ACG 7885: Research Methods in Accounting
Term: Fall 2009
Room: Boca, BU 201
Time: Tuesday 2-5pm

TEXTS REQUIRED:


COURSE OBJECTIVE

This course is designed to introduce you to tools and knowledge that are requisite to good research. There is no attempt to comprehensively review all major areas of accounting research or even all areas of archival financial accounting research; that is simply not possible. Rather the first objective is to give you a grounding in SAS (Statistical Analysis System) which will benefit you throughout you research career regardless of what sort of research you do – experimental, survey, or quasi-experimental. A second objective is to give you elements of a basic framework that will help you understand one important strand of research -- capital markets research using archival data – and help you tell the difference between good and bad research. The emphasis is on archival data analysis in capital markets research because capital markets research is one of the richest areas of accounting research and because it is the most demanding in terms of data analysis.

Good research tries to answer interesting questions, enlightened by theoretical reasoning, heeding lessons of previous empirical findings, and following well-established and sound methodological practices. Great research has those same characteristics, and additionally answers questions that matter to many and is reasonably unambiguous in its contribution.

What I have observed is that individuals who otherwise have the capacity to do valuable research are stymied by three factors. First, they may have a weak theoretical background relevant to the research question. Second they may not have adequate knowledge of prior research and current methodologies. Third, they may be unable to analyze data sets in an efficient manner. While this course cannot hope to make you ‘research ready,’ it will provide you the background and tools to overcome all three impediments to valuable research -- if you apply yourself to your future research projects.
GRADING

Statistical analysis projects (40%)

You have four projects involving applied statistical analysis. The projects provide you with practical experience using common databases, and analyzing that data using SAS. I help early on with SAS through a directed replication; much of the learning nevertheless will have to be on your own.

The projects involve extracting data from databases commonly used in archival research (Compustat, CRSP, I/B/E/S) and using SAS to analyze that data. The projects will require you to replicate a classic study (Ball and Brown, 1968) and complete other common analyses (e.g., an event study). You will also be required to write up the ‘findings’ as if you were conducting original research.

You will be responsible for proving near the end of the semester that you have a reasonable mastery of the following: SAS, Compustat, CRSP, I/B/E/S, and Eventus. You will have to prove your ability through an individual hands-on demonstration of data extraction skills and SAS programming (including Eventus).

I will give you more information about the projects later.

Class preparedness (10%)

You are expected to have studied all assigned readings. I will be asking questions about readings. Before class, it would be wise, but not required, to prepare a one or two page summary of the readings for the week.

On occasion, especially later in the course, you may find the mathematical level of an article daunting. Don’t allow that to be a barrier. Try to get the essence of the authors’ point and move on.

Other assignments (10%)

There are other written assignments as noted in the weekly schedule.

Final exam (40%)

There is one exam.
SCHEDULE

Aug 25 Week 1: Introduction

Sep 1 Week 2: Introduction to research methods concepts

*Research Methods in Accounting*, chapter 1 and chapter 2 (pp. 16-30 only)

Trochim, ‘Foundations’

http://members.shaw.ca/compilerpress1/Anno%20Friedman%20Positive.htm


Sep 8 Week 3: Accounting Research; Experimental, Survey and Field Research; Issues in Measurement

*Research Methods in Accounting*, chapters 6-9

Trochim: ‘Sampling’ and ‘Measurement’

Measurement:  http://faculty.vassar.edu/lowry/ch1pt1.html


*Accounting Horizons* 8 (December 1994): 74-79.
**Sep 15 Week 4: Design and Analysis**

Trochim, ‘Design’ (exclude the last two subsections, *Designing Designs for Research* and *Advance in Quasi-Experimentation*)

Trochim, ‘Analysis’

Come up with two issues in accounting or related discipline (regulatory, auditing, financial, managerial, tax, finance, or whatever) that are important *currently*. Be prepared to tell why they are important and why you think the issues may be good candidates for empirical research. The search for current issues should come from business sections of newspapers, business magazines, FASB, SEC, practitioner journals (CPA journal, Accounting Horizons, etc.), a Google search, etc. (1 to 2 pages), or personal experience.

