



Spring Term 2021 (FS 2021)

**Doctoral Seminar
“Topics in Financial Accounting Theory”**

Course schedule and reading list

1) Session schedule

Session	Day	Time	Location
1+2	Tuesday, 08.06.2021	15:00 – 18:00	Zoom (course)
3+4	Thursday, 10.06.2021	17:00 – 20:00	Zoom (course)
5+6	Tuesday, 15.06.2021	15:00 – 18:00	Zoom (course)
7+8	Thursday, 17.06.2021	17:00 – 20:00	Zoom (course)
9 (Keynote I)	Thursday, 24.06.2021	18:00 – 19:30	Zoom (keynote)
10 (Keynote II)	Friday, 25.06.2021	18:00 – 19:30	Zoom (keynote)

Sessions 9+10 are part of the 12th ARW 2021 in Basel, see <https://arw-suisse.ch/>

2) Seminar content and reading list

Sessions 1+2: Information Acquisition (Mirko Heinle)

- Grossman, S.J., and J.E. Stiglitz (1980), On the impossibility of informationally efficient markets, *The American Economic Review*.
- Kyle, A.S. (1985), Continuous Auctions and Insider Trading, *Econometrica*
- Fischer, P., M. Heinle (2018), A theory of rational investment screens, working paper.

Additional readings:

- Fischer, Stocken (2004), Effect of Investor Speculation on Earnings Management, *Journal of Accounting Research*.
- Smith, K. (2019), Financial Markets with Trade on Risk and Return, *Review of Financial Studies*

Sessions 3+4: Multi-asset models (Judson Caskey)

- Lambert, R., C. Leuz, and R. Verrecchia. 2007. Accounting information, disclosure, and the cost of capital. *Journal of Accounting Research* 45(2): 385-420.
- Hughes, J., J. Liu, and J. Liu. 2007. Information asymmetry, diversification, and cost of capital. *The Accounting Review* 82(3): 705-729.
- Caskey, J., J. Hughes, and J. Liu. 2015. Strategic informed trades, diversification, and expected returns. *The Accounting Review* 90(5): 1811-1837.





Additional readings:

- Kyle, A. 1989. Informed speculation with imperfect competition. *Review of Economic Studies* 56(3): 317-355.
- Chamberlain, G., and M. Rothschild. 1983. Arbitrage, factor structure, and mean-variance analysis on large asset markets. *Econometrica* 51(5): 1281-1304.
- Chamberlain, G. 1983. Funds, factors, and diversification in arbitrage pricing models. *Econometrica* 51(5): 1305-1323.

Sessions 5+6: Risk Disclosure (Mirko Heinle)

- Heinle, M., and K. Smith (2017), A theory of risk disclosure, *Review of Accounting Studies*.
- Heinle, M., K. Smith, and R. Verrecchia (2017), Risk-factor disclosure and asset prices, *Accounting Review*.

Additional readings:

- Smith, K., and E. So (2021) Measuring Risk Information, working paper
- Armstrong, C., M. Heinle, and I. Luneva (2021) Signal-precision Uncertainty and Trading Volume, working paper

Sessions 7+8: Earnings management (Judson Caskey)

- Caskey, J., V. Nagar, and P. Petacchi. 2010. Reporting bias with an audit committee. *The Accounting Review* 85(2): 447-481.
- Caskey, J. 2014. The pricing effects of securities class action lawsuits and litigation insurance. *Journal of Law, Economics and Organization* 30(3): 493-532.
- Beyer, A., I. Guttman, and I. Marinovic. 2019. Earnings management and earnings quality: Theory and evidence. *The Accounting Review* 94(4): 77-101.

Additional readings:

- Stein, J. 1989. Efficient capital markets, inefficient firms: A model of myopic corporate behavior. *Quarterly Journal of Economics* 104(4): 655-669.
- Fischer, P., and R. Verrecchia. 2000. Reporting bias. *The Accounting Review* 75(2): 229-245.
- Dye, R., and S. Sridhar. 2004. Reliability-relevance trade-offs and the efficiency of aggregation. *Journal of Accounting Research* 42(1): 51-88.

Session 9 - Keynote I: Asset pricing and externalities (Mirko Heinle)

- Friedman, H., and M. Heinle (2016), Taste, Information, and Asset Prices: Implications for the Valuation of CSR, *Review of Accounting Studies*
- Friedman, H., and M. Heinle (2020), Interested Intermediaries, working paper
- Pástor, L., R. Stambaugh, L. Taylor (2020), Sustainable investing in equilibrium, *Journal of Financial Economics*

Session 10 - Keynote II: Thoughts on future directions for research: Dynamics, rare events, and psychological limitations & biases (Judson Caskey)

3) Exam

Grading is based on a take-home assignment (3 ECTS).