



## **Bentley Doctoral Program**

### **MANAGERIAL CONTROL SYSTEMS (PACC 1603)**

**Fall, 2016**  
**Tuesday, 9:00 am – 12:00 pm**  
**Location- AAC 242**

#### **SYLLABUS**

**INSTRUCTOR NAME:** **Dr. Rani Hoitash**  
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**Office Hours- Thursday 2:30-3:30 pm**  
**or by appointment**

#### **COURSE DESCRIPTION**

The purpose of this seminar is to develop a foundation for consuming, evaluating and producing scholarly research in the complementary domains of management accounting and corporate governance. During the seminar, we will read and critique research papers on a variety of topics. With regard to each article covered, we will pay particular attention to the significant and unique contribution of the research question, logical and coherent development of the theoretical-empirical background, appropriate and valid design of the research process, rigor and complete analysis of the data, and meaningful and insightful discussion of the research findings. We will also discuss various alternative ways in which the author(s) might have approached the research question, and consider the generation of future research topics arising from the article's findings. In addition, you will have the opportunity to use financial and corporate governance datasets to construct and analyze a sample of public companies.

#### **COURSE LEARNING OBJECTIVES**

Upon the conclusion of the course you should:

1. Develop a deep understating of managerial and corporate governance theory and research.
2. Gain significant understanding of relevant and current managerial and corporate governance topics and issues.
3. Learn how to apply archival research methods.

4. Know how to critically evaluate managerial and corporate governance research.
5. Demonstrate your knowledge by developing a viable research proposal in the domains of managerial and corporate governance.
6. Learn how to work with SAS and STATA to perform statistical analyses of large datasets.

## **CLASS STRUCTURE**

Class will meet once each week for a full semester. You are expected to come to class fully prepared to discuss the assigned articles and topics.

**Participation:** The key to a meaningful and interesting seminar experience is class participation, and thus each student is expected to make a significant contribution to discussion of each of the readings. By “significant” contribution, I mean both the quantity and quality of comments that you make. This implies that papers must be read 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.

**Presentations:** You will be assigned to present and discuss various articles throughout the semester. The primary presenter is also responsible for searching current working papers on the topic to include in their presentation of the assigned paper. The objective of this process is to identify viable questions for research to extend the literature. You need to prepare a professional presentation, using the appropriate visual aids such as PowerPoint, and lead the class through the paper and a critique, with most of the emphasis on the critique. Your presentation format and article evaluation reports should be as follows:

**Article Analysis/Presentation:** For each assigned article, you need to turn in an evaluation using either a bullet-point or outline format. Your article analyses should be no more than 5 manuscript pages in length (double-spaced, one-inch margins, 12-point font). Your evaluation should: (1) describe the research question and why it is interesting and important; (2) for empirical papers, evaluate the key assumptions, theories, variables (identify independent and dependent variables), hypotheses or research questions; (3) consider the appropriateness of the sample, research design, and testing method; (4) discuss the results of tests or analysis (what is interesting? surprising?); and (5) assess the article’s contributions, limitations, and implications. Submit your evaluations electronically by 10:00 PM on Monday before class. (Note: for the articles you are presenting, you may use your presentation as the deliverable, as long as it contains the above components. I review but do not grade your article analysis; however I do require that you send your analyses and critiques prior to our class meeting.

## **COURSE ASSESSMENT**

**Course Grade:** Your grade will be determined by your performance on presentations (20%), significant and meaningful class participation (20%), research proposal (20%), SAS practice exercise (15%), and final examination (25%).

### **SAS Project**

You will be assigned to work on an extensive SAS/STATA exercise. For details, please refer to the separate document on Blackboard.

**Research Proposal:** You are expected to prepare and present an **archival** research proposal for a study related to a topic in the domain of corporate governance. Your paper should:

Introduction (2-4 pages):

- Identify the purpose(s) of the research project.
- Defend the relevance of the research question(s).
- Articulate the expected scholarly contribution(s).

Theory and Hypotheses (4-7 pages)

- Present the appropriate theory and literature.
- Develop testable hypotheses.

Research Method (4-6 pages)

- Explain the variables, metrics and models.
- Explain in detail what databases you will use and how.
- Describe how you would analyze the data.
- Show your proposed models.
- Defend/explain your choice of statistical testing procedures.

Summary and Conclusion (2-3 pages)

- Summarize the potential benefits of your study to theory and practice.
- Explain the limitations of your study
- Suggest future research arising from your study.

Overall, your manuscript should be around 12-20 pages (double-spaced, one-inch margins, 12-point font) in length.

Please note that you may also rely on the SAS/STATA exercise to develop research proposal that includes a statistical analysis based on the analysis you perform in the SAS assignment.

**Final Exam:** There will be a closed-book/notes essay format final examination at the end of the semester.

### **ACADEMIC HONESTY**

It is important to stress that **all** assignments for this course are **individual assignments**. While you may benefit from talking to each other about general issues regarding the assigned papers, the preparation of work that you hand in must be your own. If you have

questions on the papers, it is best to communicate with me. If it is unclear to you whether a particular communication is outside of the bounds of this policy, always ask me.

