

Mannheim, November 2022

Spring Term 2023

ACC 750 Accounting Seminar

## Corporate Transparency in Times of Global Crises

Lecturers: Professor Jannis Bischof/Professor Jens Wüstemann

### I. Admission and Seminar Dates

We accept applications for the seminar until **December 21, 2022 (fast close period)** and **February 15, 2023 (final close period)**, respectively. Please submit your applications via email to Silke Frankl (sfrankl@mail.uni-mannheim.de). You can access the seminar registration form under the following link: <https://www.bwl.uni-mannheim.de/en/wuestemann/teaching/>.

For the seminar writing phase, you can choose between **two eight-week periods**: the **fast close period** spans from **January 4, 2023 to March 1, 2023** and the **final close period** from **February 22, 2023 to April 19, 2023**. Please indicate in your registration document in which period you intend to write your seminar thesis. We will publish the allocation of paper topics via email on January 4, 2023 and on February 22, 2023, respectively (at 12 pm).

The seminar presentations will take place on **May 12, 2023**.

Please consult the relevant examination regulation ("Prüfungsordnung") and module catalog ("Modulkatalog") for information on minimum admission requirements.

### II. Seminar Paper and Presentation

#### 1. *Motivation & Preliminary Remarks*

Recent years have been shaped by a series of very different crises: Starting with the outbreak of the coronavirus pandemic in early 2020, followed by major supply-chain disruptions upon the reopening of the economy, and culminating in a global energy crisis triggered by the war in Ukraine. Concurrently, companies are also dealing with the ramifications of an ongoing climate crisis. Indeed, a recent article in the Harvard Business Review illustrates that these events are just part of a broader trend towards greater global economic uncertainty driven primarily by rising political fragmentation (see figure below).

