



DAR Ph.D. Seminar Summer 2018

Empirical Research on Disclosure, Reporting, and Transparency in Markets and Regulation

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Format

The class format will be a mixture of lectures and discussion. I will try to make class as informal as possible to facilitate discussion and questions. I will also draw extensively on students to summarize and criticize assigned papers. This format requires preparation on your part and it is essential that you have read papers prior to coming to class.

Reading Assignments

Each topic has a set of readings. I distinguish between two types of readings. General readings will introduce you to the topic and provide an overview and a background for the class discussion. So you can skim parts of them. I tried to give you some pointers. The assigned papers will be discussed in more detail. Each student should be prepared to discuss the following questions for each assigned paper:

1. Is the paper well motivated? Why is the research question (un)interesting? What is the paper's contribution?
2. How compelling are the hypotheses?
3. What is the study's research design and identification strategy?
4. How well is the research design tied to the research question? To what extent is the design capable of distinguishing between alternative hypotheses?
5. What are the major results? How do the authors interpret them? How do you interpret them?
6. What new research questions do the results raise?

Write-ups

Each student is required to submit a short write-up of each assigned paper (but not for the general readings). The write-up should be shorter than a page and can be bullet points. It should briefly state your view of contribution, design, and major issues. It should not be an abstract. The write-ups are a way to make sure everybody has read the papers. The write-ups are due at the beginning of each class and to be printed out (double-sided so there is one page per participant).

Course Outline

Below is a schedule of the topics and readings to be covered.

Class 1 (Tue 13-15h):

Causal Inferences in Accounting

This class will be an (interactive) big-picture lecture focusing on research design as well as discussing identification challenges in accounting research more generally.

General Reading (only):

1. Rabin, 2009, Alcohol's Good for You? Some Scientists Doubt It, *New York Times*, 16 June.
2. Leuz and Wysocki, 2016, The Economics of Disclosure and Financial Reporting Regulation: U.S. and International Evidence and Suggestions for Future Research, with Peter Wysocki, *Journal of Accounting Research*.
3. Gow, Larcker, and Reiss, 2016, Causal Inference in Accounting Research, *Journal of Accounting Research*. (Read intro and then the section on structural modeling)

Class 2 (Tue 16-18h):

Shocks and Financial Disclosure

General Reading:

1. Leuz and Schrand, 2009, Disclosure and the Cost of Capital: Evidence from Firms' Responses to the Enron Shock, Working paper (Just read new intro)

Assigned Papers:

2. Balakrishnan, Billings, Kelly, and Ljungqvist, 2014, Shaping Liquidity: On the Causal Effects of Voluntary Disclosure, *Journal of Finance* 64, 2237-2278.
3. Balakrishnan, Core, and Verdi, 2014, The Relation between Reporting Quality and Financing and Investment: Evidence from Changes in Financing Capacity, *Journal of Accounting Research* 52, 1-36.

Class 3 (Wed 9-12h):

International Accounting and the Effects of Accounting Standards

General Reading:

1. Leuz, 2010, Different Approaches to Corporate Reporting Regulation: How Jurisdictions Differ and Why, *Accounting and Business Research* 40, 229–256.
2. Leuz and Verrecchia, 2000, The Economic Consequences of Increased Disclosure, *Journal of Accounting Research* 38, 91-124. (We will not discuss this paper in detail but you should be familiar with its motivation and basic findings as I will use it as an example in class.)

Assigned Papers:

3. Daske, Hail, Leuz and Verdi, 2008, Mandatory IFRS Adoption around the World: Early Evidence, *Journal of Accounting Research* 46 (2008), 1085–1142.
4. Christensen, Hail, and Leuz, 2013, Mandatory IFRS Reporting and Changes in Enforcement, *Journal of Accounting and Economics* 56, 147-177.

Class 4 (Wed 14-17h):

Regulation of Disclosure and Reporting

General Reading:

1. Milgrom, 2008. What the Seller Won't Tell You: Persuasion and Disclosure in Markets, *Journal of Economic Perspectives* 22, 115–131. (Read p. 126-130)
2. Leuz, 2010, Different Approaches to Corporate Reporting Regulation: How Jurisdictions Differ and Why, *Accounting and Business Research* 40, 229–256. (Read Sections 1 – 2)

Assigned Papers:

3. Iliev, 2009, The Effect of SOX Section 404: Costs, Earnings, Quality, and Stock Prices, *Journal of Finance* 65, 1163-1196.
4. Christensen, Hail, and Leuz, 2016, Capital-Market Effects of Securities Regulation: Prior Conditions, Implementation and Enforcement, *Review of Financial Studies* 29, 2885–2924.

Class 5 (Thu 9-12h):

Real Effects of Disclosure Regulation

General Reading:

1. Dranove and Jin, 2010, Quality Disclosure and Certification, *Journal of Economic Literature* 48, 935–963. (Read to get a basic sense for literature)

Assigned Papers:

2. Jin and Leslie, 2003, The Effect of Information on Product Quality: Evidence from Restaurant Hygiene Grade Cards, *The Quarterly Journal of Economics* 118, 409-451.
3. Badertscher, Shroff, and White, 2013, Externalities of Public Firm Presence: Evidence From Private Firms' Investment Decisions, *Journal of Financial Economics* 109, 682-706.

Class 6 (Thu 13-15.30h):

Proprietary Costs of Transparency

General Reading:

1. Proprietary versus Non-Proprietary Disclosures: Evidence from Germany, in: *The Economics and Politics of Accounting*, C. Leuz, D. Pfaff and A. Hopwood (eds), Oxford University Press (2004): 164–197. (Just read intro and get a sense for basic idea)
2. Cho, 2015, Segment disclosure transparency and internal capital market efficiency: Evidence from SFAS No. 131, *Journal of Accounting Research* 53, 669-723. (Just skim to get a sense for literature on segment disclosure)

Assigned Papers:

3. Li, Lin, and Zhang, 2017, Trade Secrets Law and Corporate Disclosure: Causal Evidence on the Proprietary Cost Hypothesis, *Journal of Accounting Research*, forthcoming.
4. Asker and Ljungqvist, 2010, Competition and the Structure of Vertical Relationships in Capital Markets, *Journal of Political Economy* 118, 599-647.