

UNIVERSITY OF WATERLOO
School of Accountancy

Acc 781
Introduction to Research

Patricia C. O'Brien
Fall 2009

Course Syllabus and Outline

Instructor Contact Information:

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Generally during Fall term, I will be on campus on Tuesday, Thursday and Friday. For most teaching and learning purposes, I find face-to-face visits or telephone conversations more effective than e-mail. Please use e-mail only for straightforward requests and questions, never for anything that requires discussion or clarification. Please also do not expect a quick reply. Feel free to use e-mail to set up an appointment for a call or office visit outside office hours.

Course Description:

This course will introduce you to research in general, and accounting research in particular. I hope that this course will give you an understanding of: (1) the nature and objectives of research; (2) how to design a research project, including how to identify and combat various threats to valid inference; and (3) some accounting research topics and streams.

Course Materials:

Most course materials are readings and assignments, which I will make available in electronic form whenever possible. The course website on [UW-ACE](#) has this syllabus and other electronic course materials. You will need your WatIAM username and password to access this site.

You must purchase three books for the course:

Lipson, Charles. *Doing Honest Work in College: How to Prepare Citations, Avoid Plagiarism and Achieve Real Academic Success*, 2nd ed. Chicago, IL: The University of Chicago Press, 2008.

Chalmers, A.F. *What is this Thing Called Science?*, 3rd ed. Indianapolis, IN: Hackett Publishing Company, 1999.

Trochim, William M.K. and James P. Donnelly. *The Research Methods Knowledge Base*, 3rd ed. Mason, OH: Cengage Learning, 2008.

Evaluation:

I will calculate your course grade as follows (explained more fully below):

Class discussion				25%
Weekly assignments				25%
Term paper	Initial proposal	Oral	5%	
		Written	<u>10%</u>	15%
	Final report	Oral	15%	
		Written	<u>20%</u>	<u>35%</u>
				100%

Class discussion (25%):

In each class session, we will discuss the readings for the week, with a view toward understanding the research process. Although I will attempt to guide you in the discussion, I hope for and will reward your active participation. Remember that the foundation of research is debating, testing and challenging ideas. In this spirit, I welcome all questions, and I will often ask you to contribute to answering your own question. The keys to success in this component of the course are careful reading of the assigned papers and chapters, and willingness to discuss and debate the ideas contained in them.

Weekly assignments (25%):

Most weeks, I will ask you to write about one or more of the readings, and submit your write-up to an on-line dropbox. The deadline for the written assignments is **noon the day before** our class session. This gives me a chance to download, briefly review, and print your papers prior to class. Unless I tell you otherwise, you should limit your write-up to two double-spaced pages. Please include a title page on your submission with your name, the date and a title for the assignment, and please format your submission so that it is easy for me to read. Please come prepared to present (not read) your analysis of the paper. This informal presentation will count toward your weekly summary mark, not your class discussion mark.

Plagiarism detection software (Turnitin) will be used to screen assignments in this course, to verify that students properly document the materials and sources they use in assignments. In the first class session, we will discuss the arrangements for the use of Turnitin in this course.

Term paper (50%):

The term paper has two stages, an initial proposal and a final report. Both stages have two components, a written report and an oral presentation.

Initial proposal: In this stage, you will identify a broad research question and discuss why it is interesting, using at least five academic sources that can form the foundation for understanding the research question. The research question should be *broad, not narrow*.

The table below gives examples of what I mean by “broad” and “narrow.” See also Fig. 1-5 in Trochim and Donnelly. Be sure at this initial stage of your project that you emphasize a broad question.

Examples of broad and narrow research questions

<i>Broad questions</i>	<i>Narrow questions</i>
Do government tax incentives work?	Did the R&D tax credits in the 2001 federal budget increase the amount of R&D performed in Canada?
Do investors use corporate accounting disclosures?	Do investors value stock option expense differently when it appears on the income statement than when it appears in a footnote disclosure?
How can owners align managers’ incentives with their own?	Do managers make greater commitments to goals when they understand the goals’ relation to strategic direction?
How can auditors increase their effectiveness?	Have tests of internal controls mandated by Sarbanes-Oxley reduced the need for substantive audit testing?

