

ACCT 6354 Accounting topics in international business
(Advanced empirical methods and current research in accounting and finance)
Spring 2022

Instructor: Yun Ke, Ph.D.

Office: COBA 212

Phone: (915) 747-7751

Email: yke@utep.edu

Office hours: Tu 2-4 pm/open door policy/by appointment (Have your questions ready)

Class hours: Tuesday 9:00 - 11:50 am (may reschedule 1-2 classes for guest lecturers)

Classroom: COBA 307

I. Objectives of the course

The objective of this course is to develop your ability to critically evaluate and conduct empirical research on a variety of contemporary accounting and corporate finance topics. Our discussions will highlight the following:

- A good understanding of research designs in accounting and finance research.
- The skills to design and conduct your own empirical research.
- Opportunities for future research in selected areas that might fit your research interests.

II. Textbook (recommended, not required)

As we try to cover new research papers in this course, 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 shared electronic version on Blackboard).

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

III. Format of the course

The course will be taught **face-to-face** in a seminar format, unless the COVID situation becomes worse and requires remote teaching. 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 referee reports and research proposals and conduct empirical analyses to get preliminary results of your proposed studies.

In general, for each class, we will focus our discussion on *three/four* papers in an area with several 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 out to the instructors and classmates by **10:00 pm** on the night before the next day morning class. To make sure that every one reads the paper, non-presenters need to prepare a list of questions and send out to the instructors (**only**) by the same time. The instructors (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 into your class discussions and participation grade.

IV. Grading

Component	Points
Class presentations and participation	30
Referee report (due week #10)	5
Assignments (about 4, each 5 points)	20
Replication + extension (due week #12)	10
3 short research proposals (5 points each)	15
Final research proposal and presentation (due week #15) (10 points for proposal and 10 points for presentation)	20
Total	100

V. Tentative class schedule (may change when necessary)

Class #1 (1/18/2022)

1. Overview of the course: syllabus, course expectation, grading, etc.
2. Generating research ideas
3. Promoting research ideas with figures
4. Writing the paper

Method #1 Descriptive statistics

Class discussion papers:

Bradshaw, M. T., Drake, M. S., Myers, J. N., & Myers, L. A. (2012). A re-examination of analysts' superiority over time-series forecasts of annual earnings. *Review of Accounting Studies*, 17(4), 944-968.

De Simone, L., Robinson, J. R., & Stomberg, B. (2014). Distilling the reserve for uncertain tax positions: The revealing case of black liquor. *Review of Accounting Studies*, 19(1), 456-472.

Dyregang, S. D., Mayew, W. J., & Schipper, K. (2017). Evidence of manager intervention to avoid working capital deficits. *Contemporary Accounting Research*, 34(2), 697-725.

General readings:

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

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.

Schwabish, J. A. (2014). An economist's guide to visualizing data. *Journal of Economic Perspectives*, 28(1), 209-34.

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

Class #2 (1/25/2022)

Method #2: Review of OLS/Logit models, fixed effects, and clustering standard errors

Class discussion papers:

Review of OLS regression (*group #1 lecture*)

Review of Logit regression (*group #2 lecture*)

Mitton, T. Methodological Variation in Empirical Corporate Finance. *The Review of Financial Studies*. (Yun Ke will cover this paper)

General readings:

Allison, P. D. (2009). *Fixed effects regression models*. SAGE publications.

Bertrand, M., & Schoar, A. (2003). Managing with style: The effect of managers on firm policies. *The Quarterly Journal of Economics*, 118(4), 1169-1208.

Petersen, M. A. (2009). Estimating standard errors in finance panel data sets: Comparing approaches. *The Review of Financial Studies*, 22(1), 435-480.

Gow, I. D., Ormazabal, G., & Taylor, D. J. (2010). Correcting for cross-sectional and time-series dependence in accounting research. *The Accounting Review*, 85(2), 483-512.

