you should get in the habit of contributing your point of view rather than just listening to others.
- Do your best to avoid Category 1, as unexcused absences will result in significant losses of participation points. Thus, at a very minimum, come to class. Students with an excused absence due to medical emergency, family emergency, religious holiday, or University-sponsored conflict are responsible for letting me know, along with providing appropriate documentation. Absences for recruiting purposes should be discussed with me in advance and will be considered on a case-by-case basis, with the understanding that students are responsible for working with recruiters (as recruiters promise us they will do) to avoid class conflicts if at all possible.

University Writing Center

If you have difficulty with written assignments, consider scheduling a free appointment with a writing consultant at the UT-Austin University Writing Center (UWC). Writing consultants at the UWC will work with you to improve your assignments in ways that preserve the integrity of your work. For further details, see <http://uwc.utexas.edu>.

Policy on Notifications on Canvas and via Email

I frequently post announcements on Canvas, so please to monitor this resource before every class. In addition, I will sometimes contact you by email, consistent with the UT-Austin authorization of email for University communication. I typically use the email function on Canvas, so please make sure you monitor that address. For more information, see: <https://cio.utexas.edu/policies/university-electronic-mail-student-notification-policy>.

Student Safety and the Behavior Concerns Advice Line (BCAL)

Please see <http://www.utexas.edu/safety> to familiarize yourself with campus safety initiatives. Also see <http://emergency.utexas.edu> for emergency notifications. Regarding behavioral issues, if you have concerns or are worried about someone who is acting differently, consider using the UT-Austin Behavior Concerns Advice Line to discuss your concerns. This service is provided through a partnership among the Office of the Dean of Students, the Counseling and Mental Health Center, the Employee Assistance Program, and The University of Texas Police Department. To reach the Behavior Concerns Advice Line, call 512-232-5050 or visit <http://www.utexas.edu/safety/bcal>. You are also welcome to discuss any concerns with me; I will take appropriate action as determined on a case-by-case basis.

Policy on Missed Assignments

My general policy is that medical emergencies, family emergencies, religious holidays, and University-sponsored conflicts are the only valid reasons for missing an examination or the due date of an assignment. For each such case, I require some form of supporting documentation, such as a signed note from a physician. In the case of a conflict due to a University-sponsored event, you must notify me as soon as you are aware of the conflict and *before* the examination date or assignment due date.

Religious Holidays

Consistent with the UT-Austin policy on *Observation of Religious Holidays*, I will work with students on a case-by-case basis to find a suitable make-up alternative in the event that a religious holiday conflicts with a scheduled examination or assignment due date. By policy, students must provide at least 14 days of advance notice of any such conflicts.

Policy on Students with Disabilities

I do my best to comply with guidelines set forth by the UT-Austin Office of Services for Students with Disabilities (<http://ddce.utexas.edu/disability/current-students/>). If you have an SSD-registered accommodation letter, please see me with your letter to discuss the accommodations you need for this course. Please understand that I can provide accommodations only to students with approved SSD letters. Students must inform me of any SSD-related requests at least 14 days in advance in order to ensure that accommodations can be made.

Policy on Scholastic Dishonesty and Working Together on Course Assignments

Policy of the MPA Program

The Master in Professional Accounting Program has adopted a Code of Conduct, a Career Services Code of Ethics, and a Policy Statement on Scholastic Dishonesty. It is important for you to be familiar with all three documents, which are available at the following website:

<https://my.mcombs.utexas.edu/MPA/Student-Codes-of-Ethics>

The following statement applies to each class in the UT-Austin Department of Accounting:

The Department of Accounting has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the department's Policy Statement on Scholastic Dishonesty in the MPA Program (which includes the integrated five-year MPA program and the traditional MPA program). By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

In simple terms, integrity is a public good from which we all benefit. *I view the MPA Code of Ethics as a commitment to integrity, not as a threat.* Accordingly, I intend to conduct this course in a friendly environment of trust and cooperation, but I can only achieve this goal if you join me in maintaining an atmosphere of absolute ethical integrity. As the top-rated professional accounting program in the country, we cannot afford any less.

Personal Policy on Working Together (applies only to this course)

I believe that learning takes place through a healthy exchange of ideas. Therefore, *for this class*, you are welcome to discuss class assignments with other students. However, I expect the final product of each assignment to reflect your individual effort. ***You may not copy or paraphrase from others' solutions.*** Examples intended to clarify this policy follow:

Examples of collaborative efforts that I welcome (*applies only to this course*):

- A student is confused about an ambiguous aspect of an article, and asks another student what s/he thinks.
- Students ask questions and share insights on the class discussion board. This is appropriate because everyone benefits.