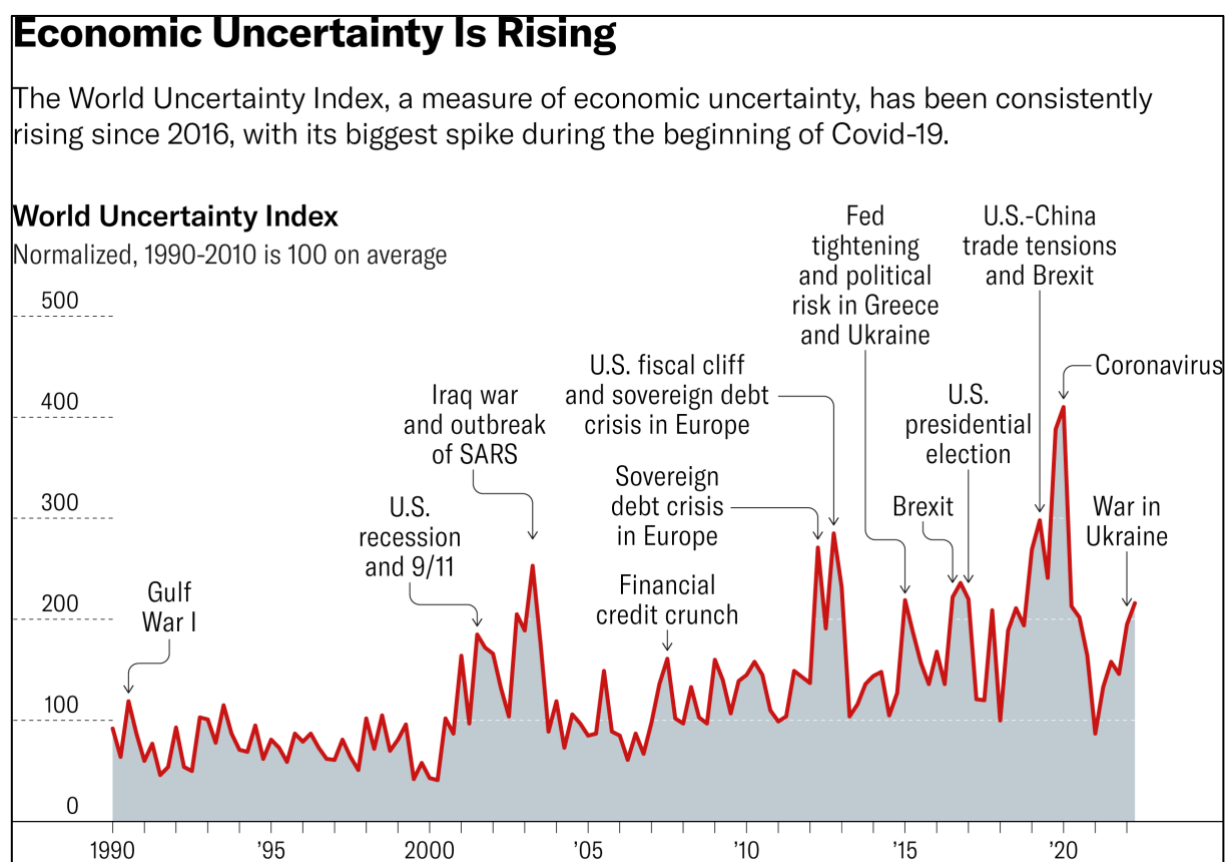
Such uncertainty on a broad macroeconomic level fundamentally affects the economic forces at play in the information environment. On the one hand, investors seek detailed information on the impact of these global shocks on firms' financial condition and future outlook. The SEC explicitly addressed the increased informational needs in a statement early on in the pandemic asking firms to provide elaborate disclosure on how they are affected and intend to respond to the health crisis. On the other hand, and despite strong investor interest, heightened economic uncertainty may also suppress the provision of reliable forward-looking disclosures. This is because economic shocks also change firms' underlying reporting incentives. For instance, survey evidence by the German Business Panel has shown that German firms, which have traditionally been conservative in their accounting, are shifting towards accounting choices that tend to overstate their income figures in the current context. Such accounting distortions are meant to portray firms' financials in a favorable light, for instance, to ensure cheaper (re-)financing conditions. At the same time, however, these earnings management activities also obfuscate investors' assessment of firms' future prospects, thereby exacerbating the informational problem prevalent in high-uncertainty settings. Given these conflicting concerns, understanding the interaction between firms' reporting incentives, disclosure behavior and investors' informational needs in times of crisis is essential to identify possible inefficiencies and formulate adequate policy responses.

These recent crises appear special in the sense that they have somehow affected the entire economy, which is the key feature differentiating them e.g., from the financial crisis of 2008/09. While undoubtedly having ramifications for a variety of sectors, that crisis had been predominantly focused on financial institutions. Banks' accounting choices before and during the crisis sparked a controversial debate about the role of accounting for financial stability. Quickly, both academics and practitioners were concerned with delayed provisioning for loan losses and the related lack of transparency and corrective actions in terms of banks' lending behavior. Nevertheless, more transparency might not always be better. In this special case it could have triggered bank runs and write-downs on troubled assets would have impaired bank capital. While the public had been quick in blaming the accounting system for (at least) part of the financial crisis, accounting researchers have again stressed the role of reporting incentives as central to understanding banks' reporting behavior during a crisis (Bischof, Laux & Leuz, 2021). Hence, accounting for financial stability continues to be a relevant field of research, not least because the recent adverse economic developments are the first crises putting the revised accounting rules for banks both in the US and in Europe to the test.

Aside from these temporary economic shocks, companies are also subject to a ubiquitous climate and sustainability crisis which has spurred a growing interest in sustainable investments. Accordingly, investors demand reliable information about both the impact of and responses to firms' ESG risks. Some recent regulatory initiatives such as the SEC proposal for climate-related disclosure are exclusively aimed at satisfying this investor need for material ESG information. Others (e.g., EU NFRD) are more broadly motivated and intended to induce socially desirable corporate behavior in line with climate and sustainability goals. Despite vastly different rationales, both regulatory approaches have in common that (impact) measurement of ESG issues is inherently difficult and the resulting discretion (e.g., in proxy

selection) raises greenwashing concerns. As accountants, we must therefore also address questions pertaining to effective third-party assurance of (mandated) ESG disclosure.

