

University of Notre Dame
ACCTG 70831: Corporate Disclosure: Accounting Institutions and Academic Research
Spring 2022 Syllabus

Professor: Hal White

Class Time: Tues/Thurs 10:00 – 11:50am

Classroom: MCOB 122

Office Hours: By appointment (please email to set up a meeting)

COURSE OBJECTIVES:

The two main objectives of this course are to:

- (1) Expand students' perspective of accounting beyond GAAP by exploring the economics of accounting (and more broadly, corporate disclosure) in the capital markets, namely with respect to information flows and key agents.
- (2) Introduce students to academic research, particularly corporate disclosure research.

COURSE STRUCTURE

To achieve the aforementioned objectives, this course is structured into two main modules: (i) corporate disclosure economics, and (ii) key economic agents in the market. The SEC has used disclosure regulation as its principal mechanism for establishing and maintaining well-functioning public equity markets. As repeatedly noted by the SEC, "disclosure [of information] is the lifeblood of the capital market." Given corporate disclosures' central role in the markets, in the first part of the course, we will focus on the background of the regulations mandating disclosure and the purported benefits of disclosure. Within these discussions, we will also discuss some potential costs of disclosure. We will then explore how and why disclosure might be strategically, i.e., opportunistically, managed. We will also discuss rules governing firms' public and private communications as well as various voluntary disclosures and related disclosure venues. Finally, we will discuss how emerging information technologies have impacted corporate disclosure regulation and practices. Throughout these discussions, we will refer to academic research to gain additional insights. This will include reading academic research studies as well as materials that summarize research such as law articles that make relevant arguments based largely on various research findings.

In the second module, the focus will transition to the role of key economic agents in the market, including internal agents (investor relations officers, board of directors) and external agents (analysts, business press, and investors). For each of these economic agents, we will discuss their role in the market, drawing from relevant practitioner literature and academic research. These discussions will focus on the market participants' incentives and their relation to, or impact on, corporate disclosure. Moreover, if applicable, we will cover any institutional trends that either have recently taken place or are expected to take place.

PEDAGOGICAL APPROACH

The classroom approach will be a Socratic method of teaching. In particular, rather than lecture information for rote learning (or memorization), we will discuss the readings together as a group. I will ask questions about the readings to ensure students understand the information, then we will discuss our views related to the material. Oftentimes, I will question students in such a way that it requires them to think critically about topics. The process is intended to help students develop their critical thinking abilities as well as teach them to more thoughtfully examine and better understand their own beliefs, logic, and knowledge related to the material. Although the details of the institutional information may be relatively more 'black and white,' our discussion centered on our views regarding those details will not be. Accordingly, students should not look for 'right answers,' but rather focus on developing their ability to think more rigorously. One could think of the course objectives listed above as the information learned in the course, while the pedagogical approach discussed here as learning *how to process the information* learned in the course.

***There is not an assigned book for this course.** Required reading material will vary considerably across sessions with respect to its source—sessions will include readings from several different books, a variety of practitioner articles (and videos), and several academic articles (typically from law, accounting or finance); two sessions will be dedicated to case studies. ***All readings will be posted on the course site on Sakai.** (Optional additional readings will be posted too.)

COURSE EVALUATION

Performance for the course will be evaluated as follows:

Participation	35%
Case Discussions (2 x 5%)	10%
Assignments (3 x 10%)	30%
OPTION: Final Project <i>or</i> Final Exam	<u>25%</u>
Total	100%

Participation

Participation includes on-time class attendance and active discussions of relevant material. In my experience, the quality of class discussions is a direct function of how well the students have read, and thought about, the readings before the respective class. Note, too, that active dialogue is necessary for the development of critical thinking, as it allows ideas and viewpoints to be challenged in a constructive way, providing students opportunities to reflect on, and improve the articulation of, their views. This typically results in a deeper understanding of the topics. If a student has to miss a class, he/she should notify me as soon as possible via email, preferably before class starts.

Case Discussions

There will be two case discussions, as indicated in the outline of session topics at the end of the syllabus. Cases are a great way to put students in real-life situations related to course material, where there is ambiguity and a variety of factors to consider. Students will be required to read cases carefully and contribute to discussions in meaningful ways.

Assignments

There will be three assignments, which will be detailed throughout the course, as appropriate. They will be related to class discussions. Assignments will be due by the beginning of the class period indicated, and submitted via email.

