The University of Texas at Austin
Fundamentals of Financial Accounting Research (ACC 386K.7)
Fall 2014

Instructor: Yong Yu
Office: CBA 4M.254
Office Hours: Thursday 3:30 – 5:30PM (appointment recommended)
Phone: 471-6714
E-mail: Yong.Yu@mccombs.utexas.edu

Course objective:

The Fundamentals Seminar is a prerequisite for Empirical Research in Accounting (ACC 386K.3), which covers selected current topics in empirical accounting research, especially recent research that extends the empirical basics introduced in the fundamental Seminar. The direct objectives of these two seminars are (i) provide an introduction to the basic building blocks of market-based accounting research fitting in economics-based asset pricing and signaling theories, (ii) link the motivation behind empirical hypotheses to economic theory, (iii) evaluate empirical methods employed to test those hypotheses. The seminars seek to prepare students for research careers in archival-empirical research (with a focus on market-based financial accounting research).

Course format:

The course is structured in a seminar format. Every student is expected to thoroughly read the assigned readings before class and to fully participate in the in-class discussion. Students should have a working knowledge of background/supplemental readings and should be prepared to discuss them as well.

Each session one student will be assigned to a required paper. This student should prepare and distribute a written summary of the paper (maximum 2 pages), and lead the in-class discussion. The written summary and the in-class discussion should focus on the following questions:

Part 1: Research question and motivation:
- What are the research questions?
- Why is it important? Who cares, and why?
- How do the research questions add to the literature?

Part 2: Theory and hypotheses:
- What are the research hypotheses?
- Do the hypotheses follow the theory?
- Are there credible null hypotheses?
- Are there any competing hypotheses?
Part 3: Empirical methods:
- How did the authors select their sample? What are the implications of the sample selection criteria?
- What is the basic research design? Does the design test the hypotheses? Is the design appropriate? Do the empirical measures capture their underlying constructs? What empirical models are estimated? Are there omitted variables? Are the models appropriately specified? Do the tests cause any bias?

Part 4: Interpretation of the results
- What are the key findings? Are the findings economically meaningful?
- Are the results interpreted appropriately? Do the results answer the questions? Are there competing explanations for the results?

Empirical projects:
This seminar has three to four empirical projects. Those projects require you to replicate (and possibly extend) some major findings in the papers we discuss in class. The data for all the projects should be available on WRDS. The projects can be done in teams (each team should have no more than 2 students, preferably one first-year and one second-year).

Grading:

  Written summary of assigned readings: 30%
  Class participation and discussion: 30%
  Empirical projects: 40%
Reading list:

**Week 1 (8/29): Accounting information and stock prices: early studies**


**Background and supplemental readings:**


**Week 2 (9/4): Accounting information and stock prices: Determinants of ERC**


**Background and supplemental readings:**


Week 3 (9/11): Accounting information and stock prices: Why estimated ERC so small?


*Background and supplemental readings:*


Week 4 (9/18): Accounting information and stock prices: PEAD


*Background and supplemental readings:*


Week 5 (9/25): Accounting information and stock prices: Other accounting anomalies


Background and supplemental readings:


Week 6 (10/2): Value relevance


Background and supplemental readings:


Week 7 (10/9): Accounting conservatism


**Background and supplemental readings:**


Week 8 (10/16): Accounting information and financial analysts


**Background and supplemental readings:**


Week 9 (10/23): Accounting information and institutional investors


*Background and supplemental readings:*


Week 10 (10/30): Earnings management


*Background and supplemental readings:*


Week 11 (11/6): Voluntary disclosure incentives


*Background and supplemental readings:*


Week 12 (11/13): consequences of voluntary disclosure


*Background and supplemental readings:*


Week 13 (11/20): Accounting information and firms’ real decisions


*Background and supplemental readings:*


Week 14 (12/4): International Studies


*Background and supplemental readings:*

