

Course Syllabus

Accounting Research Seminar: Equity Valuation & Macroeconomics

Professor

Oliver Binz

Email: oliver.binz@esmt.org

Office: 2.20 at ESMT

Overview

This seminar focuses on accounting research at the intersection of equity valuation and macroeconomics. We meet for seven three-hour sessions.

Class Preparation

For each session you should read and be prepared to discuss each assigned paper in detail and complete each of the assigned tasks. I will provide a copy of each paper to you before class. For each of the assigned papers, I select a student to present and discuss it in class.

Link to selected readings:

<https://www.dropbox.com/scl/fo/ubjzv23y29ru6oce16tvi/h?rlkey=37dbcr91ywgw1g31obvijl1603&dl=0>

For each of the assigned papers, write a one-page memo consisting of five paragraphs:

1. What is the research question?
2. What is the motivating question? Why is it important?
3. How is the research question addressed?
4. What are the major findings?
5. How does the paper fit into the existing literature? What is the paper's marginal contribution?

Please be prepared to share your opinions relating to each study's strengths and weaknesses, contributions to the literature, and possibilities for further exploration and extension.

Performance Evaluation

Performance in the course is assessed by class participation, quality of presentation, homework assignments (50%) and a final project (50%). The final project can be one of the following:

1. A written review of research related to one of the topics we cover in the seminar
2. A replication of a research paper related to one of the topics we cover in the seminar
3. A research proposal
4. A referee report of a working paper selected by me

More details will be provided as the end of the term approaches.

Reading List

Session 1 – Introduction

Assigned Readings:

1. Francis, J., Olsson, P., and D. R. Oswald. 2000 Comparing the Accuracy and Explainability of Dividend, Free Cash Flow, and Abnormal Earnings Equity Value Estimates. *Journal of Accounting Research*, 38(1):45-70.
2. Ou, J. A., and S. H. Penman. 1989. Financial Statement Analysis and the Prediction of Stock Returns. *Journal of Accounting and Economics*, 11(4), 295-329.
3. Li, N., S. Richardson, and İ. Tuna. 2014. Macro to Micro: Country Exposures, Firm Fundamentals and Stock Returns. *Journal of Accounting and Economics* 58 (1):1-20.

Background Readings:

1. Penman, S. H. 1992. Return to Fundamentals. *Journal of Accounting, Auditing & Finance* 7 (4):465-483.
2. Ohlson, J. A. 1995. Earnings, Book Values, and Dividends in Equity Valuation. *Contemporary Accounting Research*, 11(2), 661-687.
3. Penman S. H. 2013. *Financial Statement Analysis and Security Valuation*. McGraw-Hill.

Session 2 – Motivation

Assigned Readings:

1. Brown, P., and R. Ball. 1967. Some Preliminary Findings on the Association between the Earnings of a Firm, Its Industry, and the Economy. *Journal of Accounting Research* 5:55-77.
2. Baker, S. R., and N. Bloom. 2013. Does Uncertainty Reduce Growth? Using Disasters as Natural Experiments. Working paper.
3. First round submission of “Managerial Response to Macroeconomic Uncertainty: Implications for Firm Profitability”

Background Readings:

1. Bloom, N. 2014. Fluctuations in Uncertainty. *Journal of Economic Perspectives* 28 (2):153-176.
2. Monahan, S. J. 2018. Financial Statement Analysis and Earnings Forecasting. *Foundations and Trends in Accounting* 12 (2):105-215.
3. Berk, J. B., Campbell R. H., and D. Hirshleifer. 2017. How to write an effective referee report and improve the scientific review process. *Journal of Economic Perspectives* 31 (1):231-244.

Session 3 – Theory

Assigned Readings:

1. Basu, S., and B. Bundick. 2017. Uncertainty Shocks in a Model of Effective Demand. *Econometrica* 85 (3):937-958.
2. Binz, O., Joos, P., and M. Kubic. 2024. How Does Monetary Policy Affect Corporate Earnings? Working paper. (focus on hypotheses development and appendix model)
3. First round review reports of “Managerial Response to Macroeconomic Uncertainty: Implications for Firm Profitability”

Assigned Task: Prepare a revision strategy

Background readings:

1. Kydland, F. E., and E. C. Prescott. 1982. Time to Build and Aggregate Fluctuations. *Econometrica* 50(6):1345-1370.
2. Bloom, N. 2009. The Impact of Uncertainty Shocks. *Econometrica* 77 (3):623-685.
3. Galí, J. 2015. *Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework and its Applications*. Princeton University Press.

Session 4 – Mechanism

Assigned readings:

1. Leduc, S., and Z. Liu. 2016. Uncertainty Shocks Are Aggregate Demand Shocks. *Journal of Monetary Economics* 82:20-35.
2. Arif, S., N. Marshall, and T. L. Yohn. 2016. Understanding the Relation between Accruals and Volatility: A Real Options-Based Investment Approach. *Journal of Accounting and Economics* 62 (1):65-86.
3. Second round submission of “Managerial Response to Macroeconomic Uncertainty: Implications for Firm Profitability”
4. Third round review reports of “Managerial Response to Macroeconomic Uncertainty: Implications for Firm Profitability”

Assigned Task: Prepare a revision strategy

Background Readings:

1. Anderson, M. C., R. D. Banker, and S. N. Janakiraman. 2003. Are Selling, General, and Administrative Costs “Sticky”? *Journal of Accounting Research* 41 (1):47-63.
2. Jackson, A. B., Plumlee, M. A., and B. R. Rountree. 2018. Decomposing the Market, Industry, and Firm Components of Profitability: Implications for Forecasts of Profitability. *Review of Accounting Studies* 23 (3):1071-1095.
3. Schaab, A. 2020. Micro and Macro Uncertainty. Working paper.

Session 5 – Identification

Assigned Readings:

1. Baker, S. R., N. Bloom, and S. J. Davis. 2015. Measuring Economic Policy Uncertainty. *The Quarterly Journal of Economics* 131 (4):1593-1636.
2. Bonsall, S. B., Bozanic, Z., and P. Fischer. 2013. What Do Management Earnings Forecasts Convey About the Macroeconomy? *Journal of Accounting Research* 51 (2):225-266.
3. Third round submission of “Managerial Response to Macroeconomic Uncertainty: Implications for Firm Profitability”
4. Fourth round review reports of “Managerial Response to Macroeconomic Uncertainty: Implications for Firm Profitability”

Assigned Task: Prepare a revision strategy

Background Readings:

1. Rogers, J. L., Skinner, D. J., and A. Van Buskirk. 2009. Earnings Guidance and Market Uncertainty. *Journal of Accounting and Economics* 48 (1):90-109.
2. Maslar, D. M., Serfling, M., and S. Shaikh. Economic Downturns and the Informativeness of Management Earnings Forecasts. *Journal of Accounting Research* 59 (4): 1481-1520.
3. Nakamura, E., and J. Steinsson. 2018. Identification in Macroeconomics. *Journal of Economic Perspectives* 32 (3):59-86.

Session 6 – Guest Lecture: Per Olsson

Session 7 – Students’ Final Project Presentations