***Each student will be given a choice as to his/her final deliverable: (i) final exam, or (ii) final project**

Final Exam (OPTION 1)

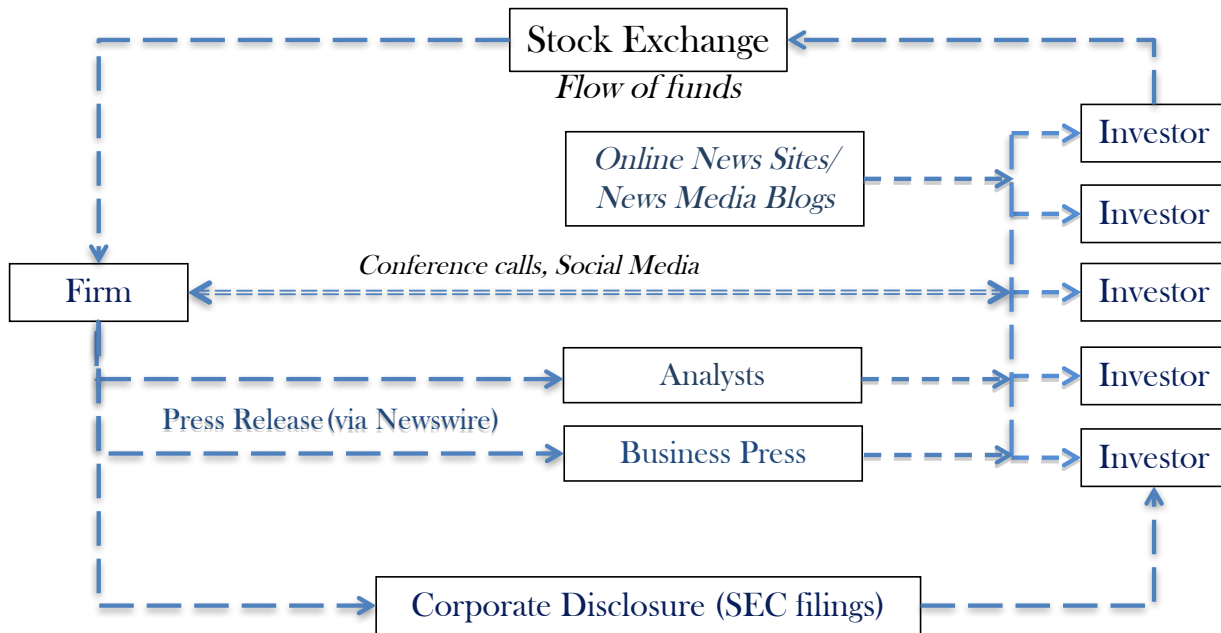
The final exam will be held in class on **Tuesday, May 3 from 12:00 - 1:50pm**. The exam will consist of both short- and long-answer questions, and will cover class discussions/readings. The focus of the questions will be on the general takeaways from the sessions and often-discussed topics, as opposed to nuanced details from the readings.

Final Project (OPTION 2) - DUE Tuesday, May 3 (by 5:00pm) via email

***The final project is a research proposal. Topics must be approved by Mon, April 18 - Use the Kinney 3-paragraph format when submitting the proposed topic for approval.** The final project should include (i) a motivation, (ii) a research question, (iii) a basic story detailing the prediction (the mechanism), (iv) a basic discussion of prior research & proposed contribution (which can include multiple contributions), and (v) a proposed research design (which can be somewhat loosely developed). The proposal should be roughly 3-4 pages, single-spaced, 12-point Times New Roman font, 1-inch margins. This project will give students an opportunity to dig deeper into a course topic (or related topic) to introduce students to the initial stages of researching a topic. I'd like to make this project as open ended as possible to allow for creativity, but I realize it might be tough to get started. So, here are several examples of potential research questions that might help generate ideas (*please don't feel that you need to limit yourself to these options*):

