Discipline: Accounting and everyone interested from other disciplines

1. Language

English

2. Title

Advanced Topics in Experimental Accounting Research

3. Lecturer

Prof. Dr. Markus C. Arnold, Universität Bern

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Markus C. Arnold is professor for managerial accounting and director at the Institute for Accounting at the University of Bern.

His research interests include managerial and financial accounting topics like target setting, transfer price and budget negotiations as well as sustainability reporting, with a focus on behavioral research. His research contributes to a better understanding on human decisions and judgements as well as the success or failure of negotiations within the field of accounting. His research is mainly based on laboratory experiments, institutional economics and economic psychology.

4. Date and Location

Tuesday, 12 of June until Friday, 15th of June 2018

KPMG München

5. Course Description

5.1 Abstract and Learning Objectives

The purpose of this course is to provide advanced insights into experimental research in management and financial accounting topics. Therefore, this course covers recent experimental studies from financial and managerial accounting areas that apply behavioral decision theory, psychology, and economics to address a variety of accounting research questions. This includes published research, as well as working papers, mainly from leading accounting researchers in the field.

The goals of this course are

- to deepen students' understanding of experimental research, particularly in the field of accounting,
- to help students develop the skills necessary to critically evaluate such research,
- to help students develop rigorous experimental designs for conducting their own research,
- to challenge the limits of the experimental research method for accounting research questions.

5.2 Content

Course content consists of a sampling of recent research by the leading experimentalists in financial and managerial accounting. Content ranges from cognitive-based research, embedded in institutionally-rich context to economics-based research, embedded in abstract contexts. Most of the papers fall somewhere between these two extremes, and thus, allows the students to observe and critique the pros and cons of various approaches to theory and experimental design.

5.3 Schedule

Day I (12.06.2018):

8:30 – 9:00	Arrival of participants, reception and check-in
9:00 – 10:30	Welcome & Intro to Experimental Accounting Research
10:30 – 10:45	*Coffee break*
10:45 – 12:15	Predictive Validity Framework
12:15 – 13:15	*Lunch break*
13:15 – 14:45	Management Accounting – Budgeting 1
14:45 – 15:00	*Short break*
15:00 – 16:30	Management Accounting – Budgeting 2
16:30 – 17:00	*Coffee break*
17:00 – 18:00	How to Review a Paper

Day II (13.06.2018):

09:00 – 10:30	Management Accounting – Transfer Pricing 1
10:30 – 10:45	*Coffee break*
10:45 – 12:15	Management Accounting – Transfer Pricing 2
12:15 – 13:15	*Lunch break*
13:15 – 14:45	Information Provision and Coordination 1
14:45 – 15:15	*Coffee break*
15:15 – 16:15	Economics vs. Psychology Research

Day III (14.06.2018):

09:00 – 10:30	Information Provision and Coordination 2
10:30 – 10:45	*Coffee break*
10:45 – 12:15	Financial Accounting – Financial Disclosure 1
12:15 – 13:15	*Lunch break*
13:15 – 14:45	Financial Accounting – Financial Disclosure 2
14:45 – 15:15	*Coffee break*
15:15 – 16:15	Deception in Experimentation

Day IV (15.06.2018):

09:00 – 10:30	Financial Accounting – Non-Financial Disclosure 1
10:30 – 10:45	*Coffee break*
10:45 – 12:15	Financial Accounting – Non-Financial Disclosure 2
12:15 – 13:15	*Lunch break*
13:15 – 14:45	Presentation of own research projects 1
14:45 – 15:15	*Coffee break*
15:15 – 16:15	Presentation of own research projects 2
16.15 – 16.45h	Wrap-up & Feedback

5.4 Course format

The course will be conducted in the typical style of a PhD seminar course. There will be presentations by the instructor, but the primary learning will be through open discussion. For each discussion paper, a discussant will be assigned. The discussant should provide a 15-minute presentation, using 5-10 slides. The discussion should include a brief summary of the research question, the theory to be tested and the experimental design, an evaluation of the paper's strengths, and a constructive criticism. Criticism should be complemented with practical suggestions for improvement potential avenues for future research.

Discussion papers cover a variety of topics and research designs in order to expose the students to a wide array of acceptable approaches to experimental research. Discussions will focus on critiquing theory development and experimental design, and on assessing the incremental contribution of the study; data analysis will be discussed when warranted. Students will be expected to have read the assigned papers intensively before class and to fully participate in the critique of the papers.

Predictive Validity Boxes: Students also will be required to turn in for each discussion paper (on days 2 through 4 only) the "predictive validity boxes" (See template at the back of this syllabus.) These will be turned in on the day that the paper is discussed. On day 1, you will receive further instruction on how to complete the Predictive Validity Boxes.

