PhD Seminar in Accounting Research taught by Divya Anantharaman
Wednesdays, 1:00-3:50PM
1 Washington Park, Room 358

So, you find yourselves in this PhD seminar class on accounting research. Congratulations! (for enrolling successfully in the PhD program - it will change your life in so many innumerably good ways), and a big welcome to all of you.

What is the objective of this class?

This class has only one objective: prepare you to start working on your own research. This involves:

- Identifying interesting (and researchable) research questions
- Formulating testable hypotheses
- Gathering data
- Constructing an ex-ante reasonable, valid, and powerful research design
- Testing your hypotheses empirically and formulating conclusions
- Writing up your motivation and findings in a manuscript
- Circulating & presenting your manuscript to colleagues, at conferences, and other forums, receiving critical feedback, and revising your work appropriately

I suggest that you also think about this class in those terms: not as a class in the traditional sense (i.e. you attend for ‘x’ hours of in-class instruction a week, do homework, write an exam, etc and do other things so as to get a good grade at the end) but as a core part of your reason for being here at Rutgers, which is to become independent researchers. To achieve this objective, we are going to try to do two things:

- Introduce you to important and interesting (in my view) areas of accounting & corporate finance research.
- Caveat: The papers we will discuss in class are not exhaustive in breadth or depth. There are hundreds of papers on each sub-topic, and we only have 3 hours or less to cover each broad topic of research, so we literally only scratch the surface each time. To a great extent the syllabus includes papers that are widely acknowledged as “classics” in the field, but it also reflects my own subjective judgments of what is important and interesting. Moral of the story: you have to do additional reading on your own if you want to get anywhere (see the folder on Expanded Reading Lists).

- Give you some practice in reading papers actively and critically
- There are two ways to read any paper: passively, or actively. As budding researchers, you should try to do the latter as much as possible, by which I mean you should read the papers with an open, curious, questioning, and critical mind, rather than slavishly accepting what the authors say without question. This applies even to “classics” – every paper has room for improvement, and need not be accepted as the gospel truth. On the other hand, this does not mean that you have
to try to find some way to criticize everything you read, or only focus on the negatives; instead, it each paper you read, you should actively think about:

- What you like/love
- What you are impressed by
- What doesn’t make sense to you or is confusing
- What appears to you as a problem or weakness
- What appears to be an open / unanswered question
- What appears to be opportunities for improvement or extension
- Is there anything about this paper that gives you an “Aha!” moment, or turns a light bulb on in your head, or which your mind keeps returning to over and over again over the next few days?

Here’s how the class will work

We meet 14 times in this class, each session lasting 3 hours. Each session will be devoted to one specific topic of accounting research, as listed in the session plan.

- At the beginning of class, I will spend a few minutes introducing the topic, defining terms, and setting the stage. Then, we will dive in to the assigned papers for the class, typically 3-4 papers for each session, organized in chronological order.
- Each paper will be assigned to one student for presentation. This student is in charge of presenting the paper as comprehensively as possible, explaining what the authors have done, and also share with the class the insights you gained from actively reading the paper (see above). I have given you a Template for summarizing/presenting papers, which outlines a structure you could potentially use. Each presentation should last no more than 30 minutes roughly, all inclusive.
- Anyone in the class is welcome to ask questions and raise issues for discussion during or after the presentations. The objective of the presentation is not for one person to get up and speak and everyone else to listen and nod, but rather to lay the topic open for discussion (within the constraints of the time limit, of course).
- Before/during/in-between/ and after the presentations, I will interject, ask questions, make comments, and lecture wherever necessary to make points or explain concepts. Think of my role as that of a discussion leader rather than a lecturer.
- For the last session of class, you will all give a brief presentation of a research proposal you have developed (this may be the same proposal you are submitting for your first or second-year summer papers). We will adjust the time based on the number of students enrolled, and will take extra time if necessary.

What you need to do before and during each class

- Read all the assigned papers carefully and actively. It is always a good idea to keep notes as you read.
- If you are assigned to present a paper in the next session, prepare any materials you are going to use for your presentation (for e.g. slides).
- Each of you will submit a 1-page summary of all assigned papers before 12PM of class day.
- Show up to class well slept, well fed, well caffeinated, and ready to participate in an active class discussion.
Our first session of class, we will not have any student presentations – instead, I will lead the discussion. You are still expected to do everything else – read the papers beforehand, submit the summaries, and discuss in class.

