

# FLORIDA ATLANTIC UNIVERSITY™

## Graduate Programs—NEW COURSE PROPOSAL

UGPC APPROVAL \_\_\_\_\_  
 UFS APPROVAL \_\_\_\_\_  
 SCNS SUBMITTAL \_\_\_\_\_  
 CONFIRMED \_\_\_\_\_  
 BANNER POSTED \_\_\_\_\_  
 ONLINE \_\_\_\_\_  
 MISC \_\_\_\_\_

DEPARTMENT NAME: SCHOOL OF ACCOUNTING

COLLEGE OF: BUSINESS

**RECOMMENDED COURSE IDENTIFICATION:**

PREFIX ACG 7896 COURSE NUMBER \_\_\_\_\_ LAB CODE (L or C) \_\_\_\_\_

(TO OBTAIN A COURSE NUMBER, CONTACT ERUDOLPH@FAU.EDU)

**COMPLETE COURSE TITLE**

SEMINAR ON ACCOUNTING RESEARCH AND CAPITAL MARKETS

**EFFECTIVE DATE**

(first term course will be offered)

SPRING 2011

CREDITS: 3

TEXTBOOK INFORMATION: NONE

GRADING (SELECT ONLY ONE GRADING OPTION): REGULAR X PASS/FAIL \_\_\_\_\_ SATISFACTORY/UNSATISFACTORY \_\_\_\_\_

**COURSE DESCRIPTION, NO MORE THAN 3 LINES:**

CRITICAL, IN-DEPTH CONSIDERATION OF SELECTED ACCOUNTING RESEARCH TOPICS INVOLVING CAPITAL MARKETS OF PARTICULAR RELEVANCE TO CURRENT ACCOUNTING PRACTICE. STUDENTS READ AND EVALUATE SEMINAL AND RECENT RESEARCH PUBLISHED IN TOP JOURNALS AND DEVELOP SKILLS TO EVALUATE WORKING PAPERS AND PERFORM ACCOUNTING RESEARCH.

**PREREQUISITES W/MINIMUM GRADE:\***

ACG 7885

**COREQUISITES: NONE**

**OTHER REGISTRATION CONTROLS (MAJOR, COLLEGE, LEVEL):**

ADMITTED TO PH.D. PROGRAM

PREREQUISITES, COREQUISITES & REGISTRATION CONTROLS SHOWN ABOVE WILL BE ENFORCED FOR ALL COURSE SECTIONS.

\*DEFAULT MINIMUM GRADE IS D-.

**MINIMUM QUALIFICATIONS NEEDED TO TEACH THIS COURSE:**

GRADUATE FACULTY MEMBER, PHD REQUIRED

Other departments, colleges that might be affected by the new course must be consulted. List entities that have been consulted and attach written comments from each. None

Mark Kohlbeck, mkohlbec@fau.edu, 561-297-1363

Faculty Contact, Email, Complete Phone Number

**SIGNATURES**

**Approved by:**

Department Chair: \_\_\_\_\_

College Curriculum Chair: C. Allen Smith

College Dean: Paul Havi

UGPC Chair: \_\_\_\_\_

Dean of the Graduate College: \_\_\_\_\_

**Date:**

9/10/10

10-19-10

10-20-10

**SUPPORTING MATERIALS**

**Syllabus**—must include all details as shown in the UGPC Guidelines.

**Written Consent**—required from all departments affected.

Go to: <http://graduate.fau.edu/gpc/> to download this form and guidelines to fill out the form.

Email this form and syllabus to [diamond@fau.edu](mailto:diamond@fau.edu) and [eqirjo@fau.edu](mailto:eqirjo@fau.edu) one week **before** the University Graduate Programs Committee meeting so that materials may be viewed on the UGPC website by committee members prior to the meeting.

