U N I V E R S I T Ä T   B A S E L

Wirtschaftswissenschaftliche Fakultät
Controlling

Prof. Dr. Sabine Böckem

Peter Merian-Weg 6
Postfach
CH-4002 Basel

Tel. +41 (0)61 207 32 31

http://www.wwz.unibas.ch

Seminar: Management Accounting (31955)
Frühjahr 2021

Verantwortliche Dozierende: Prof. Dr. Sabine Böckem, Sebastian Fleer

Generalthema: Disclosure

Grundsätzliches: Dieses Seminar ist eine Veranstaltung, in der Sie Ihr Thema eigenständig bearbeiten. Jedes Einzelthema wird zweimal vergeben, wobei unabhängige Seminararbeiten erwartet werden. Die folgenden Literaturhinweise sind als Startpunkte und nicht als Aufgabenstellung im engeren Sinn zu verstehen. Ihre Aufgabe ist es, diesen jeweiligen Forschungsbeitrag mit der Basisliteratur zu verbinden. Alle Beiträge geben an, an welcher Stelle und wie sie bekannte Ansätze und Ergebnisse weiterentwickeln. Typischerweise finden sich aber mehrere Bezugspunkte. Ihre Aufgabe ist es, einen dieser Bezugspunkte auszuwählen und die Verbindung und Unterschiede deutlicher als in der Startquelle angegeben herauszuarbeiten.

Einzelthemen:

1. Jeremy Bertomeu; Iván Marinovic: A Theory of Hard and Soft Information. The Accounting Review (2016)

ABSTRACT
We study optimal disclosure via two competing communication channels: hard information whose value has been verified, and soft disclosures such as forecasts, unaudited statements, and press releases. We show that certain soft disclosures may contain as much information as hard disclosures, and we establish that: (1) exclusive reliance on soft disclosures tends to convey bad news, (2) credibility is greater when unfavorable information is reported, and (3) misreporting is more likely when soft information is issued jointly with hard information. We also show that a soft report that is seemingly unbiased in expectation need not indicate truthful reporting. We demonstrate that mandatory disclosure of hard information reduces the transmission of soft information, and that the aggregation of hard with soft information will turn all information soft.

2. Henry L. Friedman; John S.Hughes; Beatrice Michaeli: Optimal reporting when additional information might arrive. Journal of Accounting and Economics (2020)

ABSTRACT
We study how the potential for discretionary disclosure affects the way a firm designs its reporting system. In our model, the firm's primary but nonexclusive concern is to induce beliefs that exceed a threshold. Such thresholds arise in numerous contexts, including investing decisions, liquidation/continuation choices, covenants, audits, impairments, listing requirements, index inclusion, credit ratings, analyst recommendations, and stress tests. The optimal reporting system is characterized by informative good reports when the threshold is high and, potentially, uninformative reports when the threshold is low. Under an optimal impairment-type reporting system, the likelihood of reported impairments and the information

content of non-impairment reports both increase in the probability of the firm observing private information. We provide a novel motivation for the quiet period around an IPO and empirical predictions relating the probability of discretionary disclosure to the properties of financial reports. In extensions, we consider disclosure mandates, report manipulation, endogenous thresholds, and alternative payoff functions.

3. Ronald A. Dye; Sri S. Sridar: Reliability-Relevance Trade-Offs and the Efficiency of Aggregation. Journal of Accounting Research (2004)

ABSTRACT
This paper studies how an accountant's method of aggregating information in a financial report is affected by differences in the reliability and relevance of components of the report. We study a firm that hires an accountant to produce a report that reveals information to investors regarding the returns to the firm's past investments. In constructing the report, the accountant must combine information elicited from the firm's manager with other information directly observable to the accountant. The manager's information is assumed to be directly observable only by the manager and to be of superior quality to the other information available to the accountant. Reliability-relevance tradeoffs arise because as the accountant places more weight on the manager's report, potentially more useful information gets included in the report, at the cost of encouraging the manager to distort his or her information to a greater extent. Capital market participants anticipate this behavior and price the firm accordingly. We show how the market's price response to the release of the firm's aggregate report, the efficiency of the firm's investment decisions, and the manager's incentives to manipulate the soft information under his or her control are all affected by—and affect—the aggregation procedure the accountant adopts. In addition, we identify a broad range of circumstances under which aggregated reports are strictly more efficient than disaggregated reports because aggregation tempers the manager's misreporting incentives. We also demonstrate that, as any given component of the aggregated accounting report becomes softer, the equilibrium level of the firm's investment diminishes and the market places greater weight on the remaining components of the report.

4. Chandra Kanodia; Haresh Sapra: A Real Effects Perspective to Accounting Measurement and Disclosure: Implications and Insights for Future Research. Journal of Accounting Research (2016)

ABSTRACT
Accounting measurement and disclosure rules have a significant impact on the real decisions that firms make. In this essay, we provide an analytical framework to illustrate how such real effects arise. Using this framework, we examine three specific measurement issues that remain controversial: (1) How does the measurement of investments affect a firm's investment efficiency? (2) How does the measurement and disclosure of a firm's derivative transactions affect a firm's choice of intrinsic risk exposures, risk management strategy, and the incentive to speculate? (3) How could marking-to-market the asset portfolios of financial institutions generate procyclical real effects? We draw upon these real effects studies to generate sharper and novel insights that we believe are useful not only for the development of accounting standards, but also for guiding future empirical research.

