

Friday, 11.09.2020

- Research design
 - Interrupted Timeseries and Diff-in-diff
 - Regression Discontinuity Design
- Execution
 - Assessing robustness
 - Writing a paper and presenting your work
 - Getting yourself published
- Paper: Noh, So and Verdi (2020)
- Workshop
 - Proposal presentations

How can a time-series help with causal inference?

- Time-constant omitted endogenous variables (firm fixed effects)
- Interrupted time series models (ITS)
- Differences-in-differences approaches
- Regressions discontinuity designs

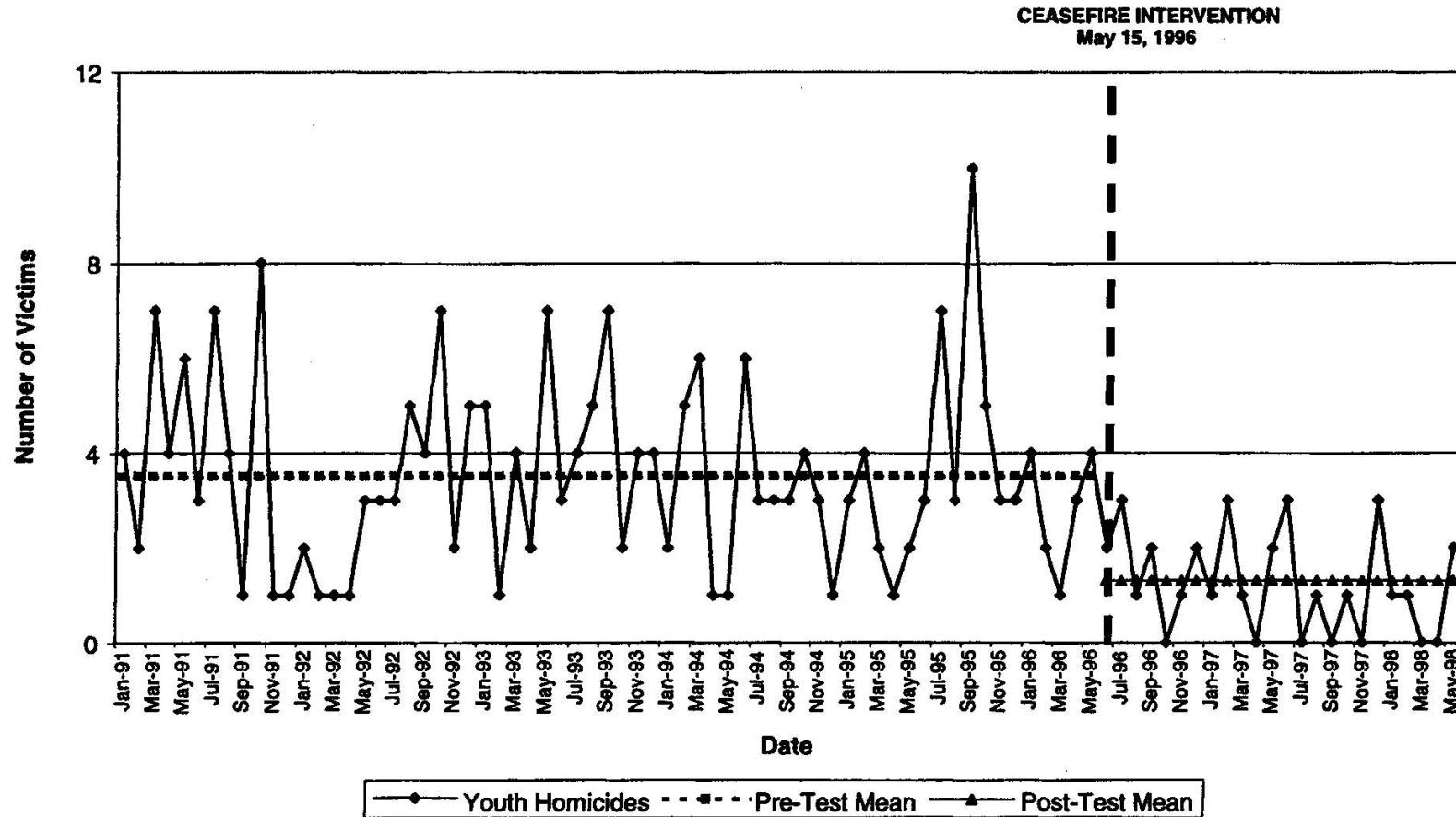
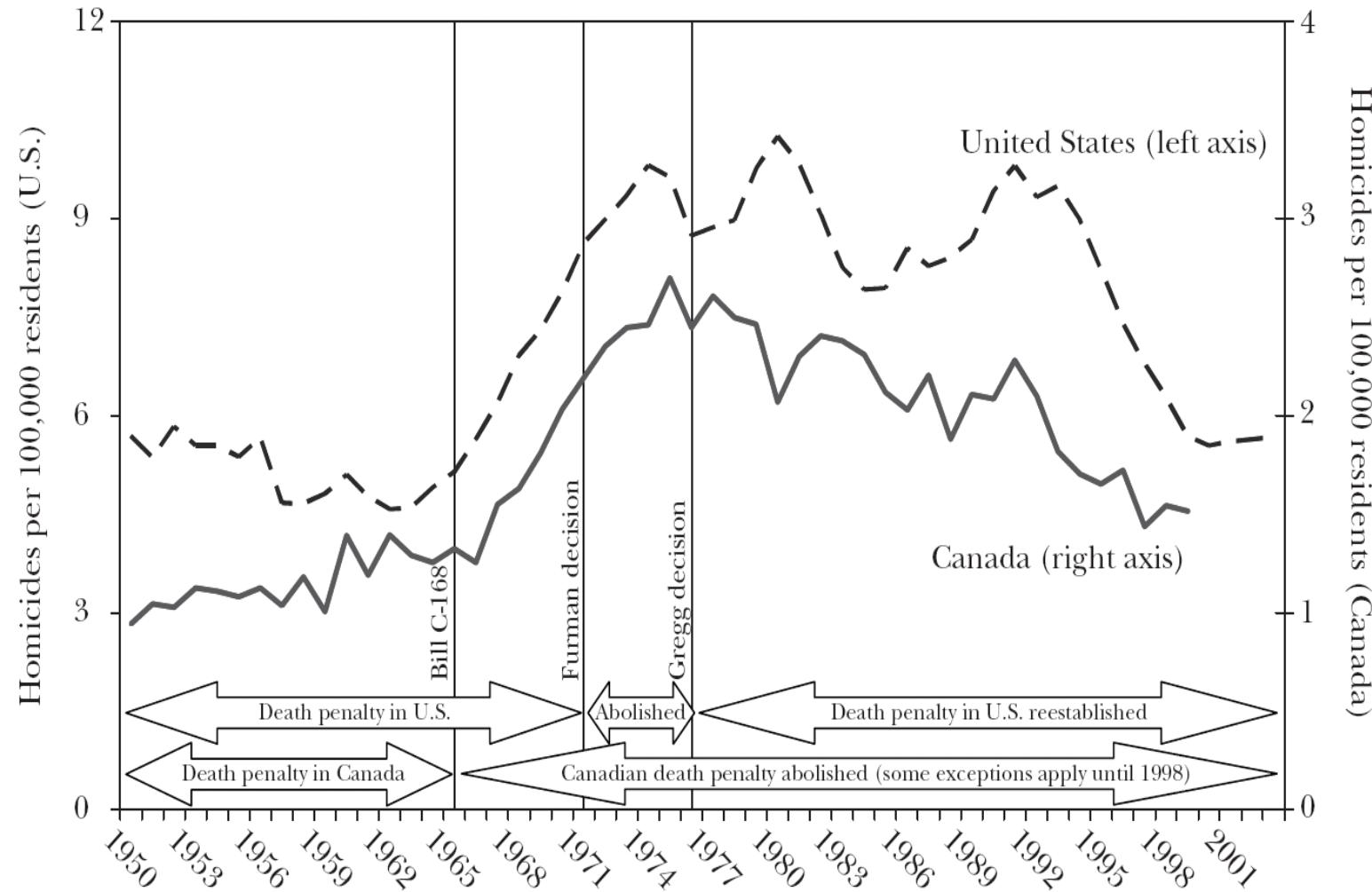


Figure 9.2: Monthly youth homicide rates in Boston, 1991–9. (Source: Figure 2, page 205, of Braga, Anthony A., David M. Kennedy, Elin J. Waring, and Anne Morrison Piehl. 2001. “Problem-Oriented Policing, Deterrence, and Youth Violence: An Evaluation of Boston’s Operation Ceasefire.” *Journal of Research in Crime and Delinquency* 38:195–225. Reprinted by permission of Sage Publications, Inc.)

