ACCT 624: Capital Markets Research in Accounting

Fall 2021
This is a 1.5 unit course
Offered on Tuesdays from 2p.m. to 5p.m. for the first half of the semester

Professor Richard Sloan
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Office Hours: 3.45pm to 5pm on Mondays and Wednesdays
Zoom Link: (see Blackboard)
Office: ACCT 125
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COURSE DESCRIPTION
This course will survey the foundational papers of archival capital markets research in financial reporting.

LEARNING OUTCOMES
Upon successful completion of this course, students will be able to:

1. Conduct your own capital markets research.
2. Critically evaluate new research on capital markets.
3. Generate your own capital markets research ideas.
4. Determine whether and how your own research ideas significantly contribute to existing capital markets research.

COURSE MATERIALS
The materials for this course will consist exclusively of articles that I will make available via the course’s Blackboard site.

GRADING
Your grade for the course will be determined as follows:
<table>
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<tr>
<th>Points</th>
<th>Percentage</th>
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<tr>
<td>Written Answers to Discussion Questions</td>
<td>30</td>
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<tr>
<td>Article Reviews &amp; Presentations</td>
<td>20</td>
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<td>Final Exam</td>
<td>40</td>
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<td>Class participation:</td>
<td>10</td>
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**Answers to Discussion Questions:**
I have assigned discussion questions for each of our sessions. You should prepare short written answers to these discussion questions (no more than two pages total for each session) and submit them prior to the start of the assigned session. The discussion questions are identified on the course outline and are available on Blackboard. They should also be submitted via Blackboard prior to their assigned session. There are six sets of discussion questions that are each worth 5% for a total of 30%.

**Article Reviews & Presentations:**
One student will be assigned to lead the discussion for each article covered in the course. We will arrange the presentation schedule during our first session. The assigned student will provide a review of the article to other students via the Wiki on Blackboard prior to the beginning of the relevant class and will lead the discussion during class. The review should include:
1. A summary of what the article claims to achieve.
2. A summary and evaluation of the key hypotheses.
3. A summary and evaluation of the data and research design.
4. A summary and evaluation of the results and associated conclusions.

**Final Exam:**
The final exam is a take-home exam that I will distribute in our last session and is due by 5pm on Tuesday, October 12. The final exam requires you to prepare a referee report on a capital markets research paper working paper that I will provide during our last session. This is an individual effort and you should not consult with other students or faculty in completing this report. A sample exam is attached at the end of this syllabus.

**Class Participation:**
Class participation is expected regardless of whether you are assigned as a discussion leader. Your class participation grade will be based on your participation in the discussions of articles that are led by other students. This includes identifying and correcting errors and omissions made by the discussion leader, offering alternative perspectives to those provided by the discussion leader and requesting appropriate clarification of points made by the discussion leader. Finally, you should carefully read all articles in advance of the class in which they are covered.

**USC CLASSROOM POLICIES**

1. Active class participation is important in achieving the learning objectives for this course. Unless students provide an accommodation letter from USC OSAS or from Marshall detailing visa or travel restrictions, attendance and active participation is expected in the classroom.
2. Any student with such accommodations should submit their accommodation document to their instructor as soon as possible. Your instructor will then provide regular access to a recording of the class and an opportunity to regularly make up missed in-class participation.

3. Students who are experiencing illness should not attend class in person. Please inform the instructor in advance of the class session to discuss what accommodations will be made to allow for the make-up of missed class work and missed in-class participation. Students will not be penalized for not attending class in person under these circumstances.

TECHNOLOGY REQUIREMENTS (ONLINE INSTRUCTION)

Online lectures through Zoom will be provided in Blackboard. Therefore, you must have access to the Internet to view/hear lectures. No special software is required.

To participate in learning activities and complete assignments, you will need:
- Access to a working computer that has a current operating system with updates installed, plus speakers or headphones to hear lecture presentations;
- Reliable Internet access and a USC email account;
- A current Internet browser that is compatible with Blackboard (Google Chrome is the recommended browser for Blackboard);
- A working video camera and microphone for use on Zoom;
- Microsoft Word as your word processing program; and
- Reliable data storage for your work, such as a USB drive or Office365 OneDrive cloud storage.

If your computer does not have Microsoft Word, the Office 365 package is available to you free of charge and allows you to install Word, Excel, PowerPoint, Outlook, OneNote, Publisher, and Access on up to 5 PCs or Macs and Office apps on other mobile devices including tablets. Office 365 also includes unlimited cloud storage on OneDrive. To download Office 365 log into your student (University) email through a web browser, choose Settings (top right corner), and select software. If you have further questions or need help with the software, please contact the USC ITS service portal.

