



## 43803-01 - Seminar: Financial Accounting

### Topics – Spring Term 2025

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#### General Topic: Current Research Questions in the Field of Financial Accounting

**Basic Information:** A seminar is an event where you work independently on your topic. The following literature and processing notes should be understood as guidelines rather than a strict assignment. They contain, depending on the topic, either more material than you can reasonably cover in your seminar paper or less than you should include. In all cases, it is expected that you will incorporate additional material from your own research.

- For an empirical paper, this usually means that you should attempt to replicate the study.
- For theoretical papers, it is recommended to independently derive the most important results.

#### Topic Block 1 – Management Accounting

##### 1. The “Sticky Cost” Hypothesis

**Problem:** A large body of literature now examines a phenomenon, namely, that demand fluctuations lead to short-term asymmetric reactions. This is attributed to managerial behavior, where managers incur additional costs when demand increases but avoid reducing costs when demand decreases. The original work by Andersen et al (2002) is now heavily criticized, particularly regarding the role of profit targets (Kama & Weiss 2013).

Anderson, M., R. Banker, S. Janakiraman (2003): Are selling, general, and administrative costs sticky? *Journal of Accounting Research* 41: 47-63.

Kama, D. Weiss (2013): Do earnings targets and managerial incentives affect sticky costs? *Journal of Accounting Research* 51: 201-224.

##### 2. Information Management Between Firms

**Problem:** Economic research on supplier-buyer relationships has primarily focused on direct incentives. Accountants have always emphasized that giving or blocking access to information also influences efficiency. A growing number of theoretical research papers investigates this important question.

Taylor, T. A., & Xiao, W. (2010). Does a manufacturer benefit from selling to a better-forecasting retailer? *Management Science*, 56(9), 1584–1598.  
<https://doi.org/10.1287/mnsc.1100.1204>

## Topic Block 2: Accounting and Corporate Governance

### 3. Accounting Policy and Stricter Accounting Standards

**Problem:** It is often claimed that stricter accounting standards reduce the extent of accounting biases. This argument overlooks the fact that managers can substitute between accrual management and real accounting policy.

Ralf Ewert and Alfred Wagenhofer (2005): Economic Effects of Tightening Accounting Standards to Restrict Earnings Management. *The Accounting Review: Vol. 80, No. 4*, pp. 1101-1124.

### 4. Conservative Accounting

**Problem:** Accounting serves two purposes: valuing companies and determining payments and distributions. Show how biased reporting affects these roles differently and how conservative accounting can mitigate the problem.

Qi Chen, Thomas Hemmer, Yun Zhang (2007): On the Relation between Conservatism in Accounting Standards and Incentives for Earnings Management. *Journal of Accounting Research* 45, 541ff.

### 5. Conservative Accounting and the Influence of Cash Holdings

**Problem:** According to the free cash flow hypothesis, principal-agent problems lead to excess free cash holdings, which in turn negatively affect investment decision efficiency (Jensen 1988). Recent research shows that conservative accounting potentially mitigates these negative effects. Your paper should first summarize the theory of the free cash flow hypothesis, then examine the existing empirical research on the topic. Finally, you should collect a dataset and evaluate the role of accounting conservatism in the efficient use of cash holdings.

Louis, H., Sun, A.X., and Urcan, O. (2012): Value of Cash Holdings and Accounting Conservatism, *Contemporary Accounting Research* 29, 1249-1271.

Jensen, Michael C. (1988): Agency Costs of Free Cash Flow, Corporate Finance, and the Market for Takeovers, *American Economic Review* 76, 323-329.

### 6. Board of Directors and Accounting Policy

**Problem:** Boards of Directors in corporations often form committees. Two of the most important are the Compensation Committee and the Audit Committee. However, the activities of both committees are not independent.

Christian Laux & Volker Laux (2009): Board Committees, CEO Compensation, and Earnings Management, *The Accounting Review* 84 (3) 869-891.

## Topic Block 3: Auditing

### 7. Concentration in the Auditing Market

**Problem:** In Western industrialized countries, the so-called Big 4 practically dominate the market for auditing large companies. To what extent is this due to market forces? Which reforms are discussed?

Sasson Bar-Yosef and Bharat Sarath (2005). Auditor size, market segmentation and litigation patterns: A theoretical analysis. *Review of Accounting Studies*, 10(1):59–92, 2005.

## 8. Auditing and Regulatory Authorities

**Problem:** Firms' financial reporting is monitored by regulatory authorities. When this monitoring becomes stricter, the quality of financial reporting should improve. The same is assumed for auditing quality. Examine whether this is always the case. Are auditing and regulation strategic complements or substitutes?

Ralf Ewert and Alfred Wagenhofer (2019): Effects of Increasing Enforcement on Financial Reporting Quality and Audit Quality. *Journal of Accounting Research* 57, 121-168.

## 9. Conservative Accounting and Auditor Liability

**Problem:** Conservative accounting is often seen as a way to counteract management incentives to overstate earnings. However, the relationship is more complicated because conservative earnings reporting reduces the risk that an auditor will be sued and lowers their incentives.

Sebastian Kronenberger and Volker Laux (2022): Conservative Accounting, Audit Quality, and Litigation, *Management Science* 68:3, 2349-2362.

<https://doi.org/10.1287/mnsc.2021.3971>

## 10. Auditing in Conflict with Consulting

**Problem:** Auditing firms have traditionally also offered consulting services. This can lead to conflicts of interest. Historically, these came to light in the Enron scandal, leading to stricter regulation. An immediate reaction is that, due to the conflict of interest, auditing and consulting should not coexist. Your task is to provide a more balanced discussion.