Class #3 (2/1/2022)

Method #3: Difference-in-Differences (DID) and its applications

Class discussion papers:

Allen, A. M., Lewis-Western, M. F., & Valentine, K. (2021). The innovation and reporting consequences of financial regulation for young life-cycle firms. *Journal of Accounting*

Research, Forthcoming. (you should be able to replicate this paper as there is no special data required)

Bena, J., Ortiz-Molina, H., & Simintzi, E. (2021). Shielding firm value: Employment protection and process innovation. *Journal of Financial Economics*, Forthcoming. (data available for replication)

Donelson, D. C., Kettell, L., McInnis, J., & Toynbee, S. (2021). The need to validate exogenous shocks: Shareholder derivative litigation, universal demand laws and firm behavior. *Journal of Accounting and Economics*, 101427.

General readings:

Bertrand, M., Duflo, E., & Mullainathan, S. (2004). How much should we trust differences-in-differences estimates? *The Quarterly Journal of Economics*, 119(1), 249-275.

Fang, V. W., Huang, A. H., & Karpoff, J. M. (2016). Short selling and earnings management: A controlled experiment. *The Journal of Finance*, 71(3), 1251-1294.

Black, B. S., Desai, H., Litvak, K., Yoo, W., & Yu, J. J. (2020). Specification choice in randomized and natural experiments: Lessons from the Regulation SHO experiment. *Northwestern Law & Econ Research Paper*, 20-06.

Class #4 (2/8/2022)

Method #4: Instrumental variable (IV) approach

Class discussion papers:

Gipper, B. (2021). The economic effects of expanded compensation disclosures. *Journal of Accounting and Economics*, 71(1), 101338.

Hoitash, U., & Mkrtchyan, A. (2021). Internal governance and outside directors' connections to non-director executives. *Journal of Accounting and Economics*, 101436.

Hills, R., Kubic, M., & Mayew, W. J. (2021). State sponsors of terrorism disclosure and SEC financial reporting oversight. *Journal of Accounting and Economics*, 101407.

General readings:

Larcker, D. F., & Rusticus, T. O. (2010). On the use of instrumental variables in accounting research. *Journal of Accounting and Economics*, 49(3), 186-205.

Lennox, C. S., Francis, J. R., & Wang, Z. (2012). Selection models in accounting research. *The Accounting Review*, 87(2), 589-616.

Class #5 (2/15/2022)

Method #5: Propensity score matching (PSM) and its application (Dr. Valbona Sulcaj)

Class discussion papers:

Lawrence, A., Minutti-Meza, M., & Zhang, P. (2011). Can Big 4 versus non-Big 4 differences in audit-quality proxies be attributed to client characteristics? *The Accounting Review*, 86(1), 259-286.

DeFond, M., Erkens, D. H., & Zhang, J. (2017). Do client characteristics really drive the Big N audit quality effect? New evidence from propensity score matching. *Management Science*, 63(11), 3628-3649.

Shroff, N., Verdi, R. S., & Yost, B. P. (2017). When does the peer information environment matter? *Journal of Accounting and Economics*, 64(2-3), 183-214.

General readings:

Comment and Response to “Do Client Characteristics Really Drive the Big N Audit Quality Effect? New Evidence from Propensity Score Matching” by Mark DeFond, David H. Erkens, and Jieying Zhang ([https://pubsonline-informs.org.utep.idm.oclc.org/doi/pdf/10.1287/mnsc.2016.2544](https://pubsonline.informs.org.utep.idm.oclc.org/doi/pdf/10.1287/mnsc.2016.2544))

Shipman, J. E., Swanquist, Q. T., & Whited, R. L. (2017). Propensity score matching in accounting research. *The Accounting Review*, 92(1), 213-244.

McMullin, J. L., & Schonberger, B. (2021). When Good Balance Goes Bad: a Discussion of Common Pitfalls When Using Entropy Balancing. Available at SSRN 3786224.

DeFond, M., & Zhang, J. (2014). A review of archival auditing research. *Journal of accounting and economics*, 58(2-3), 275-326.

Class #6 (2/22/2022) (the time can be changed to early semester)

Method #6: Regression discontinuity (RD) and its application in tax research (Dr. Bo Gao)

Class discussion papers:

Khan, M., Srinivasan, S., & Tan, L. (2017). Institutional ownership and corporate tax avoidance: New evidence. *The Accounting Review*, 92(2), 101-122.