Presentations: The afternoon of the final day of the course is reserved for participants to present their own research ideas. These presentations are voluntary. During these presentations, the instructor will provide specific feedback on the research ideas, but will also focus with the class on how to present research and on how to critique work in an interactive setting. Moreover, the idea of these presentations is to apply the skills and knowledge gained in the first three and a half days to own research projects.

6. Preparation and Literature

6.1 Prerequisites

Master-level education in business, economics, or psychology. Students should have read accounting research published in the premier academic journals. Students benefit most when they have already taken courses in experimental design and data analyses. At least, they are expected to have dealt in-depth with the essential basic reading materials.

6.2 Essential Reading Material

<u>Day 1</u>

Welcome & Intro to Experimental Accounting Research and Predictive Validity Framework

Sprinkle, G. 2003. Perspectives on experimental research in managerial accounting. *Accounting, Organizations and Society* 28(2-3): 287-318.

Libby, R., Bloomfield, R., and M. W. Nelson. 2002. Experimental research in financial accounting. *Accounting, Organizations and Society* 27: 775-810.

Kinney, W. 1986. Empirical accounting research design for Ph.D. students. *The Accounting Review* 61 (2): 338-350.

Libby, R. 1981. *Accounting and Human Information Processing: Theory and Applications*. Englewood Cliffs NJ: Prentice Hall. pages 10-15 only.

Managerial Accounting – Budgeting

Guo, L., T. Libby, and X. Liu. 2017. The Effects of Vertical Pay Dispersion: Experimental Evidence in a Budget Setting. *Contemporary Accounting Research* 34(1): 555-576.

Martin, R., and T. Thomas. 2017. Compensation Discretion as Insurance: How are Targets and Bonuses Affected When Superiors Have a Back-up Plan? Working Paper, Utah State University and University of Wisconsin-Madison.

How to Review a Paper

Spiegel, M. 2012. Reviewing less – Progressing more. *The Review of Financial Studies* 25(5): 1331-1338.

Day 2

Managerial Accounting – Transfer Pricing

Kachelmeier, S. J., and K. L. Towry. 2002. Is Fairness Easier Said than Done? *The Accounting Review* 77 (3): 571-593.

Arnold, M. C., R. M. Gillenkirch, and R. L. Hannan. 2015. The Effect of Environmental Risk on the Efficiency of Negotiated Transfer Prices. Working Paper. University of Bern, University of Osnabrück, and Tulane University.

Information Provision and Coordination

Anctil, R. M., J. Dickhaut, C. Kanodia, and B. Shapiro. 2004. Information Transparency and Coordination Failure: Theory and Experiment. *Journal of Accounting Research* 42 (2): 159-195.

Economics vs. Psychology Research

No reading required

Day 3

Information Provision and Coordination

Qu, H. 2013. How Do Market Prices and Cheap Talk Affect Coordination? *Journal of Accounting Research* 51 (5): 1221-1260.

Financial Accounting – Financial Disclosure

Hales, J. 2007. Directional preferences, information processing, and investors' forecasts of earnings. *Journal of Accounting Research* 45: 607-628.

Hobson, J. L., and S. J. Kachelmeier. 2005. Strategic disclosure of risky prospects: A laboratory experiment. *The Accounting Review* 80: 825-846.

Deception in Experimentation

No reading required

Day 4

Financial Accounting – Nonfinancial Disclosure

Elliott, W. B., K. E. Jackson, M. E. Peecher, and B. J. White. 2014. The Unintended Effect of Corporate Social Responsibility Performance on Investors' Estimates of Fundamental Value. *The Accounting Review* 89 (1): 275-302.

Martin, P. R., and D. V. Moser. 2016. Managers' Green Investment Disclosures and Investors' Reaction. *Journal of Accounting and Economics* 61: 239-254.

6.3 Additional Reading Material

The following background materials are optional and will not be provided to the students.

Bonner, S. E., 2007. *Judgment and Decision Making in Accounting*. Pearson Prentice Hall: Upper Saddle River NJ.

Bonner, S. E., and G. B. Sprinkle. 2002. The effects of monetary incentives on effort and task performance: Theories, evidence, and a framework for research. *Accounting, Organizations, and Society* 27: 303-345.

Brown, J. L., J. H. Evans, and D. V. Moser. 2009. Agency Theory and Participative Budgeting Experiments. *Journal of Management Accounting Research* 21: 317-345.

Luft, J. and M. Shields. 2003. Mapping management accounting: Graphics and guidelines for theory-consistent empirical research. *Accounting, Organizations and Society* 28(2-3):169-279.

Maines, L. A., G. L. Salamon, and G. B. Sprinkle (2006). An Information Economic Perspective on Experimental Research in Accounting. *Behavioral Research in Accounting 18*: 85-102

6.4 To prepare

All participants are required to read the essential reading material prior to the course and prepare the short discussion for their assigned papers. It is also suggested that students attempt to complete the Predictive Validity Boxes for all papers prior to the course, though it is likely that they will update these during the week. (For instructions, see the Libby reading on Day 1 and the template at the back of this syllabus.)

