

**ACCT 6310 International Accounting Environment
(PhD seminar)
Woody L. Hunt College of Business
University of Texas at El Paso
Fall 2024**

Instructor: Yun Ke, Ph.D.

Phone: (915) 747-7751

Class time: Tuesday 9:00 - 11:50 am

Office hours: T/R 3-4 pm or open door policy or by appointment

Office: COBA 250

Email: yke@utep.edu

Classroom: COBA 307

I. Objectives of the course

The objective of this course is to survey current empirical accounting research. The main objective is to improve student's ability to formulate research question, evaluate and perform meaningful empirical research. As such, students are required to present their own research activities and complete some empirical replications.

II. Textbook (recommended, not required)

As we try to cover new research papers in this course by reading recent papers, a textbook is not required. However, it is beneficial to have some reference books. Below I list three of them.

Kennedy, P. (2008). *A Guide to Econometrics*. John Wiley & Sons.

Min, C. K. (2019). *Applied Econometrics: A Practical Guide*. Routledge.

Angrist, J. D., & Pischke, J. S. (2008). *Mostly Harmless Econometrics*. Princeton university press.

(Note: The library has these three books either hard copy or electronic version. The one by Min is more related to accounting and finance research, and I will share the electronic version on Blackboard).

III. Format of the course

The course will be taught **face-to-face** in a seminar format. Class attendance is **mandatory**. You are expected to participate actively in the classroom through reading required materials, presenting assigned papers, asking/answering questions, etc. You will also be asked to write research proposals and perform a replication study.

In general, for each class, we will focus our discussion on 3 papers in an area with additional papers as supplemental and background readings. It is expected that each of you will read critically and carefully and think deeply about the assigned papers *before* class and be prepared to discuss the readings in detail. For each assigned reading, a student will be assigned as the discussion leader. The presenter needs to prepare the slides and send them out to the instructor and classmates by **10:00 pm** on the night before the next day morning class. To make sure that everyone reads the paper, non-presenters need to prepare a list of questions and send it out to the instructors (**only**) by the same time. The instructor (or a student appointed) will facilitate the

discussion of papers with these questions. Students are expected to ask questions and provide criticisms of the paper during the session. The quality of these questions and discussions will be considered in your class discussions and participation grade.

Some of the general questions you can think during the reading are as follows:

1. What is the research question and why is it important?
 - a. What is the motivation for the study?
 - b. How does the question relate to prior research?
2. What are the hypotheses?
 - a. What is the underlying theory?
 - b. What assumptions are being made?
3. How is the question being addressed?
 - a. What data sources are used and over what time periods?
 - i. What does the sample look like?
 - ii. Are there sample selection biases?
 - b. What empirical tests are performed?
 - i. Are there any biases in the tests?
 - ii. Are the tests low power?
4. What are the main empirical findings?
 - a. Do they support the hypotheses?
 - b. Are there alternative explanations for the results?
5. How could the study be improved and extended?
 - a. What are the strengths and weaknesses of the study?
 - b. What extensions could be carried out?
 - c. What incremental research questions follow from the study?

IV. Grading

Component	Points
Class presentations and participation	25
Replication	20
Literature review	20
Referee report	15
Research proposal and presentation (due at the end of week #15) (10 points for proposal and 10 points for presentation)	20
Total	100

V. Tentative class schedule (may change when necessary)

Session #1: Introduction (8/27/2024)

1. Overview of the course: syllabus, course expectation, grading, etc.
2. Generating research ideas
3. About writing

Kinney Jr, W. R. (2019). The Kinney three paragraphs (and more) for accounting Ph. D. Students. *Accounting Horizons*, 33(4), 1-14.

Mitton, T. Methodological Variation in Empirical Corporate Finance. *The Review of Financial Studies*

Chochrane, J. H., Writing Tips for Ph.D. Students, Working paper, 2005.

General readings:

Weisbach, M. S. (2021). *The Economist's Craft: An Introduction to Research, Publishing, and Professional Development* (I will share a PDF version, which the author provided earlier on his website).

