LMU LUDWIG-MAXIMILIANS-UNIVERSITÄT MÜNCHEN | LMU MUNICH SCHOOL OF MANAGEMENT | INSTITUT FÜR RECHNUNGSWESEN UND WIRTSCHAFTSPRÜFUNG

Institute for Accounting, Auditing and Analysis
(Institut für Rechnungswesen und Wirtschaftsprüfung)

Empirical Research in Accounting, Auditing and Capital Markets

LMU Master of Science (M.Sc.) | Master in Business Research (MBR) | (6 ECTS)

Course Syllabus · Winter Term 2025/26

This version: 11 November 2025
(recent changes will be marked in green)

Lecturer:	Prof. Dr. Thorsten Sellhorn (sellhorn@lmu.de)
Tutorials:	Dr. Jan Seitz
Moodle:	Moodle (*password*: ERAAAWS2526)
Zoom	https://lmu-munich.zoom-x.de/j/64945101325?pwd=fe7aqtFkb7SpoIJBbUW5eICexr77G2.1 Meeting-ID: 649 4510 1325 passcode: 135696
Class format:	In-class lecture and tutorial For students in a semester abroad, we offer a ***hybrid format*** (for further information, please check the course schedule).

Welcome to Empirical Research in Accounting, Auditing and Capital Markets!
This syllabus makes the course objectives, contents, materials, structure and requirements transparent for you. Also, it lays out what we expect of you.
Please read it carefully before the first class session!
We hope this syllabus will help you obtain the greatest possible benefit from this course.
Note: If you decide to take this course for credits, we ask you to make a firm commitment to it by 07 November 2025 via email to jan.seitz@lmu.de and register at ISC. See below for details.

Looking forward to seeing you in class – all the best
Jan Seitz and Thorsten Sellhorn

1 What this course is about

This course introduces you to academic research in the fields of financial accounting, auditing, financial statement analysis, and valuation – emphasizing empirical work.
As such, it is intended to:

1. provide an overview of selected major areas of relevant research;
2. develop your ability to craft worthwhile research projects and build your research toolbox; and
3. tap your innate curiosity and get you excited about research in the above areas.

Regarding (1). We will survey several prominent research areas, to expose you to both the broad areas as well as more detailed discussions of specific papers. *We'd be happy to consider your interests and preferences in selecting these areas and papers!* You will learn how to understand and critique individual papers, but also how to view a series of papers as part of a research program or "field" – i.e., how several papers combine and build onto each other to address a broader, essential 'motivating question' or policy issue.
Regarding (2). Through discussion, we will build your toolbox on how to understand, assess, and build upon research; where

- *understanding* requires the ability to place a paper within its literature ("contribution");
- *assessing* requires interpreting and critiquing the paper's execution and validity; and
- b*uilding* requires seeing new and related questions and developing ways to answer them.

Regarding (3). Our maintained assumption: you are not a random draw of students. You are particularly curious and motivated. So our primary objective is to fan the fire of your research curiosity and let you run with it – ideally, towards an exciting and rewarding Master's or Ph.D. thesis!
The course will discuss research papers from substantive areas, including some of the classical empirical work in accounting and capital markets, fair value accounting, disclosure, International Financial Reporting Standards (IFRS), accounting attributes, earnings management, and - increasingly a priority of ours - *sustainability management and reporting*. We will also touch upon current issues, such as emerging new papers on the implications of Generative AI or the climate crisis. These topics will become clearer as the course progresses.

Clearly, we (you!) simply cannot read everything. The volume of material is just too large. Thus, the course objective is not to read all published papers, even in a given area. Rather, it is to provide broad exposure to accounting research, stimulate your own ideas, and help you acquire some of the skills needed to implement them.

2 Learning objectives

This course sets out to help you develop competencies as

- (1) an **active researcher** (i.e., a person who produces original research findings) and
- (2) an **intelligent user** of research (i.e., a person who can understand, translate and apply research findings)

in the research fields of financial accounting, auditing, financial statement analysis, and valuation.
Under (1) above, we aim to make you ready to conduct your own empirical research in the fields of accounting, auditing, or capital markets – *e.g., as part of a Master's thesis* or doctoral dissertation. This requires (a) familiarity with the structure and elements of a valid empirical study, (b) insights into the substantive areas comprising these fields of research, and (c) data analytics skills. This course addresses all of these aspects to help you build a solid foundation to grow from.

2.1 Competencies as an active researcher

The competencies of an *active researcher* include the abilities

- to identify an important research question as well as
- plan and conduct a high-quality study addressing it.

These skills are especially important if you plan to conduct an empirical study in the context of your Master's thesis, or if you consider pursuing a doctoral degree (like those of you in the MBR program) – especially with a view to an academic career in accounting or related fields. However, these skills will also be instrumental if your future profession outside academia involves any type of *evidence-based decision-making*, data analytics, or similar tasks that require knowledge about how to address scientific questions, including "taking them to the data".

2.2 Competencies as intelligent user

The competencies of an *intelligent user* include the abilities

- to understand,
- effectively communicate, and
- apply pertinent research findings.

These skills are important for success in any occupation, including outside academia. The market expects graduates with LMU M.Sc. or MBR degrees to funnel relevant research insights into practice to the benefit of their organizations. It is crucial that you can draw the right conclusions from such research (and avoid drawing wrong ones), and provide substantive, constructive feedback, assessment, and critique.

Caution: ChatGPT, consensus.app, scite.ai, semantic scholar and countless other generative-AI-powered academic literature search tools can help you write beautiful literature reviews without reading (let alone understanding and being able to critically assess) a single study yourself! Resist the temptation of using GenAI tools to cut corners.

