Seminar Objective

The primary objective of this seminar is to expose students to ongoing and emerging financial accounting issues and to acquaint them with various research methodologies used in empirical financial accounting research. A number of financial accounting topics are selected for presentation and discussion in this course, and several papers are suggested for reading on each topic.

Students are required to read the suggested papers for every meeting, and they are encouraged to do their own research to identify additional research papers on the topic of discussion in each meeting. The students are expected to come prepared on the topic of the meeting for discussion in the classroom.

We will discuss at least two papers in each meeting. One student will make the presentation and another student will discuss this paper. Both students are required to submit a written report every week on the assigned topic. Topics for discussion and presentation are included in the attached outline.

Guidelines for presentation are given below. The presenter will also submit a written report. The following guidelines are provided for discussion of the paper: what is the paper’s motivation, discussion of the methodology used in the paper, how it adds to the existing literature, what is its specific contribution to the literature, what are the weaknesses and strengths of the paper.

In addition, students are required to submit a term paper. Choice of the topic for term paper should lead to the dissertation topic, if possible. The term paper should include literature review on the topic, general framework how you plan to handle the topic, brief discussion on the methodology you plan to use, and if possible, discussion on data selection and preliminary results.

Grading

- Presentations in the seminar: 25 points
- Discussion Participation: 20 points
- Term (Research) Paper: 50 points
Guidelines for presentation on a research paper:

1. What is the research question?
2. Discuss theoretical arguments in support of the research question. What is an important question?
3. Discuss existing research on this topic. What has been examined in this regard in the literature? How this question fits in the general framework of the issue examined in the literature?
4. Research Methodology:
   - Discuss the research methodology to examine the question? Is this appropriate methodology? Is there any alternative methodology
   - What type of data are used? What is the source of data?
5. Discussion of Results
   - Discuss important aspects of data, such as size, characteristics of the firms
   - What are the main findings?
   - Interpretation of the findings?
   - Are these findings consistent with the hypotheses
6. What is paper’s contribution to the literature?
FINANCIAL ACCOUNTING SEMINAR

OUTLINE

MEETINGS 1, 2 & 3
Capital Markets and Financial Accounting Research

1. Processing of Accounting Information
2. Economic Consequences of accounting information
4. Research methodologies for empirical research question.
5. What is the role of agency theory in accounting?
6. How the agency problem is resolved in business?

Required Readings Meeting 1 & 2


Required Readings Meeting 3:


Additional Market research-oriented Papers:

Events and Association Studies and Earnings Response Coefficient


Empirical Research Papers


Positive Accounting Theory

1. Accounting research theories : Normative Theory and Positive Accounting theory.

2. What is positive accounting theory

3. What is contribution of the positive theory to accounting

4. How positive accounting theory is used in accounting to have a better understanding of accounting issues


Meeting No. 4 & 5

Accruals, Earnings, Cash Flows and Stock Prices

Required Reading


Additional Reading


Richardson, Sloan, Soliman, and Tuna, “The Implications of Accounting Distortions and Growth for Accruals and Profitability”, AR 2006

MEETING NO. 6 & 7
Valuation Models

Required Reading


Additional Reading:


MEETING No. 8 & 9
Cost of Capital

Required Reading

2. Lin, Ma, Malatesta and Xuan. Ownership structure and the cost of corporate borrowing. JFE 2010

Additional Reading.

5. William Lee and Swaminathan. Toward an Implied cost of capital. JAR 2001
MEETING NO. 10

Corporate Governance

1. Corporate governance And Audit Committee?
2. Audit Committee and external auditors
3. Role of Institutional investors in corporate governance

Required Reading:


Larcker, Richardson and Tuna, Corporate Governance, Accounting Outcomes, and Organization Performance, AR Vo. 82, No. 4, 2007.

Additional Reading


Anderson, R.C., Mansi, S., Reeb D.M. 2006. Board characteristics, accounting report integrity, and cost of debt. JAE 37, 315-342
MEETING NO. 11

Earnings Guidance: their discontinuation and reissuance

1. Does earnings guidance add value
2. Why firms discontinue issuing earnings guidance
3. What motivates to restart their issuance
4. 4 Earnings Guidance and market expectation

Reading:
MEETING NO. 12 & 13
Executive Compensation
1. Different types of compensation
2. Executive compensation and firm performance
3. Executive compensation and agency problem
4. Stock options and executive compensation

Readings:


Sloan, “Accounting Earnings and top executive compensation, JAE, 1993


MEETING NO. 14.

Audit Effectiveness

Audit and External Monitoring to reduce agency cost
Audit and Earnings Management
Audit and Earnings Quality
Audit and Stock prices
Impact of non-audit services by auditors on audit and earnings quality

Reading list will be provided later.