Morgan and Winship, 2007, page 246

Homicide Rates and the Death Penalty in the United States and Canada

(U.S. and Canada rates on the left and right y-axes, respectively)



Source: Donohue and Wolfers (2005).

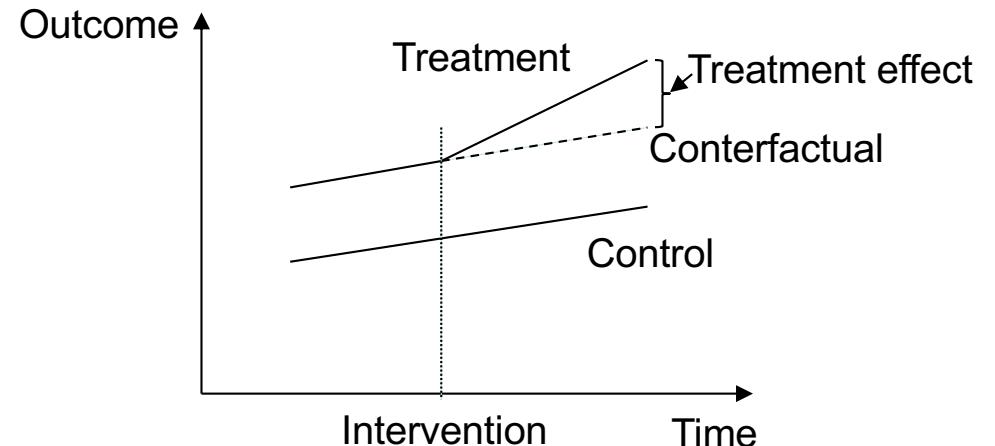
Clipped from: Angrist and Pischke, JEP 24 (2010): 15

How to improve an ITS analysis (MW, 248)

1. Assess the effect of the cause on multiple outcomes which should be affected by the cause
2. Assess the effect of the cause on an outcome which should not be affected by the cause
3. Assess the effect of the cause within subgroups across which the causal effect should vary in predictable ways
4. Adjust for trends in other variables that may affect or be related to the underlying time series of interest
5. **Compare the time trend with the time trend for other units or populations to determine whether breaks in the time series are likely to occur in the absence of the cause**
6. Assess the impact of termination of the cause in addition to its initiation

A few words on Diff-in-Diff

- The difference-in-differences estimator has become the workhorse for regulatory intervention studies



- Common trend assumption is key. Stable treatment effects are also important
- Control groups are sometimes constructed based on synthetic control approaches
- Its term is used excessively in the accounting literature, e.g. for models where the treatment is an endogenous choice of firms or treatment intensity varies over time
- See de Chaisemartin and D'Haultfoeuille (AER, 2020) for a peek into the current methodological literature

A nice accounting RDD paper...

THE ACCOUNTING REVIEW

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American Accounting Association

DOI: 10.2308/accr-52212

The Effect of Mandatory Quarterly Reporting on Firm Value

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ABSTRACT: We exploit a regulatory change in Singapore to analyze the capital market effects of mandatory quarterly reporting. The listing rule implemented in 2003 has required firms with a market capitalization above S\$75 million—but not firms with a market capitalization below this threshold—to publish quarterly financial statements. Using regression discontinuity analysis for our identification, we provide novel evidence of the causal effects of mandatory quarterly reporting on small firms. We find a 5 percent decrease in firm value, consistent with the notion that mandatory quarterly reporting is perceived as a net burden for small firms. Contrary to popular belief, we cannot find evidence of informational benefits or myopic investment for firms around the threshold. Additional tests suggest positive information spillover effects from large mandatory quarterly reporters to non-quarterly reporting firms.

JEL Classifications: M41; M48.

Keywords: event study; firm value; quarterly reporting; regression discontinuity; Singapore.

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The problem...