Chen, S., Huang, Y., Li, N., & Shevlin, T. (2019). How does quasi-indexer ownership affect corporate tax planning? *Journal of Accounting and Economics*, 67(2-3), 278-296.

Bird, A., & Karolyi, S. A. (2017). Governance and Taxes: Evidence from Regression Discontinuity (Retracted). *The Accounting Review*, 92(1), 29-50.

General readings:

Wilde, J. H., & Wilson, R. J. (2018). Perspectives on corporate tax planning: Observations from the past decade. *The Journal of the American Taxation Association*, 40(2), 63-81.

Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 50(2-3), 127-178.

Class #7 (3/1/2022)

Research topic #1: Supply chain stuff (Dr. Aaron Nelson)

Class discussion papers:

Chen, G., Judd, J. S., & Pandit, S. (2021). Firm unionization and disruptions in customer relationships. *Contemporary Accounting Research*, 38(4), 2951-2981.

Chen, C., Kim, J. B., Wei, M., & Zhang, H. (2019). Linguistic information quality in customers' forward-looking disclosures and suppliers' investment decisions. *Contemporary Accounting Research*, 36(3), 1751-1783.

Chen, C. X., Jiang, W., & Yao, W. (2021). Do Major Customers Help or Hurt Innovation? The Effects of Customer-Base Concentration on Radical and Incremental Innovation. The Effects of Customer-Base Concentration on Radical and Incremental Innovation (August 10, 2021). Available at SSRN: <https://ssrn.com/abstract=3902729>

General readings:

Patatoukas, P. N. (2012). Customer-base concentration: Implications for firm performance and capital markets: 2011 american accounting association competitive manuscript award winner. *The Accounting Review*, 87(2), 363-392.

Madsen, J. (2017). Anticipated earnings announcements and the customer–supplier anomaly. *Journal of Accounting Research*, 55(3), 709-741.

Radhakrishnan, S., Wang, Z., & Zhang, Y. (2014). Customers' capital market information quality and suppliers' performance. *Production and Operations Management*, 23(10), 1690-1705.

Cen, L., Maydew, E. L., Zhang, L., & Zuo, L. (2017). Customer–supplier relationships and corporate tax avoidance. *Journal of Financial Economics*, 123(2), 377-394.

Costello, A. M. (2013). Mitigating incentive conflicts in inter-firm relationships: Evidence from long-term supply contracts. *Journal of Accounting and Economics*, 56(1), 19-39.

Class #8 (3/8/2022)

Research topic #2: Non-GAAP earnings

Class discussion papers:

Chen, H. C., Lee, Y. J., Lo, S. Y., & Yu, Y. (2021). Qualitative characteristics of non-GAAP disclosures and non-GAAP earnings quality. *Journal of Accounting and Economics*, 101402.

Hribar, P., Mergenthaler, R., Roeschley, A., Young, S., & Zhao, C. X. (2021). Do Managers Issue More Voluntary Disclosure When GAAP Limits Their Reporting Discretion in Financial Statements? *Journal of Accounting Research*.

Chen, J. V., Gee, K. H., & Neilson, J. J. (2021). Disclosure Prominence and the Quality of Non-GAAP Earnings. *Journal of Accounting Research*, 59(1), 163-213.

General readings:

Black, D. E., Christensen, T. E., Ciesielski, J. T., & Whipple, B. C. (2021). Non-GAAP Earnings: A Consistency and Comparability Crisis? *Contemporary Accounting Research*.

Black, D. E., Christensen, T. E., Ciesielski, J. T., & Whipple, B. C. (2018). Non-GAAP reporting: Evidence from academia and current practice. *Journal of Business Finance & Accounting*, 45(3-4), 259-294.

Black, D. E., & Christensen, T. E. (2018). Policy implications of research on non-GAAP reporting. *Research in Accounting Regulation*, 30(1), 1-7.

Class #9 (3/22/2022)

Research topic #3: The effect of social network (or social connection)

Class discussion papers:

Di Giuli, A., & Laux, P. A. (2021). The effect of media-linked directors on financing and external governance. *Journal of Financial Economics*.

