

PhD Seminar in Accounting Research *taught by Divya Anantharaman*

Spring 2018

Fridays, 1:00P-3:50PM

Session Plan

<p>Session 1 <i>January 19th, 2018</i> Introduction and basic properties of accrual accounting</p>	<p>1.1. Frameworks for evaluating empirical research</p>	<p>Divya</p>
	<p>1.2. Basic properties of accrual accounting: STUDENT PRESENTATION of Dechow, P.M. 1994. “Accounting earnings and cash flows as measures of firm performance: The role of accounting accruals.” <i>Journal of Accounting and Economics</i> 18: 3-42. <u>Paper summary required.</u></p>	<p>Student will present Dechow (1994).</p>
	<p>1.3. Overview of earnings management</p>	<p>Divya</p>
<p>Session 2 <i>January 26th, 2018</i> Earnings management</p>	<p>2.1. Debt contracting concerns as one example of motivations for earnings management + modeling discretionary accruals to detect earnings management: STUDENT PRESENTATION of DeFond, M.L., and J. Jambalvo. 1994. “Debt covenant violation and the manipulation of accruals” <i>Journal of Accounting and Economics</i> 17(1-2): 145-176. <u>Paper summary required.</u></p>	<p>Student will present DeFond and Jambalvo (1994).</p>
	<p>2.2. Modeling specific accruals to detect earnings management: STUDENT PRESENTATION of McNichols and Wilson, “Evidence of Earnings Management from the Provision for Bad Debts”, <i>Journal of Accounting Research</i> (1988). <u>Paper summary required.</u></p>	<p>Student will present McNichols and Wilson (1988).</p>
	<p>2.3. Other examples of modeling specific accruals:</p> <ul style="list-style-type: none"> • Beatty, A.L., B. Ke, and K.R. Petroni. 2002. Earnings management to avoid earnings declines across publicly and privately held banks. <i>The Accounting Review</i> 77(3): 547-570. • Anantharaman, D. 2017. The role of specialists in financial reporting: Evidence from pension accounting. <i>Review of Accounting Studies</i> 22(3). <p>2.3. Other methods of detecting earnings management: restatements, internal control weaknesses (ICWs)</p>	<p>Divya will discuss Beatty, Ke, and Petroni (2002) and Anantharaman (2017) briefly.</p> <p>Divya will lead a brief class</p>

	2.3. Other methods of detecting earnings management: *Amiram, D., Z. Bozanic, and E. Rouen. 2017. Financial Statement Errors: Evidence from the Distributional Properties of Financial Statement Numbers. <i>Review of Accounting Studies</i> 20(4): 1540-1593.	discussion of Amiram, Bozanic, and Rouen (2015).
Session 3 <i>February 2nd, 2018</i> Discontinuities in the distribution of reported earnings	3.1. Identifying discontinuities in the distribution of reported earnings to detect earnings management: STUDENT PRESENTATION of Burgstahler, D., and I. Dichev. 1997. Earnings management to avoid earnings decreases and losses. <i>Journal of Accounting and Economics</i> 24: 99-126. <u>Paper summary required.</u>	Student will present Burgstahler and Dichev (1997).
	3.2. Is there a discontinuity? Research design issues: ELIZABETH CHUK will guest-lecture on Burgstahler, D., and E. Chuk. 2015. "Do scaling and selection explain earnings discontinuities?" <i>Journal of Accounting and Economics</i> 60(1) (pp 168-186). <u>Paper summary required.</u>	Elizabeth Chuk, one of the coauthors of Burgstahler and Chuk (2015), will guest-lecture through videoconference. Reading the paper thoroughly is compulsory.
	3.3. Can the discontinuity be interpreted as evidence of earnings management? <ul style="list-style-type: none"> • Beaver, W.H., McNichols, M., Nelson, K. 2007. An alternative interpretation of the discontinuity in earnings distributions. <i>Review of Accounting Studies</i> 12(4): 525-556. • Dechow, P., Richardson, S., Tuna, I. 2003. Why are earnings kinky? An examination of the earnings management explanation. <i>Review of Accounting Studies</i> 8: 355-384. • Jacob, J., and B. Jorgensen. 2007. "Earnings management and accounting income aggregation" <i>Journal of Accounting and Economics</i> 43: 369-390. • Gilliam, T.A., F. Heflin, and J.S. Paterson. 2015. Evidence that the zero-earnings discontinuity has disappeared. <i>Journal of Accounting and Economics</i> 60: 117-132. 3.3. Widespread uses of distributional properties to detect earnings management	Divya will discuss these papers briefly.