Against the background of rising economic uncertainty, the seminar aims to shed light onto the role of corporate transparency in times of global crises. In doing so, we adopt a bi-directional perspective in which we not only consider the direct impact of such crises on accounting practices, but also the extent to which transparency can mitigate the adverse consequences arising from major economic shocks/transitions. Each of the three different parts addresses accounting issues arising either in a specific crisis setting or more generally in high-uncertainty environments.



Source: Harvard Business Review. September 29, 2022.

For further insights and in general preparation for the seminar session, we recommend the following articles:

- Bischof, J. [Warum verzerrte Bilanzen gefährlich sind](#). FAZ.
- Bischof, J., Laux, C., & Leuz, C. (2021). [Accounting for financial stability: Bank disclosure and loss recognition in the financial crisis](#), Journal of Financial Economics, 141(3), 1188-1217.
- Bloom, N., Ahir, H., & Furceri, D. [Visualizing the Rise of Global Economic Uncertainty](#), Harvard Business Review.

## 2. Topics and Related Literature

### Part A: Uncertainty, Volatility and Accounting Measurement

- **Topic 1: Crisis-Induced Financial Reporting Disruptions and Disclosure Responses** (Supervisor: Frederik Kohl)
  - deHaan, E., de Kok, T., Matsumoto, D.A., & Rodriguez-Vazquez, E. (2022). How Resilient are Firms' Financial Reporting Processes? *Management Science*, *Forthcoming*.
  - Down, A.K., Reiter, N., & Wahid, A.S. (2022). [The Adaptability of Investor Relations: Investor Communication in the Face of COVID-19](#). Working Paper.
  - Hope, O.-K., Li, C., Ma, M.S., & Su, X. (2022). Is silence golden sometimes? Management guidance withdrawals during the COVID-19 pandemic. *Review of Accounting Studies*, *Forthcoming*.
  - Larcker, D.F., Lynch, B., Tayan, B., & Taylor, D.J. (2020). [The Spread of COVID-19 Disclosure](#). Rock Center for Corporate Governance Closer Look Series, No. CGRP-84.
- **Topic 2: "How does management react to increased uncertainty? A discussion of Cost structure effects"** (Supervisor: Yuhan Liu)
  - Aboody, D., Levi, S., & Weiss, D. (2018). Managerial incentives, options, and cost-structure choices. *Review of Accounting Studies*, 23(2), 422-451.
  - Banker, R. D., Byzalov, D., & Plehn-Dujowich, J. M. (2014). Demand uncertainty and cost behavior. *The Accounting Review*, 89(3), 839-865.
  - Bischof, J., Karlsson, C., Rostam-Afschar, D., & Simon, T. (2021). Die Bedeutung der Kostenstruktur für die Effektivität von Staatshilfen. *Wirtschaftsdienst*, 101(7), 536-543.
- **Topic 3: "External Reporting in times of crisis: A discussion of Earnings Management incentives"** (Supervisor: Vincent Giese)
  - Beyer, A., & Smith, K.C. (2021). Learning about risk-factor exposures from earnings: Implications for asset pricing and manipulation. *Journal of Accounting and Economics*, 72, 101404.
  - Bischof, J., Doerrenberg, P., Rostam-Afschar, D., Simons, D., & Voget, J. (2022). Monatsbericht September. [https://backend.gbpanel.org/app/uploads/2022/09/gbp\\_monitor\\_2022\\_09.pdf](https://backend.gbpanel.org/app/uploads/2022/09/gbp_monitor_2022_09.pdf).
  - Dechow, P., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics*, 50(2-3), 344-401.
- **Topic 4: "Critical assessment of Teilwertabschreibungen (impairment) according to German GAAP on listed securities with special consideration of the BMF letter of 2.9.2016" / „Kritische Würdigung der Teilwertabschreibung nach hGoB auf börsennotierte Wertpapiere unter besonderer Berücksichtigung des BMF-Schreibens vom 2.9.2016"** (Supervisor: Leonie Baumann)
  - BMF-Schreiben vom 2. September 2016 IV C 6 – S 2171-b/09/10002, in: BStBl. I 2016, S. 995-999.

