

Empirical research in financial accounting and capital markets

Individual assignment

Professor: Paul André

The purpose of this assignment is to allow you to elaborate a preliminary research idea in the area of financial accounting and capital markets based on what has been discussed in class. You have an opportunity to freely determine what to investigate, which in the process will test your creativity and critical thinking ability.

An example of a research question: what are the determinants of segment information disclosure quality? The two main reasons put forth for aggregating segment information are proprietary considerations and agency problems. Hayes & Lundholm (*Journal of Accounting Research*, 34(2), 1996) show analytically that the decision involves trading off the benefits of informing the capital market about firm value against the cost of disclosing information that would potentially aid the rivals and harm the firm. In equilibrium, they find that different activities are reported as separate segments when the results are sufficiently similar, but activities are aggregated into one segment when the results are sufficiently different. Disentangling the two determinants has been the subject of extensive research. Another type of research question: what are the effects associated with segment reporting. Researchers have examined effects on analysts' information environment as derived from information economics or stock market effects of disclosure quantity and quality based on capital asset pricing and signalling theory.

Your task will be to identify a research question by reading a peer-reviewed journal articles or books. Summarize the question, motivation and theoretical foundations in maximum 3-5 pages (double-spaced), explain what the major independent variables of the theory are and how or why they theoretically predict a dependent outcome/s. Then, find between 10-15 peer-reviewed journal articles that will support your argumentation either theoretically or with empirical results (about 12 pages double-spaced). Finish with reflections and conclusions (about 3 pages, double-spaced).

All sources must be adequately cited and presented in full in the reference list. Do not "lift" sentences verbatim (i.e., do not copy word-for-word what someone else has written); please paraphrase what you borrow from others and document all sources (even if paraphrased). Failure to document a source of information, or plagiarism of any sort will result in a "zero" grade, low-contextually, universally speaking! Because of space limitations avoid using quotations, unless imperative.

This assignment is to be prepared individually and should be approximately 20 double spaced pages (excluding cover page and references). The assignment is due by e-mail to me (paul.andre@unil.ch) by TBA.

Grading—The final grade will be calculated as follows:

1. Presentation of research question - 30%

a) Introduction, research question, motivation, presentation of theory

2. Review of literature - 30%

a) Short summary and analysis of the journal articles supporting your argumentation in 2a)

3. Integration of literature - 20%

a) Integration, synthesis and deductions, presenting coherent closing arguments

4. Flow and presentation - 20%

a) Proper and objective writing using a logical order and reasoning

b) General presentation, sources of information, references