Call for Papers

5th Doctoral Seminar on Accounting (Region Ost)

HHL Leipzig Graduate School of Management and Free University of Berlin

Leipzig, October 14 – October 16, 2013

Content

Accounting researchers must use proxies for accounting constructs in examinations of predicted relations and in tests of theories because the constructs are generally not observable and therefore cannot be measured directly. The accounting researcher must therefore develop operational and observable proxies or measurements of these constructs. The construct validity of the proxies or measurements is critical to the overall persuasiveness of the study’s findings.

This seminar is designed for PhD students and post-doctoral researchers who would like to review the proxies or measurements used to capture fundamental accounting constructs and to consider the advantages and disadvantages of the various operational proxies. Thus, the seminar examines the construct validity of prevalent proxies used to capture fundamental accounting constructs in the accounting literature.

Instructor

Professor Teri Lombardi Yohn (Indiana University).

Teri Lombardi Yohn, Ph.D., is a Professor and PwC Faculty Fellow at Indiana University’s Kelley School of Business. Prior to joining Indiana University, Dr. Yohn served on the faculty of Georgetown University. She also served as an Academic Fellow in the Office of the Chief Accountant at the SEC and on the faculty of University of Massachusetts, Amherst. Dr. Yohn received her Ph.D. in Accounting from Indiana University.

Dr. Yohn researches the effects of corporate disclosures on the stock market and the systematic relations between current financial information and future profitability. She also researches restatement causes and disclosure choices and the effects of IFRS adoption on the capital markets. She has published in journals such as The Accounting Review, Journal of Accounting Research, Contemporary Accounting Research, and Review of Accounting Studies. She currently serves on the editorial board of The Accounting Review, Review of Accounting Studies and Accounting Horizons. Dr. Yohn has testified before the Senate on IFRS issues and served as a member of the Blue Ribbon Panel for Private Company Financial Reporting. She also served as the President of the Financial Accounting and Reporting Section of the American Accounting Association. She teaches financial accounting to undergraduate students and a doctoral seminar on capital markets research.
About the Doctoral Seminar on Accounting (Region Ost)

The Doctoral Seminar on Accounting is designed for PhD students and young post-doctoral researchers in accounting who would like to extend and deepen their knowledge on current research issues in accounting. The two-day seminar is held annually and is organized by Professor Henning Zuelch (HHL Leipzig Graduate School of Management). It targets chairs and departments of accounting in the Eastern region of Germany and aims to give participants the opportunity to discuss their PhD experiences, exchange ideas and meet fellow PhD students. In addition, the seminar aims at enhancing the dialogue between the participating chairs and departments in order to enable future cooperation.

This year’s Doctoral Seminar is held in collaboration with Paul Pronobis, Assistant Professor at the Free University of Berlin. Professor Pronobis obtained his PhD from HHL Leipzig Graduate School of Management and joined the faculty of the Free University of Berlin in 2011. He teaches financial accounting courses, in particular based on IFRS, on both the undergraduate and the graduate level. His research focuses on empirical capital markets research as well as the link between financial accounting and auditing, corporate governance and taxation.

Participation and Contact Information

Thanks to the generous support of the Ernst & Young-Foundation we have the opportunity to sponsor the participation of ten PhD students. This grant covers travel expenditures in addition to free room and board. Applicants who wish to present their research paper will be given preferred consideration.

Please note that applications are due October 4, 2013. We kindly ask you to note that this year’s seminar – including the presentations – will be held in English.

In case of any questions, please feel free to get in touch:

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### Module 1: Introduction and capital markets research framework

**Time (min):** 90


**Content:** We will discuss the role of academic research from the perspective of persuasion. We will note that the purpose of research is to persuade skeptical, critical, and informed persons to change their warrantable beliefs about an important problem. We will then discuss the types of validity that will increase the persuasiveness of research: statistical conclusion validity, internal validity, construct validity, and external validity. The focus of the remaining sessions of the seminar will be on construct validity related to fundamental constructs investigated in accounting research.