Lucas Mahieux (2022). Auditors' Incentives and Audit Quality: Non-Audit Services versus Contingent Audit Fees. *European Accounting Review*, 33(1), 133–169.

<https://doi.org/10.1080/09638180.2022.2066011>

## Topic Block 4: Financial Reporting and Corporate Financing

### 11. Precision of Accounting Information and Creditor Protection

**Problem:** While one might intuitively assume that neutral information about future uncertain events is beneficial, accounting regulations and standards often contain conservative elements. This is typically justified by stating that conservative accounting strengthens creditor protection.

Robert F. Göx & Alfred Wagenhofer (2010): Optimal Precision of Accounting Information in Debt Financing, *European Accounting Review*, 19:3, 579-602.

### 12. Debt Covenant Clauses and Financial Reporting Manipulations

**Problem:** It is commonly argued that the efficiency of debt financing contracts improves when creditors are granted stronger rights to make liquidation decisions. Under which circumstances is this the case? Under which circumstances is it not?

Laux, V. (2017): Debt Covenants and Accounting Manipulation. *Working Paper*, University of Texas at Austin. <https://ssrn.com/abstract=2915311>

### 13. Race to the bottom: Switching Accounting Standards?

As a non-EU country, Switzerland is a special case in financial reporting. While the international sets of standards, namely IFRS or US GAAP, are compulsory for international Swiss firms, companies listed only locally can report under Swiss GAAP, sometimes referred to as "IFRS light." About 10 years ago, when revisions to several IFRS standards led to significantly tighter and more complex rules, many Swiss companies moved away from IFRS and began reporting under Swiss GAAP. The question

is: Did this impose costs on the companies?

Fiechter, P., Halberkann, J., & Meyer, C. (2017). Determinants and Consequences of a Voluntary Turn Away from IFRS to Local GAAP: Evidence from Switzerland. *European Accounting Review*, 27(5), 955–989.

<https://doi.org/10.1080/09638180.2017.1375418>

## Requirements:

1. Written Paper 60%
  2. Presentation 20%
  3. Discussant Role 10%
  4. Oral Discussion 10%
- Each part must be passed.

## Dates:

- **By January 6, 2025:** Central registration through the Study Dean's office.
- After being assigned to the seminar by the Dean's office, you will receive an email prompting you to provide your first, second, and third preferences for topics.
- There will be an **introductory meeting** on Feb 19, 2025 in Room S14. *Notice that this is tentative: it might be shifted to an earlier date.* In case, you will be contacted by email.

Each topic will be assigned to a maximum of two people. Please research the literature before submitting your response. You can find papers, for example, on scholar.google.com.

After this, carefully read the assigned introductory literature and contact your assigned supervisor to schedule an appointment. (Please note: the meeting will not be useful without prior reading).

Submit your written paper by **April 27, 2025, 23:59**, in PDF format to Ulf Schiller ([ulf.schiller@unibas.ch](mailto:ulf.schiller@unibas.ch)).

**Presentations will take place on May 15, 2025 (from 9:30 AM) at S14 (WWZ Basel) (attendance is mandatory).**

Please send a written version of your **presentation by May 14, 2025**, to Ulf Schiller ([ulf.schiller@unibas.ch](mailto:ulf.schiller@unibas.ch)).

## Writing the Paper:

1. Group work is not permitted.
2. The papers must meet the standards of academic writing. This means that borrowed ideas must always be marked as such.
  - Direct quotes with "..."
  - Paraphrased quotes with "compare, see..."
3. The plagiarism statement must be strictly adhered to. A signed copy of the plagiarism statement (text provided in the information sheet or study regulations) must be submitted in original form (by post or in person at the office).

4. The primary function of footnotes is to provide references. If a statement is important for understanding, it should be in the text, not in a footnote. If it is an unrelated comment, it should not be included in the paper, even as a footnote.

Please refer to the information sheet on the Study Dean's office website for more details.

Further guidelines (in German) can be found at the following link:

[https://wwz.unibas.ch/fileadmin/user\\_upload/wwz/00\\_Professuren/Schiller\\_PwC-Stiftungsprofessur\\_Rechnungslegung/Seminar-\\_und\\_Masterarbeiten/Acc\\_Merkblatt\\_Verfassen\\_wissens\\_Arbeiten.pdf](https://wwz.unibas.ch/fileadmin/user_upload/wwz/00_Professuren/Schiller_PwC-Stiftungsprofessur_Rechnungslegung/Seminar-_und_Masterarbeiten/Acc_Merkblatt_Verfassen_wissens_Arbeiten.pdf)

### **Presentation Format:**

- **If one person worked on the topic:**  
Presentation: 20 minutes  
Discussant Role: 5 minutes  
Discussion: 10 minutes  
Total: 35 minutes
- **If two people worked on the same topic:**  
Presentation: 20 + 20 minutes  
Discussant Role: 5 + 5 minutes  
Discussion: 10 minutes  
Total: 60 minutes

### **Discussant:**

In addition to your own topic, you should critically engage with another topic.

Mandatory content of the discussion:

1. Summary of the content
2. What worked well, strengths of the paper / what could be improved, how could it be enhanced? (pay attention to relevance)
3. Final statement on the paper

Duration: approximately 5 minutes. A good discussant role focuses on the content, not the external form of the seminar paper.

Please send a written version of your discussion (ppt presentation) by **May 14, 2025**, to [ulf.schiller@unibas.ch](mailto:ulf.schiller@unibas.ch).