3 Instruction formats

This course is aimed at helping you understand, effectively communicate, and apply pertinent research findings – also outside academia – and at endowing you with the relevant skills to write a scientific thesis and work on a scientific research question, including in the context of a master's thesis at our institute. To this end, the course consists of lectures and tutorials.

3.1 Lecture

In the **lecture**, we discuss questions of method as well as the substance of most important and active streams in accounting research. It counts very much on your active preparation and participation. This semester, we offer hybrid lectures. The room for each lecture is indicated under "Course schedule" below. For students (in a semester) abroad, we offer the possibility to **attend the classes on Zoom**. When registering for the class, please indicate whether you are participating online or in class. These sessions will be as interactive as possible. Understanding and developing research is a team process. The more actively you participate, the more everybody will learn – including you. Slides will be used to support the discussion; these are evolving as the course progress. Access them here.

3.2 *Tutorial*

The **tutorial** provides a comprehensive introduction to empirical accounting research, focusing on data analysis using the statistical software package *R*. Participants will engage with the most commonly used databases in the field, learning essential workflows for conducting high-quality, data-driven studies. The tutorial covers the complete process, from data wrangling and preprocessing to visualization techniques, with a particular focus on descriptive statistics, causal inference, and the production of reproducible research through *R* Markdowns.

A key element of the tutorial will be the discussion of the paper Bao, Y., Ke, B., Li, B., Yu, Y.J., and Zhang, J. (2020), Detecting Accounting Fraud in Publicly Traded U.S. Firms Using a Machine Learning Approach, published in the *Journal of Accounting Research* (https://doi.org/10.1111/1475-679X.12292). This study will serve as a case study throughout the tutorial, providing practical insights into the application of basic and advanced empirical methods, as well as machine learning, which will be integrated into discussions and exercises.

While the tutorial will maintain a steady pace, participants are expected to prepare in advance by reviewing the provided materials (at minimum, the slides should be worked through beforehand). Programming concepts and exercises will be introduced and practiced during class, ensuring hands-on learning. The tutorial is structured to be highly interactive, equipping participants with both technical skills for empirical accounting research and transferable methods applicable to a wide range of data analytics projects. **All relevant materials will be provided on Moodle.**

The tutorial will be offered in a hybrid format, just like the lecture.

Outline:

- **Introduction and Research Process:** An overview of research methodologies and workflows in empirical accounting research.
- **Reproducible Research and Markdowns:** Techniques for documenting research transparently using R Markdown, ensuring reproducibility.
- **Introduction to R Programming:** Basic programming skills in R, tailored to accounting research needs.
- **Data Preparation:** Methods for data wrangling, cleaning, and preprocessing in preparation for analysis.
- **Descriptive & Univariate Statistics:** Basic statistical analysis and summarization of data.
- **Implementing Research Methods (Basic):** Application of foundational research methods in empirical accounting research.
- **Implementing Research Methods (Advanced):** Exploration of causal inference and advanced analytical techniques.
- **(AI and ML meets Accounting Research:** Insights into how Artificial Intelligence and Machine Learning intersect with accounting research**)**

4 Materials

This course operates without a dedicated textbook; rather, our main readings will be **articles** published in academic accounting and finance journals – some 'classics', some current – as well as the

occasional unpublished working paper. Other materials will be introduced as needed. All readings are available for download on Moodle: https://moodle.lmu.de/mod/folder/view.php?id=2321890. The list of *required* readings is limited to what we realistically believe you can actually manage. These papers will be discussed in class. However, note that we do expect you to read selectively and economically, as well as at least browse (and retain the main insights from) the readings labeled as *background*. Readings are given for each of the class sessions; see sections 7 and 8 below. All are downloadable on Moodle.

Please be sure to read the material for each class session in advance!

Also, please use the course **slides**; these these are evolving as the course progress. Access them here.

Materials for the tutorials

A laptop with R and RStudio installed before the first session is **essential** for a smooth start. Slides, templates for R Markdown, and R scripts will be provided in Moodle in advance. Instructions on how to install and access R and R Studio will be included in the tutorial slides of the first session. After each session, a solution will be provided. Data for the tutorials will also be distributed via Moodle.

5 Deliverables and grading

5.1 Overview

This course uses achievement tests consistent with the learning objectives described above.

- Active researcher
  - Assignment 1: Empirical paper replication (in the **tutorial**) 50%
  - Assignment 2: Research proposal for a potential thesis (in the **lecture**) 25%[1]
- Intelligent user of research
  - Assignment 3: Short research paper summaries/critiques (in the **lecture**) 25%

Details follow below.

5.2 Active researcher

5.2.1 Assignment 1: Empirical paper replication

Here we will evaluate how well you have learned to handle and work with data. We would like you to replicate parts of an empirical study in **teams** of two to three students. We will provide you with a recommended paper in the first tutorial. Of course you can also suggest papers yourself. You should make your choice and fixate a paper with the tutor by **November 12**. The objective is to help you gain experience in obtaining and wrangling data, as well as understanding the decisions that went into obtaining the final results. Your deliverable will be a brief (3-5 pages) report, the code, and the final dataset (or text and code in one R Markdown). The report is due on **20 February 2026 at 12 pm** (submit to jan.seitz@lmu.de)**.** It should cover:

- Major challenges encountered
- Important assumptions made

[1] This fraction may seem low. We realize that some of you may not plan to do a thesis in accounting, auditing or analysis. In that case, you can do a “minimal” job, and a suboptimal grade for it will not overly dilute your overall grade. However, if you’re into accounting, you’ll have an incentive to do well on this assignment even without the extrinsic reward of a good grade.