### Module 2: Value relevance: Timing and dependent variables

**Time (min):** 90


**Content:** We will discuss constructs for value relevance based on the timing and choice of the dependent variable. We will start by reviewing association studies, such as Ball and Brown (1968), which examine the association between annual stock returns and the sign of the change in earnings. We will then review studies that examine finer tests of a stock market reaction to earnings in which causality is inferred based on the week (Beaver 1968), the day (Foster 1978), and the intraday (Patell and Wolfson 1984; Lee, Mucklow and Ready 1993) market behavior around the earnings announcement. In this review, we will consider market behavior as proxied by stock returns, trading volume, stock return volatility, and bid-ask spreads around earnings announcements.

### Module 3: Value relevance: Capturing expectations

**Time (min):** 90


**Content:** When investigating the value relevance of earnings information from a causal perspective, the researcher must estimate the market’s expectation of earnings. We will discuss various proxies used for the market’s expectation of earnings, including the sign of the change in earnings (Ball and Brown 1968), the magnitude of the change in earnings (Beaver, Clarke and Wright 1979), time-series forecasts, and analyst forecasts (Bradshaw, Drake, Myers and Myers 2012).

### Module 4: Value relevance: The form of the relation

**Time (min):** 90


**Content:** We will consider the form of the relation between earnings information and stock returns (Burgstahler and Dichev 1997; Ohlson 1995; Feltham and Ohlson 1995) in the analyses of the relation between earnings and stock returns and prices. We will also consider the importance of controlling for various company (Zhang 2000) and announcement (Freeman and Tse 1992; Hayn 1995) characteristics that affect the earnings response coefficient. Finally, we will discuss the importance of considering differences in the relative versus the incremental information content of earnings (Biddle and Choi 2006).
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<th>Module</th>
<th>Accounting Construct</th>
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<td><strong>Content:</strong> We will consider the various proxies used for accounting quality, including accrual quality (Dichow and Dichev 2002), earnings smoothness, earnings persistence, conservatism, and earnings response coefficients (Francis, LaFond, Olsson and Schipper 2005). We will discuss some of the criticisms of these measures of accounting quality (McInnis 2010).</td>
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<td><strong>Content:</strong> We will discuss the most popular measure of earnings management in the accounting literature, namely abnormal accruals. We will discuss the model used to measure abnormal accruals (Jones 1991; Xie 2001) and the improvements made to the model. We will also discuss the criticisms of the model (Kraft, Leone and Wasley 2006; Francis and Smith 2005) and alternative interpretations of the abnormal accruals measure (Fairfield, Whisenant and Yohn 2003).</td>
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<td><strong>Content:</strong> We will review the evidence on using discontinuities in earnings distributions as proxies for earnings management (Burgstahler and Dichev 1998; Degeorge, Patel and Zeckhauser 2001) as well as the criticisms of the proxy (Durtschi and Easton 2005; Beaver, McNichols and Nelson 2007). We will discuss the evidence on meeting or beating expectations as a proxy for earnings management (Matsumoto 2002; Kaznik and McNichols 2002). We will also discuss other measures of earnings management such as restatements, SEC Enforcement Actions (Dechow, Sloan and Sweeney 1995) and the interaction between asset turnover and profit margin (Jansen, Ramnath and Yohn 2012).</td>
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<td><strong>Content:</strong> We will review a popular proxy for conservatism in the accounting literature; namely conditional conservatism as introduced by Basu (1997). We will review the debate and criticisms of the measure (Dietrich, Muller and Riedl 2007; Givoly, Hayn, and Natarajan 2007). We will also consider other measures of conservatism such as the Q-score (Penman and Zhang 2002). Finally, we will discuss how unconditional conservatism moderates the observed level of conditional conservatism (Beaver and Ryan 2005; Gassen Fuelbier and Sellhorn, 2006).</td>
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