What troubles me about using opinions is their whimsical nature. Some mornings when I arise, I have the opinion that Raisin Bran is better than eggs. By the time I get to the kitchen, I may well decide on eggs, or oatmeal. I usually do recall that the sixteenth president distinguished himself. Sometimes I think he was Jackson; often I think he was Lincoln.

A data analysis is similar. Sometimes I take the error terms to be correlated, sometimes uncorrelated; sometimes normal and sometimes nonnormal; sometimes I include observations from the decade of the fifties, sometimes I exclude them; sometimes the equation is linear and sometimes nonlinear; sometimes I control for variable z , sometimes I don't. Does it depend on what I had for breakfast?

Leamer (AER, 1983: 37f)

Classic approach

	Dependent variable: <i>Life expectancy</i>			
	(1)	(2)	(3)	(4)
$\ln(\text{GDP per capita})$	5.211*** (0.062)	3.709*** (0.082)	3.741*** (0.034)	1.499*** (0.491)
$\ln(\text{Years of schooling})$		6.432*** (0.241)	6.006*** (0.081)	6.851*** (1.690)
$\ln(\text{Unemployment rate})$		-0.962*** (0.108)	-0.881*** (0.124)	0.014 (0.355)
Constant	24.499*** (0.524)	26.227*** (0.496)		
Fixed effects	None	None	Year	Country, Year
Std. errors clustered	No	No	Year	Country, Year
Observations	4,139	4,139	4,139	4,139
R^2	0.632	0.687	0.696	0.968
Adjusted R^2	0.632	0.687	0.694	0.966

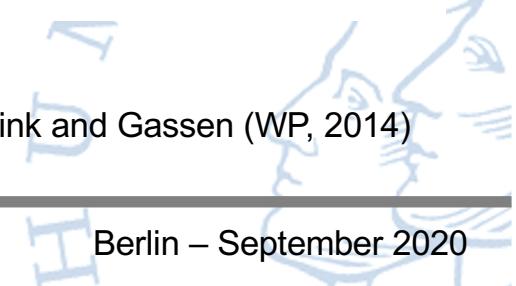
Note: The dependent variable is the average life expectancy at birth in years. OLS coefficients are reported together with standard errors in parentheses. */**/*** indicate two-sided significance levels of 10/5/1 %, respectively.

Condensed approach...

Table 5: Robustness Tests

Robustness Test	Independent Economic Construct (Predicted Sign)			
	Equity Market (+)	Managerial Productivity (-)	Managerial Opportunity Cost (+)	Enforcement (-)
Base Case Table 2, Panel C	+* +* +* +* +* +*	-* -* -* -* -* -*	+* +* - - +* +*	+* +* -* -* ++
Countries with less than 100 firm-year observations excluded from calculating FVO_OUT	+* +*	-* -	+* +*	+* +*
Within industry estimates of models (17), (18) and (19) to calculate FVO_OUT	+* +*	-* -*	+* +*	+* +*
Standard errors clustered by countries	+++* +* ++	- - - * - * --	+* +* - - ++	+* +* -* -* ++
Managerial opportunity cost assessed by PAY_GAP	+* +* +* +* +* +*	-* -* -* -* -* -*	- + - + + -	+* +* -* -* ++
Enforcement assessed by BPT	+* +* +* +* +* +*	+ - - * -* -* -*	- * - + + + * +*	+* + +* +* +* +*

Notes: This table presents the condensed findings of several robustness tests. All variables are as defined in Appendix 2. The baseline results of Table 2 are presented in the first row. The analyses are based on variants of models (21) and (22) and country-year data. The signs of the coefficients are presented in the order of the columns of Table 2, Panel C. An asterisk after the sign indicates that the respective coefficient is significant with a two-sided profitability level below at least 10%.



Eisenschink and Gassen (WP, 2014)

Interactive approach

https://jgassen.shinyapps.io/shiny_rdf_spec_curve/

The publishing process: A case study

Rev Account Stud (2015) 20:242–282
DOI 10.1007/s11142-014-9296-5

What drives the comparability effect of mandatory IFRS adoption?

