

# STRUCTURE OF A RESEARCH PAPER

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## Title

- “A good title should concisely, but adequately, describe the manuscript content”

## Introduction

- Starts with the research question
- Motivates the research (question)
- Presents closest (most important) related literature and theoretical framework
- Briefly explains the research design and sneak peaks the results
- Contribution of the paper!!!!!!!
- “Magic number” of five pages

# STRUCTURE OF A RESEARCH PAPER – A NOTE ON INTRODUCTIONS

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## Title

“A good title should concisely, but adequately, describe the manuscript content”

Information Asymmetry and Earnings Management:  
Some Evidence

What do you think?

# STRUCTURE OF A RESEARCH PAPER – A NOTE ON INTRODUCTIONS

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# STRUCTURE OF A RESEARCH PAPER – A NOTE ON INTRODUCTIONS

## I. Introduction

Motivation of  
research question

Accounting standards allow for managerial discretion in the application of accounting methods used to report firm performance. When this discretion is used with the intent to manipulate reported results, it is called earnings management. Growing anecdotal and systematic evidence supports the argument that earnings management is a common

Research question (broad)

practice in firms.<sup>1</sup> This study attempts to identify the environmental conditions that give rise to the practice of earnings management. Managers possess private information about the firm and its current and prospective earnings streams that current and potential shareholders do not have (i.e., information asymmetry exists between managers and

Research question (specific)

shareholders) which may allow manage them to manage earnings. In this paper I investigate the relationship between information asymmetry and earnings management.

Most important related  
literature

Analytical models have demonstrated that the existence of information asymmetry between firm management and firm shareholders is a necessary condition for the practice of earnings management (Trueman and Titman, 1988; Dye, 1988). However, there has been little, if any, empirical work investigating this relationship. Schipper (1989) argues that this lack of empirical testing of the information environment surrounding earnings management represents a slippage between analytical models and empirical tests of earnings management. Schipper also suggests the need for empirical work that addresses the environmental conditions surrounding the practice of earnings management.

This paper hypothesizes that the magnitude of information asymmetry affects the magnitude of earnings management practiced by firm managers. When information asymmetry is high, stakeholders do not have the necessary information to “see through”



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the managed earnings. When shareholders have insufficient resources, incentives, or access to relevant information to monitor manager's actions, earnings management can also occur (Schipper, 1989; Warfield, Wild, and Wild, 1995). This hypothesis is tested in a broad sample setting as well as around a seasoned equity offering.

Results

Test results in the broad sample setting suggest a significant, positive relation between measures of information asymmetry (bid-ask spreads and analysts forecast dispersion) and earnings management, after controlling for other previously documented determinants of

Contribution

earnings management. These findings are consistent with analytical evidence that the greater the information asymmetry between management and its shareholders, the more likely the firm is to manage accruals and earnings.

Results

Earnings management around seasoned equity offerings serves as a second setting to test the relation between information asymmetry and earnings management. Shivakumar (1996) and Rangan (1998) provide evidence of earnings management around seasoned equity offerings. They indicate that management faces the incentive to manage earnings upwards around a seasoned equity offering to maximize the offer price for its shares of

Contribution

stock. I test whether the presence of information asymmetry affects the extent of earnings management in a setting where management faces a strong incentive to manage earnings. Results suggest a systematic relationship between information asymmetry and earnings management around seasoned equity offerings.

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## Related literature

- Provide a current and complete overview of the relevant literature -> **citations**
- Foundation of the hypotheses development
- “... explain the relevant findings from prior work, how those findings relate to the current paper, and what the current paper does to build on those findings”



## TOP JOURNALS IN ACCOUNTING & FINANCE

Good source(s) for the related literature section in your thesis...

| <u>Name Journal</u>                            | <u>ISSN</u>      | <u>EJL Classification</u> | <u>AIS</u> |
|--|------------------|---------------------------|------------|
| Accounting Review, The                         | <u>0001-4826</u> | STAR                      | 1.692      |
| Accounting, Organizations and Society          | <u>0361-3682</u> | STAR                      | 1.355      |
| Journal of Accounting Research                 | <u>0021-8456</u> | STAR                      | 2.42       |
| Journal of Accounting and Economics            | <u>0165-4101</u> | STAR                      | 3.001      |
| Journal of Finance, The                        | <u>0022-1082</u> | STAR                      | 9.861      |
| Journal of Financial Economics                 | <u>0304-405X</u> | STAR                      | 6.024      |
| Journal of Financial and Quantitative Analysis | <u>0022-1090</u> | STAR                      | 2.515      |
| Review of Financial Studies                    | <u>0893-9454</u> | STAR                      | 6.942      |

All other journals see <http://www.erim.eur.nl/about-erim/erim-journals-list-ejl/>

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## Related literature

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Foundation of the hypotheses development

“... explain the relevant findings from prior work, how those findings relate to the current paper, and what the current paper does to build on those findings”

## Hypothesis development

Good **theoretical development** provides a **framework** in which the paper's results can be understood

Tension between competing expectations is needed

“I know the outcome upfront” vs. “I don't have a clue”



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## Research design

### Data or Subjects

- Explain the data you use, e.g. Compustat vs. hand-collected/experimental data
- Representativeness of the subjects
- Treatment/Manipulation should be clear

### Analysis

- Employ statistical tools that are appropriate and free from bias
- > That will be our focus during the upcoming lectures

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## Results

- Results should be connected to hypotheses – Are they supported?
  - Highlight important aspects of the study's results
  - Tables should “stand on their own”
- Variable definitions should be included in the text (Research design) and additionally in the table or in the appendix



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## Results

- Results should be connected to hypotheses – Are they supported?
- Highlight important aspects of the study's results
- Tables should “stand on their own”

## Conclusion (summary & discussion)

- Conclusions are backed by the previous analyses
- Discuss important limitations of the study
- Discuss legitimate directions for future research