Bloomfield, R., Nelson, M. W., & Soltes, E. (2016). Gathering data for archival, field, survey, and experimental accounting research. *Journal of Accounting Research*, 54(2), 341-395.

Evans III, J. H., Feng, M., Hoffman, V. B., Moser, D. V., & Van der Stede, W. A. (2015). Points to consider when self-assessing your empirical accounting research. *Contemporary Accounting Research*, 32(3), 1162-1192.

Kinney Jr, W. R. (1986). Empirical accounting research design for PhD students, *The Accounting Review* 41, 338-350.

Session #2: Overview of market-based research in accounting (9/3/2024)

Kothari. 2001. "Capital markets research in accounting," *Journal of Accounting and Economics* 31, pp. 105-232.

Lee. 2001. "Market efficiency and accounting research: A discussion of 'capital market research in accounting' by S.P. Kothari," *Journal of Accounting and Economics* 31, pp. 233-253

Graham, Harvey and Rajgopal. 2005. "The Economic Implications of Corporate Financial Reporting," *Journal of Accounting and Economics* 40: 30-73.

Dichev, Graham and Rajgopal. 2013. "Earnings quality: Evidence from the field," *Journal of Accounting & Economics* 56, pp. 1-33.

Session #3: Earnings Management I (9/10/2024)

Dechow, P.M., W, Ge and C. Schrand. 2010. "Understanding earnings quality: A review of the proxies, their determinants and their consequences," *Journal of Accounting and Economics* 50, pp. 358-364.

Dechow, P. M., & Dichev, I. D. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review*, 77 (s-1), 35-59.

Hribar, and Nichols. 2007. "The use of unsigned earnings quality measures in tests of earnings management," *Journal of Accounting Research* 45: 1017-1054.

General readings:

Dechow, Kothari and Watts. 1998. "The relation between earnings and cash flows," *Journal of Accounting & Economics* 25, pp. 133-168.

Jansen, Ramanath and Yohn. "A diagnostic for earnings management using changes in asset turnover and profit margin," *Contemporary Accounting Research* (Spring 2012), pp. 221-251.

Dechow, Sloan and Sweeney. 1995. "Detecting earnings management," *Accounting Review* 70, pp. 193-226.

Dechow, Hutton, Kim and Sloan, 2012. "Detecting earnings management: A new approach," *Journal of Accounting Research* 50, pp. 275-334.

Session #4: Earnings Management II (9/17/2024)

Ball, 2013. "Accounting informs investors and earnings management is rife: Two questionable beliefs," *Accounting Horizons* 27, pp. 847-853.

Kothari, Leone and Wasley, 2005. "Performance matched discretionary accrual measures," *Journal of Accounting & Economics* 39, pp. 163-197.

McNichols and Stubben, 2018. "Research Design Issues in Studies Using Discretionary Accruals," *Abacus* 54, 2, pp. 227-246.

General readings:

Banker, Byzalov, Fang and Jin. 2020. "Operating asymmetries and non-linear spline correction in discretionary accrual models," *Review of Quantitative Finance and Accounting* 54:803-850.

Healy and Wahlen, 1999. "A review of the earnings management literature and its implications for standard setting," *Accounting Horizons*, (December 1999), pp. 365-384.

McNichols, M. 2000. "Research design issues in earnings management studies," *Journal of Accounting and Public Policy* 19: 313-345.

Session #5: Real Earnings Management (9/24/2024)

Roychowdury, S., 2006. "Earnings management through real activities manipulation," *Journal of Accounting and Economics* 42: 335-370.

Zang. 2012. "Evidence on the trade-off between real activities manipulation and accrual-based earnings management," *The Accounting Review* 87, pp. 675-703.

Kothari, Mizik and Roychowdhury. 2016. "Managing for the moment: The role of earnings management via real activities versus accruals in SEO valuation," *The Accounting Review* 91, pp. 559-586.

General reading:

Cohen, D. and Zarowin, P. 2010. "Accrual-based and real earnings management activities around seasoned equity offerings," *Journal of Accounting and Economics* 50, 2-19.

