



43803-01 - Seminar: Financial Accounting

Topics – Spring Term 2026

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>

3. **Levelized cost**

Problem: What is the relevant cost for a product? Which minimum compensation should a firm get when another firm uses its capacity resources in order to have incentives to invest in the resources in the first place? The answer is levelized cost. Your task is to illustrate the concept.

Stefan Reichelstein and Anna Rohlfing-Bastian (2015): Levelized Product Cost , *The Accounting Review* 90:4, 1653-1682.

Topic Block 2: Accounting and Corporate Governance

4. **Conservative Accounting**

Problem: Accounting is defined as conservative if, on average, bad news is reported earlier than good news. Your task is to explain how the presence of accounting conservatism can be found in a regression of returns on earnings levels and earnings changes by adding cash investments and change in lagged operating assets as independent variables. Find own data to replicate the study.

Peter Easton, Jinhan Pae (2004): Accounting Conservatism and the Relation Between Returns and Accounting Data. *Review of Accounting Studies* 9, 495–521.

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. How to detect earnings management

Problem: Based on aggregate observations, there is strong evidence that managers bias earnings reports. However, detecting earnings management in detail is quite difficult. Your task is to introduce several methods of detecting earnings management. Then select one of the methods and apply it to a data set.

Patricia M. Dechow, Richard G. Sloan and Amy P. Sweeney (1995): Detecting Earnings Management, *The Accounting Review*, 70:2, 193-225.

12. 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.

13. 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>

14. **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 30%
2. Presentation 30%
3. Detailed discussion of the presentation 30%
4. General discussion 10%

Each part must be passed.

Dates & Deadlines:

- **By January 5, 2026:** 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 at 12:30 in Room S17. *Notice that this is tentative: it might be shifted to another date on short notice.* 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 22, 2026, 23:59**, in PDF format to Ulf Schiller (ulf.schiller@unibas.ch).

Presentations will take place on May 21 and 22, 2026 (from 12:15 AM) in room S14 (WWZ Basel) (attendance is mandatory).

Please send a written version of your **presentation by May 5, 2025**, to Ulf Schiller (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. A declaration of how AI has been used must be added to the document.
<https://www.unibas.ch/dam/jcr:6d0bc409-566e-4da6-9902-ead97a53a20a/Guidelines-citing-AI-Tools.pdf>
5. 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

Presentation Format:

- Presentation: 20 minutes
Discussant Role: 5 minutes
General discussion: 15 minutes
Total: 40 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 formal aspects of the seminar paper. Also, a good discussant tells the truth if a paper has deficits, but does so in a tone that you can meet each other's eyes afterwards.**

Please send a written version of your discussion (ppt presentation) by **May 5, 2025**, to ulf.schiller@unibas.ch.