Empirical Research in Accounting
ACC 386K.3
Spring 2015

Course Contacts
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Location: 4M Conference Room (M 1-4) or as noted in detailed schedule

Introduction
This course is a survey of recent empirical-archival research, primarily in financial accounting. There are three main goals by the end of the semester:

First, you should understand some of the topics that have been studied over the last several years. All of the papers are recently published or are forthcoming. There are many topics we will not have time to cover and we will cover no topic in depth.

Second, you should be better able to critically evaluate research by asking the right questions to identify the limitations of research papers. Being able to identify weaknesses in others’ and your own studies is a skill that you will use throughout your career.

Finally, by the end of the semester you should be better able to identify possible extensions to papers that you read and/or generate original ideas. This is probably the most important skill to perform research.

We will work on these three objectives every class session on every paper.

Course Materials
Electronic copies of all papers are available at the UT Library website.

Weekly Assignments
Each week, we will read two research studies (a detailed schedule is provided below). One student will be assigned to each of two formal roles for each paper: (a) summarize and (b) critique each paper. The critique should target fundamental issues. While I encourage you to write out your thoughts, these roles are intended to spur discussion and there is no requirement to hand in any work. All students are expected to contribute to the discussion regardless of whether they have been assigned a specific role.

Formal Roles
Summarize – The purpose of this role is to “set up” the paper by providing a brief overview. The in-class component is to spend three to five minutes summarizing the paper, including (a) the research question, (b) the motivation, (c) the analysis conducted, (d) the data used and (e) the conclusions reached. The presentation should be clear and concise, no details and no critique. Stick to the main point, tests, and conclusions.

The summary should communicate the essence of the paper to a knowledgeable reader (another doctoral student) who has not read the paper (although everyone should read it).
Critique – The purpose of this role is to critically evaluate the paper. We want to identify the strengths of the paper to convince ourselves that the results are credible and to add to our understanding about how to conduct a credible study. We want to identify major weaknesses of the paper to challenge the credibility of the results so that we can avoid similar mistakes in our own work and get better at identifying them in the work of others.

The in-class component is to sequentially raise issues for discussion as you are called upon. These issues should be organized based on importance or logic - you control the discussion. To identify these issues you should ask yourself the following questions:

- Is the research issue clear, interesting, and well-motivated?
- Is the research design appropriate to the question and well-executed?
- Are the data appropriate to the analysis (i.e. valid measures of the constructs)?
- Are the inferences appropriate based on the empirical results?

You can view your role as providing feedback to the authors of the paper on what part of the paper they have done well and what part can be improved (similar to a workshop). You should describe the problem(s), their implications for the results of the study, and either suggest solutions or discuss the challenges in addressing the issues. Your audience is other knowledgeable readers who have read the paper you are critiquing.

Deliverable Every Week
Each week, you will hand in one piece of paper (front and back, no paper with a staple will be graded) with two research ideas. Please do not argue that you need more than one page per idea. I have thought about this - the point is to concisely communicate ideas.

The ideas may be extensions of the papers we discuss or other, original ideas. Each idea should be in a What-Why-How three-paragraph format. Use normal margins and 12-point, times new roman font. Single spacing is acceptable. You must rate each idea on a scale of 1 to 4. A “4” idea is one that (assuming results) is publishable in a top three journal when fully developed; a “3” indicates a top five journal; a “2” indicates a lower-tier journal, while a “1” indicates you just couldn’t come up with a good idea.

Ratings below “4” (including a “1”) are perfectly acceptable as long as they are accurate. The point of this requirement is to become better at assessing project potential early. Project selection is a skill that will likely be the difference between success and failure in your career – if you work on ideas that do not have promise, you will not be successful regardless of how hard you work.

Deliverable at End of Semester
At semester end, you must hand in either a literature review or a research proposal.

Literature Review – If you do not have a research idea you are interested in developing further, you may choose to write a literature review of an area in which you are interested. You can often find areas for future research by examining an area of research in depth. Your topic may be related to readings on the syllabus or may be in an area not covered on the syllabus. I expect you to competently summarize the literature you are
reviewing and provide a critical summary of the conclusions. The topic must be approved in advance. There is a 25-page limit for a literature review, double-spaced.