Cohen, D., Dey, A., Lys, T., 2008. Real and accrual-based earnings management in the pre- and post-Sarbanes-Oxley periods," *The Accounting Review* 83, 757-787.

Session #6: Modeling determinants of misreporting/fraud (10/1/2024)

Jensen. 2005. "Agency costs of Overvalued Equity," *Financial Management* (Spring, 2005): pp. 5-19.

Samuels, Taylor, and Verrecchia. 2018. "The Economics of Misreporting and the Role of Public Scrutiny" Working Paper, University of Pennsylvania.

Dechow, Ge, Larson and Sloan. 2011. "Predicting material accounting misstatement," *Contemporary Accounting Research* 28, pp. 17-82.

Session #7: The role of corporate culture in earnings management (10/8/2024)

Graham, Harvey, Popadak and Rajgopal. 2018. "Corporate culture: Evidence from the field," Working Paper, Duke University.

Ji, Rozenbaum, and Welch. 2017. "Corporate Culture and Financial Reporting Risk: Looking Through the Glassdoor," Working paper, George Washington University.

Bowen, Call, Rajgopal. 2010. "Financial whistle-blowing: Target firm characteristics and economic consequences," *The Accounting Review* 85, pp. 1239-1271.

General readings:

Guiso, Sapienza and Zingales. 2015. "The value of corporate culture," *Journal of Financial Economics* 117, pp. 60-76.

Guiso, Sapienza and Zingales. 2006. "Does culture affect economic outcomes?" *Journal of Economic Perspectives* 20, pp. 23-48.

Guiso, Sapienza and Zingales. 2015. "Corporate culture, societal culture, and institutions," *American Economic Review: Papers & Proceedings* 105, pp. 336-339.

Kedia, Luo and Rajgopal. 2015. "Culture of weak compliance and financial reporting risk," Working Paper, Columbia University.

Session #8: Referee report due (10/15/2024)

Session #9: Mispricing and Market Anomalies (10/22/2024)

Sloan.1996. "Do stock prices fully reflect information in accruals and cash flows about future earnings?" Accounting Review 71, pp. 289-316.

Kraft, A., A. J. Leone, and C. Wasley. 2007. Regression-base tests of the market mispricing of accounting numbers: the Mishkin test and ordinary least squares. Journal of Accounting Research 45 (5): pp. 1081-1114.

Chordia, Subrahmanyam and Tong. 2014. "Have capital market anomalies attenuated in the recent era of high liquidity and trading activity," Journal of Accounting & Economics 58, pp. 41-58.

General readings:

Xie. 2001. "The Mispricing of Abnormal Accruals," Accounting Review 76, pp. 357-375.

Session #10: Conservatism and Accounting (10/29/2024)

Watts, R., 2003, "Conservatism in accounting Part I: Explanations and implications," Accounting Horizons 17: 207-221.

Watts, R., 2003, "Conservatism in accounting Part II: Evidence and research opportunities," Accounting Horizons 18, pp. 287-301.

Basu. 1997. "The conservatism principle and the asymmetric timeliness of earnings," Journal of Accounting & Economics 24, pp. 3-38.

General readings:

Ball, Kothari and Nikolaev. 2012. "On estimating conditional conservatism," Accounting Review 88, pp. 755-787.

Collins, Hribar and Tian. 2014. "Cash flow asymmetry: Causes and implications for conditional conservatism research, Journal of Accounting & Economics 58, pp. 173-200.

Session #11: Voluntary Disclosure (11/5/2024)

Healy and Palepu. 2001. "Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature." Journal of Accounting and Economics 31, pp. 405-440.

Ali, Klasa and Yeung. 2014. "Industry concentration and corporate disclosure policy." Journal of Accounting and Economics 58, pp. 240-264.

Ball, Jayaraman and Shivakumar. 2012. "Audited financial reporting and voluntary disclosure as complements: A test of the confirmation hypothesis," Journal of Accounting & Economics 53, pp. 136-166.

General readings:

Dye. 1986. "Proprietary and Nonproprietary Disclosures." *The Journal of Business* 59 (2): pp 331-353.