CLASS ETIQUETTE

In order to maintain a class environment that is conducive to learning, I suggest the following code of class etiquette:
1. Arrive at class on time and avoid leaving early.
2. Bring a name tent to each class and try to sit in the same location.
3. Turn off cellphones and other audible electronics.
4. Do not use laptops or phones, except when indicated by the instructor.
5. Show respect for one another by exhibiting patience and courtesy in exchanges. Using
appropriate language and restraining from verbal attacks upon those whose perspectives differ from your own is a minimum requirement. Courtesy and respect are the norm for class participation.
6. If you feel that another class member is negatively impacting the classroom environment, let me know, and where appropriate, I will anonymously communicate your feedback.
COURSE OUTLINE AND ASSIGNMENTS

Session 1: Tuesday, August 24
Introduction and Overview

Session 2: Tuesday, August 31
Classics:
Assignment: Session 2 Discussion Questions

Session 3: Tuesday, September 7
Earnings Persistence and Stock Returns
Assignment: Session 3 Discussion Questions

Session 4: Tuesday, September 14
Earnings versus Book Values:
Assignment: Session 4 Discussion Questions

Session 5: Tuesday, September 21
Cash Flows and Accruals:
Assignment: Session 5 Discussion Questions
Sloan, R.G., 1996. Do stock prices fully reflect information in accruals and cash flows about future

Session 6: Tuesday, September 28
Conditional Conservatism
Assignment: Session 6 Discussion Questions

Session 7: Tuesday, October 5
Fair Values:
Assignment: Session 7 Discussion Questions

Final Exam: Tuesday, October 12
STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:
Students are expected to make themselves aware of and abide by the University community’s standards of behavior as articulated in the Student Conduct Code. Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct at http://policy.usc.edu/scientific-misconduct.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling
Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org
Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention and Services (RSVP) - (213) 740-9355(WELL), press “0” after hours – 24/7 on call
studenthealth.usc.edu/sexual-assault
Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED)- (213) 740-5086 | Title IX – (213) 821-8298
equity.usc.edu, titleix.usc.edu
Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following protected characteristics: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The university also prohibits sexual assault, non-consensual sexual contact, sexual misconduct, intimate partner violence, stalking, malicious dissuasion, retaliation, and violation of interim measures.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298
usc-advocate.symplicity.com/care_report
Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.
Office of Student Accessibility Services - (213) 740-0776 https://osas.usc.edu. SASfrntd@usc.edu
Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

USC Support and Advocacy - (213) 821-4710
uscasa.usc.edu
Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101
diversity.usc.edu
Information on events, programs and training, the Provost’s Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call
dps.usc.edu, emergency.usc.edu
Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call
dps.usc.edu
Non-emergency assistance or information.
The final deliverable for the course is a referee report on the working paper identified below. This is an individual effort and you should not consult with other students or faculty in completing this report.

The paper that you are required to referee is:


Your referee report should have the following structure:

1. Introduction (Note: this is also typically used as the ‘cover letter’ for the editor, unless you have additional private comments for the editor).
   - Briefly summarize
     - the research objective(s)
     - the main results
     - whether the paper contributes to the literature
   - Provide you overall evaluation: ‘reject’, ‘revise and resubmit only if major changes are made’, ‘revise and resubmit with relatively minor changes’ and ‘accept as is’.

2. Main body of the report
   - List your main concerns with the paper, putting your most important concerns first. For example:
     - Does the paper make a significant contribution to the literature? If not, why not?
     - Are the research questions clearly laid out? If not, can you identify the main research questions?
     - Are the data and research design suitable for addressing the research questions at hand?
     - Do the results provide clear answers to the research questions?
     - Do the authors correctly interpret the results?
     - Are there other possible explanations for the results?
     - Are there other empirical tests that could provide more direct evidence on the research questions at hand or help corroborate the existing results?
     - Are there any robustness tests that you think should be undertaken prior to publication?
     - Finish with any minor improvements, such as clarifying the motivation, referencing related work, performing more appropriate statistical tests, improving readability etc.

It is important to note that the editor may disagree with you on the severity of specific problems. Therefore, cover all major points in your report (don’t assume the paper will be rejected because
you think it has one particularly important problem). You don’t want to bring up new points in the second round that should have been brought up in the first round. The second round should be focused on the changes made and whether they deal with the problems raised in the first round.


The report should be a concise and readily comprehensible report and is therefore limited to five pages of text.