

RSM 3029H: Selected Topics in Financial Accounting Research

Time: Thursdays 1 pm to 4 pm

Location: Room 570

**Instructor Information:**



Partha Mohanram  
CPA Ontario Professor of Financial Accounting  
Director – India Innovation Institute  
Area Coordinator (Accounting)

**Office:** Room 523-D

**Phone:** 416-978-3108

**Email:** [partha.mohanram@rotman.utoronto.ca](mailto:partha.mohanram@rotman.utoronto.ca)

**Course Description:** This seminar will focus on exposing Ph.D. students to empirical research in accounting on topics broadly related to valuation. This seminar is a requirement for all Ph.D. students in accounting and will also be useful for finance Ph.D. students with an interest in empirical corporate finance or empirical asset pricing.

**Prerequisites:** You have to be in the Ph.D. program to register. If you are a non-Ph.D. who wishes to register, you must have explicit permission from Prof Mohanram

**Method of Instruction:** We will discuss around 5 papers each day. Students are expected to read and analyze each of the papers assigned. Each student will have to hand in a report summarizing each of the papers individually as well as a summary of what they learned from the papers collectively. Each paper will have an assigned student as a discussion leader. Class participation is crucial as this seminar will also help prepare you to participate in research seminars.

**Method of Evaluation:** Students will be evaluated on the basis of

- a) Eleven handed in paper summaries for sessions 1-11.
- b) Student Presentation on Research Idea in session 12
- c) Class Participation

Each of the sessions, with the exception of the last session, will require the submission of paper summaries

**Availability of Assigned Research Papers:** Papers will be made available as PDF files on the network drive. Students should download electronic copies for themselves as well as make paper copies if needed. I will not provide paper copies. The following papers are all available – additional paper may be added later.

**Articles for PhD Seminar**

**Session 1: Research in valuation over the decades**

**Jan 12<sup>th</sup>, 2017**

An Empirical Investigation of Accounting Income Numbers, Ray Ball and Philip Brown. Journal of Accounting Research, Vol. 6, 1968, 159-178.

The Information Content of Security Prices. William Beaver, Richard Lambert and Dale Morse. *Journal of Accounting and Economics*, Vol. 2, 1980, 3-28.

An analysis of Intertemporal and Cross-sectional determinants of earnings response coefficients. Daniel W. Collins, S.P. Kothari. *Journal of Accounting and Economics* 11 (1989) 143-181.

The Conservatism principle and the Asymmetric Timeliness of Earnings. Sudipta Basu. *Journal of Accounting and Economics* 24 (1997) 3-37.

The Quality of Accruals and Earnings: The Role of Accrual Estimation Errors. Patricia M. Dechow, Ilia D. Dichev. *The Accounting Review*, Vol. 77, Supplement (2002) 35-59

## **Session 2: Accounting Based Valuation**

**Jan 19<sup>th</sup>, 2017**

Earnings, Book Values, and Dividends in Equity Valuation. James Ohlson. *Contemporary Accounting Research* Vol. 11 No. 2, 1995, 661-687.

Accounting valuation, market expectation, and cross-sectional stock returns. Richard Frankel, Charles M.C. Lee. *Journal of Accounting and Economics* 25 (1998) 283-319

What determines Residual Income? Qiang Cheng. *The Accounting Review* 80 (2005) 85-112.

Expected EPS and EPS Growth as Determinants of Value James Ohlson and Beate Juettner-Nauroth *Review of Accounting Studies* 10, 2005, 349-365.

Using residual income to refine the relationship between earnings growth and stock returns. Sudhakar Balachandran and Partha Mohanram *Rev Account Stud* (2012) 17:134–165.

## **Session 3: Fundamental Analysis**

**Jan 26<sup>th</sup>, 2017**

Financial Statement Analysis and the Prediction of Stock Returns Jane Ou, Stephen Penman *Journal of Accounting and Economics* 11 (1989), 295-329.