**ACG 7896 – Seminar in Accounting Research and Capital Markets  
Course Syllabus - Spring 2011**

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Class: TBD  
Professor: Mark Kohlbeck  
E-mail: [mkohlbec@fau.edu](mailto:mkohlbec@fau.edu)  
Office: 122 KH  
Phone: (561) 297-1363  
Office Hours: TBD

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**Course Objectives**

The primary objective of this course is to develop a broad understanding of accounting research and capital markets. The intent is to focus the student on both the classics to provide a background and current research with a focus on the types of questions and innovative methods accounting academics are currently pursuing and developing. A second objective is to give students a grounding in SAS (Statistical Analysis System) which will benefit you throughout your research career regardless of what sort of research you do – experimental, survey, or quasi-experimental. The emphasis is on archival data analysis in capital markets research because capital markets research is one of the richest areas of accounting research and because it is the most demanding in terms of data analysis.

**Professor Information**

Professor Kohlbeck's area of expertise is financial accounting and reporting. He is currently teaching financial accounting courses at the University. Mark previously taught at The University of Texas at Austin and Southern Methodist University. His primary research interests concern banking and financial institutions in the areas of intangible assets, regulation, accounting choice, and accounting disclosures. Previously, Mark was an auditor and management consultant for Deloitte & Touche in Dallas and Milwaukee. His professional experience includes restructuring troubled financial institutions, mergers and acquisitions, and litigation support. Mark is also a member of Beta Alpha Psi, Beta Gamma Sigma, the AICPA, and the AAA.

**Required Text Books**

Beaver, W. 1998. *Financial Reporting: An Accounting Revolution*. 3<sup>rd</sup> edition, Prentice Hall (ISBN 0-13-686171-7)

Campbell, J., A. Lo, and A. MacKinlay. 1997. *The Econometrics of Financial Markets*. 1<sup>st</sup> edition, Princeton University Press (ISBN 0-691-04301-9)

Delwiche, L., and Slaughter, S. *The Little SAS Book: a Primer*. 4<sup>th</sup> edition, SAS Institute, 2008 (ISBN 978-1-59994-725-9).

**Recommended Text Book**

Kennedy, P. 2008. *A Guide to Econometrics*, 6<sup>th</sup> edition, John Wiley and Sons (ISBN 13: 9781405182577)

## Course Format

The course will be conducted in a seminar format. For each topic, a set of readings are presented. Each student is expected to have thoroughly read the readings prior to when the readings are discussed in class. *It is imperative that the required papers are read thoroughly prior to class.* All students will prepare 1-2 page summary of each of the readings. The summary should include the following:

- ❑ Identify the research question(s)
- ❑ Discuss the motivation for the research
- ❑ Discuss the main hypotheses and related theory
- ❑ Present the primary research method
- ❑ Summarize the main findings
- ❑ Identify the paper's strengths and weaknesses
- ❑ Sketch the research design
- ❑ Summarize the research's contribution

*The summaries should be distributed via email by midnight the evening before class.* During class, one student will be designated as the discussion leader for the paper. Therefore, every student should be prepared to lead the discussion on any of the primary readings.

It is also strongly suggested that each student identify at least one research idea related to each paper and compile the research ideas in a journal.

## Grading

The following summarizes how you will be evaluated for this course.

Participation	40%
Statistical Analysis Projects	40%
Final Exam	20%
Total	100%

Participation – All students are expected to be prepared for each class and actively **contribute**. Participation also includes fulfilling discussion leader responsibilities and participating in any of the School of Accounting's research workshops.

Statistical Analysis Projects – As discussed above, one objective of the course is to develop an understanding of how to efficiently use SAS / applying statistical analysis. The projects provide you with practical experience using common databases, and analyzing that data using SAS. I help early on with SAS through a directed replication; much of the learning nevertheless will have to be on your own.

The projects involve extracting data from databases commonly used in archival research (Compustat, CRSP, I/B/E/S) and using SAS to analyze that data. The projects will require you to replicate a classic study (Ball and Brown, 1968) and complete other common analyses (e.g., an event study). You will also be required to write up the "findings" as if you were conducting original research. You will be responsible for proving near the end of the semester that you have a reasonable mastery of the following: SAS, Compustat, CRSP, I/B/E/S, and Eventus. You will have to prove your ability through an individual hands-on demonstration of data extraction skills and SAS programming (including Eventus).