Examples of collaborative efforts that I do not tolerate:

These examples draw from situations I have encountered. In each case, I pursued a Scholastic Dishonesty charge with the Dean of Students and imposed an appropriate penalty.

- Student X completes an assignment before student Y. Y asks X for X's solution. Y bases his/her completed assignment on X's assignment, changing a few words here and there to make it look original. This is an example of plagiarism, which takes advantage of student X and does not evidence any meaningful learning on the part of student Y. Both X and Y are guilty of scholastic dishonesty.

Please be aware that assignments submitted online via Canvas are subject to plagiarism-detection software. This software works by comparing submitted materials to a database of papers submitted by other students, as well as journals, essays, newspaper articles, books, and other published works. Other methods may also be used to determine originality. Plagiarism software does not substitute for the faculty member's judgment regarding detection of plagiarism, but it is a tool that I use to maintain integrity on written assignments.

- A student copies from an article or other source without using quotation marks, indentation, or other references to acknowledge the source. This is another example of plagiarism.
- A student completes the end-of-semester project and gives the completed Excel and/or Word file to another student. In this case, both students would be guilty of scholastic dishonesty.
- Collaboration or any other form of cheating on a course examination or quiz is scholastic dishonesty of the most severe variety, which can result in a significant academic penalty, up to the possibility of an "F" for the course.

For more information on University policies and procedures regarding scholastic dishonesty, see <http://deanofstudents.utexas.edu/conduct/index.php>.

When in doubt, ask me.

If you have read this far, *thank you!* The fact that you read nine pages of syllabus material shows that you care about this class and want to succeed. History suggests that only about half of all students even bother to read the entire syllabus, so I want to give you a small token of my appreciation for being in that half. Accordingly, I have set up an online link that will award you two class participation points just for typing in your name, if you do so by Friday, September 7, 2018. Thanks! To get your two points, go to:

https://mcombs.qualtrics.com/jfe/form/SV_5sPuv6RWKxadtDT.

The remainder of this syllabus contains the course schedule.

Course Schedule

Important note: Especially for a discussion-oriented class such as ours, it is essential that you complete each day's readings *before* class.

Week 1: Wednesday, August 29, 2018

Theme: Introduction

Assigned reading:

There is no assigned reading for the first class day. I will use our first day to review important syllabus material and discuss what we mean by "scientific-method accounting research."

Week 2: Wednesday, September 5, 2018 (no class on Monday, Sept. 3 due to MLK holiday)

Theme: Research fundamentals and relating research to teaching and practice

Assigned readings:

Demski, J. S., and J. L. Zimmerman. "On Research vs. Teaching: A Long-Term Perspective." *Accounting Horizons*, 2000 (vol. 14, no. 3): pp. 343-352.

Chalmers, K., and S. Wright. "Bridging Accounting Research and Practice: A Value Adding Endeavour." In *Bridging the Gap between Academic Accounting Research and Professional Practice*, edited by E. Evans, R. Burritt, and J. Guthrie. Sydney, Australia: Institute of Chartered Accountants in Australia, 2011, pp. 59-68.

Mini-assignment #1 due on Wed., Sept. 5: Your questions or observations from Demski and Zimmerman (2000) and from Chalmers and Wright (2011). (Please include one question or observation from each article.)

Week 3: September 10-12, 2018

Theme: Continue research fundamentals & overview of the accounting literature

Assigned reading:

Bell, T. B., T. J. Frecka, and I. Solomon. "The Relation between Research Productivity and Teaching Effectiveness: Empirical Evidence for Accounting Educators." *Accounting Horizons*, 1993 (vol. 7, no. 4): pp. 33-49.

Mini-assignment #2 due on Mon., Sept. 10: Your question or observation from Bell et al. (1993).

Mini-assignment #3 due on Wed., Sept. 12: Finding research articles.

Week 4: September 17-19, 2018

Theme: Deciphering a research study

Assigned reading:

Sloan, R. G. "Do Stock Prices Fully Reflect Information in Accruals and Cash Flows about Future Earnings?" *The Accounting Review*, 1996 (vol. 71, no. 3): pp. 289-315.