**About the presentation**

**Class rules**

- I don’t have any rules about the presentation – you may use slides, or just get up and talk, write on the blackboard, etc. Just do what you need to do, to get the story across.
- If you have slides, you must upload your slides onto the shared Dropbox folder for the class, into the relevant sub-folder, before 12PM on class day.
- If you are presenting a paper and have uploaded slides, you do not need to submit a separate 1-page summary of that paper.

**Who presents which paper?**

I will assign papers to students in alphabetical order. At the end of each session of class, we will take 2-3 minutes to assign papers to presenters for the next session. But, if you have a particular preference for presenting some paper, let me know and I will make every effort to accommodate you. Or, you could swap papers internally amongst yourselves – it is really up to you and I don’t have any rules about this. As the number of papers may not divide evenly into the number of students, some of you will end up presenting one paper more than others.

**Why do I make you present?**

You have all been at Rutgers for at least 1 semester now. You have seen from our Friday workshops that presenting your work well, and discussing it with colleagues, is an integral part of being a successful researcher. The class presentations are intended to give you practice in getting up in front of a room, structuring your thoughts, talking in public, being challenged, responding to questions, etc.

**How do I become a good presenter?**

The answer to this question is simple: practice. But there are some guidelines you can follow to make your (and your listeners’) lives easier (see OtherResources\PresentingBetter.pdf)

**About the 1-page paper summary**

- You will upload your summary onto the shared Dropbox folder for the class, into the relevant subfolder.
- One page is only a guideline. Write a bit more or a bit less as long as you convey everything you want to say briefly.
- You may use the template provided to structure your summary if you like.
- The summary **must be in your own words**. It is not an exercise in cut-and-paste from the paper.
The summary must reflect your active reading of the paper; instead of filling up space repeating the research question, the regression model, etc, you should rather focus on giving your opinions on the strengths and weaknesses of the paper, and describing any research ideas you got while reading the paper.

*Why do I make you write these summaries?*

- First, to make sure that you all read every paper, and read it actively.
- Second, to give you practice in writing. All research you do on your own must be written up, and is read by others in that form. Having decent writing skills is critical to being a successful researcher.
- Finally, to help you keep organized and structured notes on all the papers we read, which will come in handy while studying for your comprehensive exam.

*How do I become a good writer?*

Read the tips in OtherResources\WriteBetter.pdf.

**Grading scheme**

It's a PhD class - what you learn from the class matters more than the grade. But still, here goes:

- The 1-page summaries count for 20% of the overall grade.
- Class presentations of papers account for another 20%.
- Class participation / discussion accounts for another 20%.
- On the last day of class, you present a proposal for research. You have to submit a proposal for your summer papers anyway, and you may propose the same topic if you choose. You have time lasting until 6AM on the morning of May 15th to submit your written proposal, which should be no more than 5 pages in length (letter paper size, single-spaced typed text) and should include at the minimum the following:
  - What is your research question?
  - What is the motivation? (i.e. why is this interesting, and why should we care?)
  - Describe briefly prior work on this topic, and how your study will contribute to our understanding of this topic.
  - Formulate your expectations/hypotheses.
  - Describe the data / data sources and research design.
  - Note that the research proposal must be about a testable, or researchable topic, by which I mean that you must have verified that the data you need is available and feasible for you to collect or obtain.
  - This research proposal accounts for another 20% of your grade.
- On the last day of class, I will also assign you a working paper for you to write a referee report. The referee report should evaluate the motivation, significance of the paper’s contribution to the literature, testability of the hypotheses, validity of the research design and the conclusions. It should include a clear recommendation to the editor to accept, reject, or revise and resubmit the paper. This report is due by 6AM on the morning of May 15th, and accounts for another 20% of your grade.
Some general rants/raves/proselytizing from me

Why is this class so much work?

All PhD seminar courses require intensive effort and preparation from you before and after. It relates back to the fact that you should think about PhD seminar classes not as traditional classes that you take for 3 credits and a grade at the end, but as the fundamental reason why you are here in the first place. The more effort, thought, and enthusiasm you put into this class, the more value you’ll get out of it.

