1 Faculty

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2 Title

Empirical Accounting Research

3 Outline

3.1 Issues

This course focuses on empirical archival accounting research, covering theoretical, methodological and technical aspects of this research program. It is targeted at second year doctoral students and concentrates on financial accounting issues but also touches on some auditing, corporate governance and corporate finance topics.

After this course, participants should
- have a clear understanding about the theoretical foundations of positive and capital market-based financial accounting research,
- understand the methodological approaches to and common pitfalls of empirical archival research designs,
- have acquired information about how to execute empirical archival studies, including the concept, usability and inter-operability of different data sources, like Compustat, CRSP, Worldscope, Datastream and I/B/E/S,
- and, based on their own research proposal, have received constructive feedback on how to design and execute a viable study in the area of empirical financial accounting research.

3.2 Course format

The course consists of a combination of lectures on theory and methodological issues, student presentations and group discussions. The objective of the course is to introduce the participants to the state-of-the-art of empirical accounting research and to help them to develop their own research projects. To achieve this, students are asked to submit research proposals (up to 1,500 words) prior to the course. Each proposal will be reviewed, and feedback will be given to students. During the course, students will be presenting their (updated) research plans to the group and will receive additional feedback. Students seeking data access while taking the course are encouraged to apply for a short term visiting status with the Research Data Center (RDC) of the SFB 649 (Economic Risk) of Humboldt-Universität zu Berlin.

4   Administration

4.1   Schedule (preliminary)

02.09.2014, Tu, 10-18, SPA 1, R. 22

Introduction: Why empirical research in accounting?

Theory: Positive Accounting Research
- The positive accounting research paradigm
- Microeconomic foundations
- Asset pricing foundations

Research Design:
- Descriptive versus Causal Studies
- The Counterfactual Framework

Execution:
- Data sources
- Statistical software packages
- Data organization and handling
- Data merging

03.09.2014, We, 9-18, SPA 1, R. 22

Theory: Financial Accounting and Incentives
- Equity-related incentives
- Debt-related incentives
- The role of the auditing process

Research Design:
- From the research question to the research setting
- Identification strategies
- Statistical inference when selection is based on observable variables
- Statistical inference when selection is based on unobservable variables

Execution:
- Sample preparation
- Preparing and presenting tables

04.09.2014, Th, 9-18, SPA 1, R. 22

Execution:
- Assessing robustness
- Writing a paper and presenting your work
- Getting yourself published

Workshop:
- Proposal presentations

05.09.2014, Fr, 9-14, SPA 1, R. 22

Workshop:
- Proposal presentations

Wrap-up and feedback

4.2 Location

Humboldt-Universität zu Berlin, Room 22, Spandauer Straße 1, Berlin

4.3 Max. number of participants

The number of participants is limited to 20.

5 Content

Empirical research in accounting is taking a leading position in international academic journals. It encompasses different research approaches, ranging from behavioral experimental and field surveys to archival studies. This course concentrates on empirical archival research in the area of financial accounting. Empirical archival research is based on observational data which are available from databases or other sources. These data are then used to test predictions of theories in the areas of positive accounting theory or capital market-based accounting research. Topics in the area of positive accounting research cover issues like accounting choice, (voluntary) disclosure quality, earnings management as well as governance-related accounting questions. Capital market-based accounting research focues on topics like the pricing impact of financial accounting disclosure on capital markets, the connection between accounting and the cost of capital or the interplay of financial accounting and corporate finance decisions.

This course concentrates on financial accounting but also touches upon auditing topics. The theoretical lectures are discussing the economic underpinnings of this research program. The research design lectures focus on the econometrical problems of causal inference based on observational data. The research execution sessions are designed to give students hands-on experience about working with real-life observational data and how to execute a study so that the results provide reliable evidence that addressess the underlying research question. During these sessions, examples of selected pojects will be presented, starting with data gathering and sample preparation and ending with discussing the publication process.

6 Prerequisites

The course requires intermediate skills in statistics and econometrics as well as a solid background in financial accounting. Also, the students should be familiar with the fundamental concepts of information economics and asset pricing as well as corporate finance. Topics like OLS regression, contract theory, and arbitrage pricing theory should sound familiar to the participants.

7 Course Material

7.1 Overview and Background Reading Material

Overview on current research topics in the area of financial accounting:

Journal of Accounting and Economics, Volume 50, Issues 2-3, pp. 127-466 (December 2010).

Textbooks on accounting theory:

Christensen, J. A. and J. S. Demski (2003): Accounting Theory: An Information Content Perspective, McGraw-Hill.

Wagenhofer, A. and R. Ewert (2007): Externe Unternehmensrechnung, Springer, 2nd edition.

Textbooks with an emphasis on microeconometrics and/or applied questions of causal inference:

Angrist, J. D. and J.-S. Pischke (2009): Mostly Harmless Econometrics: An Empiricist's Companion, Princeton University Press.

Morgan, S. and C. Winship (2007): Counterfactuals and Causal Inference. Cambridge University Press.

Wooldridge, J. M. (2010): Econometric Analysis of Cross Section and Panel Data, The MIT Press

7.2 Reading List

A small reading list containing a maximum of three papers that will be discussed during the lectures will be distributed by Aug 18, 2014.

8 To prepare

All participants are required to read the papers on the reading list (not the overview/background list!) prior to the course. Every student has to **submit a current research proposal** (maximum of 1,500 words) by **Aug 18, 2014**. This proposal can be preliminary but should contain a potential research question, discuss why this research question is relevant and how it fits into the academic literature, and also include some concept for a potential research design that might be used to address the research question. Each participant will present his or her proposal in class (15 minutes presentation time, not including discussion).

9 Assessment

The grade will be based on the research proposal (20 %), proposal presentation (40 %) and on the active participation during the workshop (40 %).

10 Credits

The course is eligible for 6 ECTS.