7. Administration

7.1 Max. number of participants / Maximiale Teilnehmerzahl

The number of participants is limited to 20.

7.2 Assignments / Aufgaben

Students are required to serve as a discussant for one of the papers. The discussant should provide a 15-minute presentation, using 5-10 slides, as described above.

Additionally, students are required to turn in for each discussion paper (on days 2 through 4 only) the "predictive validity boxes" (See template at the back of this syllabus.) These will be turned in on the day that the paper is discussed.

Finally, students should actively participate in the class discussions.

7.3 Exam / Prüfungsleistung

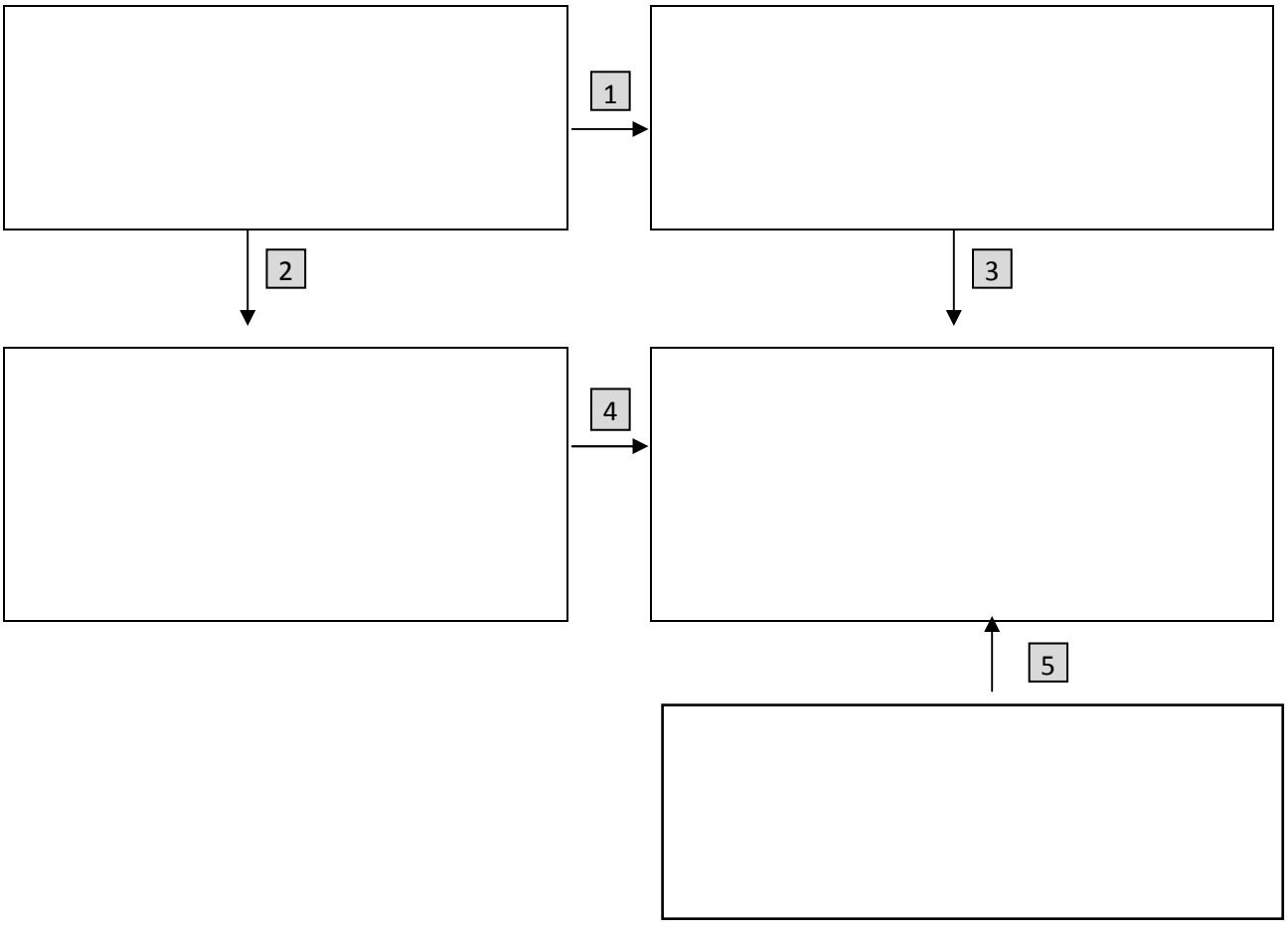
The grade will depend on

- Class Discussion: 33.33%
- Prepared Discussion of one paper: 33.33%
- Predictive Validity Boxes: 33.33%

7.4 Credits / Punkte

The course (including the exam) is eligible for 6 ECTS.

Template for Predictive Validity Boxes



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