Dasgupta, S., Zhang, K., & Zhu, C. (2021). Do social connections mitigate hold-up and facilitate cooperation? Evidence from supply chain relationships. *Journal of Financial and Quantitative Analysis*, 56(5), 1679-1712.

Ru, Y., Xue, J., Zhang, Y., & Zhou, X. (2020). Social connections between media and firm executives and the properties of media reporting. *Review of Accounting Studies*, 25(3), 963-1001.

Chen, T., Levy, H., Martin, X., & Shalev, R. (2021). Buying products from whom you know: personal connections and information asymmetry in supply chain relationships. *Review of Accounting Studies*, 1-40.

General readings:

Bianchi, P. A., Causholli, M., Minutti-Meza, M., & Sulcaj, V. (2020). Social networks analysis in accounting and finance. *University of Miami Business School Research Paper*, (3495299).

Hoitash, U., & Mkrtchyan, A. (2021). Internal governance and outside directors' connections to non-director executives. *Journal of Accounting and Economics*, 101436.

Duchin, R., & Sosyura, D. (2013). Divisional managers and internal capital markets. *The Journal of Finance*, 68(2), 387-429.

Class #10 (3/29/2022)

Research topic #4: The effect of media/social media

Class discussion papers:

Lin, J. (2021). Regulating via social media: Deterrence effects of the SEC's use of Twitter. *Available at SSRN 3952904*.

Bartov, E., Faurel, L., & Mohanram, P. S. (2018). Can Twitter help predict firm-level earnings and stock returns? *The Accounting Review*, 93(3), 25-57.

Nekrasov, A., Teoh, S. H., & Wu, S. (2021). Visuals and attention to earnings news on Twitter. *Review of Accounting Studies*, *Forthcoming*.

Knill, A. M., Liu, B., & McConnell, J. J. (2021). Media partisanship and fundamental corporate decisions. *Journal of Financial and Quantitative Analysis*, *Forthcoming*.

General readings:

Bollen, J., Mao, H., & Zeng, X. (2011). Twitter mood predicts the stock market. *Journal of computational science*, 2(1), 1-8.

Chen, H., De, P., Hu, Y. J., & Hwang, B. H. (2014). Wisdom of crowds: The value of stock opinions transmitted through social media. *The Review of Financial Studies*, 27(5), 1367-1403.

Chen, H., Hwang, B. H., & Liu, B. (2019). The Emergence of 'Social Executives' and Its Consequences for Financial Markets. *Available at SSRN 2318094*.

Class #11 (4/5/2022)

Research topic #5: various topics

Class discussion papers:

Ersahin, N., Irani, R. M., & Le, H. (2021). Creditor control rights and resource allocation within firms. *Journal of Financial Economics*, 139(1), 186-208.

Giroud, X., & Mueller, H. M. (2021). Firm leverage and employment dynamics. *Journal of Financial Economics*.

Dyer, T. A. (2021). The demand for public information by local and nonlocal investors: Evidence from investor-level data. *Journal of Accounting and Economics*, 101417.

Allee, K. D., Do, C., & Sterin, M. (2021). Product market competition, disclosure framing, and casting in earnings conference calls. *Journal of Accounting and Economics*, 101405.

General readings:

Nini, G., Smith, D. C., & Sufi, A. (2009). Creditor control rights and firm investment policy. *Journal of Financial Economics*, 92(3), 400-420.

Papers in the First Labor and Accounting Conference at Stanford

(<https://www.gsb.stanford.edu/events/first-labor-accounting-conference>)

Class #12 (4/12/2022)

Research topic #6: Textual analysis

Class discussion papers:

Song, S. (2021). The informational value of segment data disaggregated by underlying industry: Evidence from the textual features of business descriptions. *The Accounting Review*, 96(6), 361-396.

Ryans, J. P. (2021). Textual classification of SEC comment letters. *Review of Accounting Studies*, 26(1), 37-80.

Cohen, L., Malloy, C., & Nguyen, Q. (2020). Lazy prices. *The Journal of Finance*, 75(3), 1371-1415.