Final Exam– A final exam will be administered during the University’s final exam period. The exam will be similar to questions that the students may encounter on a preliminary exam.

### Course Schedule

<u>Week</u>	<u>Date</u>	<u>Topic</u>
1	1/17	Introduction, Overview of SAS
2	1/24	SAS Basics
3	1/31	SAS Basics
4	2/7	Valuation Theory
5	2/14	Valuation Theory
6	2/21	Valuation Theory
7	2/28	Earnings Announcements
8	3/7	Spring Break
9	3/14	Earnings Announcements
10	3/21	Earnings Announcements
11	3/28	Cost of Capital
12	4/4	Cost of Capital
13	4/11	Market Anomalies and Market Efficiency
14	4/18	Market Anomalies and Market Efficiency
15	4/25	Fundamental Analysis
16	5/2	Final Exam

See attached list of readings.

### Policies

Honor Code. Students at Florida Atlantic University are expected to maintain the highest ethical standards. Academic dishonesty, including cheating and plagiarism, is considered a serious breach of these ethical standards, because it interferes with the University mission to provide a high quality education in which no student enjoys an unfair advantage over any other. Academic dishonesty is also destructive of the University community, which is grounded in a system of mutual trust and places high value on personal integrity and individual responsibility. Harsh penalties are associated with academic dishonesty. For more information, see [http://www.fau.edu/regulations/chapter4/4.001\\_Honor\\_Code.pdf](http://www.fau.edu/regulations/chapter4/4.001_Honor_Code.pdf).

School of Accounting Uniform Policies. <http://www.soa.fau.edu/policies.html>

Professional Conduct. To foster a more professional learning environment and to develop habits that lead to success in the business work, all participants must engage in professional behavior, including:

1. Taking responsibility for individual actions.
2. Attending each class session, including arriving promptly and leaving at the designated time. Attendance sign-in sheets may therefore be used and excess absences may impact the participation grade.
3. Being attentive and an active participant in group activities and class discussions.
4. Respecting diversity in the classroom and treating everyone involved in the class in a civil manner.
5. Planning outside activities to avoid conflicts with the activities outlined in the syllabus.
6. Meeting all deadlines in the course for assignments, projects, etc.
7. Acknowledging the importance of clarity of expression in written and oral communication and understanding that the course grade will be affected by your ability to communicate.

ADA. In compliance with the American with Disabilities Act (ADA), students who require special accommodations due to a disability to properly execute coursework must register with the Office for Students with Disabilities (OSD) located in Boca Raton – SU 133 (561-297-3880), in Davie – MOD I (954-236-1222), in Jupiter – SR 117 (561-799-8585), in the Treasure Coast – CO 128 (772-873-3305), and follow all OSD procedures.

Plagiarism. Written components of any assignment or project may be submitted to a service to evaluate the originality of the work. Any students found to be submitting work that is not their own will be deemed in violation of the University's honor code discussed above.

Missing Exams. Make-up exams will be given for valid reasons (medical emergency, family emergency, university-scheduled events, religious observation, or class conflicts) consistent with University policy and the professor's discretion. If you do not have a valid reason for missing an exam, a zero grade may be assigned. The professor also has the option of not providing a make-up exam and re-weighting the remaining exam(s) accordingly.

Incompletes. There are no incompletes for this course except in the case of extraordinary circumstances (for example, excessive absences due to severe illness). The professor determines when an incomplete is appropriate.

Points Awarded. It is the responsibility of the student to monitor the points awarded to- date in eCollege. The student has up to two weeks following the posting of any points to contest the number of points, after which the points are considered final.

Electronic Communication. eCollege and FAU email will be used in this course for content delivery, assignments, and other communications. Accordingly, **it is the student's responsibility** to check the eCollege course site and their FAU email account for announcements, etc.

Religious Holidays. It is the responsibility of the student to promptly notify the professor of any conflicts due to religious observance so that accommodations can be arranged.

Pictures. Photographs of each student may be taken / used in connection with the course.