- If results could not be replicated, a discussion for why and what you tried
- Replicated table and copies of the original for comparison

5.2.2 Assignment 2: Research proposal for a potential thesis

Towards the end of the course, and building on what you have learned, you will develop a research proposal for a potential MSc or MBR thesis in one of the areas of financial accounting, auditing, financial statement analysis, valuation, or any other area covered in this course (please ask if you're unsure) – using empirical methods. This assignment includes:

1. A written **5-page report** (the page limit excludes references, visuals [tables and figures] and any appendices) to be **submitted by 04 January 2026**. The report should
   - answer the important questions of
     - **WHAT** you will study (the research question),
     - **WHY** and for whom that is novel and important (the motivation and contribution), and
     - **HOW** you plan to do it (the research design).
   - describe the **research design**, you should draw and explain a set of *'Libby boxes'* (these will be explained in class; see a template in Appendix A at the end of this syllabus).
   - discuss briefly your **data requirements** along with their (likely) availability as well as any potential challenges and limitations.

   Grading of the report will reflect the potential contribution, theoretical foundations, validity, and clarity of exposition of your proposal.
2. A **presentation** of your proposal to the class **on 08 January 2026**.
   - In the presentation session, we will dedicate **45 min** for each student/proposal; this includes presentation and Q&A. You decide if you want (a) to take questions in between (*workshop-style*) or (b) participants to hold their questions until after you finish (max. 20 min) (*conference-style*). Under variant (a), you will have to make sure to manage the discussion in a way that allows you to get through your talk, or at least to the points where you need input the most.
   - Most students use slides to present their proposals, but that is not required.

   Grading of the presentation will reflect the clarity of your presentation, your ability to manage the discussion, as well as your responses to feedback. (Necessary heads-up: I fully trust all of you to have developed your proposals 'organically,' i.e., by yourselves. But frankly stated, in these times of generative AI, my duty as your assessor includes making sure you actually know deeply about the content of your proposal.)

5.3 Intelligent user

5.3.1 Assignment 3: Short critiques of research papers

Throughout the course (see course schedule below), we will discuss seminal research articles that are of fundamental importance to our field, and that we would like all of you to know. For each of these papers, you will fill in and explain a set of Libby boxes, using the template in Appendix A at the end of this syllabus, as well as participate in class discussion. These assignments mainly serve to "reward" you for actually doing the required readings.

We will select the papers to be presented and discussed in this class with your input. Following our kick-off session on **13 October 2025** (see course schedule below), you will read up on potentially

interesting areas, guided by our list of required and background readings. Please monitor the Moodle website and this syllabus for updates!

Please submit your critiques to Moodle on SUN night before each class session.

6 Reading, presenting, and discussing research papers

When reading the assigned papers, please keep the following questions in mind:

- What is the main research question of the study, and why is the research question important?
- What are the hypotheses, and do they link properly to the research question?
- How are they tested?
- What are the main empirical findings, and do the results support the hypotheses?
- What are the strengths and weaknesses of the study?
- How can the study be extended (one or two suggestions)?

In the empirical part, focus on:

- the general research design,
- the identification strategy and internal validity (if a causal theory is tested),
- the empirical proxies and how they relate to the theoretical constructs,
- the statistical techniques and any econometric issues,
- the novelty of the method, empirical measures, or data,
- the interpretation generalizability (external validity) of the results.

This paper gives useful guidance: Cook, K. A., Hart, M., Kinney, M. R., & Oler, D. K. (2016). How to discuss a paper: Developing and showcasing your scholarly skills. *Issues in Accounting Education*, 31(2), 211-218.

1. “Big-picture” comments: A brief overview of the paper’s What, Why, and How
2. Discussing concerns: Offer constructive analysis and suggestions to improve the paper. Focus on important issues such as the novelty of contribution, motivation, hypotheses, alternative explanations for results, econometric concerns, and other validity issues, etc.

You may also want to consider the elements of “C - E - I” – i.e., *celebrate, evaluate*, and *innovate* – gratefully borrowed from Prof. Edward J. Riedl (Boston University). That is, your review should:

- **Celebrate** – *what did you learn?* Indicate the primary …
  - question
  - data/setting
  - research design
  - support (such as most important table(s)) for its conclusion
  - what is done particularly well – where does the paper 'shine'?
- **Evaluate** – *what are your major concerns?* Indicate the three most important ones, such as:
  - Clarity, novelty, and importance of the research question
  - theoretical support for the expectations/hypotheses
  - challenges to the research design
  - limitations of the setting
  - disagreement with inferences
  - Important: identify one published paper that should be added as background reading
- **Innovate** – *what can be done next?* Suggest next steps for the paper/literature, such as:
  - how the paper can develop the strengths you identify in "Celebrate"
  - how the paper can address each of the concerns you raise in "Evaluate"
  - no more than two potential future research questions that build on the current paper

7 Course schedule

7.1 Lecture (Ludwigstr. 28 courtyard building "Rückgebäude", room 416)

The below is subject to change. Please register on Moodle and check back often.