5. Lu, Jinzhi: Limited Attention: Implications for Financial Reporting. Workingpaper

ABSTRACT
I develop a theory to study the consequence of providing more detailed information to rationally inattentive investors. I first shed light on a fundamental trade-off between disclosing a summary versus disclosing details: although a summary contains less information about fundamentals than details, it is easier to process. Moreover, I find that when investors' decisions are complements, reporting details together with a summary does not always dominate reporting a summary alone. The main reason for this surprising result is that when investors care about the decisions of others, they are induced to process details, even if doing so is very costly. By uncovering a potential cost of reporting details, my paper contributes a novel insight into the consequence of providing detailed information, an issue that is currently being considered by the FASB in its performance disaggregation project.

6. Jeremy Bertomeu; Edwige Cheynel: Asset Measurement in Imperfect Credit Markets. Journal of Accounting Research (2015)

ABSTRACT
How should a firm measure a productive asset used as collateral? To answer this question, we develop a model in which firms borrow funds subject to collateral constraints. We characterize the qualities of optimal asset measurements and analyze their interactions with financing needs, collateral constraints, and interest rates. Because of real effects, complete transparency would reduce contracting efficiency and, hence, the measurement must be suitably adapted to credit conditions. The optimal measurement is asymmetric and reports precise information about high collateral values if credit frictions are low, but the reverse if credit frictions are high. Tighter credit market conditions may lead to more opaque measurements and increased investment, in the form of inefficient continuations.

7. Eti Einhorn; Amir Ziv: Biased voluntary disclosure. Review of Accounting Studies (2011)

ABSTRACT
We provide a bridge between the voluntary disclosure and the earnings management literature. Voluntary disclosure models focus on managers' discretion in deciding whether or not to provide truthful voluntary disclosure to the capital market. Earnings management models, on the other hand, concentrate on managers' discretion in deciding how to bias their mandatory disclosure. By analyzing managers' disclosure strategy when disclosure is voluntary and not necessarily truthful, we show the robustness of voluntary disclosure theory to the relaxation of the standard assumption of truthful reporting. We also demonstrate the sensitivity of earnings management theory to the commonly made mandatory disclosure assumption.

8. Raphael Boleslavsky; Kyungmin Kim: Bayesian Persuasion and Moral Hazard. Workingpaper (2018)

ABSTRACT
We consider a three-player Bayesian persuasion game in which the sender designs a signal about an unknown state of the world, the agent exerts a private effort that determines the distribution of the underlying state, and the receiver takes an action after observing the signal and its realization. The sender must not only persuade the receiver to select a desirable action, but also incentivize the agent's effort. We develop a general method of characterizing an optimal signal in this environment. We apply our method to derive concrete results in several natural examples and discuss their economic implications.

9. Davide Cianciaruso; Sri Sridhar: Mandatory and Voluntary Disclosures: Dynamic Interactions. Journal of Accounting Research (2018)

ABSTRACT
Firms sometimes obtain soft private information about growth prospects along with hard information about current or past performance. In this environment, we find that optimizing disclosures over multiple periods yields nonlinear stock price reactions following both voluntary and mandatory disclosures. Further, we derive several predictions about distinct short-run and long-run effects of disclosures and nondisclosures on security prices. Under specified conditions, when the volatility of the firm's earnings increases, the average contemporaneous and prospective post-mandatory-disclosure market premia (for voluntary disclosures over nondisclosures) rise, while farther-in-future market discounts (for such voluntary disclosures) also become larger. Our analysis moreover predicts that both the disclosure probability and the information content of nondisclosures can increase in the persistence of earnings.

10. Tsahi Versano: Silence Can Be Golden: On the Value of Allowing Managers to Keep Silent When Information is Soft. Workingpaper.

ABSTRACT
We consider a three-player Bayesian persuasion game in which the sender designs a signal about an unknown state of the world, the agent exerts a private effort that determines the distribution of the underlying state, and the receiver takes an action after observing the signal and its realization. The sender must not only persuade the receiver to select a desirable action, but also incentivize the agent's effort. We develop a general method of characterizing an optimal signal in this environment. We apply our method to derive concrete results in several natural examples and discuss their economic implications.

Zeitplan:

Vorbesprechung	Nach Absprache
Abgabe der schriftlichen Arbeit	29.4.2021, spätestens um 24:00 Uhr
Feedbackgespräch	Nach Vereinbarung
Präsentationen	20.5. und 27.5. jeweils ab 10.15 Uhr

Bewertung:
Für eine erfolgreiche Teilnahme sind folgende vier Teilleistungen zu erbringen.

Leistung	Anteil an der Gesamtnote
Schriftliche Arbeit	70%
Vortrag	20%
Koreferat	5%
Mündliche Beteiligung	5%

Themenzuteilung:
Themenzuteilung soweit möglich nach Ihren Präferenzen. Bitte geben Sie in den nächsten 3 Tagen eine Präferenzliste der folgenden Art ab: 1. Präferenz Thema a, 2. Präferenz Thema b, 3. Präferenz Thema c.