## Reading Assignments / Detailed Schedule

Week	Readings and Other Assignments
1	The Little SAS Book – Chapter 1 Review of available datasets
2	The Little SAS Book – Chapters 2 and 3 <a href="http://www.ats.ucla.edu/stat/SAS/notes_old/default.htm">http://www.ats.ucla.edu/stat/SAS/notes_old/default.htm</a> - view the following movies <ul style="list-style-type: none"> <li>• Entering Data</li> <li>• Exploring Data</li> </ul> In-class SAS project
3	The Little SAS Book – Chapters 4, 6, and 9 <a href="http://www.ats.ucla.edu/stat/SAS/notes_old/default.htm">http://www.ats.ucla.edu/stat/SAS/notes_old/default.htm</a> - view the following movies <ul style="list-style-type: none"> <li>• Modifying Data</li> <li>• Managing Data</li> </ul> In-class SAS project (cont.)
4	Extracting data from WRDS Read CRSP summary at <a href="http://www.library.hbs.edu/helpsheets/wrdscrspstock.html">http://www.library.hbs.edu/helpsheets/wrdscrspstock.html</a> Beaver, W. 1998. <i>Financial Reporting: An Accounting Revolution</i> . 3 <sup>rd</sup> edition, Prentice Hall
5	SAS Project 1 Due Easton, P. 1985. Accounting earnings and security valuation: empirical evidence of the fundamental links. <i>Journal of Accounting Research</i> 23 (Supplement): 54-77. Kothari, S. P. and J. Zimmerman. 1995. Price and Return Models, <i>Journal of Accounting and Economics</i> , (September), 155-192. Ohlson, J. 1995. Earnings, Book Value and Dividends in Security Valuation, <i>Contemporary Accounting Research</i> (Spring), 661-687.
6	Collins, D., M. Pincus, and H. Xie. 1999. Equity valuation and negative earnings: the role of book value of equity. <i>The Accounting Review</i> 74 (January): 29-61. Lev, B. and P. Zarowin. 1999. The boundaries of financial reporting and how to extend them. <i>Journal of Accounting Research</i> 37 (Supplement): 353-387. Dechow, P., A. Hutton, and R. Sloan. 1999. An empirical assessment of the residual income valuation model. <i>Journal of Accounting and Economics</i> 26 (January): 1-34.

Week	Readings and Other Assignments
7	<p>The Little SAS Book – Chapter 8</p> <p>Campbell, Lo, and Mackinlay. 1997 – Chapter 4</p> <p>Atiase, R. 1985. Predisclosure information, firm capitalization and security price behavior around earnings announcements. <i>Journal of Accounting Research</i> (Spring), 21-36.</p> <p>Ball, R. and P. Brown. 1968. An Empirical Evaluation of Accounting Income Numbers, <i>Journal of Accounting Research</i>, (Autumn), 159-178.</p> <p>Bamber, L. 1987. Unexpected Earnings, Firm Size, and Trading Volume around Quarterly Earnings Announcements, <i>The Accounting Review</i>, (July), 510-532.</p> <p>Beaver, W. 1968. The Information Content of Annual Earnings Announcements, <i>Journal of Accounting Research</i>, (Supplement), 67-92.</p>
8	Spring Break – No class
9	<p>SAS Project 2 Due</p> <p>Barron, O., D. Harris, and M. Stanford. 2005. Evidence that Investors Trade on Private Event-Period Information around Earnings Announcements, <i>The Accounting Review</i> 80 (April), 403-421.</p> <p>Easton, P. and M. Zmijewski. 1989. Cross-Sectional Variation in the Stock Market Response to the Announcement of Accounting Earnings, <i>Journal of Accounting and Economics</i>, (July), 117-141.</p> <p>Francis, J., K. Schipper, and L. Vincent. 2002. Expanded disclosures and the increased usefulness of earnings announcements. <i>The Accounting Review</i> 77 (July): 515-546.</p>
10	<p>Collins, D. and S. Kothari. 1989. An Analysis of the Intertemporal and Cross-Sectional Determinants of Earnings Response Coefficients, <i>Journal of Accounting and Economics</i>, (July), 143-181.</p> <p>Freeman, R. 1987. The association between accounting earnings and security returns for large and small firms. <i>Journal of Accounting and Economics</i> (July), 195 – 228.</p> <p>Kormendi, R. and R. Lipe. 1987. Earnings Innovations, Earnings Persistence, and Stock Returns. <i>Journal of Business</i> (July), 323-346.</p> <p>Ali, A. and P. Zarowin. 1992. Permanent versus transitory components of annual earnings and estimation error in earnings response coefficients. <i>Journal of Accounting and Economics</i> (June/September), 249 – 264.</p> <p>Easton, P. and T. Harris. 1991. Earnings as an Explanatory Variable for Returns, <i>Journal of Accounting Research</i>, 19 -36.</p> <p>Freeman, R. and S. Tse. 1992. A Nonlinear Model of Security Price Responses to Accounting Earnings. <i>Journal of Accounting Research</i>, 185-209.</p>
11	<p>SAS Project 3 Due</p> <p>Campbell, Lo, and Mackinlay. 1997 – Chapters 5 and 6</p> <p>Easton, P. 2004. PE ratios, PEG ratios, and estimating the implied expected rate of return on equity capital. <i>The Accounting Review</i> 79 (January): 73-95.</p> <p>Francis, J., R. LaFond, P. Olsson, and K. Schipper. 2004. Cost of equity and earnings quality. <i>The Accounting Review</i> 79: 967-1010.</p> <p>Gebhardt, W., C. Lee, and B. Swaminathan. 2001. Toward an implied cost of capital. <i>Journal of Accounting Research</i> 39 (June): 135-176.</p>