Why do we read so many “classic” (i.e. old) papers?

The earlier part of the course focuses on classics, and you will notice that the later part of the course mixes in classics with contemporary papers. It is extremely important to read these classics, for a number of reasons:

- Reading papers in a literature in the sequence in which they were written gives you an unmatched sense for how the research process works, and how literatures evolve over time. You see how old “conventional wisdoms” are slowly overturned, how new ideas are introduced and received at that time, how findings are established as “weak” or as “robust” over a period of time, and how broad themes and patterns evolve in the literature.
- Reading literature review papers is also very useful, but is not a substitute for actually reading the papers that make up that literature.
- The classics are well-cited and influential papers, which means many other people have found them useful, or interesting, and have been inspired to write other papers based on them. This is usually because there is some innovation in these papers – new data, a new method, a new argument, or simply the ability to tell a terrific story (which sounds easier than the others, but is not). It is nice to have many examples of such work to inspire you.

How is a PhD seminar class different from an undergraduate/masters’ class?

I’ll run the risk of sounding repetitive because this is so important: a PhD seminar is all about discussion, debate, experimentation, and argumentation as your path to learning. Why? Because every research paper is always a work-in-progress, even published papers (if it were not, then we can all clean out our desks and go home right now). The lifeblood of being a researcher is to ask questions and challenge “conventional wisdoms”, “gospel truths”, and “status quos”. The main fresh element that you all bring to the table is your very own independent, original, unique thought process, which is by definition unlike anyone else’s. So don’t be inhibited, or shy, or afraid about speaking up. Don’t be reluctant to disagree, or to criticize.

P.S: None of this means that you don’t have to be respectful, of your fellow students, or of the folks writing the papers you are reading. Learn to disagree and critique respectfully.

The class participation’ requirement’ is stressing you out.
Don’t think about it as a ‘requirement’ that counts for 20% of course credit. Think about it as an opportunity to learn from others instead of trying to figure out everything yourself. No question is too silly. Also, don’t stress yourself out trying to speak up ‘x’ number of times in every class. Speak if and only if the spirit moves you, and when you feel that you have something to say, or ask.

You said something in class (either in presentation / summary / discussion) and either I or someone else disagreed or pointed out that you were wrong.

Relax. Take criticism in your stride. Feedback involves both giving and taking with grace and good humor. Go back home, think about the feedback, do better the next time, and move on. Everybody is wrong some of the time, particularly researchers. As a researcher, you are experimenting with the unknown – trying to dig into, and grapple with things that no one has tried to understand before - there’s no way you can do that well without making mistakes and being wrong some – or a lot – of the time.

Does this course tie in with any of my other PhD requirements?

You may use the research proposal component of this class as a way to develop your summer paper proposal, if you choose (i.e. present it, get feedback from me and the rest of the class). All material in this class is also fair game for your PhD qualifying exam.

You want my time outside class. What is the best way to approach me?

Come to my office during the office hours in the hour right after class (4-5PM, Wednesdays). If you drop in during office hours, you don’t need to make an appointment. Outside of these times, you can email me about an appointment.

If you want to discuss proposal ideas, you have to do your background reading first, and come with a 1-page summary on your research question, data, etc. Use the frameworks we have discussed in class. Answer those questions to yourselves before you come to see me. Be prepared for me to challenge you & say a few critical things when you come to talk to me. It’s not personal – I want to help you become successful researchers, and the best way to do that is to give you my (sometimes critical) feedback on whatever you’re thinking about.

I love talking to PhD students, but I have many other demands on my time, not least of which is conducting my own research. So, please come prepared and use my time efficiently.

Finally, my reading your proposal and giving it a grade does not mean that I’m your summer paper advisor. If you want me to be your summer paper reader/advisor, you must ask me specifically.
Template for thinking about papers that you are trying to summarize or present

Note: This template is not intended to be followed 100% as a strict or rigid rule. For example, in your summary, you don’t need to devote one section to every single point listed below. Instead, use the template to guide your thinking. Make sure that your summary touches on these main aspects though: Research Question, Main Findings, Contributions, Research Method, Strengths & Limitations, and Possible Extensions; with emphasis on the last two.