	<ul style="list-style-type: none"> • Beatty, A.L., B. Ke, and K.R. Petroni. 2002. Earnings management to avoid earnings declines across publicly and privately held banks. <i>The Accounting Review</i> 77(3): 547-570. (Also an example of modeling specific accruals) • Dichev, I.D. and D.J. Skinner. 2002. Large-sample evidence on the debt covenant hypothesis. <i>Journal of Accounting Research</i> 40(4): 1091-1123. 	
Session 4-5 February 9 ^h , 2017 February 16 th , 2017 Conservatism in accounting	5.1. Divya will give an overview of conservatism based on the following papers: <ul style="list-style-type: none"> • Watts, Ross L. 2003a. Conservatism in Accounting Part I: Explanations and Implications. <i>Accounting Horizons</i> 17(3): 207-221. • Watts, Ross L. 2003b. Conservatism in Accounting Part II: Evidence and Research Opportunities. <i>Accounting Horizons</i> 17(4): 287-304. 	Divya will give an overview of both papers.
	5.2. STUDENT PRESENTATION of Ahmed, A.S., B.K. Billings, R.M. Morton, and M. Stanford-Harris. 2002. The role of accounting conservatism in mitigating bondholder-shareholder conflicts and in reducing debt costs. <i>The Accounting Review</i> 77(4): 867-890. <u>Paper summary required.</u>	Student will present Ahmed et. al. (2002).
	5.3. STUDENT PRESENTATION of Basu, Sudipta. 1997. The conservatism principle and the asymmetric timeliness of earnings. <i>Journal of Accounting and Economics</i> 24: 3-37. <u>Paper summary required.</u>	Student will present Basu (1997).
Session 6 February 23 rd , 2017 International accounting	4.1. Overview of international accounting: <ul style="list-style-type: none"> • LaPorta, R., F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishny. 1997. Legal determinants of external finance. <i>The Journal of Finance</i> 52(3): 1131-1150. • LaPorta, R., F. Lopez-de-Silanes, and A. Shleifer. 2008. The economic consequences of legal origins. <i>Journal of Economic Literature</i> 46(2): 285-332. • Bushman, R.M., J.D. Piotroski, and A.J. Smith. 2004. What determines corporate transparency? <i>Journal of Accounting Research</i> 42(2): 207-252. 	Divya will introduce the foundational papers on this topic.
	4.2. International differences in earnings quality: STUDENT PRESENTATION of Leuz, C., D. Nanda, and P. Wysocki. 2003. "Earnings Management and Investor Protection: An International Comparison." <i>Journal of Financial Economics</i> 69: 505-527. <u>Paper summary required.</u>	Student will present Leuz, Nanda, and Wysocki (2003).
	4.3. The "Incentives versus standards" debate in international accounting: STUDENT PRESENTATION of Ball, R., A. Robin, and J.S. Wu. 2003. Incentives versus	Student will present Ball,

	standards: properties of accounting income in four East Asian countries. <i>Journal of Accounting and Economics</i> 36: 235-270. <u>Paper summary required.</u>	Robin, and Wu (2003).
Session 7 March 2 nd , 2018 Governmental accounting – first of three sessions	7.1. Introduction to governmental accounting and discussion of Governmental Accounting Standards Board White Paper. 2006. “Why governmental accounting and financial reporting is – and should be – different” GASB White Paper: Norwalk, CT. (available from the GASB website; please search online)	Divya
	7.2. Exploiting the governmental accounting setting to answer fundamental questions of interest in accounting: STUDENT PRESENTATION of Gore, Angela K. 2004. The effects of GAAP regulation and bond market interaction on local government disclosure. <i>Journal of Accounting and Public Policy</i> 23: 23-52. <u>Paper summary required.</u>	Student will present Gore (2004).
	7.3. Continue with Exploiting the government accounting setting to answer fundamental questions of interest in accounting: STUDENT PRESENTATION of Gore, Angela K., K. Sachs, and C. Trzcinka. 2004. Financial disclosure and bond insurance. <i>Journal of Law and Economics</i> 67: 275-306. <u>Paper summary required.</u>	Student will present Gore, Sachs, and Trzcinka (2004).
Session 8 March 9 th , 2018	NO CLASS – AAA GNP SECTION MEETING – Please schedule one-on-one meetings with me in lieu of class.	
March 16 th , 2018	NO CLASS – SPRING BREAK	
Session 9 March 23 rd , 2018 Governmental accounting – second of three sessions	9.1. Research into the municipal bond markets: *Don Monk will give an overview of municipal bond markets and present his current work. <u>Paper summary required.</u> (Email me closer to the date for the latest version of the paper)	Don Monk will guest-lecture.
	9.2. “Real effects” of accounting standards in the governmental context: Claire Yan will present her following two papers and discuss her other governmental work: Khumawala, S., T. Ranasinghe, and C. Yan. 2016. Why hedge? Extent, nature and determinants of derivatives usage in U.S. municipalities. <i>Journal of Accounting and Public Policy</i> 35: 303-325. Khumawala, S., T. Ranasinghe, and C. Yan. 2017. Real effects of governmental accounting standards: Evidence from GASB Statement No: 53 Accounting and	Claire Yan will guest-lecture.