- Moxter, A.: Zur Klärung der Teilwertkonzeption, in: FS Klein, hrsg. v. P. Kirchhof et al., Köln 1994, S. 827-839.
- Fey, G./Mujkanovic, R.: Außerplanmäßige Abschreibungen auf das Finanzanlagevermögen, in: WPg 56. Jg. (2003), S. 212-219.
- **Topic 5:** "Critical assessment of the requirements for risk reporting in accordance with §§ 289, 315 HGB with particular consideration of DRS 20" / „Kritische Würdigung der Anforderungen an die Risikoberichterstattung im (Konzern-)Lagebericht gemäß §§ 289, 315 HGB unter besonderer Berücksichtigung des DRS 20“ (Supervisor: Leonie Baumann)
  - DRSC: Deutscher Rechnungslegungs Standard Nr. 20 – Konzernlagebericht vom 25.11.2012, in: BAnz 64. Jg. (2012), AT vom 4.12., B1.
  - Iselborn, M.: Bilanzierung und Berichterstattung für Liquiditätsrisiken, Wiesbaden 2017.
  - Zülch, H. & Höltken, M.: Die „neue“ (Konzern-)Lageberichterstattung nach DRS 20 - ein Anwendungsleitfaden, in: DB 66. Jg. (2013), S. 2457–2465.
  - Dörner, D. & Bischof S.: Zweifelsfragen zur Berichterstattung über die Risiken der künftigen Entwicklung im Lagebericht, in: WPg 52. Jg. (1999), S. 445-455.

#### Part B: Accounting for Financial Stability

- **Topic 6:** "The Expected Credit Loss Approach in Times of Crisis: IFRS9 and the Role of Regulatory Forbearance" (Supervisor: Vincent Giese)
  - Bischof, J., Brüggemann, U., & Daske, H. (2022). Asset reclassifications and bank recapitalization during the financial crisis. *Management Science*, *Forthcoming*.
  - Borio, C., & Restoy, F. (2020). Reflections on regulatory responses to the Covid-19 pandemic. Financial Stability Institute (Bank of International Settlements). FSI Brief No. 1.
  - Brown, C.O., & Dinç, I.S. (2011). Too Many to Fail? Evidence of Regulatory Forbearance When the Banking Sector Is Weak. *The Review of Financial Studies*, 24 (4), 1378–1405.
  - European Central Bank. (2020). Letter to European Significant Institutions.  
[https://www.bankingsupervision.europa.eu/press/letterstobanks/shared/pdf/2020/ssm.2020\\_letter\\_IFRS\\_9\\_in\\_the\\_context\\_of\\_the\\_coronavirus\\_COVID-19\\_pandemic.en.pdf](https://www.bankingsupervision.europa.eu/press/letterstobanks/shared/pdf/2020/ssm.2020_letter_IFRS_9_in_the_context_of_the_coronavirus_COVID-19_pandemic.en.pdf).
  - Lopez-Espinoza, G., Ormazabal, G., & Sakasai, Y. (2021). Switching from Incurred to Expected Loan Loss Provisioning: Early Evidence. *Journal of Accounting Research*, 59(3), 757-804.
- **Topic 7:** "Critical Assessment of Legal Forbearance in Insolvency Law and its Implications for Financial Stability" (Supervisor: Frederik Kohl)
  - Becker, B., & Ivashina, V. (2022). Weak Corporate Insolvency Rules: The Missing Driver of Zombie Lending. *AEA Papers and Proceedings* 112, 516–520.
  - Dörr, J.O., Licht, G., & Murmann, S. (2022). Small firms and the COVID-19 insolvency gap. *Small Business Economics* 58, 887–917.
  - Hacker, M., & Kamke, D. (2020). Rückwirkende Aussetzung der Insolvenzantragspflicht in Kraft! WPg 73, 467–471.

