1. Format

The class format will be as follows:

(i) In each class we will cover 2-4 published and/or working papers. All students are required to read the assigned papers before class.

(ii) In addition, one student will be assigned to write a referee report for all the papers covered in each class. The assignments for the referee reports will be made in the class before the report is due. The format of the report should be as discussed in our first class period.

2. Project

You alone or with a peer are to write an empirical research paper, which is due by March 30, 2007. Given your status as students and the relatively short time frame with which we have to work, the paper is not expected to be publishable as submitted. Rather, the primary purpose is to expose you to the process of writing an academic paper.

In a nutshell, the process begins with clearly stating the research question, and explaining why this question is important in light of extant literature. Next, design the tests, identify the data sources, and make sure they are available; many good ideas cannot be executed due to data limitations. Then, run the tests and put the results in carefully designed tables. If the results are consistent with your hypotheses, you want to increase confidence in the inference validity by ruling out alternative hypotheses. Once your analysis survives a battery of sensitivity tests, you are ready to write up the paper.

3. Reading List

1. Earnings information and security prices

   - Background reading:

1.1. Early studies


1.2. Methodological issues


1.3. Determinants of earnings response coefficients (ERCs)


2. Intraday analysis of return data


3. Management of accounting appearances

3.1. Earnings management

• Background reading:


  3.1.1. Accrual-based earnings management

  • Methodological issues:


  • Existence:


  3.1.2. Transaction-based (real) earnings management


3.2. Earnings management and earnings expectations management to exceed thresholds


3.3. Earnings management pre- and post-Sarbanes Oxley Act.


4. Employee stock option

- Background reading:
  


4.1. Executive stock options and incentive alignment


4.2. Executive stock options and managerial opportunistic behavior

4.2.1 Estimating executive stock option cost


4.2.2 Option grants backdating


2005, pp. 802-812.


### 4.2.3 Private information and executive stock option exercises


#### 5. International Accounting

**5.1. Accounting earnings, an international comparison**


**5.2. Earnings management around the world**


#### 6. Corporate governance


• Klein, A., 2002, Audit committee, board of director characteristics, and earnings management, Journal of Accounting & Economics 33, 375-400.


7. The Ohlson Valuation Model


8. The Ohlson Valuation Model, Continued


10. Market efficiency and accounting information

10.1. Post earnings announcement drift


10.2. Pricing of accruals and cash flows