For students in a semester abroad, we offer a hybrid lecture format.
All class sessions will be in Ludwigstr. 28 (courtyard building) room 416 and **on Zoom**:
https://lmu-munich.zoom-x.de/j/64945101325?pwd=fe7aqtFkb7SpoIJBbUW5eICexr77G2.1
Meeting-ID: 649 4510 1325 | passcode: 135696

Date and time ***Session #***	**Topic**
MON 13 OCT 2025 14:30-17:00 ***Session 1 (Think-Tank Room, 322)***	Kick-Off and Introduction Characterizing empirical research in AACM • Kaplan (2019) *[on Moodle]* • Kinney (2019) *[on Moodle]* • Ball (2023) *[on Moodle]* • Cook, Hart, Kinney and Oler (2016) *[on Moodle]*
MON 20 OCT 2025	***NO CLASS - please use the time to read up!***
MON 27 OCT 2025 15:00-17:00 ***Session 2***	• Guest lecture by *Christoph Pelger* on Qualitative Research **(on Zoom only)** • Guest lecture by *Peter Fiechter* **(on Zoom only)**
MON 03 NOV 2025 8:30-11:00 ***Session 3***	Research design, causal inference and DAGs • Bloomfield, Nelson and Soltes (2016) • Libby, Bloomfield and Nelson (2002) Registered reports • Bayer, Chaskel, Euler, Gassen, Großkopf and Sellhorn (2024) • Donau, Hombach, Meringdal, Müller, Sellhorn and Wagner (2024)
MON 10 NOV 2025 15:00-18:30 ***Session 4***	***Current research areas*** • 15:00 Guest lecture by *Clare Wang* • 16:00 Guest lecture by *Christian Leuz*
by SUN 16 NOV 2025	*Submit short paper critiques (Assignment 3) for Papers 1-6 to Moodle*
MON 17 NOV 2025 15:00-18:30 ***Session 5***	***Classics I*** (Capital Markets) • Paper 1: Ball and Brown (1968) *[on Moodle]* • Paper *2*: Dechow (1994) *[on Moodle]* • *Paper* 3a: Sloan (1996) *[on Moodle]* ***OR (please choose one)*** • Paper *3b*: Leuz and Verrecchia (2000) *[on Moodle]* ***Classics II*** (Accounting Attributes) • Paper 4: Jones (1991) *[on Moodle]* • Paper 5: Burgstahler and Dichev (1997) *[on Moodle]* • Paper 6: Basu (1997) *[on Moodle]*
by SUN 30 NOV 2025	*Submit short paper critiques (Assignment 3) for Papers 1-5 to Moodle*
MON 1 DEC 2025 14:30-17:00 ***Session 6***	***Current topics I*** • Paper 1: Armstrong, Ittner and Larcker (2012) *[on Moodle]* • Paper 2: Christensen, Hail and Leuz (2013) *[on Moodle]* • Paper 3: Christensen, Floyd , Liu and Maffett (2017) *[on Moodle]* • Paper 4: Discussion of Christensen, Floyd , Liu and Maffett (2017) by Glaeser and Guay (2017) *[on Moodle]* • Paper 5: Khan, Li, Rajgopal and Venkataraman (2018) *[on Moodle]*
by SUN 7 DEC 2025	*Submit short paper critiques (Assignment 3) for Papers 6-10 to Moodle*
MON 08 DEC 2025 15:00-18:30	***Current topics II*** • Paper 6: Baker et al. (2024) *[on Moodle]*

Session 7	• Paper 7: Krueger, Sautner, Tang and Zhong (2024) *[on Moodle]* • Paper 8: Boulland et al. (2025) *[on Moodle]* • Paper 9: Blankespoor et al. 2025 *[on Moodle]* • Paper 10: Christensen et al. (2022) *[on Moodle]*
THUR 08 2026 ***Session 8***	Students' **research proposal** presentations *(assignment 2)*

* We welcome your suggestions of interesting papers to include. Please send us an e-mail with the paper and your reasons for including it.

Students' research proposal presentations 08 JAN 2026

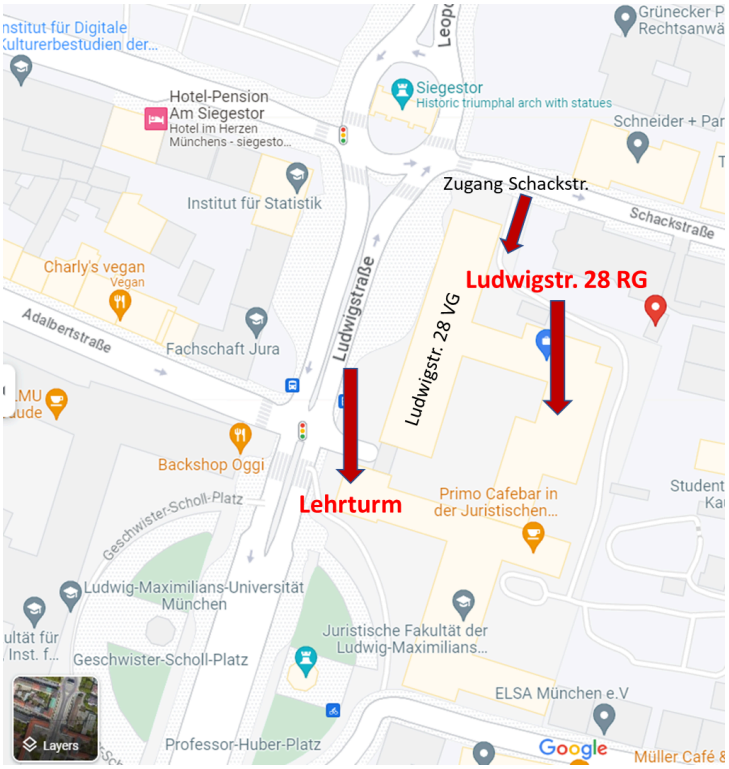
		Student	Proposal Title	
1	12:30	Sandra Denk	The Impact of Interest Rate Changes on Green Investment: Effects of the 2022 Interest Rate Reversal on Heterogeneously exposed EU Firms	Green Finance and Regulation
2	13:15	Faimul Ahsan	Capital Market Effects of Greenwashing during the CSRD implementation phase in Europe	
	14:00	*Break*		
3	14:15	Sara Cominelli	Analyst Expectations and Firms Earnings Management Choices	Disclosure Credibility and Market Expectations
4	15:00	Kevin Arnold	Do Capital Markets Price Credible AI Disclosure? Evidence from 10-K MD&A and Risk Factor Sections in the Generative-AI Era (2022–2025)	
	15:45	*Break*		
5	16:00	Christian Glaß	Changing the Past – An Analysis of Corporate Press Releases	Textual Disclosure and Innovation
6	16:45	Pengcheng Ren	Pricing Innovation "In Progress": Disentangling Patent Text Value from Approval Probability	
	17:30	Break		
7	17:45	Mahdi Rahali	Firm transparency and insolvency process efficiency	Transparency and Institutional Efficiency