The written proposal must not exceed two double-spaced pages, excluding references and a title page. In class, you will make a 15-minute presentation of your broad research question, focusing on why it is interesting. The initial proposal, due for our Oct. 15 class session, will count 30% toward the term paper’s total mark, or 15% of the course grade. The oral presentation will count for one-third, and the written proposal for two-thirds.

Final report: In this stage, you will describe a feasible research project that will contribute to answering your broad research question, incremental to existing research on the topic. To design a feasible project, move from your broad question to a narrower one (see the table above or Fig. 1-5 in Trochim and Donnelly), and from the narrower question to a design that could be executed. You should describe your proposed research project in enough detail for me to judge its feasibility. That is, you should describe your proposed data sources, subject pool and/or your experimental design, the measures you propose to use and the comparisons you propose to make. You should place your project in the existing literature so that I can judge its incremental contribution. Your written report must not exceed ten double-spaced pages, excluding references and tables, charts or other appendices. In our last class session, you will make a 45-minute workshop-style presentation of your proposed research project. Your final written report, due the day before the last class session, will count 40% toward the term paper’s total mark, or 20% of the course grade. Your presentation in the last scheduled class session will count 30% toward the term paper’s total mark, or 15% of the course grade.

Note on avoiding academic offenses:

When you submit written work, unless you explicitly acknowledge someone else as the source,

you implicitly claim it to be your own. If you borrow someone else's ideas, methods, phrasing or other intellectual property without attribution, you are committing plagiarism, a serious academic offense. Here are my policies regarding collaboration.

- 1) You may collaborate with other students on class preparation by discussing the readings and assisting one another with understanding them, and by proofreading one another's work.
- 2) All written and verbal submissions for grading in the course must clearly and unambiguously identify contributions that belong to others.

I will assume that everything not explicitly attributed to someone else is yours alone. If I discover that you have used another person's intellectual property without proper attribution, I will treat this as serious academic misconduct, and deal with it accordingly.

Please be aware of the Faculty of Arts policies on academic offences, and on accommodation for disabilities, quoted below. If you feel in any doubt about my policies or UW Policies relating to these topics, please ask me for clarification or assistance. You may also find the websites cited in the Faculty of Arts statements helpful.

Faculty of Arts policies:

Academic Integrity:

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to Policy 71 - Student Discipline, <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm>

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70 - Student Petitions and Grievances, Section 4, <http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm>

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read Policy 72 - Student Appeals, <http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm>

Academic Integrity website (Arts): http://arts.uwaterloo.ca/arts/ugrad/academic_responsibility.html

Academic Integrity Office (UW): <http://uwaterloo.ca/academicintegrity/>

Accommodation for Students with Disabilities:

Note for students with disabilities: The Office for Persons with Disabilities (OPD), located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.

Brief [tentative] outline of course:

Week	Date	Part	Topic
1	17-Sep	A	Organization
		B	Academic writing
2	24-Sep	A	Academic writing
		B	Induction, deduction, scientific method
3	01-Oct	A	Induction, deduction, scientific method
		B	Scientific method and inference
4	08-Oct	A	Accounting & Finance paradigms
		B	Accounting & Finance paradigms
5	15-Oct	A	Term project - initial report
		B	Research design
6	22-Oct	A	Research design - sampling
		B	Research design - internal validity
7	29-Oct	A	Research design - internal validity
		B	Research design - experiments
8	12-Nov	A	Research design - experiments
		B	Research design - quasi-experiments
9	19-Nov	A	Research design - quasi-experiments
		B	Research design - qualitative research
10	26-Nov	A	Research design - qualitative research
		B	Research design - advanced design and analysis
11	03-Dec	A	Research design - advanced design and analysis
		B	Research design - advanced design and analysis
12	10-Dec		Term project - final presentations
			Wrap-up