- **Topic 8:** “Shaping expectations: The link between Central bank communication and financial stability” (Supervisor: Gerrit von Zedlitz)
  - Blinder, A. S., Ehrmann, M., Fratzscher, M., De Haan, J., & Jansen, D. J. (2008). Central bank communication and monetary policy: A survey of theory and evidence. *Journal of Economic Literature*, 46(4), 910-945.
  - Coibion, O., Gorodnichenko, Y., & Weber, M. (2022). Monetary policy communications and their effects on household inflation expectations. *Journal of Political Economy*, 130(6), 1537-1584.
  - Correa, R., Garud, K., Londono, J. M., & Misláng, N. (2021). Sentiment in central banks’ financial stability reports. *Review of Finance*, 25(1), 85-120.
  - Horváth, R., & Vaško, D. (2016). Central bank transparency and financial stability. *Journal of Financial Stability*, 22, 45-56.

### Part C: Targeted Transparency and ESG Risk

- **Topic 9:** “The Role of Third-Party Assurance in the Relation between Targeted Transparency and Corporate Social Responsibility” (Supervisor: Patricia Breuer)
  - Duflo, E., Greenstone, M., Pande, R., & Ryan, N. (2013). Truth-telling by third-party auditors and the response of polluting firms: experimental evidence from India. *The Quarterly Journal of Economics* 128.
  - Hombach, K., & Sellhorn, T. (2019). Shaping Corporate Actions Through Targeted Transparency Regulation: A Framework and Review of Extant Evidence. *Schmalenbach Business Review* 71.
  - Jiang, X., Xin, B., & Xiong, Y. (2022). The Value of Mandatory Certification: A Real Effects Perspective. *Journal of Accounting Research*, *Forthcoming*.
  - Weil, D., Graham, M., & Fung, A. (2013). Targeting Transparency. *Science*, 340.
- **Topic 10:** “The effect of non-financial disclosure on investors’ risk assessment” (Supervisor: Franziska Büchner)
  - Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review*, 86(1), 59-100.
  - Dhaliwal, D. S., Radhakrishnan, S., Tsang, A., & Yang, Y. G. (2012). Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. *The Accounting Review*, 87(3), 723-759.
  - Fiechter, P., Hitz, J. M., & Lehmann, N. (2022). Real effects of a widespread CSR reporting mandate: Evidence from the European Union’s CSR Directive. *Journal of Accounting Research*, 60(4), 1499-1549.
  - Grewal, J., Hauptmann, C., & Serafeim, G. (2017): Stock Price Synchronicity and Material Sustainability Information, in: Harvard Business School (ed): Harvard Business School Working Paper, no. 17-098, as of: May 2017.

- **Topic 11:** “From voluntary to mandatory ESG-disclosure: Rationales for establishing mandatory non-financial reporting regulations” (Supervisor: Franziska Büchner)
  - Bischof, J., Dutzi, A., & Gros, M. (2022). Sustainability reporting and risk governance. *Journal of Business Economics*, 92, 1-5.
  - Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, 26(3), 1176-1248.
  - Hombach, K., & Sellhorn, T. (2019). Shaping corporate actions through targeted transparency regulation: A framework and review of extant evidence. *Schmalenbach Business Review*, 71(2), 137-168.
  - Wüstemann, J., Bischof, J., & Koch, C. (2008). Kapitalmarktgesetzgebung im Europäischen Binnenmarkt, in: Mohr Siebeck, Klaus J. Hopt et al. (ed): *Regulierung durch Transparenz - Ökonomische Analysen, empirische Befunde und Empfehlungen für eine europäische Kapitalmarktregulierung*, Tübingen 2008, 1-18.
- **Topic 12:** “The link between ESG disclosure and firm value: Evidence and empirical challenges” (Supervisor: Alexandra Langness)
  - Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, 26(3), 1176-1248.
  - Matsumura, E. M., Prakash, R., & Vera-Munoz, S. C. (2014). Firm-value effects of carbon emissions and carbon disclosures. *The Accounting Review*, 89(2), 695-724.
  - Plumlee, M., Brown, D., Hayes, R. M., & Marshall, R. S. (2015). Voluntary environmental disclosure quality and firm value: Further evidence. *Journal of Accounting and Public Policy*, 34(4), 336-361.
  - Teoh, S. H., & Hwang, C. Y. (1991). Nondisclosure and adverse disclosure as signals of firm value. *The Review of Financial Studies*, 4(2), 283-313.