Week	Readings and Other Assignments
12	<p>Botosan, C., and M. Plumlee. 2005. Assessing alternative proxies for the expected risk premium. <i>The Accounting Review</i> 80 (1): 21-53.</p> <p>Easton, P., and G. Sommers. 2007. Effect of analysts' optimism on estimates of the expected rate of return implied by earnings forecasts. <i>Journal of Accounting Research</i> (December): 983-1015.</p> <p>Francis, J., D. Nanda, and P. Olsson. 2008. Voluntary disclosure, earnings quality, and cost of capital. <i>Journal of Accounting Research</i> 46 (1): 53-99.</p> <p>Francis, J., I. Khurana, and R. Pereira. 2005. Disclosure incentives and effects on cost of capital around the world <i>The Accounting Review</i> 80(4): 1125-1162.</p>
13	<p>Campbell, Lo, and Mackinlay. 1997 – Chapters 2 and 3</p> <p>Bernard, V. and L. Thomas. 1989. Post-Earnings-Announcement Drift Delayed Price Response or Risk Premium, <i>Journal of Accounting Research</i>, (Supplement), 1-36.</p> <p>Foster, G., C. Olsen and T. Shevlin. 1984. Earnings Releases, Anomalies and the Behavior of Security Returns, <i>The Accounting Review</i>, 574-603.</p>
14	<p>Bernard, V. and J. Thomas. 1990. Evidence that Stock Prices Do Not Fully Reflect the Implications of Current Earnings or Future Earnings. <i>Journal of Accounting and Economics</i> (December), 305-340.</p> <p>Ball, R., and E. Bartov. 1996. How naive is the stock market's use of earnings information? <i>Journal of Accounting and Economics</i> 21: 319-337.</p> <p>Bartov, E., S. Radhakrishnan, and I. Krinsky. 2000. Investor sophistication and patterns in stock returns after earnings announcements. <i>The Accounting Review</i> 75 (January): 43-63.</p>
15	<p>DeBonds, W. and R. Thaler. 1987. Further Evidence of Investor Overreaction and Stock Market Seasonality, <i>Journal of Finance</i>, (July), 557-581.</p> <p>Ou, J. and S. Penman. 1989. Financial Statement Analysis and the Prediction of Stock Returns, <i>Journal of Accounting and Economics</i>, (November), 295-330.</p> <p>Sloan, R. 1996. Do stock prices fully reflect information in accruals and cash flows about future earnings? <i>The Accounting Review</i> 71, 289 – 315.</p> <p>Abarbanell, J. and B. Bushee. 1998. Abnormal returns to a fundamental analysis strategy, <i>The Accounting Review</i>, (January): 19-45.</p> <p>Collins, D., and P. Hribar. 2000. Earnings-based and accrual-based market anomalies: one effect or two? <i>Journal of Accounting and Economics</i> 29 (February): 101-123.</p> <p>Lev, B. and R. Thiagarajan. 1993. Fundamental Information Analysis, <i>Journal of Accounting Research</i>, 190-215.</p>
16	<p>Final Exam</p> <p>SAS Project 4 Due</p>