Reading and assignment list:

Week 1 – Sep. 17

Part A – Organization

Part B – Academic writing

Required reading:

Green, Richard, Maureen O’Hara and G. William Schwert (c. 2001) “Joint Editorial: Advice for Authors,” downloaded September 2007 from <http://jfe.rochester.edu/>. [pdf]

Cochrane, John H. (1989) “Writing Tips for Ph.D. Students,” downloaded from <http://faculty.chicagobooth.edu/john.cochrane/research/Papers/> on 7 Jul 2008, annotated by Patricia O’Brien 9 Sep 2009. [pdf]

Lipson (2008) chapters 1-4. [book]

Recommended further reading:

Strunk, William Jr. and E.B. White (2000). *The Elements of Style* (4th ed.), Toronto: Longman Publishers. [book]

Turabian, Kate L. (1996). *A Manual for Writers of Term Papers, Theses, and Dissertations* (6th ed.), Chicago: The University of Chicago Press. [book]

University of Waterloo, Office of the Associate Dean of Arts (2008). “Avoiding Academic Offences,” http://arts.uwaterloo.ca/arts/ugrad/academic_responsibility.html [web]

Week 2 – Sep. 24

Part A – Academic writing

Required reading:

Wydick, Richard C. (1978). “Plain English for Lawyers,” *California Law Review* v. 66: 727-765. [paper]

Lipson (2008) chapters 5 and 15. [book]

Written assignment: Submit Wydick, Appendix A exercises 2, 4, 10, 13, 14, and “02A_WritingExercise”.

Prepare for class discussion: “02A_CitationExercise.”

Part B – Induction, deduction, and scientific method

Required reading:

Chalmers (1999) chapters 1-7. [book]

Recommended further reading:

Kuhn, Thomas S. (1970). *The Structure of Scientific Revolutions* (2nd ed., enlarged),

Chicago: The University of Chicago Press.
Popper, Karl R. (1979). *Truth, Rationality and the Growth of Scientific Knowledge*,
Frankfurt am Main: Klosterman.

Week 3 – Oct. 01

Part A – Induction, deduction, and scientific method

Required reading:

- Bhushan, Ravi (1989). “The Collection of Information about Publicly Traded Firms,”
Journal of Accounting and Economics, v. 11, n. 2-3: 183-206. [pdf]
Dechow, Patricia M., Mark R. Huson and Richard G. Sloan (1994). “The Effect of
Restructuring Charges on Executives’ Cash Compensation,” *The Accounting
Review*, v. 69, n. 1: 138-156. [pdf]

Written assignment: In your own words, state the main hypotheses of these two papers. How do the two papers differ in their treatment of coefficients that (ex ante) could be either positive or negative? Comment, in view of what you have read about falsification.

Part B – Scientific method and inference

Required reading:

- Chalmers (1999) chapters 8-13 & 16. [book]

Week 4 – Oct. 08

Part A – Accounting & Finance paradigms

Required reading:

- Beaver, William H. (1998). “Market Efficiency,” Chapter 6 of *Financial Reporting: An Accounting Revolution* Upper Saddle River, NJ: Prentice Hall, Inc., pp. 125-58.
[paper]
Ashton, Robert H. and Alison Hubbard Ashton, eds. (1995) *Judgment and decision-making research in accounting and auditing*. Cambridge, UK: Cambridge University Press, chapter 1 pp. 3-23. [paper]

Recommended further reading:

- The other chapters of the Beaver (1998) book.
The other chapters of the Ashton & Ashton (1995) book.

Part B – Accounting & Finance paradigms

Required reading:

- Tversky, Amos and Daniel Kahneman (1974). “Judgment under Uncertainty: Heuristics and Biases,” *Science* v. 185 n. 4157 pp. 1124-1131.