Beyer, Cohen, Lys, and Walther. 2010. "The financial reporting environment: Review of the recent literature." *Journal of Accounting and Economics* 50 (2-3), pp. 296-343.

Berger. 2011. "Challenges and opportunities in disclosure research—A discussion of 'The financial reporting environment: Review of the recent literature,'" *Journal of Accounting and Economics* 51, pp. 204-218.

Lang and Sul. 2014. "Linking industry concentration to proprietary costs and disclosure: Challenges and opportunities." *Journal of Accounting and Economics* 58, pp. 265-274.

Session #12: Causes and Consequences of Earnings Quality (11/12/2024)

Biddle, Hilary and Verdi. 2009. "How does financial reporting quality relate to investment efficiency?" *Journal of Accounting and Economics* 48, pp. 112-131.

Srivastava. A. 2014. "Why have measures of earnings quality changed over time," *Journal of Accounting and Economics* 57, pp. 196-217.

Hope, Thomas and Vyas. 2013. "Financial reporting quality of US private and public firms," *Accounting Review* 88, pp. 1715-1742.

General readings:

Callen, Khan and Lu. 2013. "Accounting quality, stock price delay, and future stock returns," *Contemporary Accounting Research* 30, pp. 269-295.

Demerjian, Lev, Lewis and McVay 2013. "Managerial ability and earnings quality," *Accounting Review* 88, pp. 463-498.

Givoly, Hayn, and Katz. 2010. "Does public ownership of equity improve earnings quality," *The Accounting Review* 85, pp. 195-225.

Session #13: Regulation and the Reporting Environment (11/19/2024)

Hail, Leuz, and Wysocki. 2010. "Global Accounting Convergence and the Potential Adoption of IFRS by the U.S. (Part I): Conceptual Underpinnings and Economic Analysis." *Accounting Horizons* 24 (3): 355-394.

Leuz and Wysocki. 2016. "The Economics of Disclosure and Financial Reporting Regulation: Evidence and Suggestions for Future Research," *Journal of Accounting Research* 54 (2): pp. 525-622.

Armstrong, Barth, Jagolinzer, and Riedl. 2010. "Market reaction to the adoption of IFRS in Europe," *The Accounting Review* 85 (1): pp.31-61.

General readings:

Lee, Strong and Zhu. 2014. "Did regulation fair disclosure, SOX and other analyst regulations reduce security mispricing," *Journal of Accounting Research* 52, pp. 753-774.

Session #14: Textual analysis of narrative disclosure (11/26/2024 by Valbona Sulcaj)

Li. 2008. "Annual report readability, current earnings, and earnings persistence," *Journal of Accounting and Economics* 45, pp.221-247.

Bonsall, S. B., A. J. Leone, B. P. Miller, and K. Rennekamp. 2017. "A plain English measure of financial reporting readability," *Journal of Accounting and Economics*, 63 (2-3): 329-357.

Huang, A. H., A. Y. Zang, and R. Zheng. 2014. "Evidence on the information content of text in analysts reports," *The Accounting Review* 89 (6): 2151-2180.

General readings:

Loughran and McDonald. 2016. "Textual Analysis in Accounting and Finance: A Survey," *Journal of Accounting Research* 54 (4): pp. 1187-1230.

Bushee, B. J., I. D. Gow, and D. J. Taylor. 2018. "Linguistic Complexity in Firm Disclosures: Obfuscation or Information?" *Journal of Accounting Research* 56 (1):85-121.

Lo, K., Ramos, F., & Rogo, R. 2017. "Earnings management and annual report readability," *Journal of Accounting and Economics*, 63(1), 1-25.

Lehavy, R., Li, F., & Merkley, K. 2011. "The effect of annual report readability on analyst following and the properties of their earnings forecasts," *The Accounting Review*, 86(3), 1087-1115.

Session #15: Proposal presentation (12/3/2024)

Presentation of students' research proposals in class (each has 25 minutes)

Written proposal due by the end of the week.

Replication due by the end of the week.

*Note that your instructor reserves the right to adjust the syllabus and/or class sequence when it is necessary.

** The syllabus was modified based on the one from Dr. Adam Esplin who previously taught the first year PhD seminar.