



Ph.D. Program in “Economics and Management”

Accounting and governance
The role of Corporate Disclosure
3rd Term

Saverio Bozzolan
Department of Economics and Management
Via del Santo, 33
E-mail: Saverio.bozzolan@unipd.it
Skype: Federica_francesca

Federica Ricceri
Department of Economics and Management
Via del Santo, 33
E-mail: Federica.ricceri@unipd.it
Skype: Federicceri



Course description

Accounting information plays two important roles in market-based economies. First, it allows capital providers (shareholders and creditors) to evaluate the return potential of investment opportunities (the ex-ante or valuation role of accounting information). Second, accounting information allows capital providers to monitor the use of their capital once committed (the ex-post or stewardship role of accounting information). Information asymmetry harms these two main roles of accounting.

In this course we focus on disclosure as a way firms might use to reduce the level of information asymmetries existing among market participants. Looking at contemporary empirical financial accounting research, the course introduces students to the main theories behind disclosure (from agency theory – unrevealing principle – to cheap talk models) and to the main empirical research themes in existing disclosure literature.

Emphasis will be placed on issues like the determinants behind a disclosure choice, the characteristics of the discloser (i.e. credibility) and of the information disclosed (i.e. verifiability) and how these characteristics interact with the expected effects of the disclosure. Finally, particular focus will be given to disclosure of narrative and non-financial information.

Grading

The grades will be based on the following components:

- Class participation, materials reading and comprehension: 20%
- Paper presentation and discussion: 30%
- Term Paper: 50%

Readings

Each student is supposed to have read the papers indicated in this syllabus before attending the courses. Each student will be assigned specific references (3 or 4 articles) that will be presented and discussed during the course.

Term paper

Each student is expected to write a term paper on a topic relating to the course. The topic will be decided together by the student and the instructors before the end of the course. The paper could be a conceptual study consisting in a literature review or in a meta-analysis or a research proposal for an empirical study. In this case, the paper should contain a complete literature review with the aim of identifying sound and relevant research question(s), the research design and the methodology intended to address the research question(s). The paper is expected to be between 6,000 and 10,000 words inclusive of all exhibits and references.

The deadline for the submission is the last day of the final exam period.



Program

Classes 1 / 2: Disclosure theories (Saverio Bozzolan)

Akerlof G.A. (1970), The market for “lemons”: quality uncertainty and the market mechanism, *The Quarterly Journal of Economics*, 84(3), 488-500

Skinner, D. (1994), Why firms voluntarily disclose bad news, *Journal of Accounting Research*, 32, 1, 38-60

Spence M. (1973), Job market signalling, *The Quarterly Journal of Economics*, 87, 355-374

Classes 3 / 4 : Determinants (Saverio Bozzolan)

Ahmed, K., Curtis, J.K. (1999), Associations between corporate characteristics and disclosure levels in annual reports: a meta analysis, *British Accounting Review*, 31, 1–27

Garcia_Meca, E., Sánchez-Ballesta, J. (2010), The Association of Board Independence and Ownership Concentration with Voluntary Disclosure: A Meta-analysis, *European Accounting Review*, 19, 3, 603 — 627

Classes 5 / 6 : Characteristics (credibility and verifiability) (Saverio Bozzolan)

Hirst, D.E., Koonce, L, Venkataraman, S. (2007), How Disaggregation Enhances the Credibility of Management Earnings Forecasts, *Journal of Accounting Research*, 45, 811-836

Mercer, M. (2004), How do investors assess the credibility of management disclosures?, *Accounting Horizons*, 18, 3, 185-196

Rogers, J.L., Stocken, P. (2005), Credibility of management forecasts, *The Accounting Review*, 80(4), 1233-1260

Class 7 : Impression management (Saverio Bozzolan)

Beattie, V., Jones M.J. (2002), The impact of graph slope on rate of change judgments in corporate reports, *Abacus*, 38(2), 177-199

Merkel-Davies, D.M., Brennan, N.M. (2011), A conceptual framework of impression management: new insights from psychology, sociology and critical perspectives, *Accounting and Business Research*, 41, 5, 415-437



Classes 8 / 9 : Non-financial information (Federica Ricceri)

Simpson, A. (2010), Analysts' Use of Nonfinancial Information Disclosures, *Contemporary Accounting Research*, 27, 1, 249-288

Classes 10 / 11 : Intellectual Capital Disclosure (Federica Ricceri)

Ricceri F. (2008), Intellectual Capital and Knowledge Management: Strategic Management of Knowledge Resources, Routledge, London and New York, Chapter 2.

Classes 12 / 13 : Effects (Saverio Bozzolan)

Botosan, C.A., Plumlee, M.A. (2002), A re-examination of disclosure level and the expected cost of equity capital, *Journal of Accounting Research*, 40(1), 21-40
Kothari, S.P., Li, X., Short, J.E. (2009), The effects of disclosures by management, analysts, and business press on cost of capital, return volatility, and analyst forecasts: a study using content analysis, *The Accounting Review*, 84, 5, 1639-1670

Classes 14 / 15 : Methodology (Federica Ricceri)

Beattie, V. A., McInnes, B., Fearnley, S. (2004), A Methodology for Analysing and Evaluating Narratives in Annual Reports: A Comprehensive Description Profile and Metrics for Disclosure Quality Attributes, *Accounting Forum*, 28, 205–236.
Hooks J. and van Staden C. (2011), Evaluating environmental disclosures: The relationship between quality and extent measures, *British Accounting Review* 43(3), 200-213.



Guideline for presentations

Each student will provide a discussion (20 - 25 minutes) in which they are expected to provide a summary, a critique and an evaluation of the relevance for management behaviour of the assigned paper.

Each presentation is expected to provide a clear discussion in which the motivation of the study, the strengths and weaknesses of the research design, the main assumptions made and the main results are presented. Finally and most importantly, the contribution of the paper to the literature needs to be discussed and how the study could be improved and extended.

The presenter is also expected to provide examples from the practice regarding the type of disclosures analyzed in the paper or, otherwise, anecdotic / empirical evidence from the practice about the relevance of the findings. The presenter should also be prepared to respond to questions about the paper made by other students.

Specifically each student is expected to address the following six elements for each paper:

1. What is the specific research question addressed?
2. Why is it important to the disclosure literature?
3. How is the research question being addressed?
4. What are the key findings and implications of the study?
5. How could the study be improved and extended?

Part of the grading is based on the active participation of each student to other students' presentations.