- Camerer, Colin F. (1987). "Do Biases in Probability Judgment Matter in Markets?" *American Economic Review* v. 77, n. 5 pp. 981-997. [pdf]
- Fama, Eugene F. (1998). "Market efficiency, long-term returns, and behavioral finance," *Journal of Financial Economics* v. 49 pp. 283-306. [pdf]
- Lee, Charles M.C., Andrei Shleifer and Richard H. Thaler (1991). "Investor Sentiment and the Closed-End Fund Puzzle," *Journal of Finance* v. 46 n. 1, pp. 75-109.
- Chen, Nai-Fu, Raymond Kan and Merton H. Miller (1993). "Are the Discounts on Closed-End Funds a Sentiment Index?" *Journal of Finance* v. 48 n. 2, pp. 795-800.
- Chopra, Navin, Charles M.C. Lee, Andrei Shleifer and Richard H. Thaler (1993). "Yes, Discounts on Closed-End Funds Are a Sentiment Index," *Journal of Finance* v. 48 n. 2, pp. 801-808.
- Chen, Nai-Fu, Raymond Kan and Merton H. Miller (1993). "Yes, Discounts on Closed-End Funds Are a Sentiment Index: A Rejoinder," *Journal of Finance* v. 48 n. 2, pp. 809-810.
- Chopra, Navin, Charles M.C. Lee, Andrei Shleifer and Richard H. Thaler (1993). "Summing Up," *Journal of Finance* v. 48 n. 2, pp. 811-812.

Written assignment:

Summarize the arguments in your assigned set of papers. Which arguments do you find most compelling, and why?

Week 5 – Oct. 15

Part A – Term paper presentations

Written assignment:

Term paper initial proposal: see description earlier in this syllabus.

Part B – Research design – foundations & sampling

Required reading:

Trochim & Donnelly (2009) chapters 1 & 2.

Week 6 – Oct. 22

Part A – Research design – foundations & sampling

Required reading:

- Bonner, Sarah E. and Barry L. Lewis (1990). "Determinants of Auditor Expertise," *Journal of Accounting Research*, v. 28 (Supplement): 1-20. [pdf]
- McNichols, Maureen L. and Patricia C. O'Brien (1997). "Self-Selection and Analyst Coverage," *Journal of Accounting Research*, v. 35 (Supplement): 167-199. [pdf]

Written assignment: How does the participant pool affect an experiment's external validity?

Based on B&L's results, under what circumstances can a researcher reasonably use students as experimental participants, and when not? Explain.

Part B – Research design – internal validity

Required reading:

Trochim & Donnelly (2009) chapters 3 & 7.

Week 7 – Oct. 29

Part A – Research design – internal validity

Required reading:

Levitt, Steven D. and John A. List (2009). “Was There Really a Hawthorne Effect at the Hawthorne Plant? An Analysis of the Original Illumination Experiments,” NBER working paper 15016. [pdf]

Ball, Ray and Philip Brown (1968). “An Empirical Examination of Accounting Income Numbers,” *Journal of Accounting Research*, v. 6 n. 2: 159-178.

O’Brien, Patricia C. and Ravi Bhushan (1990). “Analyst Following and Institutional Ownership,” *Journal of Accounting Research*, v. 28 (Supplement): 55-76. [pdf]

Written assignment: In your own words, state B&B’s main conclusions. Based on Trochim & Donnelly’s description of causal inference (p. 159), can we conclude from B&B’s results that stock returns during the year prior to an earnings announcement cause the earnings? Why or why not?

Part B – Research design – experiments

Required reading:

Trochim & Donnelly (2009) chapter 9.

Week 8 – Nov. 12

Part A – Research design – experiments

Required reading:

Hirst, D. Eric, Patrick E. Hopkins and James M. Wahlen (2004). “Fair Values, Income Measurement, and Bank Analysts’ Risk and Valuation Judgments” *The Accounting Review*, v. 79 n. 2: 453-472. [pdf]

Clor-Proell, Shana and Mark W. Nelson (2007). “Accounting Standards, Implementation Guidance and Example-Based Reasoning,” *Journal of Accounting Research*, v. 45 n. 4: 699-730. [pdf]

Written assignment: For your assigned paper, identify the research design using T&D's terms. Identify potential validity threats and assess the authors' effectiveness in dealing with them.