### III. Administration and General Information

#### 1. Supervision

In general, you should contact your assigned supervisor shortly after the allocation of topics to discuss the general direction of your topic and the principles of writing an academic seminar paper. In addition, we expect that you present and discuss the structure and content of your term paper at one or two more meetings with your supervisor. Please check the list of topics and the chair's website on how to get in contact with your supervisor.

#### 2. Formal Guidelines

Please check the "Guidelines for Academic Writing" („Richtlinien für die Anfertigung wissenschaftlicher Arbeiten“), which are available for download on the relevant chair's website. Seminar papers need to be written in English (seminar papers of topics 4 & 5 can be written in German). Please note that students in the English-track of the MMM program must write their seminar papers in English. In general, seminar papers consist of 14 to 16 text pages, excluding indices and appendices. You should start your paper with a clear and concise introduction that motivates the topic and derives the main research question of your paper. The introduction should be approximately 1-1.5 pages in length and conclude with a short outline of the course of your study. Accordingly, your seminar thesis shall end with a conclusion that summarizes the main findings of your paper. You can find further details in the "Guidelines for Academic Writing".

#### 3. Submission of Seminar Papers and Presentations

Please submit two printed copies of your written seminar thesis to Silke Frankl (office assistant to Prof. Wüstemann) during the regular office hours. Seminar papers must not be bounded by hard- or paperback; stapled copies are sufficient. In addition, please submit a digital version of your paper to your supervisor. The digital version shall include, if applicable, all relevant digital content of your thesis (such as MS Excel files, internet resources, etc.). Seminar papers need to be submitted until 12 pm on the ending date of either the fast or final close period (*vide supra*). Extensions of the submission deadline are only possible in accordance with the examination regulation if you can present a medical certificate. Please note that it is not possible to extend the working period beyond the date scheduled for the seminar presentations. In addition to the written seminar thesis, you are required to prepare a presentation based on your submitted seminar paper. The language of the seminar is English. Details on the content and structure of your presentations will be available from your supervisors only after the submission of your written papers. The presentation slides have to be handed in on May 5, 2023 at the very latest (sfrankl@mail.uni-mannheim.de).

#### 4. Grading

Grading is based on the written paper (60%), the presentation and active seminar participation (40%). Attendance at all seminar sessions is mandatory, and all participants are expected to participate in the seminar discussions.



### 5. Seminar Preparation and Materials

To effectively prepare for the seminar and the discussions, we will provide all participants with relevant introductory literature as well as the final presentations. Further information on the availability of additional material will be announced in time.

### 6. Examiner/Supervisor

The students will be examined / supervised by the following Professor / Research Assistant:

Topic 1 (part A)	Prof. Wüstemann / Frederik Kohl
Topic 2 (part A)	Prof. Bischof / Yuhan Liu
Topic 3 (part A)	Prof. Bischof / Vincent Giese
Topic 4 (part A)	Prof. Wüstemann / Leonie Baumann
Topic 5 (part A)	Prof. Wüstemann / Leonie Baumann
Topic 6 (part B)	Prof. Bischof / Vincent Giese
Topic 7 (part B)	Prof. Wüstemann / Frederik Kohl
Topic 8 (part B)	Prof. Bischof / Gerrit von Zedlitz
Topic 9 (part C)	Prof. Bischof / Patricia Breuer
Topic 10 (part C)	Prof. Wüstemann / Franziska Büchner
Topic 11 (part C)	Prof. Wüstemann / Franziska Büchner
Topic 12 (part C)	Prof. Bischof / Alexandra Langness