Empirical Research on Financial Reporting and Contracting

(July 8 ~ July 14, 2017)

Instructor

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Working Language

English

Course Objectives

This course is designed for Ph.D. students in accounting and may also be of some interest to Ph.D. students with research interests in related fields, particularly corporate finance. The main goal is to enhance students’ understanding of empirical research in accounting that is broadly related to a firm’s contractual (explicit and implicit) relationship with various stakeholders, including creditors, managers, shareholders, competitors, suppliers, customers, the public, and the government. It covers empirical studies on debt contracting, corporate governance, supply chain, political incentive, and product market. A secondary goal is to examine some links between accounting research and related research in corporate finance. These goals will be achieved by providing a thorough introduction to the connections between: (1) the theoretical or intuitive constructs used to frame the research question being examined, and (2) the method used to address the research question.

Class Format

• The seminar is organized around a set of required readings. Responsibility for each paper will be assigned to one person. The assigned person is expected to summarize, offer commentary on, and lead the discussion on the particular paper.

• There normally are three papers for discussion in each three-hour session, so plan on each reading occupying approximately 50 minutes. Naturally, actual discussion times will vary.

• There is no restriction on bilateral trading in assignments. Please let me know about trades.

Paper Presentation

Be prepared to discuss the following for each paper:

1. The research question and the theoretical or intuitive constructs motivating it. Why is the question (un)interesting? Are there well-specified alternatives to the hypotheses? Is the
question descriptive or predictive? How compelling is the logic/intuition used to develop the hypotheses?

2. What is the study’s research design? Consider sample selection and empirical tests.

3. How well is the research design tied to the research question? To what extent is the design capable of distinguishing between alternative hypotheses?

4. What difficulties arise in drawing inferences from the empirical work?

5. What are the major results? How do the authors interpret them? How do you interpret them?

6. What research questions are raised by the paper’s results, and what unresolved research questions related to the paper could be investigated? How?

**Grades**

Your grade for the class will be determined as follows:

1. A take-home final exam, writing a referee report of a paper (60%)
2. Presentation of assigned readings (30%)
3. Contribution to class discussion (10%)

**Referee Report**

The final take-home exam requires you to prepare a referee report of current working papers to be assigned by me. The report will be due on August 10.

Your reviews should be as authentic as possible, including a cover letter to the editor containing a brief summary and a recommendation as well as a referee report that is shared with the author(s).

Please consider the following aspects and the questions above are a good starting point:

- Research question
- Motivation and potential contribution
- Theory and hypothesis development
- Sample and research design choices
- Empirical execution and interpretation of evidence

There is no set page limit, although a referee report that goes beyond four or five pages is probably too long. Try to be constructive and specific. Make sure you have a clear recommendation to the editor.
Course Outline

Session 1: Introduction


Session 2: Accounting Information and Debt Contracting


(Note: * indicates additional reading)

**Session 3: Debt Covenant Design**


Read pages 415-429.

**Session 4: Corporate Governance**


Read pages 183-210.


**Session 5: Political Incentive**


Read section 6.

**Session 6: Supply Chain**


Session 7: Product Market