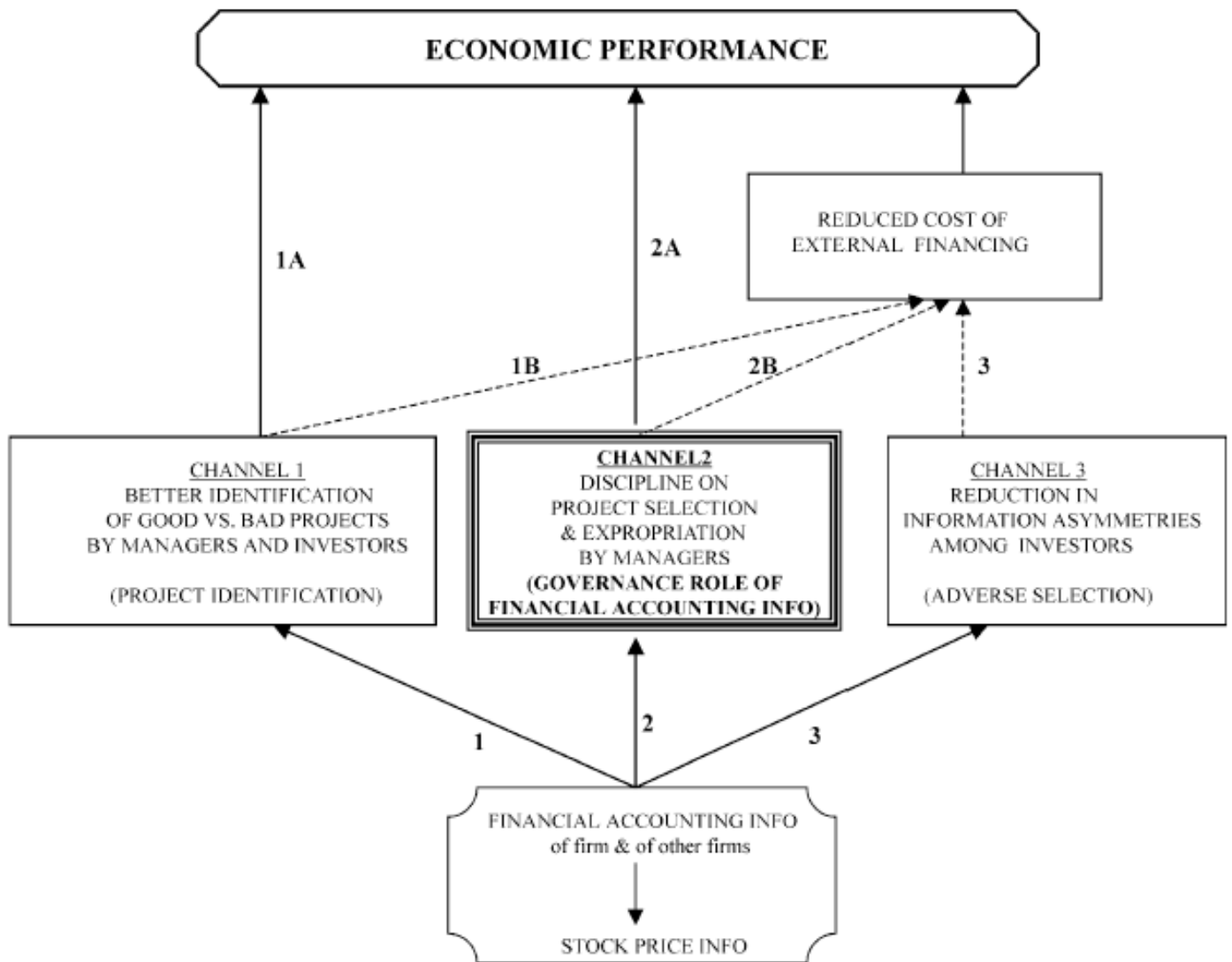
- (i) Does [manager/firm action X] impact firm value?
- (ii) Does [external party X or factor Y] help discipline managers' actions?
- (iii) What role does [new technology X] have on pricing of financial statement information?
- (iv) What impact does [regulation X] have on [firm value, manager behavior, disclosure usefulness, etc]?
- (v) Does [financial statement presentation X] impact analysts/investors' behavior?
- (vi) Can [management characteristic X] play a role in firm [investment, disclosure, compensation, etc]?
- (vii) Can the financial press substantively shape views about the firm [with respect to factor X]?
- (viii) When [or where or how] should firms disclose information [for purpose X]?

Information Flow in Capital Markets



The Effect of Accounting Information on Economic Performance

(From Bushman and Smith, 2001, *Journal of Accounting and Economics*, p. 294)



SUPPORT FOR STUDENT MENTAL HEALTH

Care and Wellness Consultants provide support and resources to students who are experiencing stressful or difficult situations that may be interfering with academic progress. Through Care and Wellness Consultants, students can be referred to The University Counseling Center (for cost-free and confidential psychological and psychiatric services from licensed professionals), University Health Services (which provides primary care, psychiatric services, case management, and a pharmacy), and The McDonald Center for Student Well Being (for problems with sleep, stress, and substance use). To learn more, visit care.nd.edu.

SOCIAL JUSTICE

The University of Notre Dame is committed to social justice. I share that commitment and strive to maintain a positive learning environment based on open communication, mutual respect, and non-discrimination. In this class we will not discriminate on the basis of race, sex, age, economic class, disability, veteran status, religion, sexual orientation, color or national origin. Any suggestions as to how to further such a positive and open environment will be appreciated and given serious consideration.

CODE OF HONOR

I will apply The *Mendoza College of Business Graduate Academic Code of Honor*

<http://business.nd.edu/uploadedFiles/microsites/pdfs/mbacurrentstudents/Honor%20Code,%202013-14.pdf>.

I expect students not to give or receive aid on any individual class assignments, cases, or final project (unless explicitly permitted by me) and to report any occurrences of such behavior by others. I also expect students not to plagiarize others' works in completing assignments. Acceptable communication among students or groups will be indicated at the time of each assignment, case, or project. If an honor violation occurs, I will implement procedures outlined in the code of honor.

(TENTATIVE) OUTLINE OF SESSION TOPICS

Week	Date	Tuesday	Thursday
1	Mar 15 & 17	Introduction / Overview of Course Corporate Disclosure Regulation	Benefits / Costs of Disclosure Understanding Academic Research
2	Mar 22 & 24	Benefits / Costs of Disclosure	Voluntary Disclosure (Earnings Guidance) <u>CASE</u>
3	Mar 29 & 31	Managerial Myopia / Earnings Management	Conference Calls
4	Apr 5 & 7	Investor Relations	Regulation FD & Social Media
5	Apr 12 & 14	Board of Directors / Governance Investors / Activism	Auditors
6	Apr 19 & 21	Financial Press	Analysts
7	Apr 26 & 28	Dealing with Information Crisis <u>CASE</u>	*NO CLASS* <i>All-day Office Hours for Exam and Project Questions</i>

On Tues, May 3:

- the final exam will be held from 12:00 - 1:50pm.
- the final project will be due by 5pm (submit via email)