7.2 Tutorials

CURRENT WS 2025-26

Online-only
lmu-munich.zoom-x.de/j/9963194786?pwd=JJmkgHCXe8OXCCbaOpSY4nUeeM94EG.1
Meeting ID: 996 319 4786
Passcode: 413176

Date & time	Topics
THUR 16 OCT 2025, 08:30-12:00	Introduction and Research Process Reproducible Research and Markdowns, GitHub Introduction to R Programming
	Class materials: Slides, R Markdown
THUR 23 OCT 2025, 08:30-12:00	Data Preparation Descriptive & Univariate Statistics I
	Class materials: Slides, R Markdown
WED 5 NOV 2025, **08:15-11:00**	Descriptive & Univariate Statistics II Implementing Research Methods (Basic)
	Class materials: Slides, R Markdown
THUR 13 NOV 2025, 08:30-12:00	Advanced Research Designs
	Class materials: Slides, R Markdown
THUR, 27 NOV 2025, 08:30-12:00	Implementing Research Methods (Advanced) First Q&A for your replication
	Class materials: Slides, R Markdown
End January 2026 (on demand)	Q&A for your replication



8 Annotated bibliography of required readings

8.1 Lecture

8.1.1 Basics

Part 1 – Introduction, diversity and academic citizenship

Bob Kaplan (Harvard) and *Bill Kinney* (UT Austin), two of the 'Elder Statesmen' of empirical accounting research, set the stage for our course. Kaplan (2019) reminds us that research is not primarily about getting published in highly ranked journals, but about finding out new and useful knowledge. He discusses the differences between (pure) basic, applied, and use-inspired research. He also makes clear that empirical inquiry into interesting phenomena has to start with methodical understanding and description – i.e., with domain expertise. What better time to become a domain expert than during a master's or doctoral program?

Kinney (2019) lays out the three key questions that any good research proposal or project needs to be able to answer convincingly: "1. What are you trying to find out, conceptually? (What concepts or theories underlie your idea?) 2. Why is an answer important and to whom? (Who will care about your answer and why should they care?) 3. How will you find the answer, operationally? (What research method and data will you use to find the answer?)" He goes on to discuss the threats to the validity of an empirical study – an issue that comes down to how critical research design choices are made and explained. The corona crisis has made us appreciate the value of empirical research on important questions, e.g., "Is chloroquine a potential treatment against the new coronavirus?" But we also understand that all empirical studies are not equally convincing (or *valid*) – and this depends on how research design choices are made and explained.

Ray Ball, probably the most influential econ-based accounting researcher alive, draws an impressive career retrospective in Ball (2023). This is a long paper, so no need to read it all in detail, but do treat yourselves to his views on many big-picture issues in accounting (research) by at least skimming it.

Cook et al. (2016) is a good set of instructions on how to discuss an academic paper, which provides a good blueprint for the paper discussion that you will be doing in this course. Gordon and Porter (2009) provides an introduction to reading and assessing academic research papers in accounting, with a focus on empirical papers. Strongly recommended as a useful "template" for accessing the subsequent papers in this course.

Part 2 – Research design and causal inference

Bloomfield, Nelson and Soltes (2016) defines, categorizes, and explains the seven empirical methods commonly used in accounting research, providing useful hints and insights for each of them. Although at first glance about experimental methods (which are not a focus of this course), Libby, Bloomfield and Nelson (2002) provide a highly readable and insightful overview of research on "how, when and (ultimately) why important features of financial accounting settings influence behavior". Contains an important introduction to important research design issues that is organized around the so-called "predictive validity framework", also known as "Libby boxes" after *Robert Libby*, who made it popular with accounting PhD students. Gow, Larcker and Reiss (2016) is a great overview of the challenges that researchers face when testing causal theories and hypotheses using observational (i.e., non-experimental) data. Introduces important "quasi-experimental" methods like instrumental variables, regression discontinuity, and differences-in-differences estimation – but goes beyond these by suggesting alternatives including causal diagrams, descriptive analysis, the detailed analysis of causal mechanisms, and structural modeling. To illustrate one specific empirical approach, the field experiment, we will discuss Beyer et al. (2023), a study conducted in the LMU mensa Leopoldstraße ("Schweinchenbau") in 2022. It investigates how attributes of carbon footprint information affect consumer choice. Preregistered via the Journal of Accounting Research's registration-based editorial process, the study quantifies effects on consumers' food choices of manipulating the measurement units and visualizations of carbon footprint information on food labels.

Additional background readings and review papers

Econometric issues in accounting research

Imbens, G.W. (2021), Statistical significance, p-values, and the reporting of uncertainty, *Journal of Economic Perspectives*, 35, 157–174.

Easton, P.D. and G. Sommers (2003). Scale and the scale effect in market-based accounting research. *Journal of Business Finance and Accounting*, 30(1-2): 25-55.

Gow, I.D., Ormazabal, G. and Taylor, D.J. (2010) Correcting for cross-sectional and time-series dependence in accounting research. *The Accounting Review,* 85(2): 483-512.