	Financial Reporting for Derivative Instruments. Working paper. <u>Paper summary required.</u>	
Session 10 <i>March 30th, 2018</i> Governmental accounting – wrap up and segue to Executive Compensation	10.1. “Real effects” of accounting standards in the governmental context: *Divya will present/discuss Anantharaman and Chuk (2018), working paper. <u>Paper summary required.</u> (Email me closer to the date for the latest version of the paper)	Divya
	10.2. Overview of option-pricing theory in corporate finance, and executive compensation	Divya
Session 11 <i>April 6th, 2018</i> Executive compensation – continued	10.1. Determinants of compensation – STUDENT PRESENTATION of Sundaram, R., and D. Yermack. 2006. “Pay Me Later: Inside Debt and its Role in Managerial Compensation” <i>Journal of Finance</i> 62(4): 1551-1588. <u>Paper summary required.</u>	Student will present Sundaram and Yermack (2006).
	10.2. Consequences of compensation & one approach to tackling endogeneity problems with such corporate finance questions: STUDENT PRESENTATION of Wei, Chenyang, and David Yermack. “Investors’ reactions to CEOs’ inside debt incentives.” <i>Review of Financial Studies</i> 24 (2011): 3813-3840. <u>Paper summary required.</u>	Student will present Wei and Yermack (2011).
	10.3. Another approach to tackling endogeneity problems in corporate finance: STUDENT PRESENTATION of Hayes, R.M., M. Lemmon, and M. Qiu. 2012. Stock options and managerial incentives for risk-taking: Evidence from FAS 123R. <i>Journal of Financial Economics</i> 105: 174-190. <u>Paper summary required.</u>	Student will present Hayes, Lemmon, and Qiu (2012).
Session 12 <i>April 13th, 2018</i> Tackling endogeneity problems	12.1. Other approaches to tackling endogeneity problems in corporate finance – Instrumental Variables approaches: REQUIRED BACKGROUND READING BUT NO PRESENTATION OR SUMMARY: Robert, M., and T. Whited. “Endogeneity in Empirical Corporate Finance”. Chapter in <i>George Constantinides, Milton Harris, and René Stulz (eds.), Handbook of the Economics of Finance. Elsevier Science North Holland.</i> (Monograph available at SSRN)	Divya will discuss Instrumental Variables.

	12.2. Classic example on use of instrumental variables – STUDENT PRESENTATION of Bennedsen, Morten, Kasper Nielsen, Francisco Perez-Gonzalez and Daniel Wolfenzon, 2007, Inside the family firm: The role of families in succession decisions and performance, <i>Quarterly Journal of Economics</i> 122, 647-691. <u>Paper summary required.</u>	Student will present Bennedsen et al. (2007).
	12.3. Another example on use of instrumental variables – STUDENT PRESENTATION of Anantharaman, Divya, Vivian Fang, and Guojin Gong. 2014. Inside debt and the design of corporate debt contracts. <i>Management Science</i> 60 (5): 1260-1280. <u>Paper summary required.</u>	Student will present Anantharaman, Fang, and Gong (2014).
Session 13 <i>April 20th, 2018</i> Tackling endogeneity problems, continued	13.1. Other approaches to tackling endogeneity problems – difference-in-difference estimators (DD) and regression discontinuity (RD) approaches	Divya
	We will spend our remaining time on any spillover topics from previous sessions or any topics requested by you. If there are no spillover topics / requested topics, we will read a couple of papers that employ DD or RDD approaches.	
Session 14 <i>April 27th, 2018</i>	Student research project presentations – we will divide the available time equally across all the students in class.	