Fundamental Information Analysis Baruch Lev, Ramu Thiagarajan *Journal of Accounting Research* 31 (1993), 190-215.

Value Investing: The Use of Historical Financial Statement Information to Separate Winners from Losers, Joseph Piotroski *Journal of Accounting Research* 38 (2000), 1-41.

Separating Winners from Losers among Low Book-to-Market Stocks using Financial Statement Analysis Partha Mohanram, *Review of Accounting Studies*, 10 (2005), 133-170.

Fundamental Analysis: Combining the Search for Quality with the Search for Value. Kevin Li and Partha Mohanram. 2016. Working Paper.

## **Session 4: Anomalies**

**Feb 2<sup>nd</sup>, 2017**

Post-Earnings-Announcement Drift: Delayed Price Response or Risk Premium? Victor L. Bernard and Jacob K. Thomas. *Journal of Accounting Research*, Vol. 27, (1989), 1-36.

Contrarian Investment, Extrapolation, and Risk. Josef Lakonishok; Andrei Shleifer; Robert W. Vishny. *The Journal of Finance*, Vol. 49, No. 5. (Dec., 1994), 1541-1578.

Do stock prices fully reflect information in accruals and cash flows about future earnings? Richard Sloan. *The Accounting Review* 71(3), (1996), 289-315.

Value-Glamour and Accruals Mispricing: One Anomaly or Two? Hemang Desai, Shivaram Rajgopal and Mohan Venkatachalam. *The Accounting Review*, Vol. 79, No. 2 (2004), 355-385

Asset Growth and the Cross-Section of Stock Returns. Michael J. Cooper, Huseyin Gulen, and Michael J. Schill. *The Journal of Finance* 13(4), (2008), 1609-1651.

**Session 5: Testing Anomalies**

**Feb 9<sup>th</sup>, 2017**

Arbitrage Risk and Post-Earnings-Announcement Drift. Richard R. Mendenhall. *The Journal of Business*, Vol. 77, No. 4 (October 2004), pp. 875-894

Do institutional investors exploit the post-earnings announcement drift? Bin Ke and Santhosh Ramalingegowda. *Journal of Accounting and Economics* 39 (2005) 25-53.

Are accruals mispriced? Evidence from tests of an Intertemporal Capital Asset Pricing Model. Mozaffar Khan. *Journal of Accounting and Economics* 45 (2008) 55–77.

The Accrual Anomaly: Risk or Mispricing. David Hirshleifer, Kewei Hou, Siew Hong Teoh. *Management Science* 2011.

Analysts' Cash Flow Forecasts and the Decline of the Accruals Anomaly. By Partha Mohanram. *Contemporary Accounting Research* 31 (2014), 1143-1170.

**Session 6: Implied Cost of Capital**

**Feb 16<sup>th</sup>, 2017**

Towards an Implied Cost of Capital. William Gebhardt, Charles Lee and Bhaskaran Swaminathan. *Journal of Accounting Research* 39, (2001), 135-176.

Inferring the Cost of Capital Using the Ohlson-Juettner Model Dan Gode, Partha Mohanram *Review of Accounting Studies* 8 (2003), 399-431

PE Ratios, PEG Ratios, and Estimating the Implied Expected Rate of Return on Equity Capital. Peter D. Easton, *The Accounting Review*, Vol. 79, No. 1, 2004, 73–95

Assessing Alternative Proxies for the Expected Risk Premium Christine Botosan, Marlene Plumlee. *The Accounting Review* 80 (2005), 21-53

An Evaluation of Accounting-based Measures of Expected Returns Peter Easton, Steve Monahan. *The Accounting Review* 80 (2005), 501-538.

**Session 7: Implied Cost of Capital II**

**Feb 23<sup>rd</sup>, 2017**

Removing predictable analyst forecast errors to improve implied cost of equity estimates. Partha Mohanram and Dan Gode. *Review of Accounting Studies* (2013) 18:443–478.

