1 Faculty

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2 Title

Quantitative Empirical Accounting Research

3 Outline

3.1 Issues

This course focuses on quantitative empirical archival accounting research, covering theoretical, methodological and technical aspects of this research program. The course concentrates on financial accounting issues but also touches on some auditing 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 usability and inter-operability of different data sources,
- have become familiar with a collaborative data science workflow using R/Stata and Github,
- and, based on their own research proposal, have received constructive feedback on how to design and execute a viable study in the area of quantitative empirical financial accounting research.

3.2 Course format

The course consists of a combination of lectures on theory and methodological issues, group assignments, 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.

4 Administration

4.1 Schedule (preliminary)

04.09.2018 (Day 1)

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
- Software: Github, R, Stata
- The Data science workflow
- Data wrangling

05.09.2018 (Day 2)

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

Execution:
- Exploration
- Modeling and testing

06.09.2018 (Day 3)

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

Workshop:
- Proposal presentations

07.09.2018 (Day 4)

Workshop:
  • Proposal presentations

Wrap-up and feedback

4.2 Location

FU Berlin, details to be announced

4.3 Application

As this is a course that is also part of the fee based VHB pro dok program, BDPEMS student participation has to be negotiated with the VHB on a case-by-case basis. Interested students have to **apply to participate by August 13 by sending and email to gassen@wiwi.hu-berlin.de**. I will inform students whether they are accepted into the course by August 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 quantitive empirical archival research in the area of financial accounting but also touches on field experiments. 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 on the collaborative data science workflow. During these sessions, we will work jointly on a small project, starting with data wrangling 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.

In terms of data science experience, some knowledge of a statistical programming language (e.g., R or Stata) is a plus but not a must. We will be predominantly working with R during the seminar but students are also invited to work with Stata if they prefer. Students that are not familiar with either language are strongly encouraged to work through the opening chapters of "R for data science" prior to attending the class.

7 Course Material

7.1 Overview and Background Reading Material

Textbook on the data science workflow:

Grolemund, G. and H. Wickham (2017): R for Data Science, O'Reilly: http://r4ds.had.co.nz.

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

Journal of Accounting Research, Volume 54, Issue 2, pp. 277-676 (2016).

Journal of Accounting and Economics, Volume 50, Issues 2-3, pp. 127-466 (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 (2015): 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 20, 2018.

8 To prepare

All participants are required to read the papers on the reading list (not the overview/background list!) prior to the course. Students not familiar with either R or Stata have to work through the opening chapters (1-8) of "R for data science". Every student has to submit a current research proposal (maximum of 1,500 words) by Aug 31, 2018. 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. In addition, it also should 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). If feasible, students should bring a laptop to class with R, RStudio, and git installed. All packages are open source and freely available. A guide for setting this work environment up can be found at: http://happygitwithr.com.

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.