



Fall Term 2019 (HS 2019)

Doctoral Seminar
**“Analytical Research in Managerial Accounting:
Agency Models in Accounting”**

Course schedule and reading list

1) Session schedule

Session	Day	Time	Room
1	Monday, 21.10.2019	10:30 – 12:00	KOL-G-212
2	Monday, 21.10.2019	13:30 – 15:00	KOL-G-212
3	Monday, 21.10.2019	15:30 – 17:00	KOL-G-212
4	Tuesday, 22.10.2019	09:00 – 10:30	KO2-F-152
5	Tuesday, 22.10.2019	11:00 – 12:30	KO2-F-152
6	Tuesday, 22.10.2019	14:00 – 15:30	KO2-F-152
Research Seminar	Tuesday, 22.10.2019	16:15 – 17:45	KO2-F-152
7	Wednesday, 23.10.2019	10:30 – 12:00	KO2-F-152
8	Wednesday, 23.10.2019	13:30 – 15:00	KO2-F-152
9	Wednesday, 23.10.2019	15:30 – 17:00	KO2-F-152

On Tuesday, 22.10.2019, 16:15-17:45 Professor Hemmer will present his latest research paper in the Department’s Research Seminar in Accounting, Auditing & Governance (AAG). The talk is considered as a part of the doctoral seminar, see: <https://www.business.uzh.ch/de/research/professorships/managerialaccounting/lehre/aag.html>

2) Seminar content and reading list

This seminar covers alternative approaches to formalizing and analyzing principal-agent situations that apply to central issues in accounting theory and research. Three key approaches are explored in-depth from their core theoretical foundations to examples of how they can be applied to inform issues of broad interest in accounting and beyond.

Session 1: Incentive Compatibility, the standard problem formulation and the demand for accounting information

- Myerson (1979): Incentive Compatibility and the Bargaining Problem, *Econometrica*, 1979, Vol. 47, Issue 1, 61-73.
- Holmström (1979): Moral Hazard and Observability, *The Bell Journal of Economics*, Vol. 10, No. 1 (Spring., 1979), 74-91.





Session 2: Validity of the standard formulation: the classical conditions and their practical limitations

- Rogerson (1985): The First-Order Approach to Principal-Agent Problems, *Econometrica*, Vol. 53, No. 6 (Nov., 1985), 1357-1367.

Session 3: Validity of the (almost) standard formulation: some alternative conditions and an application

- Jewitt (1988): Justifying the First-Order Approach to Principal-Agent Problems, *Econometrica*, Vol. 56, No. 5 (Sep., 1988), 1177-1190.
- Hemmer, Kim and Verrecchia (2000): Introducing Convexity into Optimal Compensation Contracts, *Journal of Accounting and Economics*, Vol. 28, Issue 3 (Dec., 1999), 307-327.

Session 4: Decomposition – a simple application with communication

- Gigler and Hemmer (2004): On the Value of Transparency in Agencies with Renegotiation, *Journal of Accounting Research*, Vol. 42, No. 5 (Dec., 2004), 871-893.

Session 5: Multi-period considerations

- Lambert, R., (1983): Long-Term Contracts and Moral Hazard, *The Bell Journal of Economics* 14, 441-452.
- Lambert, R., (1984): Income Smoothing as Rational Equilibrium Behavior, *The Accounting Review* 59, 604-618.
- Hemmer (2019): Income Smoothing as Rational Equilibrium Behavior? A Second Look, working paper

Session 6: A dynamic and “smooth” alternative

- Holmström and Milgrom (1987): Aggregation and Linearity in the Provision of Intertemporal Incentives, *Econometrica*, Vol. 55, No. 2 (Mar., 1987), 303-328.

Session 7: Appropriate LEN applications

- Holmström and Milgrom (1991): Multi-Task Principal Agent Analysis: Incentives Contracts, Asset Ownership and Job Design, *Journal of Law, Economics, & Organization*, Vol. 7 (1991), 24-52.

Session 8: Limits of LEN Models

- Hemmer (2004): Lessons Lost in Linearity: A Critical Assessment of the General Usefulness of LEN Models in Compensation Research, *Journal of Management Accounting Research*, Vol. 16, No. 1 (Dec. 2004), 149-162.
- Hemmer (2010): LEN CONgruity, *Journal of Management Accounting Research*, Vol. 22, No. 1 (Dec. 2010), 175-185.

Session 9: A Holmström and Milgrom based alternative to the standard LEN approach

- Hemmer (2018): Optimal Relative Performance Evaluation, working paper.

3) Exam

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