

**ACCT 930**  
**Seminar in Auditing Research I**  
**Fall 2016**

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**Professor Information**

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**Class Hours:** Thursdays 9:30a-12:15p in CAPF 2141  
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**Course Objectives**

This course will expose you to specific streams of the empirical/archival auditing literature. You are expected to critically analyze the papers that we read and to suggest ways to improve and extend the extant literature. In analyzing the course readings, we will discuss the papers in their entirety, including the studies' "front-end," research design, analyses, and conclusions.

As academics, we spend a lot of time presenting our work and critiquing others' work in both verbal form (discussant) or written form (formal reviews). To hone your presentation/discussant skills, you will be asked to discuss certain published papers assigned as class reading. To practice writing formal critiques, you will also be required to prepare a written critique of each paper, and you will also be asked to prepare a formal review of a working paper.

This course will also include hands on data manipulation and analysis using SAS and Stata. In addition to the research papers that we read, we may also read some of the SAS and/or Stata documentation along with some articles intended to improve your data analysis skills. The goal of this portion of the course is to help you learn how to use the most common tools and data to perform archival auditing research.

Please note that this syllabus may need to be adjusted as we move through the course.

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**Course Grades**

Your grade for this course will be based on your discussions, participation in class, your paper summaries, your hands-on data assignments, and your paper review as follows:

Participation, article summaries, data assignments	35%
Discussions	35%
Paper review	30%

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**Participation**

The key to a meaningful and interesting seminar experience is class participation. As a result, you are expected to make a significant contribution to our discussion of each of the readings. Measurement of a "significant" contribution includes both the quantity and quality of comments that you make. This implies that you must read all of the assigned papers carefully prior to class. Also, you may benefit from reading other research on which the authors of the assigned papers rely heavily. This will improve your ability to make comparisons across studies and provide you with material for questions and comments that will enliven class discussion.

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## Article Summaries

I expect you to read each assigned article carefully. You will be required submit a written summary using either bullet-point or outline format. This outline can be single-spaced and should not exceed one page in length. Include the following items in your outline:

author and title

- research question(s) and why it(they) is(are) interesting and important
- theory supporting the expected relation between the test variable(s) and the dependent variable(s)
- hypotheses (if applicable)
- data source(s), sample, research design, and testing method (identify the statistical technique [e.g., multiple regression, logistic regression, etc.], the dependent variable, the test variable[s], and control variables)
- the findings
- the contribution and implications
- constructive criticisms and limitations of the study
- related ideas for future research

Prior to each class, email your article summaries in PDF form to your classmates and me.

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## Hands-on Data Exercises

We will be using WRDS, SAS, and Stata for our hands-on data exercises throughout the term. Please bring a laptop to class so that you get the most from this part of the course, and confirm that you have both software programs installed and running on your computer before the class begins. I will post the various assignments and links to related readings on my [website](#).

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## Discussions

You are required to read and be prepared to discuss each assigned paper. However, one student will be assigned as the discussion leader for each study. Discussion leaders need to prepare a professional presentation that briefly summarizes the paper, discusses the paper's strengths, critiques the paper, and provides constructive suggestions for improving the paper. This presentation should take no longer than 10 minutes and should use appropriate visual aids (e.g., Keynote slides). Following the presentation, the discussion leader will be responsible for facilitating our discussion of the study for the remainder of its allotted time. The course schedule identifies the discussion leader for each assigned paper.

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## Paper Review

Towards the end of the term, I will give you a package that contains a cover letter from the editor (me), a working paper to critique, and examples of reviews performed by other academics. As with any formal review, I will ask you to provide feedback to me by a certain date and I will have a specific format for you to follow.

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# Tentative Course Schedule

## Meeting #1 (9/1): Course Overview/Academic Accounting

**Note:** No formal presentations or article summaries are required for this class meeting.

Bloomfield, R., M.W. Nelson, and E. Soltes. 2016. Gathering data for archival, field, survey, and experimental accounting research. *Journal of Accounting Research* 54 (May): 341-395. (Skip Sections 6.2-6.6)

Cook, K.A., M. Hart, M.R. Kinney, and D.K. Oler. How to discuss a paper: Developing and showcasing your scholarly skills. *Issues in Accounting Education* 31 (May): 211-218.

Dyckman, T.R. and S.A. Zeff. 2014. Some methodological deficiencies in empirical research articles in accounting. *Accounting Horizons* 28 (September): 695-712.

Evans, J.H., M. Feng, V.B. Hoffman, and D.V. Moser, and W.A. van der Stede. 2015. Points to consider when self-assessing your empirical accounting research. *Contemporary Accounting Research* 32 (Fall): 1162-1192.

