



Accounting Department

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Ph.D. Seminar

**Market-Based Research in International Accounting, Part II:
Applications & Special Topics**

October 16-18, 2017, University of Zurich

Course Overview and Objectives:

Market-based research in international accounting uses cross-border comparisons and within-country analyses exploiting the unique features of the local institutional environment to study how public and private institutions affect the properties and uses of accounting information. More recent studies go beyond descriptive analyses and attempt to better understand how economic institutions affect the role of accounting information in capital markets, financing decisions, and corporate governance.

The course consists of two parts: in Part I, we cover the foundations and discuss some of the basic concepts of international accounting research (e.g., disclosure and cost of capital). In Part II, we apply these concepts to specific areas. Specifically, the topics of Part II cover identification in empirical research, the impact of institutional factors on accounting outcomes, voluntary and mandatory adoption of IFRS, the role of enforcement, and securities regulation. Note that it is suggested but not required that students attend both parts of the course in sequence.

The objective of the course is to develop your ability to critically evaluate and conduct empirical research in an international context. In particular, you should get (1) an appreciation for the role of theory in applied work, (2) an understanding of research designs commonly used in international accounting research, and (3) the necessary skills to design and conduct empirical research in a cross-border setting. Overall, this course provides an overview of this fast evolving area, and discusses economic hypotheses, research methods, data issues, and limitations to this type of research.

Conduct of Course:

For the most part, the course will be conducted using a seminar format. Therefore, you are expected to take an active part in discussing and evaluating the readings assigned for each course session. In general, the class discussions will be centered around two papers per session, and we

will dedicate about half the time to each paper. I expect you to be familiar with the required readings.

For each paper, I will assign one or more discussion leaders who will each prepare a two-page summary before the course starts. In addition, your task as a discussion leader consists of briefly summarizing the paper, highlighting the contribution, and pointing out/discussing some critical research design choices. This presentation should take no more than 25 minutes (if two people are assigned to the same paper, they can prepare the presentation jointly). I will of course help you with that task. The course language is English.

On top of the required readings, I have indicated additional reading material for each class. This is just a small selection of papers that I find important or closely related to the topic of the session. We will not have the time to cover those papers in detail, but I expect you to skim the content of the papers to get a basic sense for the results and the research approach. This will help you to put the main readings into a broader context, and also serves as a good starting point to probe further into any of the areas covered.

Moreover, I will offer students the opportunity to present their own work during one of the sessions. This allows you to improve your presentation skills and receive feedback on your work. Ideally, we would have two student presentations in a workshop-style format (45 minutes each) over the course of the three days. If interested, please, contact the course administrator in advance to discuss the details.

I will also dedicate special time to the discussion of the process and peer-review system of publishing in academic journals.

Course Requirements:

In preparation of the course:

- Carefully work through the required readings with a focus on the research question, the contribution to the literature and the research design.
- Skim the additional readings to get a basic sense for the research question.
- Prepare a two-page summary of the assigned paper to be distributed before class.
- Prepare a two-page research proposal for an international research question (to be handed in at the start of the course; be prepared to present your idea in a short, five minute pitch).

During the course:

- Lead the class discussion of the assigned paper (together if multiple people are assigned to the same paper).
- Contribute to class discussions when you are not the leader.

Summary of Course Schedule:

Session I (October 16, 10:30-12:00 am): Overview

Lecture on “Identification as a Key Issue in International Accounting Research.” (Luzi Hail).

Session II (October 16, 1:00-3:00 pm): The Role of Reporting Incentives

Required readings:

Ball, R., S.P. Kothari and A. Robin. (2000). “The Effect of International Institutional Factors on Properties of Accounting Earnings.” *Journal of Accounting and Economics* 29, 1–51.

Burgstahler, D., L. Hail and C. Leuz. (2006). “The Importance of Reporting Incentives: Earnings Management in European Private and Public Firms.” *The Accounting Review* 81, 983–1016.

Additional readings:

Alford, A., J. Jones, R. Leftwich and M. Zmijewski. (1993). “The Relative Informativeness of Accounting Disclosures in Different Countries.” *Journal of Accounting Research* 31, 183–223.

Ball, R. (2001). “Infrastructure Requirements for an Economically Efficient System of Public Financial Reporting and Disclosure.” In Litan, R. and R. Herring (eds.), *Brookings-Wharton Papers on Financial Services*. Washington DC: Brookings Institution Press, 127–169.

Ball, R., A. Robin and J. Wu. (2003). “Incentives Versus Standards: Properties of Accounting Income in Four East Asian Countries.” *Journal of Accounting and Economics* 36, 235–270.

Ball, R. and L. Shivakumar. (2005). “Earnings Quality in UK Private Firms: Comparative Loss Recognition Timeliness.” *Journal of Accounting and Economics* 39, 83–128.

Leuz, C., D. Nanda and P. Wysocki. (2003). “Earnings Management and Investor Protection: An International Comparison.” *Journal of Financial Economics* 69, 505–527.

Session III (October 17, 9:30-11:30 am): IFRS, Part 1: Voluntary Adoption

Required readings:

- Barth, M., W. Landsman and M. Lang. (2008). "International Accounting Standards and Accounting Quality." *Journal of Accounting Research* 46, 467–498.
- Daske, H., L. Hail, C. Leuz and R. Verdi. (2013). "Adopting a Label: Heterogeneity in the Economic Consequences around IAS/IFRS Adoptions." *Journal of Accounting Research* 51, 495–547.