Mini-assignment #4 due on Mon., Sept. 17: Your question or observation from Sloan (1996).

Week 5: September 24-26, 2018

Theme: Research ethics and examination over research fundamentals

Assigned readings:

Bailey, C. D. "Psychopathy, Academic Accountants' Attitudes toward Unethical Research Practices, and Publication Success." *The Accounting Review*, 2015 (vol. 90, no. 4): pp. 1307-1332.

Malone, J. A. *Report of Judith A. Malone, Bentley University Ethics Officer, Concerning Dr. James E. Hunton*, 2014 report with January 20, 2015 addendum. Obtained at <http://aaahq.org/Portals/0/documents/BentleyReportrepublishpermission6.pdf>.

Mini-assignment #5 due on Mon., Sept. 24: Your question or observation from Bailey (2015) and from the Malone report. (Please include one question or observation from each document.)

In-class examination on research fundamentals: Wednesday, September 26.

Week 6: October 1-3, 2018

Theme: Individual differences I: What leads people to misreport?

Assigned reading:

Ham, C., M. Lang, N. Seybert, and S. Wang. "CFO Narcissism and Financial Reporting Quality." *Journal of Accounting Research*, 2017 (vol. 55, no. 5): 1089-1135.

Week 7: October 8-10, 2018

Theme: Individual differences II: What makes people good at accounting?

Assigned reading:

Blay, A. D., and M. G. Fennema. "Are Accountants Made or Born? An Analysis of Self-Selection into the Accounting Major and Performance in Accounting Courses and on the CPA Exam." *Issues in Accounting Education*, 2017 (vol. 32, no. 3): 33-50.

Week 8: October 15-17, 2018

Theme: Alternatives in financial accounting

Assigned reading:

McInnis, J. M., Y. Yu, and C. G. Yust. "Does Fair Value Accounting Provide More Useful Financial Statements than Current GAAP for Banks?" *The Accounting Review*, 2018: forthcoming.

Week 9: October 22-24, 2018

Theme: Alternative reporting channels and social media

Assigned reading:

Tang, V. W. "Wisdom of Crowds: Cross-Sectional Variation in the Informativeness of Third-Party-Generated Product Information on Twitter." *Journal of Accounting Research*, 2018 (vol. 56, no. 3): 989-1034.

Week 10: October 29-31, 2018

Theme: Auditing practice

Assigned reading:

Brazel, J. F., S. B. Jackson, T. J. Schaefer, and B. W. Stewart. "The Outcome Effect and Professional Skepticism." *The Accounting Research*, 2016 (vol. 91, no. 6): 1577-1599.

Week 11: November 5-7, 2018

Theme: The effects of regulation on the auditing profession

Assigned reading:

Hendricks, B. E., W. R. Landsman, and F. D. Peña-Romera. "The Revolving Door between the PCAOB and Large Audit Firms." Working paper, University of North Carolina at Chapel Hill, 2018.

Week 12: November 12-14, 2018

Theme: Corporate governance, oversight, expertise, and controls

Assigned reading:

Baugh, M., N. Hallman, and S. J. Kachelmeier. "A Matter of Appearances: Does Financial Expertise Help Audit Committees to Look Beyond the Superficial When Selecting and Compensating Auditors?" Working paper, Arizona State University and the University of Texas at Austin, 2018.

Week 13: November 19, 2018 (no class on Wednesday, Nov. 21 due to Thanksgiving holiday)

Theme: Performance evaluation

Assigned reading:

Laux, V. "Supporting and Assessing Agents." *Journal of Accounting Research*, 2017 (vol. 55, no. 4): pp. 995-1016.

Week 14: November 26-28, 2018

Theme: Motivating employees

Assigned reading:

Kachelmeier, S. J., L. W. Wang, and M. G. Williamson. "Incentivizing the Creative Process: From Initial Quantity to Eventual Creativity." *The Accounting Review*, 2019: forthcoming.

Week 15: December 3-5, 2018

Theme: Taxation

Assigned reading:

Bozanic, Z., J. L. Hoopes, J. R. Thornock, and B. M. Williams. "IRS Attention." *Journal of Accounting Research*, 2017 (vol. 55, no. 1): 79-114.

Week 16: December 10, 2018

Theme: Final research assignment due and wrap-up discussion

There is no reading for this final class day. However, the research assignment is due today. The assignment must be uploaded to Canvas by 10:45 a.m., with a hard copy handed in during class.