## Meeting #2 (9/8): Overview of Archival Auditing Research

**Note:** No formal presentations or article summaries are required for this class meeting.

DeFond, M.L. and J. Zhang. 2014. A review of archival auditing research. *Journal of Accounting and Economics* 58 (2-3): 275-326. **Chenxi** (Sections 1&2), **Cliff** (Sections 3&4), and **Yijun** (Sections 5&6)

Donovan, J., R. Frankel, J. Lee, X. Martin, and H. Seo. 2014. Issues raised by studying DeFond and Zhang: What should audit researchers do? *Journal of Accounting and Economics* 58 (2-3): 327-338.

## Meeting #3 (9/15): Methodological Issues in Audit Research

**Note:** No article summaries are required for this class meeting; each presenter should present a summary of his or her paper rather than providing discussant comments.

Bertomeu, J., A. Beyer, and D.J. Taylor. 2016. From casual to causal inference in accounting research: The need for theoretical foundations. Working paper, Stanford University. **Kai**

Gow, I.D., D.F. Larcker, and P.C. Reiss. Causal inference in accounting research. *Journal of Accounting Research* 54 (May): 477-523. **Niki**

Lennox, C.S., J.R. Francis, and Z. Wang. 2012. Selection models in accounting research. *The Accounting Review* 87 (March): 589-616. **Chenxi**

Shipman, J.E., Q.T. Swanquist, and R.L. Whited. 2016. Propensity score matching in accounting research. *The Accounting Review*, Forthcoming. **Cliff**

## Meeting #4 (9/22): Regulation/PCAOB

Drake, K.D., N.C. Goldman, and S.J. Lusch. 2016. Do income tax-related deficiencies in publicly disclosed PCAOB Part II reports influence audit client financial reporting of income tax accounts? *The Accounting Review* 91 (September): 1411-1439. **Niki**

Lamoreaux, P.T. 2016. Does PCAOB inspection access improve audit quality? An examination of foreign firms listed in the United States. *Journal of Accounting and Economics* 61 (2-3): 313-337. **Kai**

Schroeder, J.H. and M.L. Shepardson. 2016. Do SOX 404 control audits and management assessments improve overall internal control system quality?" *The Accounting Review* 91 (September): 1513-1541. **Yijun**

### **Meeting #5 (9/29): Audit Fees**

Bills, K.L., L.M. Cunningham, and L.A. Myers. 2016. Small audit firm membership in associations, networks, and alliances: Implications for audit quality and audit fees. *The Accounting Review* 91 (May): 767-792. **Chenxi**

Goldie, B., Li L., and A. Masli. 2016. Do mutual fund investors care about auditor quality? Working paper, University of Kansas. **Cliff**

Hribar, P., T. Kravet, and R. Wilson. 2014. A new measure of accounting quality. *Review of Accounting Studies* 19 (1): 506-538. **Yijun**

Simunic, D. A. 1980. The pricing of audit services: Theory and evidence. *Journal of Accounting Research* 18 (Spring): 161-190. **Kai**

### **Meeting #6 (10/6): Audit Quality**

Aobdia, D. C.-J. Lin, and R. Petacchi. 2015. Capital market consequences of audit partner quality. 2015. *The Accounting Review* 90 (November): 2143-2176. **Niki**

Bills, K.L., Q.T. Swanquist, and R.L. Whited. 2016. Growing pains: Audit quality and office growth. *Contemporary Accounting Research* 33 (Spring): 288-313. **Chenxi**

Boone, J.P., I.K. Khurana, and K.K. Raman. 2015. Did the 2007 PCAOB disciplinary order against Deloitte impose actual costs on the firm or improve its audit quality? *The Accounting Review* 90 (March): 405-441. **Cliff**

Knechel, W. R., G.V. Krishnan, M. Pevzner, L.B. Shefchik, and U.K. Velury. 2013. Audit quality: Insights from the academic literature. *Auditing: A Journal of Practice & Theory* 32 (Supplement 1): 385-421.

### **Meeting #7 (10/13): Auditor Reporting Lag**

Bronson, S.N., C.E. Hogan, M.F. Johnson, and K. Ramesh. 2011. The unintended consequences of PCAOB Auditing Standard Nos. 2 and 3 on the reliability of preliminary earnings releases. *Journal of Accounting and Economics* 51 (February): 95-114.

Lambert, T.A., K.L. Jones, J.F. Brazel, D.S. Showalter. 2016. Audit time pressure and earnings quality: An examination of accelerated filings. Working paper, Lehigh University. **Yijun**

Schroeder, J.H. 2016. The impact of audit completeness and quality on earnings announcement GAAP disclosures. *The Accounting Review* 91 (March): 677-705. **Kai**

### **Meeting #8 (10/20): Auditor Reporting**

Carson, E., N.L. Fargher, M.A. Geiger, C.S. Lennox, K. Raghunandan, and M. Willekens. 2013. Audit reporting for going-concern uncertainty: A research synthesis. *Auditing: A Journal of Practice & Theory* 32 (Supplement 1): 353-384.