Brown, S. V., Hinson, L. A., & Tucker, J. W. (2021). Financial Statement Adequacy and Firms' MD&A Disclosures. Available at SSRN 3891572.

General readings:

Brown, S. V., & Tucker, J. W. (2011). Large-sample evidence on firms' year-over-year MD&A modifications. *Journal of Accounting Research*, 49(2), 309-346.

Muslu, V., Radhakrishnan, S., Subramanyam, K. R., & Lim, D. (2015). Forward-looking MD&A disclosures and the information environment. *Management Science*, 61(5), 931-948.

De Franco, G., Fogel-Yaari, H., & Li, H. (2020). MD&A textual similarity and auditors. *Auditing: A Journal of Practice & Theory*, 39(3), 105-131.

Class #13 (4/19/2022)

Research topic #7: The use of interesting data in accounting and finance

Class discussion papers:

Kang, J. K., Stice-Lawrence, L., & Wong, Y. T. F. (2021). The Firm Next Door: Using Satellite Images to Study Local Information Advantage. *Journal of Accounting Research*, 59(2), 713-750.

Dube, S., & Zhu, C. (2021). The Disciplinary Effect of Social Media: Evidence from Firms' Responses to Glassdoor Reviews. *Journal of Accounting Research*, 59(5), 1783-1825.

Cao, S. S., Du, K., Yang, B., & Zhang, A. L. (2021). Copycat skills and disclosure costs: Evidence from peer companies' digital footprints. *Journal of Accounting Research*.

Choy, S., & Hope, O. K. (2021). Private Communication between Managers and Financial Analysts: Evidence from Taxi Ride Patterns in New York City. Available at SSRN 3920680.

General readings:

Corritore, M., Goldberg, A., & Srivastava, S. (2020). The new analytics of culture: what email, slack, and glassdoor reveal about your organization. *Harvard Business Review*, 77-83.

Ryans, J. (2017). Using the EDGAR log file data set. Available at SSRN 2913612.

Loughran, T., & McDonald, B. (2017). The use of EDGAR filings by investors. *Journal of Behavioral Finance*, 18(2), 231-248.

Drake, M. S., Roulstone, D. T., & Thornock, J. R. (2015). The determinants and consequences of information acquisition via EDGAR. *Contemporary Accounting Research*, 32(3), 1128-1161.

Foley, S., Karlsen, J. R., & Putniņš, T. J. (2019). Sex, drugs, and bitcoin: How much illegal activity is financed through cryptocurrencies? *The Review of Financial Studies*, 32(5), 1798-1853.

Class #14 (4/26/2022)

Research topic #8: Machine learning/artificial intelligence

Class discussion papers:

Li, K., Mai, F., Shen, R., & Yan, X. (2021). Measuring corporate culture using machine learning. *The Review of Financial Studies*, 34(7), 3265-3315.

Bao, Y., Ke, B., Li, B., Yu, Y. J., & Zhang, J. (2020). Detecting accounting fraud in publicly traded US firms using a machine learning approach. *Journal of Accounting Research*, 58(1), 199-235.

Cao, S., Jiang, W., Yang, B., & Zhang, A. L. (2020). *How to talk when a machine is listening: Corporate disclosure in the age of AI* (No. w27950). National Bureau of Economic Research.

General readings:

Ding, K., Lev, B., Peng, X., Sun, T., & Vasarhelyi, M. A. (2020). Machine learning improves accounting estimates: evidence from insurance payments. *Review of Accounting Studies*, 25(3), 1098-1134.

Bertomeu, J. (2020). Machine learning improves accounting: discussion, implementation and research opportunities. *Review of Accounting Studies*, 25(3), 1135-1155.

Class #15 (5/3/2022) (Last class for student presentations)

Presentation of students' research proposals (no data work) (25 minutes each x 7 = 175 minutes)

15 minutes presentation + 10 minutes Q&A (may subject to change if I feel it is necessary to give you more time to present, but I will discuss with you on this)

*Note that your instructor(s) reserve the right to adjust the syllabus and/or class sequence when it is necessary and to better fit guest speakers' schedule.