Lennox, C.S., J.R. Francis, and Z. Wang (2012). Selection models in accounting research. *The Accounting Review*, 87(2): 589-616.

Petersen, M.A. (2009). Estimating standard errors in finance panel data sets: comparing approaches. *Review of Financial Studies*, 22(1): 435-480.

Leone, A. J., Minutti-Meza, M., & Wasley, C. E. (2019). Influential observations and inference in accounting research. *The Accounting Review*, *94*(6), 337-364.

Gassen, J., & Veenman, D. (2021). Outliers and Robust Inference in Archival Accounting Research. *Working paper.*

8.1.2 Classics

Part 1 – Accounting and Capital Markets

This session introduces early capital markets research in accounting, usefully summarized in Kothari (2001). After the "empirical revolution" in the 1960s, accounting researchers increasingly turned to empirical methods and finance theories, trying to link accounting information to market prices. The most famous and most important study is Ball and Brown (1968), published by, at the time, two Chicago PhD students. The study shows several key empirical insights about earnings and stock returns that are still valid today and on which a large literature has been built. Dechow (1994) is another classic study that demonstrates the information contained in *accruals* – the difference between earnings and cash flows, and the circumstances under which accruals are more useful than cash flows for predicting future stock returns. A closely related and also immensely influential paper, written by Dechow's husband, Sloan (1996) documents the "accrual anomaly" by showing that capital market participants do not fully anticipate the information contained in accruals. This paper represented a blow to the prevailing theory of informationally efficient capital markets.

Additional background readings and review papers

Hayn, C. (1995). The information content of losses. *Journal of Accounting and Economics*, 20(2), 125-153.

Watts, R. L., & Zimmerman, J. L. (1990). Positive accounting theory: a ten-year perspective. *The Accounting Revie*w, 131-156.

Lev, B., & Ohlson, J. A. (1982). Market-based empirical research in accounting: A review, interpretation, and extension. *Journal of Accounting research*, 249-322.

Beaver, W. H. (1982). Discussion of market-based empirical research in accounting: A review, interpretation, and extension. *Journal of Accounting Research*, 323-331.

Kothari, S.P., Schonberger, B., Wasley, C. & Xiao, J. J. (2025). The first half-century of empirical capital markets research in accounting in pictures. Review of Account Studies, forthcoming.

Part 2 – Financial Reporting Attributes and Earnings Management

This session focuses on research studying important attributes of financial reporting, including the extent to which accounting earnings are deliberately manipulated by management. Basu (1997) introduces a famous empirical measure for the fundamental theoretical concept of "accounting conservatism" (in German: *Vorsichtsprinzip*), according to which earnings are subject to a higher verification threshold than losses. Burgstahler and Dichev (1997) introduce an empirical approach to showing that managers manipulate earnings to avoid earnings decreases and losses. Much of the earnings management literature assumes that earnings management takes place through the manipulation of accruals, rather than that of cash flows. Jones (1991) develops an approach to empirically measuring the extent to which accruals are likely "managed". Healy (1985) is a famous example of an early study of the "bonus plan hypothesis ", under which managers are assumed to manage the firm's earnings in order to maximize their earnings-based bonus compensation.

Additional background readings and review papers

Bushman, R. M., & Piotroski, J. D. (2006). Financial reporting incentives for conservative accounting: The influence of legal and political institutions. *Journal of Accounting and Economics, 42*(1-2), 107-148.

Ball, R., Kothari, S. P., & Robin, A. (2000). The effect of international institutional factors on properties of accounting earnings. *Journal of Accounting and Economics, 29*(1), 1-51.

Roychowdhury, S. (2006). Earnings management through real activities manipulation. *Journal of Accounting and Economics*, 42(3), 335-370.

8.1.3 Paper Presentations and Discussions

Select 3 preferences from among these papers, or propose your own!

Topic Area 1 – Accounting and Capital Markets

This area continues the discussion of Classics Part 1 and introduces more recent papers at the intersection of accounting and capital markets.

- Barth, M. E., Li, K., & McClure, C. G. (2023). Evolution in value relevance of accounting information. *The Accounting Review*, *98*(1), 1-28.
- Blankespoor, E., Miller, G. S., & White, H. D. (2014). The role of dissemination in market liquidity: Evidence from firms' use of Twitter™. *The Accounting Review*, *89*(1), 79-112.

There are *many* more…

Topic Area 2 – Accounting Attributes and Earnings Management

This area continues the discussion of Classics Part 2 and introduces more recent papers on accounting attributes and earnings management, for example:

- Bianchi, P. A., Marra, A., Masciandaro, D., & Pecchiari, N. (2019). Organized Crime and Firms' Financial Statements: Evidence from Criminal Investigations in Italy. *The Accounting Review*. Forthcoming.
- Black, D.E., Christensen, T.E., Ciesielski, J.T. and Whipple, B.C., 2018. Non‐GAAP reporting: Evidence from academia and current practice. *Journal of Business Finance & Accounting*, 45(3-4), pp.259-294.
- Bradshaw, M. T., & Sloan, R. G. (2002). GAAP versus the street: An empirical assessment of two alternative definitions of earnings. *Journal of Accounting Research*, *40*(1), 41-66. This is the seminal study in the growing area of non-GAAP earnings research, which studies the performance measures that firms voluntarily disclose in addition to their IFRS financial statements (e.g., "EBITDA before special items").
- Dhaliwal, D., Subramanyam, K. R., & Trezevant, R. (1999). Is comprehensive income superior to net income as a measure of firm performance?. Journal of Accounting and Economics, 26(1-3), 43-67.
- Dichev, I. D., Graham, J. R., Harvey, C. R., & Rajgopal, S. (2013). Earnings quality: Evidence from the field. *Journal of Accounting and Economics*, 56(2-3), 1-33.
- Leung, E., & Veenman, D. (2018). Non‐GAAP earnings disclosure in loss firms. *Journal of Accounting Research*, *56*(4), 1083-1137.

