

Swiss Doctoral Program Network in Accounting Research (DAR)

September 09-11, 2015

University of Neuchatel – Institute of Financial Analysis

Current Issues in Financial Reporting

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Course Objectives

The purpose of these sessions is to facilitate your conception and execution of substantive individual research in global financial reporting. It provides exposure to current issues in global financial reporting as well as a vehicle for supplementing and integrating your knowledge of basic research tools and methods.

Program Overview

Wednesday 9 September

09:00-12:00: Research and Standard Setting

13:30-16:30: Student Presentations

Thursday 10 September

09:00-12:00: Fair Value Accounting

13:30-16:30: Student Presentations

Friday 11 September

09:00-12:00: Comparative International Financial Reporting

13:30-16:30: Student Presentations

Morning sessions

In the morning sessions, we will discuss papers that demonstrate how research can relate to standard setting issues. We also will discuss papers on fair value accounting and the globalization of financial reporting. Because these issues are also of concern to financial reporting standard setters, we will discuss whether and how the research we study informs standard setting debates.

These sessions will be interactive discussions of the papers, which I will lead. They are not intended to be lectures by me. Thus, students should come to the sessions prepared to discuss the papers. In particular, you should come prepared to answer the following questions in some detail. We will use these questions and the structure of the paper itself to organize our discussion of each paper.

1. What is the research question?
2. Why is the question important? That is, why do we care about the answer to the question?
3. What is the research design and how does it enable the study to provide an answer to the research question? You should be prepared to discuss an overview of the design elements, as well as the nature of specific tests of predictions or hypotheses.
4. What are the findings?
5. What do the findings, taken together, mean for the literature and for policy?

Below is the list of papers we will discuss in each morning session, which are identified as “Main Papers.” The list below also includes additional papers, which are identified as “Background Papers,” that are provided for those students who want to read more on the particular topic. We will not discuss specifics of the Background Papers during the sessions.

Afternoon sessions

In the afternoon sessions, students will present their own research. The research you present can be your thesis proposal or another idea that is far enough along for input to be useful. That input will come from me and from the other course participants. Thus, each student is expected to come to the afternoon sessions prepared to present his or her research as well as to engage actively in constructive discussion relating to the research of the other students.

You will have approximately 25 minutes to present your research, which includes time for interactive discussion. Thus, you will need to manage the timing of your presentation as it progresses. We will adhere strictly to the time limits, so plan accordingly. Once we know exactly how many students have enrolled in the sessions, we can be more precise and let you know which day and time you will present.

To provide background for your presentation, please submit the following by 28 August, which will be distributed to the other participants to enable them to come to the sessions prepared to provide comments and suggestions on your research.

- a. Clearly and concisely provide the answers to the first three questions listed above, namely what is the question you are trying to answer, why is the question important, and how are you going to design the study to address it. Note that the research question should be written as a question, that is, it should end in a “?” It is best if you answer each of these questions in a single paragraph. Many refer to this approach as the “Kinney 3-paragraph approach,” which consistently has proven effective at helping to develop research papers. This approach is systematic and integrated: each of the three elements above must be consistent with the other two and with the title of the paper. **Important:** Try to do this write-up in one page, and under no circumstance should you exceed two pages (12 point font, one inch margins!). The challenge is to be clear and concise.

For projects that propose analysis of data (e.g., empirical/archival, experimental, survey), a depiction of “Libby boxes” that relate the theoretical constructs to independent variables, dependent variables, and control variables is often an effective way to give an overview of the research design. For discussion of this approach, see the excerpt from Libby (1981) attached.

- b. A Synopsis of a maximum of 150 words that assumes the study’s results turn out as you expect. You will be asked to READ aloud your Synopsis to start your presentation. **Important:** Build your Synopsis from the Kinney 3 paragraphs, including one sentence that captures the main point of each paragraph.

Instructions for Presentation: Please arrive at the session with a thumb drive that contains the file for the Powerpoint slides that you will use in your presentation. An effective set of slides would include one slide for the Synopsis, one slide for each of the three Kinney paragraphs, and one slide for the research design overview, including the Libby boxes if you choose to use them. You can include additional slides, e.g., showing results if data has already been gathered, if you have other aspects of the research you believe it is important to present, but be mindful of the time limit. As indicated above, all

participants will have read the short write-up you provided in advance, so plan on more of a discussion than a presentation.