Stefano Cascino · Joachim Gassen

Published online: 20 June 2014
© Springer Science+Business Media New York 2014

Abstract We investigate the effects of mandatory International Financial Reporting Standards (IFRS) adoption on the comparability of financial accounting information. Using a set of alternative comparability measures, our results suggest that the overall comparability effect of mandatory IFRS adoption is marginal. We hypothesize that firm-level heterogeneity in IFRS compliance explains the limited comparability effect. To test this conjecture, we first hand-collect data on IFRS compliance for a sample of German and Italian firms and find that firm-, region-, and country-level incentives systematically shape IFRS compliance. We then use these compliance determinants to explain the variance in the comparability effect of mandatory IFRS adoption and find that only firms with high compliance incentives experience substantial increases in comparability. Moreover, we document that firms from countries with tighter reporting enforcement experience larger IFRS comparability effects, and that public firms adopting IFRS become less comparable to local GAAP private firms from the same country.

Spring 2008	Stefano visits HU, start of the project
14.09.08	First draft: " <i>Do harmonized accounting standards lead to harmonized accounting? German-Italian Evidence</i> "
Fall 2008	Workshops at IE Madrid, UV Amsterdam and ESMT Berlin
Dec 2008	Paper first rejected, then accepted to IAS midyear meeting of AAA
June 2009	Paper lands Stefano a job at LSE (it must have been him ;-)
April 2010	Stefano gets invited with our paper to the Penn State Accounting Conference, new title: " <i>Has the homogeneity of financial accounting information increased after the adoption of IFRS?</i> "
Oct 2010	Submission to TAR: " <i>Mandatory IFRS adoption and accounting comparability</i> "
Jan 2011	Paper rejected by TAR: "Reviewer A mentions an unpublished working paper that ... achieves a more comprehensive analysis..."
Jan 2011	Presentation at joined FARS/IAS conference (Florida, again)
Dec 2011	Paper submitted to JAR: " <i>Comparability Effects of Mandatory IFRS Adoption</i> "
Feb 2012	Paper rejected by JAR: "I am sorry the outcome was not..."
Sep 2012	Paper submitted to RAST: " <i>What Drives the Comparability Effect of Mandatory IFRS Adoption?</i> "

Feb 2013	R&R of RAST: "I find the paper to be well implemented and find the results, particularly pertaining to those of compliance using the German and Italian samples to be interesting. There are, however, several concerns ..."
Oct 2013	Brown bag workshop at HU of revision strategy
Nov 2013	1 st revised version submitted to RAST
Jan 2014	2 nd R&R of RAST: "Both the referee and I like the paper and feel that the paper is converging well towards publication. ... The next version of the paper will be reviewed only by me and will not be sent to the referee."
Feb 2014	2 nd revised version submitted to RAST
14.03.2014	Conditional acceptance by RAST: "I am happy to accept your manuscript for publication in the Review of Accounting Studies (RAST) once you incorporate the following couple of minor revisions."
18.03.2014	3 rd revised version submitted to RAST
24.03.2014	RAST: Accept pending copyediting
23.05.2014	RAST: Final acceptance: "Congratulations, your paper ... has been accepted for publication in the Review of Accounting Studies."
11.06.2014	Sent-off galley proofs
20.06.2014	Available online
March 2015	Paper published in RAST 20(1): 242-282

How to write a review report

- Most real-life review reports follow a more or less similar structure
 - Short summary of research questions and key findings (one paragraph)
 - Judge potential(!) for contribution
 - Give statement on whether this contribution is reached in current version (usually „No“ on first round)
 - Elaborate main reasons for your conclusion in a structured way
 - List additional minor points that need to be addressed in a revision (bullet points)
- Many reviewers organize their main points by the steps of positive research, e.g.
 - Is the theory sound?
 - Is the identification strategy appropriate?
 - Is the setting suitable to test the theoretical predictions?
 - Does the econometric test design address the shortcomings of the setting?
 - Are the applied measures well-specified?
 - Are the results carefully generated, interpreted and presented?
 - Can they be expected to be externally valid (hold in other settings)?

Some useful references

- Berk, Harvey and Hirshleifer (2017)
How to Write an Effective Referee Report and Improve the Scientific Review Process
Journal of Economic Perspectives 31 (1): 231-244
- Evans III, Feng, Hoffman, Moser and van der Stede (2015)
Points to Consider When Self-Assessing Your Empirical Accounting Research
Contemporary Accounting Research 32 (3): 1162-1992
- Gordon and Porter (2009)
Reading and Understanding Academic Research in Accounting: A Guide for Students
Global Perspectives on Accounting Education 6: 25-45