Topic Area 3 – Financial Reporting and Disclosure Regulation

This topic area focuses on several aspects of accounting-related regulation, a growing research topic. Christensen, Hail and Leuz (2013) study whether the capital-market effects of mandatory IFRS adoption are caused by IFRS *per s*e, or whether concurrent changes in enforcement played a role. Müller, Riedl and Sellhorn (2015) study the differential pricing of recognized versus disclosed accounting amounts in the context of fair value accounting. Two papers introduce the important idea of "real effects" – the notion that financial reporting does not merely depict the firm's economic activities, but – by affecting the decisions of the firm's stakeholders – will, in turn, potentially affect the firm's own operating, investing and/or financing decisions. Barthelme, Kiosse and Sellhorn (2019) illustrate this idea for a recent change to pension accounting requirements under IFRS (IAS 19R), where the "real effect" under study is firms' investments of the pension assets. Christensen, Floyd, Liu

and Maffett (2017) show that mandatory corporate social responsibility information provided through financial reports can have "real effects" on managers' operating decisions that affect, in this case, worker safety.

- Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, 56(2-3), 147-177.
- Müller, M. A., Riedl, E. J., & Sellhorn, T. (2015). Recognition versus disclosure of fair values. *The Accounting Review*, 90(6), 2411-2447.
- Barthelme, C., Kiosse, P. V., & Sellhorn, T. (2019). The impact of accounting standards on pension investment decisions. *European Accounting Review*, *28*(1), 1-33.
- Christensen, H. B., Floyd, E., Liu, L. Y., & Maffett, M. (2017). The real effects of mandated information on social responsibility in financial reports: Evidence from mine-safety records. *Journal of Accounting and Economics*, 64(2-3), 284-304.

Fair value accounting

Müller, M. A., Riedl, E. J., & Sellhorn, T. (2015). Recognition versus disclosure of fair values. *The Accounting Review, 90*(6), 2411-2447.

Muller III, K. A., Riedl, E. J., & Sellhorn, T. (2011). Mandatory fair value accounting and information asymmetry: Evidence from the European real estate industry. *Management Science, 57*(6), 1138-1153.

Goncharov, I., Riedl, E. J., & Sellhorn, T. (2014). Fair value and audit fees. *Review of Accounting Studies*, 19(1), 210-241.

Bischof, J., Daske, H., & Sextroh, C. J. (2020). Why do politicians intervene in accounting regulation? The role of ideology and special interests. *Journal of Accounting Research*, 58(3), 589-642.

Mandatory IFRS adoption

Armstrong, C. S., Barth, M. E., Jagolinzer, A. D., & Riedl, E. J. (2010). Market reaction to the adoption of IFRS in Europe. *The accounting review, 85*(1), 31-61.

Brüggemann, U., Hitz, J. M., & Sellhorn, T. (2013). Intended and unintended consequences of mandatory IFRS adoption: A review of extant evidence and suggestions for future research. *European Accounting Review*, 22(1), 1-37.

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Li, S. (2010). Does mandatory adoption of International Financial Reporting Standards in the European Union reduce the cost of equity capital? *The Accounting Review, 85*(2), 607-636.

Costs and benefits of disclosure

Beatty, A., Liao, S., & Yu, J. J. (2013). The spillover effect of fraudulent financial reporting on peer firms' investments. *Journal of Accounting and Economics*, 55(2-3), 183-205.

Bernard, D., Burgstahler, D., & Kaya, D. (2018). Size management by European private firms to minimize proprietary costs of disclosure. *Journal of Accounting and Economics, 66*(1), 94-122.

Blankespoor, E., Miller, G. S., & White, H. D. (2014). The role of dissemination in market liquidity: Evidence from firms' use of Twitter™. *The Accounting Review, 89*(1), 79-112.

Sethuraman, M. (2019). The effect of reputation shocks to rating agencies on corporate disclosures. *The Accounting Review, 94*(1), 299-326.

Blankespoor, E., deHaan, E., & Marinovic, I. (2020). Disclosure processing costs, investors' information choice, and equity market outcomes: A review. *Journal of Accounting and Economics, 70*(2-3), 101344.

Dyreng, S. D., Hoopes, J. L., Langetieg, P., & Wilde, J. H. (2020). Strategic subsidiary disclosure*. Journal of Accounting Research*, 58(3), 643-692.

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Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. *Journal of accounting research, 54*(2), 525-622.

Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, 1-73.

Hombach, K., & Sellhorn, T. (2019). Shaping corporate actions through targeted transparency regulation: A framework and review of extant evidence. Schmalenbach Business Review, 71(2), 137-168.

Topic Area 4 – Sustainability Reporting and Other Current Topics

This topic area discusses selected new areas in accounting research. One very popular such area is automated, algorithm-driven textual analysis (or Natural Language Processing, text mining). Dyer, Lang and Stice-Lawrence (2017) is an example of automated textual analysis techniques applied to a large dataset of U.S. annual reports. It uses topic modeling to explain the increasing volume of annual reports during the past 20 years. Hassan, Hollander, van Lent and Tahoun (2020) use algorithm-driven textual analysis techniques to construct firm-level measures of exposure to epidemic diseases and associated risks – one of the "hot" new Covid-19 papers.

Andreicovici, I., Hombach, K., & Sellhorn, T. (2023). *Firm value effects of targeted disclosure regulation: The role of reputational costs*. SSRN.