1. What is the research question? Be concise; you usually should be able to do this in a few sentences.

2. Why is the research question important? Summarize the potential contribution of the paper. Also, who cares about the answer to this research question and why?

3. Describe the research question in more detail.
   a. Theory. Tell the “story” that generates the authors’ hypotheses. Be concise; you usually should be able to do this in a paragraph.
   b. Key related literature. Identify the three most relevant prior or contemporaneous papers to the study.
   c. Hypotheses. List the hypotheses. Did the authors phrase them in a way that allows for empirical test?
   d. What are the primary theoretical constructs involved in the theory/hypotheses?

4. Describe the research design methodology and empirical methods.
   a. Identify the sample and primary data sources and discuss statistical conclusion and external validity issues.
   b. Identify the empirical constructs used to capture the theoretical constructs and discuss construct validity issues.
   c. Empirical Analyses. Describe in detail how the authors empirically test each hypothesis. Identify the key research design decisions. Discuss statistical conclusion and internal validity issues.

5. Results. Describe the findings in the paper, both those that conform to the hypotheses and those that do not. Evaluate whether and how the results convincingly support the story.

6. Step back and summarize the contributions of the paper. (Note the difference between
this step and step 2)

7. Identify what you consider the main strengths and weaknesses of the paper.

8. Identify at least one specific, researchable question you can ask that will extend the paper’s contributions.
Session plans and readings

Legend:

• Anything marked with an ** is required reading ahead of class and requires all students to turn in a summary and one student to present the paper in class, unless otherwise specified.
• Anything marked with “Recommended reading” is highly recommended, but not required reading. Read these at your own pace, but make sure you get to them sometime, especially if you are interested in that topic.
• Anything marked with “Divya” will be briefly discussed/referred to by me in class.

Recommended Background Reading For Budding Accounting Researchers

Books

Kuhn, Thomas S. *The Structure of Scientific Revolutions.*


Papers


Session 1 (January 23rd 2013): Introduction

The origins of positive accounting research


Accrual accounting and its value


Session 2 (January 30th 2013): Evidence on earnings management in various situations


Session 3 (February 6th 2013): Benchmark-beating, and refining our understanding of methodologies in earnings management

Benchmark beating


*Methodology issues in constructing earnings management measures*


*Different approaches to understanding EM*


Session 4 (February 13th 2013): Earnings quality


Class 5 (February 20th 2013): Voluntary disclosure

Recommended reading.


Determinants of voluntary disclosures:


Consequences of voluntary disclosure:


Measuring voluntary disclosure: management earnings forecasts, disclosure indices, (new) textual / linguistic analysis for soft/qualitative information.

Class 6 (February 27th 2013): Information intermediaries in the equity markets: Financial Analysts


**Class 7-8 (March 6th & 13th, 2013): Debt markets and accounting information**

*Role of accounting information in debt contracting*


*Role of accounting information in debt valuation*


*Role of Accounting Information in Distress Prediction*


Use of accounting information by credit rating agencies


Class 9 (March 27th 2013): International accounting


Examples of using international settings cleverly to answer various research questions


Class 10-11 (April 3rd & 10th 2013): Managerial incentives

Determinants


**Consequences**


**Class 12 -13 (April 17th & 24th 2013): Identification**

***Robert, M., and T. Whited. “Endogeneity in Empirical Corporate Finance”: Required reading, but no presentation/summary. We will discuss in detail in class.

*Other reading on Endogeneity*

Chris Berry lecture on using IVs: Recommended reading.


IVs (While reading, summarizing & presenting these papers, focus only the identification strategy)


*Natural experiments, D, DD, or DDD (While reading, summarizing & presenting these papers, focus only the identification strategy)*


*Regression discontinuity (While reading, summarizing & presenting these papers, focus only the identification strategy)*


*Panel data methods/using firm as its own control (While reading, summarizing & presenting these papers, focus only the identification strategy)*


*Propensity score matching (While reading, summarizing & presenting these papers, focus only the identification strategy)*


Class 13 (second half): Wrap-up & assorted topics
Examples of non-linear effects


Things you should know: Standard error correction


Things you should know: Database problems


Class 14 (May 1st 2013): Student presentations of research proposals