Doctoral Research Seminar

Empirical Research in Accounting

Introduction

The course will introduce you to empirical research in accounting. The approach will emphasize the theoretical foundations and econometric rigor of empirical work. The course will cover the main research areas of empirical research in corporate governance, financial reporting, and disclosure.

Objectives

The course objective is to equip students with tools to conduct empirical research in Accounting.

Learning Outcomes

At the end of the course students will have an understanding of the main research topics in these areas and the tools to conduct their own independent research.

Competences

General Competences:

- Conduct a critical analysis, evaluation and synthesis of new and complex ideas with the objective to produce general principles applicable to business situations.
- Use appropriate tools and techniques for problem solving, correction contrasting and decision validation.
- Demonstrate knowledge and understanding that provide a basis or opportunity for originality in developing and/or application of ideas, often related to a research context.
- Students should be able to communicate clearly and concisely their conclusions, underlying knowledge and reasons to a specialized and non-specialized audience.
- Students should possess the learning outcomes that enable them to continue studying in a way that will be largely self-directed or autonomous.

Specific Competences:

- Conduct a critical analysis, evaluation and synthesis of new and complex ideas with the objective to produce general principles applicable to business situations.
- Ability to articulate research questions that could extend our understanding of the field, and design a research program to answer them.
Content

The course is structured in two modules. The first module will cover research topics on corporate governance, with a focus on the implications of governance on valuation, executive compensation, board composition, shareholder monitoring, and corporate fraud. The second module will focus on financial reporting and disclosure, with a focus on accounting conservatism, disclosure regulation, and enforcement.

Methodology

The course will be conducted in the doctoral seminar style in 20 sessions. Each topic will typically consist of an interactive lecture providing an overview of the research in that particular topic followed by student-led discussions of papers in the area of interest.

Each topic has a set of readings. We distinguish between two types of readings. General readings will introduce you to the topic and provide an overview and a background for the class discussion. So you can skim parts of them. The assigned papers will be discussed in more detail. Each student should be prepared to discuss the following questions for each assigned paper:

1. Is the paper well motivated? Why is the research question (un)interesting? What is the paper’s contribution?
2. How compelling are the hypotheses?
3. What is the study’s research design and identification strategy?
4. How well is the research design tied to the research question? To what extent is the design capable of distinguishing between alternative hypotheses?
5. What are the major results? How do the authors interpret them?
6. What new research questions do the results raise?

Each paper discussion will be led by one student, but the rest of the students are supposed to participate in the discussion. The presenting student will submit a short report on the paper (maximum of 3 pages, font size 12 pt, double space). This report will include comments about the contribution, hypothesis development, and empirical approach of the paper.

Each student will develop during the course a research project on a topic of her/his interest. Each student will submit at the end of the course a draft describing the research question, the contribution to prior literature, and the empirical methods. The document will be written in the usual working paper format). The document will be written in Times Roman, 12 pt, double space and will not be longer than 30 pages.

Evaluation

The measuring of the learning outcomes and the grading of the course for the students will be according to class presentations and discussions. In particular, the grading will be determined as follows:

Class participation (participation in the paper discussions led by other students) 30%
Discussions led by the student (and corresponding referee report) 30%
Final project (research proposal) 40%
# Outline

## I. Module on Corporate Governance (8 sessions)

<table>
<thead>
<tr>
<th>Session</th>
<th>Topic</th>
<th>Professor</th>
<th>Papers to discuss</th>
<th>Background readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 &amp; 2</td>
<td>Corporate governance and firm value</td>
<td>Gaizka Ormazabal</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>3 &amp; 4</td>
<td>The board of directors</td>
<td>Gaizka Ormazabal</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>5 &amp; 6</td>
<td>Executive compensation</td>
<td>Igor Kadach</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>7 &amp; 8</td>
<td>Investor monitoring</td>
<td>Igor Kadach</td>
<td>See below</td>
<td>See below</td>
</tr>
</tbody>
</table>