The implied cost of capital: A new approach. Kewei Hou, Mathijs A.vanDijk, Yingle Zhang. *Journal of Accounting and Economics* 53 (2012) 504–526

Predicting market returns using aggregate implied cost of capital. Yan Li. David Ng and Bhaskaran Swaminathan. *Journal of Financial Economics* 110 (2013), 419-436.

Evaluating Cross-Sectional Forecasting Models for Implied Cost of Capital. Kevin Li and Partha Mohanram, *Review of Accounting Studies* 19 (2014), 1152-1185

The cross section of expected holding period returns and their dynamics: A present value approach. Matthew Lyle and Charles Wang. *Journal of Financial Economics* 116 (2015) 505-525.

**Session 8: Information Risk and Earnings Quality**

**Mar 2<sup>nd</sup>, 2017**

Is Information Risk a Determinant of Asset Returns? David Easley, Soeren Hvidkjaer and Maureen O'Hara, *Journal of Finance* 62 (2002), 2185-2221

Is PIN Priced Risk? Partha Mohanram and Shivaram Rajgopal *Journal of Accounting and Economics* 47 (2009) 226–243.

The market pricing of accruals quality. J. Francis, R. LaFond, P. Olsson and K. Schipper. *Journal of Accounting and Economics* 39 (2005) 295–327.

Is accruals quality a priced risk factor. J. Core, W. Guay and R. Verdi. *Journal of Accounting and Economics* 46 (2008) 2–22

The Role of Diversification in the Pricing of Accruals Quality. Yu Hou. *Review of Accounting Studies* (20) 2015, 1059-1092.

### **Session 9: Aggregate Earnings**

**Mar 9<sup>th</sup>, 2017**

Stock returns, aggregate earnings surprises, and behavioral finance. S.P. Kothari, Jonathan Lewellen, Jerold B. Warner. *Journal of Financial Economics* 79, 2006, 537–568

Predictability and the earnings–returns relation. Gil Sadka, Ronnie Sadka. *Journal of Financial Economics* 94, 2009, 87–106.

Accruals, cash flows, and aggregate stock returns. David Hirshleifer, Kewei Hou, Siew Hong Teoh. *Journal of Financial Economics* 91, 2009, 389–406.

Accounting Earnings and gross domestic product. Yaniv Konchitchki, Panos Patatoukas. *Journal of Accounting and Economics* 57 (2014) 76-88.

Taking the Pulse of the Real Economy Using Financial Statement Analysis: Implications for Macro Forecasting and Stock Valuation. Yaniv Konchitchki, Panos Patatoukas. *The Accounting Review* 89 (2014), 669-694.

### **Session 10: Alternative Perspectives on Valuation**

**March 30<sup>th</sup>, 2015**

Initial Evidence on the Role of Accounting Earnings in the Bond Market. Peter Easton. Steven Monahan and Florin Vasvari. *Journal of Accounting Research*. Vol. 47 No. 3 June 2009, 721-766.

How does the corporate bond market value capital investments and accruals? Sanjeev Bhojraj, Bhaskaran Swaminathan. *Review of Accounting Studies* (2009) 14:31–62.

Option Prices Leading Equity Prices: Do Option Traders Have an Information Advantage? Wen Jin, Joshua Livnat and Yuan Zhang. *Journal of Accounting Research* 50 (2012), 401-432.

How Does Information Quality Affect Option and Stock Returns? Matt Lyle. Working paper 2014.

Is there a Dark Side to Exchange Traded Funds (ETFs)? An Information Perspective. Doron Israeli, Charles M. C. Lee, and Suhas A. Sridharan. Working paper (2016).

### **Session 11: Guest Lectures with Profs Dushyant Vyas and Alex Edwards April 6<sup>th</sup>, 2017**

Papers TBD

### **Session 12: Summary/Presentation of Research Ideas by Students April 13<sup>th</sup>, 2017:**

No papers