Course Requirements (3 ECTS)

Students are expected to attend all sessions and participate actively in the discussions. In the morning sessions, students are expected to have read the Main Papers in detail and contribute to the group's discussion about the papers, including answering the five questions listed above. In the afternoon sessions, students are expected to present their own research idea in accordance with the instructions above, including submitting the three paragraph write-up and Synopsis by the deadline. They also are expected to have read the submissions of the other students and participate actively in the discussions, including providing constructive comments and suggestions to help the presenter improve the research.

Readings

RESEARCH AND STANDARD SETTING

Main Papers:

Barth, M. E. 1991. "Relative Measurement Errors Among Alternative Pension Asset and Liability Measures." *The Accounting Review* 66: 433-463.

Barth, M. E., L. D. Hodder, and S. R. Stubben. 2013. "Financial Reporting for Employee Stock Options: Liabilities or Equity?" *Review of Accounting Studies* 18: 642-682.

Background Papers:

Barth, M. E. 2006. "Research, Standard Setting, and Global Financial Reporting." *Foundations and Trends in Accounting* Vol. 1 No. 2: 71-165.

Barth, M. E., W. H. Beaver, and W. R. Landsman. 2001. "The Relevance of the Value Relevance Literature for Financial Accounting Standard Setting: Another View." *Journal of Accounting and Economics* 31: 77-104.

Holthausen, R., and R. Watts. 2001. "The Relevance of the Value Relevance Literature for Financial Accounting Standard Setting." *Journal of Accounting and Economics* 31: 3-75.

Watts, R., and J. Zimmerman. 1978. "Towards a Positive Determination of Accounting Standards." *The Accounting Review* 53: 112-134.

FAIR VALUE ACCOUNTING

Main Papers:

Barth, M., W. Beaver, and W. Landsman. 1996. "Value-relevance of Banks' Fair Value Disclosures Under SFAS No. 107." *The Accounting Review* 71: 513-537.

Barth, M. E., L. Hodder, and S. Stubben. 2008. "Fair Value Accounting for Liabilities and Own Credit Risk." *The Accounting Review* 83: 629-664.

Background Papers

Aboody, D., M. E. Barth, and R. Kasznik. 1999. "Revaluations of Fixed Assets and Future Firm Performance: Evidence from the U.K." *Journal of Accounting and Economics* 26: 149-178.

Barth, M. E. 1994. "Fair Value Accounting: Evidence from Investment Securities and the Market Valuation of Banks." *The Accounting Review* 69: 1-25.

Landsman, W. R. 2007. "Is Fair Value Accounting Information Relevant and Reliable? Evidence from Capital Market Research" *Accounting and Business Research* Special Issue: International Accounting Policy Forum: 19-30.

Riedl, E. J., and G. Serafeim. 2011. "Information Risk and Fair Values: An Examination of Equity Betas." *Journal of Accounting Research* 49: 1083-1122.

COMPARATIVE INTERNATIONAL FINANCIAL REPORTING

Main Papers:

Barth, M. E., W. R. Landsman; and M. H. Lang. 2008. "International Accounting Standards and Accounting Quality." *Journal of Accounting Research* 46: 467-498.

Barth, M. E., W. R. Landsman, M. H. Lang, and C. Williams. 2012. "Are IFRS-based and US GAAP-based Accounting Amounts Comparable?" *Journal of Accounting and Economics* 54: 68-93.

Background Papers:

- Lang, M. H., J. Raedy, and W. Wilson. 2006. "Earnings Management and Cross Listing: Are Reconciled Earnings Comparable to US Earnings?" *Journal of Accounting and Economics* 42: 255-283.
- Leuz, C. 2003. "IAS Versus U.S. GAAP: Information Asymmetry-based Evidence from Germany's New Market." *Journal of Accounting Research* 41: 445-427.
- Leuz, C., D. Nanda, and P. Wysocki. 2003. "Earnings Management and Investor Protection: An International Comparison." *Journal of Financial Economics* 69: 505-527.
- Leuz, C., and R. Verrecchia. 2000. "The Economic Consequences of Increased Disclosure." *Journal of Accounting Research* 38: 91-124.

Most published papers can be found through Google Scholar. Papers published in *Accounting and Business Research* are accessible via ProQuest (to which Google Scholar provides a link). Working papers should be available on SSRN. If you have difficulty in finding a paper, let me know.