## Other Articles of Interest

### Model Specification and Econometric Issues

- Acharya, S. 1993. Value of Latent Information: Alternative Event Study Methods, *Journal of Finance*, (March), 363-385.
- Barth, M., and G. Clinch. 2009. Scale Effects in Capital Markets-Based Accounting Research. *Journal of Business Finance & Accounting* (3) and (4): 253-288.
- Barth, M. and S. Kallapur. 1996. The Effects of Cross-Sectional Scale Differences on Regression Results in Empirical Accounting Research, *Contemporary Accounting Research*, (Fall), 527-567.
- Bernard, V. 1987. Cross-Sectional Dependence and Problems in Market-Based Accounting Research, *Journal of Accounting Research*, (Spring), 1-48.
- Brown, S. and J. Warner. 1980. Measuring Security Price Performance, *Journal of Financial Economics*, (September), 205-257.
- Brown, S. and J. Warner. 1985. Using Daily Stock Returns: The Case of Event Studies, *Journal of Financial Economics*, (March), 3-32.
- Cheng, C., W. Hopwood, and J. McKeown. 1992. Non-Linearity and Specification Problems in Unexpected Earnings Response Regression Model, *The Accounting Review*, (July), 579-598.
- Christie, A. 1987. On Cross-Sectional Analysis in Accounting Research, *Journal of Accounting and Economics*, (December), 231-258.
- Cram, D., v. Karan, and I Stuart. 2007. Three Threats to Validity of Choice-Based and Matched Sample Studies in Accounting Research. *Contemporary Accounting Research forthcoming*.
- Francis, J., and C. Lennox. 2008. Selection Models in Accounting Research. Working paper, University of Missouri and Hong Kong University of Science and Technology.
- Larcker, D., and T. Rusticus. 2008. On the Use of Instrumental Variables in Accounting Research. Working paper, University of Pennsylvania.
- Ohlson, J. and P. Shroff. 1992. Changes versus Levels in Earnings as Explanatory Variables for Returns, *Journal of Accounting Research*, (210-226).
- Peterson, M. 2009. Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches. *Review of Financial Studies* 22(1): 435-480.

## Important Literature Reviews

Beaver, W. 1996. Directions in Accounting Research: NEAR and FAR, *Accounting Horizons*, 113-124.

Beaver, W. and J.S. Demski. 1974. The Nature of Financial Accounting Objectives: A Summary and Synthesis. *Studies of Financial Accounting Objectives: Supplement to Vol. 12 of the Journal of Accounting Research*.

Bernard, V. 1989. Capital Markets Research in Accounting During the 1980's: A Critical Review, *The State of Accounting Research as We Enter the 1990's* (University of Illinois), 172-120.

Foster, G. 1980. Accounting Policy Decisions and Capital Market Research, *Journal of Accounting Research* (March): 29-62.

Gonedes, N. J. and N. Dopuch. 1974. Capital Market Equilibrium Information-Production and Selecting Accounting Techniques: Theoretical Framework and Review of Empirical Work. *Studies of Financial Accounting Objectives, Supplement to Vol. 12 of the Journal of Accounting Research*.

Lev, B. 1989. On the Usefulness of Earnings and Earnings Research: Lessons and Directions from Two Decades of Empirical Research, *Journal of Accounting Research* (Supplement), 153-201.

Lev, B. and J. Ohlson 1982. Market-Based Empirical Research in Accounting: A Review, Interpretation and Extension, *Journal of Accounting Research* (Supplement), 161-234.

Schipper, K. 1995. Academic Accounting Research and the Standard Setting Process, *Accounting Horizons* (December), 61-73