**Sep 22 Week 5: SAS basics**

‘The Little SAS Book” Chapter 1: sections 1.1, 1.2, 1.3, and 1.4.

View two online ‘movie’ tutorials. To get to the tutorials, go to the following web page: [http://www.ats.ucla.edu/stat/sas/notes2/default.htm](http://www.ats.ucla.edu/stat/sas/notes2/default.htm). On that web page you will see

- Class Notes
  - Entering Data, view movie
  - Exploring Data, view movie
  - Modifying Data, view movie
  - (etc)

View the first two ‘movies’ — **Entering Data** and **Exploring Data**. You don’t need to actually do anything with SAS, just view the movies. We will go over some of this during class. [http://www.ats.ucla.edu/stat/sas/notes2/modifying.htm](http://www.ats.ucla.edu/stat/sas/notes2/modifying.htm)

‘The Little SAS Book” Chapter 1: sections 1.8, 1.11, 1.12, and 1.13.
Chapter 2: sections 2.1, 2.3, 2.4, 2.5, 2.8 (reference), 2.13 through 2.17, 2.19, 2.20, 2.22.

*Research Methods in Accounting*, chapter 4

In class: Directed project
Sep 29 Week 6: Capital markets -- information and valuation emphasis

Beaver, Financial Reporting Revolution, chapters 1-4 (optional)


View the two ‘movies’ – Modifying Data and Managing Data found at http://www.ats.ucla.edu/stat/sas/notes2/default.htm

Read ‘The Little SAS Book,’ sections 3.1-3.4, 3.7-3.8; 4.1-4.6, 4.9-4.12; 6.1-6.6.5.

In class: Directed project (cont)

Oct 06 Week 7: First SAS assignment; extracting data from CRSP and Compustat


2. Read: tutorials for CRSP at http://www.library.hbs.edu/helpsheets/wrdsrpsstck.html

3. In class: Extracting data from Compustat and CRSP; answer SAS questions.

Oct 13 Week 8: Capital market research, focus on event study methodology

1. SAS project #1 due. These are individual projects, not group projects. If you need help, contact me.

2. In class: Extracting data from Compustat and CRSP; answer SAS questions.
Oct 20 Week 9: Capital market research, focus on event study methodology

1. Read:

   Beaver, Financial Reporting: An Accounting Revolution, chapters 5 and 6. *(optional)*
   Brown, S. and J. Warner, 1985, "Using Daily Stock Returns: The Case of Event Studies," Journal of Financial Economics 14, 3-31. *(optional)* – this covers statistical issues that may be tough to digest at this point in your study; but the paper is a classic and will make using Eventus more meaningful and should be read if you ever do an event study as part of a research project

2. In class: Introduction to Eventus

3. SAS project #2 due

Oct 27 Week 10: Evaluating research – the effect of sample and design


Nov 03 Week 11: Project #3 and introduction to I/B/E/S

1. In class: Introduction to I/B/E/S

2. SAS project #3 due

Nov 10 Week 12: Market Efficiency and Delayed Reaction to Earnings

Heyne, The economic concept of efficiency
http://www.econlib.org/library/Enc/TowardsCrisis.html

Jones and Netter, Efficient Capital Markets


Nov 17 Week 13: Utility theory


Come up with one good research question related to one of the issues that you identified in week 5. Explain who would be interested in the answer to the research question. Explain how an answer to the research question would inform the issue. Describe your dependent and independent variables. Tell whether there is a positive or negative association between the dependent and independent variables, and why you think so. Write this up in two pages, double-spaced, 12 point font.
Nov 24 Week 14: Ohlson model


Dec 01 Week 15: TBA

Dec 07 Week 16: Final exam and final SAS project