Additional readings:

- Ball, R. (2006). "International Financial Reporting Standards (IFRS): Pros and Cons for Investors." *Accounting and Business Research*, International Accounting Policy Forum, 5–27.
- Christensen, H. (2012). "Why Do Firms Rarely Adopt IFRS Voluntarily? Academics Find Significant Benefits and the Costs Appear to Be Low." *Review of Accounting Studies* 17, 518–525.
- Hail, L., C. Leuz and P. Wysocki. (2010). "Global Accounting Convergence and the Potential Adoption of IFRS by the U.S. (Part I): Conceptual Underpinnings and Economic Analysis." *Accounting Horizons* 24, 355–394.
- Hail, L., C. Leuz and P. Wysocki. (2010). "Global Accounting Convergence and the Potential Adoption of IFRS by the U.S. (Part II): Political Factors and Future Scenarios for U.S. Accounting Standards." *Accounting Horizons* 24, 567–588.
- Kim, J.-B. and H. Shi. (2012). "IFRS Reporting, Firm-Specific Information Flows, and Institutional Environments: International Evidence." *Review of Accounting Studies* 17, 474–517.

Session IV (October 17, 1:00-3:00 pm): IFRS, Part 2: Mandatory Adoption

Required readings:

- Daske, H., L. Hail, C. Leuz and R. Verdi. (2008). "Mandatory IFRS Reporting Around the World: Early Evidence on the Economic Consequences." *Journal of Accounting Research* 46, 1085–1142.
- Byard, D., Y. Li and Y. Yu. (2011). "The Effect of Mandatory IFRS Adoption on Financial Analysts' Information Environment." *Journal of Accounting Research* 49, 69–96.

Additional readings:

- Armstrong, C., M. Barth, A. Jagolinzer and E. Riedl. (2010). "Market Reaction to the Adoption of IFRS in Europe." *The Accounting Review* 85, 31–61.
- Bae, K., H. Tan and M. Welker. (2008). "International GAAP Differences: The Impact on Foreign Analysts." *The Accounting Review* 83, 593–628.
- Christensen, H., E. Lee and M. Walker. (2007). "Cross-sectional Variation in the Economic Consequences of International Accounting Harmonization: The Case of Mandatory IFRS Adoption in the UK." *International Journal of Accounting* 42, 341–379.
- DeFond, M., X. Hu, M. Hung and S. Li. (2011). "The Impact of Mandatory IFRS Adoption on Foreign Mutual Fund Ownership: The Role of Comparability." *Journal of Accounting and Economics* 51, 240–258.
- Florou, A. and P. Pope. (2012). "Mandatory IFRS Adoption and Institutional Investment Decisions." *The Accounting Review* 87, 1993–2025.

Session V (October 18, 9:30-11:30 am): IFRS, Part 3: Role of Enforcement

Required readings:

- Landsman, W., E. Maydew and J. Thornock. (2012). “The Information Content of Annual Earnings Announcements and Mandatory Adoption of IFRS.” *Journal of Accounting and Economics* 53, 34–54.
- Christensen, H., L. Hail and C. Leuz. (2013). “Mandatory IFRS Reporting and Changes in Enforcement.” *Journal of Accounting and Economics* 56 (Supplement 1), 147–177.

Additional readings:

- Barth, M. and D. Israeli. (2013). “Identification and Inferences in International Accounting Research.” Unpublished working paper, Stanford University.
- Barth, M. and D. Israeli. (2013). “Disentangling Mandatory IFRS Reporting and Changes in Enforcement.” *Journal of Accounting and Economics* 56 (Supplement 1), 178–188.
- Brüggemann, U., J. Hitz and T. Sellhorn. (2013). “Intended and Unintended Consequences of Mandatory IFRS Adoption: A Review of Extant Evidence and Suggestions for Future Research.” *European Accounting Review* 22, 1–37.
- Christensen, H., L. Hail and C. Leuz. (2013). “Proper Inferences or a Market for Excuses? The Capital-Market Effects of Mandatory IFRS Adoption.” Unpublished working paper, University of Pennsylvania and University of Chicago. Available at SSRN: <http://ssrn.com/abstract=2319475>.

Session VI (October 18, 1:00-3:00 pm): Focus on Identification

Required readings:

- Engelberg, J. and C. Parsons. (2011). “The Causal Impact of Media in Financial Markets.” *The Journal of Finance* 66, 67–97.
- Brown, N., J. Stice and R. White. (2015). “Mobile Communication and Local Information Flow: Evidence from Distracted Driving Laws.” *Journal of Accounting Research* 53, 275–329.
- Christensen, H., L. Hail and C. Leuz. (2015). “Capital-Market Effects of Securities Regulation: Prior Conditions, Implementation, and Enforcement.” Working paper, University of Pennsylvania and University of Chicago. Available at SSRN: <http://ssrn.com/abstract=1745105>.

Additional readings:

- Bischof, J., H. Daske, F. Elfers and L. Hail. (2015). “A Tale of Two Regulators: Risk Disclosures, Liquidity, and Enforcement in the Banking Sector.” Working paper, University of Pennsylvania and University of Mannheim. Available at SSRN: <http://ssrn.com/abstract=2580569>.
- Iliev, P. (2010). “The Effect of SOX Section 404: Costs, Earnings Quality, and Stock Prices.” *Journal of Finance* 85, 1163–1196.
- Peress, J. (2014). “The Media and the Diffusion of Information in Financial Markets: Evidence from Newspaper Strikes.” *The Journal of Finance* 69, 2007–2043.