Part B – Research design – quasi-experiments

Required reading:

Trochim & Donnelly (2009) chapter 10.

Kinney, William R. Jr. (1986). “Empirical Accounting Research Design for Ph.D. Students.” *The Accounting Review* v. 61 (April): 338-350. [pdf]

Week 9 – Nov. 19

Part A – Research design – quasi-experiments

Required reading:

Botosan, Christine A. (1997). “Disclosure Level and the Cost of Equity Capital,” *The Accounting Review*, v. 72 n. 3: 323-49. [pdf]

Francis, Jennifer, Dhananjay Nanda and Xin Wang (2006). “Re-examining the Effects of Regulation Fair Disclosure Using Foreign Listed Firms to Control for Concurrent Shocks.” *Journal of Accounting and Economics* v. 41: 271-292. [pdf]

Written assignment: For your assigned paper, identify the research design using T&D's terms. Identify potential validity threats and assess the authors' effectiveness in dealing with them.

Part B – Research design – qualitative research

Required reading:

Trochim & Donnelly (2009) chapters 4-6 & 8.

Week 10 – Nov. 26

Part A – Research design – qualitative research

Required reading:

Graham, John R., Campbell R. Harvey and Shiva Rajgopal (2005). “The economic implications of corporate financial reporting,” *Journal of Accounting and Economics*, v. 40 n. 1-3: 3-73. [pdf]

Anderson, Shannon W., James W. Hesford and S. Mark Young (2002). “Factors influencing the performance of activity based costing teams: a field study of ABC model development time in the automobile industry.” *Accounting, Organizations and Society* v. 27: 195-211. [pdf]

Hilton, Andrew S. and Patricia C. O’Brien (2009). “Inco Ltd.: Market Value, Fair Value and Management Discretion,” *Journal of Accounting Research* v. 47 n. 1: 179-211.

Written assignment: Using what you have learned about research design in general and qualitative research in particular, discuss the quality of the research design in your

assigned paper. Identify potential validity threats and assess the authors' effectiveness in dealing with them.

Part B – Research design – advanced design and analysis

Required reading:

Trochim & Donnelly (2009) chapters 11 & 12.

Week 11 – Dec. 03

Research design – advanced design and analysis

Required reading:

Schrand, Catherine M. and Beverly R. Walther (2000). “Strategic Benchmarks in Earnings Announcements: The Selective Disclosure of Prior-Period Earnings Components,” *The Accounting Review* v. 75 n. 2: 151-177. [pdf]

Krische, Susan D. (2005). “Investors’ Evaluations of Strategic Prior-Period Benchmark Disclosures in Earnings Announcements,” *The Accounting Review*, v. 80 n. 1: 243-268. [pdf]

Ittner, Christopher D., David F. Larcker and Marshall W. Meyer (2003). “Subjectivity and the Weighting of Performance Measures: Evidence from a Balanced Scorecard,” *The Accounting Review* v. 78 n. 3: 725-758. [pdf]

Libby, Theresa, Steven E. Salterio and Alan Webb (2004). “The Balanced Scorecard: The Effects of Assurance and Process Accountability on Managerial Judgment.” *The Accounting Review* v. 79 n. 4: 1075-1094. [pdf]

Written assignment: For your assigned pair of papers ([Schrand & Walther (2000), Krische (2005)], or [Ittner, Larcker & Meyer (2003), Libby, Salterio & Webb (2004)]), discuss how each paper contributes a different perspective on the research question that the other cannot provide.

Prepare for class discussion: For each of the assigned readings, identify at least one potential threat to conclusion validity, and be prepared to explain how (if at all) the authors deal with it.

Week 12 – Dec. 10

Term paper presentations; Wrap-up