

*Graduate Program in Accounting Research (GPAR):*  
**Empirical Research in Financial Accounting**

Instructor: Jörg-Markus Hitz

Course Dates: December 3 -4, 2015 (starting 10. a.m. on Thursday, ending 5 p.m. on Friday)

**Course Description and Objectives:**

This course introduces Ph.D. students in accounting and related areas (finance, taxation) to empirical research in financial accounting. Based on a brief overview of the main schools of thought, the information perspective as the prevailing paradigm is introduced. Based on this framework, a subjective overview of trends and themes in contemporary accounting research is presented. 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. 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 Ph.D. students to the main areas and main papers in market-based research in financial accounting. Market-based accounting research, broadly, encompasses studies that relate accounting information and stock market metrics (e.g., volume of shares traded, return-based measures of risk (e.g., beta, implied expected rates of return), share prices, abnormal returns at the time of the announcement of information, returns over very long intervals. For each field of market-based research, main papers are presented and discussed in class. An emphasis is given to recent work on the adoption of International Financial Reporting Standards (IFRS). 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.

This course qualifies as course for the “Graduate Program in Accounting Research” (GPAR). Successful candidates will receive 3 credit points (ECTS).

**Assessment:**

Assessment is based on participation in the course and hands-on exercises during the database tutorial.

**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. IFRS
  3. Accounting research and standard-setting
  4. Competitive advantage
- III. The core: establishing cause and effect
  1. A primer on IFRS adoption studies
  2. Theory and empirical implementation
  3. Identification and causal inference
    - 3.1 Selection bias and the experimental ideal
    - 3.2 Addressing endogeneity
    - 3.3 Regression
    - 3.4 Instrumental variables
    - 3.5 Differences in differences
- IV. Conducting Empirical Accounting Research
- V. Market-based Accounting Research
  1. The Beginning: Value Relevance and Information Content Studies
  2. Earnings Response Coefficients
  3. Association Studies
  4. Accounting conservatism
  5. Earnings Management
  6. Cost of Capital
  7. Studies on IFRS adoption
- VI. Database Tutorial

**Registration**

Via Email to [ann-kristin.grosskopf@wiwi.uni-goettingen.de](mailto:ann-kristin.grosskopf@wiwi.uni-goettingen.de).

## 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*

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.

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

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.

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.

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. Market-based Accounting Research*

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