## II. Module on Financial Reporting and Disclosure (12 sessions)

<table>
<thead>
<tr>
<th>Session</th>
<th>Topic</th>
<th>Professor</th>
<th>Papers to discuss</th>
<th>Background readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 &amp; 10</td>
<td>Accounting Information and Contracting: Conservatism and Debt Contracting (I)</td>
<td>Fernando Penalva</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>11 &amp; 12</td>
<td>Accounting Information and Contracting: Conservatism and Debt Contracting (II)</td>
<td>Fernando Penalva</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>13 &amp; 14</td>
<td>Disclosure, Information Asymmetry, Liquidity and the Cost of Capital</td>
<td>Pietro Bonetti</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>15 &amp; 16</td>
<td>Proprietary Costs of Transparency</td>
<td>Miguel Duro</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>17 &amp; 18</td>
<td>Disclosure Regulation and Regulatory Enforcement</td>
<td>Miguel Duro</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>19 &amp; 20</td>
<td>Real Effects of Disclosure</td>
<td>Pietro Bonetti</td>
<td>See below</td>
<td>See below</td>
</tr>
</tbody>
</table>
Module on Corporate Governance

Session 1 and 2: Corporate governance and firm value

Papers for discussion


Other related papers


Background reading


Session 3 and 4: The Board of Directors

Papers for discussion


**Background reading**


Deloitte & Touche, 2013. The Duties of Directors.


**Session 5 and 6: Executive Compensation**

**Papers for discussion**


**Background reading**


**Sessions 7 and 8: Investor Monitoring**

**Papers for discussion**


*Background reading*


Module on Financial Reporting and Disclosure

Sessions 9 and 10: Accounting Information and Contracting: Conservatism and Debt Contracting (I)

Background reading

Conservatism and measurement


Types of conservatism

Criticism of conservatism measures

Reasons for conservatism

Papers for discussion

Debt-contracting value of conservatism (association studies)


Sessions 13 and 14: Accounting Information and Contracting: Conservatism and Debt Contracting (II)

Background reading

Identification issues

Papers for discussion

Debt-contracting value of conservatism (identification studies)


Impact of fair value adoption on debt-contracting value of conservatism


Sessions 13 and 14: Disclosure, Information Asymmetry, Liquidity and the Cost of Capital

Papers for discussion


Background reading (* is mandatory reading)


(*) Easley and O’Hara, 2004, Information and the Cost of Capital, Journal of Finance 59, 1553-1583. (Read Section 1 only)

Sessions 15 and 16: Proprietary Costs of Transparency

Papers for discussion


Background reading (* is mandatory reading)


(*) Cho. 2015. Segment disclosure transparency and internal capital market efficiency: Evidence from SFAS No. 131. Journal of Accounting Research 53: 669-723. (Just skim to get a sense for literature on segment disclosure)
Sessions 16 and 17: Disclosure Regulation and Regulatory Enforcement

Papers for discussion


Background reading (* is mandatory reading)


Sessions 18 and 19: Real Effects of Disclosure

Papers for discussion


Background reading (* is mandatory reading)


Professors’ Biography

**Pietro Bonetti**

He studies the role of disclosure and transparency in capital and other markets, the effects of disclosure and securities regulation, international accounting as well as corporate governance and financial contracting.

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**Miguel Duro**

His research focuses on the impact of corporate governance, corporate disclosure and public enforcement in capital markets, earnings management and other accounting attributes. Professor Duro has coauthored several papers at different stages of review at top-tier accounting journals (one of them forthcoming at the Journal of Accounting and Economics).

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**Igor Kadach**

Professor Kadach’s research interests concentrate on voluntary disclosure, institutional ownership and the structure of executive compensation. In his dissertation, Igor studied the interplay of equity mispricing and managers’ earnings forecast decisions. In other research projects he studies the effects of institutional ownership on analysts following and executive compensation.

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**Gaizka Ormazabal**

Professor Ormazabal’s research focuses on executive compensation and corporate governance. His work examines the choice and valuation implications of corporate governance mechanisms. His current research projects analyze managerial risk-taking incentives, corporate risk oversight, financial regulation, asset securitization, and the role of corporate governance intermediaries.

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Link: [http://blog.iese.edu/ormazabal/](http://blog.iese.edu/ormazabal/) Gaizka Ormazabal personal webpage

**Fernando Peñaiva**

His research focuses on accounting conservatism, fair value, earnings management, corporate governance, and corporate disclosure. His current research projects analyze the measurement of conservatism, the information consequences of earnings management, and the impact of conservatism on earnings management. His relevant publications can be found in the link below.

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