Berg, F., Koelbel, J. F., & Rigobon, R. (2019). Aggregate confusion: The divergence of ESG ratings. Forthcoming *Review of Finance*.

Bernard, Darren and Blankespoor, Elizabeth and de Kok, Ties and Toynbee, Sara, Confused Readers: A Modular Measure of Business Complexity (June 15, 2023). Available on SSRN: https://ssrn.com/abstract=4480309 or at http://dx.doi.org/10.2139/ssrn.4480309.

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Kim, A. G., Muhn, M., & Nikolaev, V. V. (2023). Bloated Disclosures: Can ChatGPT Help Investors Process Information?. Chicago Booth Research Paper, (23-07). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4425527

Kim, JB., Wang, C. & Wu, F. The real effects of risk disclosures: evidence from climate change reporting in 10-Ks. Rev Account Stud (2022). https://doi.org/10.1007/s11142-022-09687-z.

Matsumura, E. M., Prakash, R., & Vera-Munoz, S. C. (2014). Firm-value effects of carbon emissions and carbon disclosures. *The Accounting Review*, 89(2), 695-724.

Sautner, Z., van Lent, L., Vilkov, G., & Zhang, R. (2022). Firm-level climate change exposure. Journal of Finance.

Additional background readings and review papers

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Bae, J., Yu Hung, C., & van Lent, L. (2023). Mobilizing text as data. European Accounting Review, 1-22. https://doi.org/10.1080/09638180.2023.2218423.

TRR 266 Accounting for Transparency

The Accounting Cluster of LMU Munich School of Management (including your instructors, Großkopf and Sellhorn) is involved in a large-scale concerted research effort funded by the DFG. TRR 266 Accounting for Transparency brings together over 80 researchers from Germany to explore how accounting and taxation affect firm and regulatory transparency, and how regulation and transparency affect our economy and society. The insights from these activities will allow a well-founded assessment of regulatory reforms in the area of business taxation and financial reporting. To this end, the TRR 266 contributes to evidence-based policy making and to establishing a transparent tax system. Several of the papers discussed in this course relate to the research program of TRR 266. Please contact us if you're interested to learn more.

8.2 Tutorials

Background Reading

Accounting Research with R (main source)

Gow, I. D. and Ding, T. (2024). Empirical Research in Accounting: Tools and Methods (iangow.me)

Econometrics

Wooldridge, J. M. (2020). Introductory Econometrics: Vol. Seventh edition. Cengage Learning. (main econometrics reference book)

Wooldridge, J. M. (2010). *Econometric Analysis of Cross Section and Panel Data*. The MIT Press. (for advanced topics, very detailed and above the scope of this tutorial)

Econometrics with R

Heiss F. (2020). Using R for Introductory Econometrics

Databases

Dai, R. (2012). International Accounting Databases on WRDS: Comparative Analysis. Working paper. University of Pennsylvania.

Some useful online resources

- https://www.rstudio.com/resources/cheatsheets/
- An Introduction to R (r-project.org) (CRAN = The Comprehensive R Archive Network)
- R-bloggers
- Newest 'r' Questions - Stack Overflow
- Newest 'R' Questions - Cross Validated (stackexchange.com)
- CRAN Task View: Econometrics (r-project.org) (good overview of relevant packages in econometrics and empirical accounting)

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Appendix A: Template for reading and summarizing studies

Paper: _____

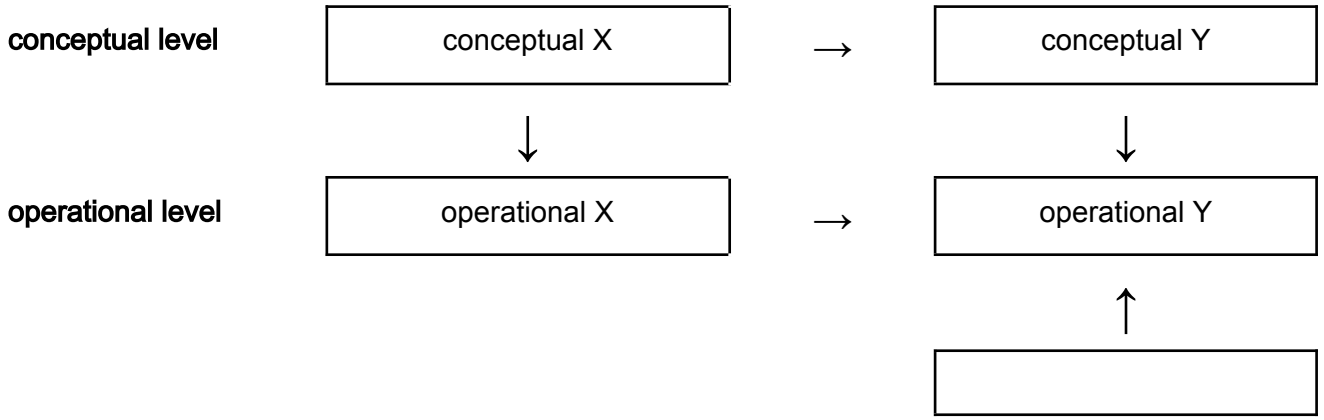
Kinney's three paragraphs

Please write a *short* paragraph (2-3 sentences max) for each of the following questions:

- **WHAT?**
- **WHY?**
- **HOW?**

Predictive validity framework

After filling in the above "Libby boxes" for the current paper, please write a *short* paragraph (2-3 sentences max) for each of the following aspects:



1. **Theory** (and hypotheses, unless the research question is descriptive)

2. **Construct validity**

3. **Internal validity** (unless the research question is not causal)

4. **Statistical conclusion validity**

5. **External validity** (generalizability)

Notes