



*Graduate Program in Accounting Research (GP*AR):

Empirical Research in Financial Accounting

Instructor: Jörg-Markus Hitz

Course Dates: September 21 -22, 2017 (starting 10.30 a.m. on Thursday, ending 5 p.m. on Friday)

Course Description and Objectives:

This course introduces PhD students in accounting and related areas (finance, taxation) to empirical research in financial accounting. At the outset, empirical accounting research is outlined as one of various contemporaneous methodological streams, which closely links to analytical and experimental work in the field. Based on this framework, an overview of trends and themes in contemporary accounting research is presented, with a focus on opportunities for European PhD students. In the core part of the course, the methodological issues involved in establishing causal inference are addressed and applied to the current literature on mandatory IFRS adoption. Students are familiarized with identifying research settings and how to exploit them. Next, the process of conducting accounting research projects is outlined. Geared at empirical projects, all process steps from generating ideas through conducting and publishing the research are covered. Important papers and pieces of my own work are used for illustration. The final part of the course introduces PhD students to main areas and main papers in market-based research in financial accounting. In particular, this section covers determinants studies, effects studies, and event studies that aim to infer economic consequences of regulation.

The course consists of lectures and tutorials using databases, in which relevant issues are implemented using statistical software and commercial databases.

Upon conclusion of the course, students should have an understanding of the core fields, of current trends and techniques in international market-based accounting research, and should be familiar with the framework for conducting contemporary research projects and getting them published in top journals. Particular emphasis is given to identifying research settings and to devising research designs appropriate to exploit these settings.

Assessment:

This course qualifies as course for the “Graduate Program in Accounting Research” (GPAR). Assessment is based on participation in the course and hands-on exercises during the database tutorial. Successful candidates will receive 3 credit points (ECTS).

Candidates may collect 3 additional credit points upon successful completion of a take-home exam. Essentially, this exam consists of writing a review report for a designated research paper.

Course Material and Readings:

Participants will receive copies of the lecture slides. A reading list is given below. Students are expected to digest the required readings in preparation.

Course Outline:

- I. Empirical Accounting Research – an Introduction
- II. Contemporary Issues and Opportunities in Empirical Accounting Research – A Personal View
 1. Neo institutional accounting research
 2. Disclosure regulation and IFRS
 3. Accounting research and standard-setting
 4. Empirical Accounting Research in 2017: Taking stock and seizing opportunities
- III. The core: establishing cause and effect
 1. A primer on IFRS adoption studies
 2. Theory and empirical implementation
 3. Identification and causal inference
- IV. Conducting Empirical Accounting Research
- V. Contemporaneous methods and areas in empirical accounting research
 1. Determinants of accounting choices
 2. Effect studies: Inferring economic consequences of disclosure regulation
 3. Event studies
- VI. Database Tutorial

Registration

Via Email to ann-kristin.grosskopf@wiwi.uni-goettingen.de. Registration deadline is Friday, September 8.

Reading list

(Boxes indicate required readings)

I. Empirical Accounting Research – an Introduction

Kothari, S. P. (2001): Capital markets research in accounting, *Journal of Accounting and Economics*, Vol. 31 (2001), pp. 108-121.

Ball, Ray, and Brown, Philip (1968): An Empirical Evaluation of Accounting Income Numbers, *Journal of Accounting Research*, Vol. 6, No. 2 (Autumn 1968), pp. 159-178.

Beaver, William H. (1998): *Financial Reporting – An Accounting Revolution*, 3rd edition, London 1998, chapter I.

Holthausen, Robert W., and Watts, Ross L. (2001): The relevance of the value-relevance literature for financial accounting standard setting, *Journal of Accounting and Economics*, Vol. 31 (2001), pp. 3-75.

Liang, Pierre Jinghong (2001): Recognition: An Information Content Perspective, *Accounting Horizons*, Vol. 15, No. 3 (September 2001), pp. 223-242.

Watts, Ross L., and Zimmerman, Jerold L. (1978): Towards a Positive Theory of the Determination of Accounting Standards, *Accounting Review*, Vol. 53, No. 1 (January 1978), pp. 112-134.

II. Contemporary Issues and Opportunities in Empirical Accounting Research – A Personal View

Leuz, Christian, and Peter Wysocki (2016): The Economics of Disclosure and Financial Reporting Regulation: Evidence and Suggestions for Future Research, *Journal of Accounting Research* 54(2), pp. 525-622.

Wysocki, Peter (2011): New institutional accounting and IFRS, *Accounting and Business Research* 41, pp. 309-328.

Brüggemann, U., J-M. Hitz and T. Sellhorn (2013): Intended and Unintended Consequences of Mandatory IFRS Adoption: A Review of Extant Evidence and Suggestions for Future Research, *European Accounting Review* 22 (1), 1-37.

Buijink, Willem (2006): Evidence-Based Financial Reporting Regulation, *Abacus* 42 (3/4), pp. 296-301.

Ewert, Ralf, and Alfred Wagenhofer (2012): Using Academic Research for the Post-Implementation Review of Accounting Standards: A Note, *Abacus* 48(2), pp. 278-291.

Fülbier, Rolf-Uwe, Hitz, Jörg-Markus, and Thorsten Sellhorn: Relevance of academic research and researchers' role in the IASB's financial reporting standard setting, *Abacus*, Vol. 45, No. 4 (2009), pp. 455-492.

Holthausen, Robert W. (2009): Accounting Standard, Financial Reporting Outcomes, and Enforcement *Journal of Accounting and Economics* 47, pp. 447-458.

Soderstrom, Naomi S., and Kevin J. Sun (2007): IFRS Adoption and Accounting Quality: A Review, *European Accounting Review* 16:4, pp. 675-702.

III. The core: establishing cause and effect

Angrist, Joshua D., and Jörn-Steffen Pischke: *Mastering Metrics*, Princeton University Press 2014, chapters 1-3 & 5.

Brüggemann Ulf, Hitz, Jörg-Markus, and Sellhorn, Thorsten (2015): *Ökonomische Konsequenzen der verpflichtenden IFRS-Einführung in der EU – Teil 2: Welchen Beitrag kann die empirische Forschung leisten?* *Der Betrieb* (2015), pp. 1849-1855.

Gassen, Joachim (2014): *Causal Inference in Empirical Archival Financial Accounting Research*. *Accounting, Organizations and Society* 39 (7): 535-544.

Gow, Ian D., Lacker, David F., and Peter C. Reiss (2016): *Causal Inference in Accounting Research*, *Journal of Accounting Research* 54 (2): 477-523.

Larcker, David L., and Tjomme O. Rusticus (2007): *Endogeneity and Empirical Accounting Research*, *European Accounting Review* 16(1), pp. 207-215.

Larcker, David L., and Tjomme O. Rusticus (2010): *On the use of instrumental variables in accounting research*, *Journal of Accounting and Economics* 49, pp. 186–205.

IV. Conducting Empirical Accounting Research

James A. Ohlson (2011): *On Successful Research*, *European Accounting Review* 20(1), pp. 7-26.

V. Contemporaneous methods and areas in empirical accounting research

Kothari, *Capital markets research in accounting*, *Journal of Accounting and Economics* 31 (2001), pp. 121-161.