**Research Proposal** – If you have a research idea you are interested in developing, you may complete a research proposal. This is the preferred approach as it is more likely to lead to a research paper. This is essentially the “front end” of a paper with an introduction (without a summary of results), a brief literature review, and hypothesis development. The proposal should be no more than 15 pages, double-spaced.

**Class Participation**
Each session, several of you will be assigned that day’s roles (summarize and critique). Your performance in that capacity will be part of your class participation grade. I expect that all students will contribute to the discussion of each paper.

**Class Sessions**
We will begin each class session with an oral summary of the first paper listed in the course schedule (paper A). I will then ask for “clarifying questions.” The point here is to address any issues related to aspects of the paper that are not clear to everyone. Before we start our discussion we want to make sure that we all have a common understanding of what is going on. I may defer clarifying questions that are critiques in disguise.

Next, I will ask the person assigned to critique paper A to raise their first point. This point may be either a strength or weakness. We will discuss this point and then move to the critiquing student’s next point. I expect that the conversation may tend to wander and blend issues. It is the responsibility of those assigned to critique the papers to help keep the conversation focused on the most important issues. As we conclude our discussion of that paper I will ask someone to summarize the main conclusions from our discussion. We will conclude with a discussion of your potential research ideas related to the paper. After a short break we will then repeat this process for paper B.

**Grades**
Grades for the course will be based on the following assignments and weights:

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<tr>
<th>Grading Summary</th>
<th>Percent</th>
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<tr>
<td>Weekly Writing Assignments (complete 10 over semester)</td>
<td>30%</td>
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<tr>
<td>Literature Review/Research Proposal</td>
<td>30%</td>
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<tr>
<td>Class Participation</td>
<td>40%</td>
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<tr>
<td>Total</td>
<td>100%</td>
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**Scholastic Dishonesty**
Discussion of the course outside of class is strongly encouraged. For all written assignments, students may share ideas but they should NOT share ANY electronic or paper documents. When borrowing ideas or words from a source, that source should be appropriately cited. Violations will be considered to be violations of the Honor Code.
First & Second Class Days
At our first class meeting, we will discuss two papers that are slightly older than the papers we will generally discuss. The first paper is Dichev and Tang (TAR 2008) and the second paper is a follow-up paper, Donelson, Jennings and McInnis (TAR 2011) (DJM). The goal of this session is to illustrate the overall potential for the class – the DJM paper began during a discussion in this seminar in 2009. In addition to our normal discussion, we will discuss how the DJM paper evolved and the publication process.

In the second week, we will cover two inter-disciplinary papers in order to get a view of the breadth of accounting research.

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<tr>
<th>Session</th>
<th>Date</th>
<th>Topic/Papers</th>
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<tr>
<td>1</td>
<td>R 1-22</td>
<td>Extending Prior Work</td>
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<td>2</td>
<td>R 1-29</td>
<td>Identification &amp; Interdisciplinary Research</td>
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<td>3</td>
<td>R 2-5</td>
<td>Disclosure I</td>
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4 R 2-12 Disclosure II


5 M 2-16 Accruals & Methodology


Keung and Shih, “Measuring discretionary accruals: are ROA-matched models better than the original Jones-type models?” *Review of Accounting Studies* (2014) 19 (No. 2): 736-768.

6 M 2-23 Audit


7 M 3-2 Banking


8 M 3-9  Conservatism


3-16  SPRING BREAK

9 M 3-23  Financial Statement Analysis & Anomalies


10 M 3-30  Language & Fraud


11 M 4-6  Corporate Governance


12 M 4-13 Compensation


13 M 4-20 Taxes


14 M 4-27 Accounting Standards


5-4 Make up day (if necessary)

5-11 Research proposal or literature review due at 1 pm.
## Role Assignments

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<tr>
<th>Week</th>
<th>Summarize A</th>
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<th>Summarize B</th>
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