Czerney, K., J. Schmidt, and A.M. Thompson. 2014. Does auditor explanatory language in unqualified audit reports indicate increased financial misstatement risk? *The Accounting Review* (November): 2115-2149. **Cliff**

Feng, M. and C. Li. 2014. Are auditors professionally skeptical? Evidence from auditors' going-concern opinions and management earnings forecasts. *Journal of Accounting Research* 52 (December): 1061-1085. **Yijun**

### **Meeting #9 (10/27): Auditor Turnover**

Brown, S.V. and W.R. Knechel. 2016. Auditor-client compatibility and audit firm selection. *Journal of Accounting Research* 54 (June): 725-775. **Kai**

Dhaliwal, D.S., P.T. Lamoreaux, C.S. Lennox, and L.M. Mauler. 2015. Management influence on auditor selection and subsequent impairments of auditor independence during the post-SOX period. *Contemporary Accounting Research* 32 (Summer): 575-607. **Niki**

Hennes, K.M., A.J. Leone, and B.P. Miller. 2014. Determinants and market consequences of auditor dismissals after accounting restatements. *The Accounting Review* 89 (May): 1051-1082. **Chenxi**

### **Meeting #10 (11/3): Industry Expertise**

Bills, K.L., D.C. Jeter, and S.E. Stein. 2014. Auditor industry specialization and evidence of cost efficiencies in homogenous industries. *The Accounting Review* 90 (December): 1721-1754. **Cliff**

Goodwin, J., and D. Wu. 2014. Is the effect of industry expertise on audit pricing an office-level or a partner-level phenomenon? *Review of Accounting Studies* 19: 1532-1578. **Kai**

Minutti-Meza, M. 2013. Does auditor industry specialization improve audit quality? *Journal of Accounting Research* 51 (4): 779-817. **Yijun**

### **Meeting #11 (11/10): Non-Audit Services and Auditor Independence**

Bell, T.B., M. Causholli, and W.R. Knechel. 2015. Audit firm tenure, non-audit services, and internal assessments of audit quality. *Journal of Accounting Research* 53 (June): 461-509. **Niki**

Blay, A. D., and M. A. Geiger. 2013. Auditor fees and auditor independence: Evidence from going concern reporting decisions. *Contemporary Accounting Research* 30 (Summer): 579-606. **Chenxi**

Causholli, M., D.J. Chambers, and J.L. Payne. 2014. Future non-audit service fees and audit quality. *Contemporary Accounting Research* 31 (Fall): 681-712. **Cliff**

### **Meeting #12 (11/17): Audit Committees**

#### *Assigned Readings*

Badolato, P.G., D.C. Donelson, and M. Ege. 2014. Audit committee financial expertise and earnings management: The role of status. *Journal of Accounting and Economics* 58: 208-230. **Yijun**

Beck, M.J., and E.G. Mauldin. 2014. Who's really in charge? Audit committee versus CFO power and audit fees. *The Accounting Review*, (November): 2057-2085. **Chenxi**

Lisic, L.L., T.L. Neal, I.X. Zhang, and Y. Zhang. 2015. CEO power, internal control quality, and audit committee effectiveness in substance versus in form. *Contemporary Accounting Research*, Forthcoming. **Niki**

#### *Additional Reading*

Hayes, R.M. 2014. Discussion of "Audit Committee Financial Expertise and Earnings Management: The Role of Status" by Badolato, Donelson, and Ege (2014). *Journal of Accounting and Economics* 58 (November): 231-39. (No summary required)

### Meeting #13 (11/29): International

Bronson, S.N., A. Ghosh, and C.E. Hogan. 2016. Audit fee differential, audit effort, and litigation risk: An examination of ADR firms. *Contemporary Accounting Research*, Forthcoming.

El Ghoul, S., O. Guedhami, J.A. Pittman, and S. Rizeanu. 2016. Cross-country evidence on the importance of auditor choice to corporate debt maturity. *Contemporary Accounting Research* 33 (Summer): 718-751. **Chenxi**

Reid, L.C. and J.V. Carcello. 2016. Investor reaction to the prospect of mandatory audit firm rotation. *The Accounting Review*, Forthcoming. **Cliff**

### Meeting #14 (12/1): Auditor Litigation

#### *Assigned Readings*

Lennox, C., and B. Li. 2012. The consequences of protecting audit partners' personal assets from the threat of liability. *Journal of Accounting and Economics* 54 (2-3): 154-173. **Yijun**

Lennox, C., and B. Li. 2014. Accounting misstatements following lawsuits against auditors. *Journal of Accounting and Economics* 57 (1): 58-75. **Kai**

Minutti-Meza, M. 2014. Issues in examining the effect of auditor litigation on audit fees. *Journal of Accounting Research* 52 (May): 341-356. **Niki**

#### *Additional Reading*

DeFond, M.L. 2012. The consequences of protecting audit partners' personal assets from the threat of liability: A discussion. *Journal of Accounting and Economics* 54 (2-3): 174-179. (No summary required)