The following is taken from the Bentley College webpage. See <http://www.bentley.edu/ugcatalogue/honesty/index.cfm>

“At Bentley College, students and faculty are members of an academic community that supports honesty and integrity in the classroom and in research and scholarship. The opportunities for personal and intellectual growth are diverse and always expanding. The college is steadfastly committed to the pursuit of academic excellence, for students and faculty alike, and supports all scholarly activity consistent with that objective.

Learning is an opportunity and a privilege that demands responsibility and an uncompromising level of honor, integrity and trust. The expectation at Bentley is that students and faculty will take advantage of the opportunity for intellectual development, and that they will conduct themselves in a manner consistent with the standards of academic honesty. When these standards are violated or compromised, individuals and the entire Bentley community suffer.”

## **TENTATIVE WEEKLY SCHEDULE**

### ***August 30 (Week 1): Agency Theory and Governance Background***

Introductions and sharing of research interests

Discussion of syllabus and expectations

Review of corporate governance topics- presentation

Eisenhardt K.M. 1989. Agency Theory: An Assessment and Review. *The Academy of Management Review*, 14(1), 57-74

### ***September 6 (Week 2): Corporate Boards Structure and Characteristics (endogeneity, general characteristics and board size)***

Hermalin, B., and M. Weisbach, 2003, Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature, Federal Reserve Bank of New York Economic Policy Review 9, 7-26 **Annie**

Boone, A., Field, L., Karpoff, J., Raheja, C., 2007, The Determinants of Corporate Board Size and Composition an Empirical Analysis, *Journal of Financial Economics* 85, 65- 101. **Katie**

Coles, J. L., N. D. Daniel, and L. Naveen. "Boards: Does One Size Fit All?" *Journal of Financial Economics* 87 (2008): 329-356. **Melissa**

### ***September 13 (Week 3): Corporate Boards Structure and Characteristics-2 (board independence and classified boards)***

Beasley, Mark S. 1996 “An Empirical Analysis of the Relation Between the Board of Director Composition and Financial Statement Fraud.” *The Accounting Review*, 71, no. 4.

Anderson, R., S. Mansi and D. Reeb. 2004. “Board characteristics, accounting report integrity, and the cost of debt.” *Journal of Accounting and Economics*, 37, 3

Bebchuk, L., Cohen, A., 2005, The Costs of Entrenched Boards, *Journal of Financial Economics* 78, 409-433.

***September 20 (Week 4). Corporate Boards Structure and Characteristics-3 (busy boards and board diversity).***

Fich, E., and A. Shivdasani, 2006, Are Busy Boards Effective Monitors *Journal of Finance* 61 (2) - 689-724

Faleye, O., R. Hoitash, and U. Hoitash. 2011. The costs of intense board monitoring. *Journal of Financial Economics*.

Adams, R., and D. Ferreira, 2009, Women in the Boardroom and Their Impact on Governance and Performance, *Journal of Financial Economics* 94, 291-309

***September 27 (Week 5) The Board and Accounting Outcomes***

Efendi, J., Files, R., Ouyang, B., & Swanson, E. P. (2012). Executive turnover following option backdating allegations. *The Accounting Review*, 88(1), 75-105.

Masulis, R.W, C. Wang, and F. Xie. 2012. Globalizing the boardroom—The effects of foreign directors on corporate governance and firm performance. *Journal of Accounting and Economics*, 53: 527-554.

Larcker, D. F., S. A. Richardson, and I. Tuna. 2007. Corporate governance, accounting outcomes, and organizational performance. *The Accounting Review* 82 (4): 963-1008.

***October 4 (Week 6): The Audit Committee-General***

Carcello, J. V., and T. L. Neal. 2000. Audit Committee Composition and Auditor Reporting. *The Accounting Review* 75(4): 453-467

Klein A. 2002. Economic determinants of audit committee independence. *The Accounting Review*, 77 (2): 435-452.

Abbott, L. J., S. Parker and G. F. Peters. 2004. Audit committee characteristics and restatements. *Auditing: A Journal of Practice & Theory* 23 (1): 69-87.

***October 11 (Week 7): Work on SAS/STATA project***

***October 18 (Week 8): Audit Committee-Expertise***

Badolato, P.G., Donelson, D.C. and Ege, M., 2014. Audit committee financial expertise and earnings management: The role of status. *Journal of Accounting and Economics*, 58(2), pp.208-230.

Hoitash U, R. Hoitash, and J. Bedard. 2009. Regulatory intent and political reality: Evidence on corporate governance and internal controls in the post-SOX world. *The Accounting Review* 84 (3) : 839-867

Krishnan, J., Y. Wen, and W. Zhao. 2011. Legal expertise on corporate audit committees and financial reporting quality' *The Accounting Review* 86 (6): 2099-2130.

***October 25 (Week 9): Research Proposal Development***

Individual meetings with professor to discuss research proposal topics, background literature and methods

***November 1 (Week 10): Executives and Board Compensation***

**Submit SAS project via email/Dropbox by October 30.**

**Presentations of SAS/STATA project**

Healy P.M. 1985. The effect of bonus schemes on accounting decisions. *Journal of Accounting and Economics* 7(1-3) 85-107

Shalev, R., Zhang, I.X. and Zhang, Y., 2013. CEO compensation and fair value accounting: Evidence from purchase price allocation. *Journal of Accounting Research*, 51(4), pp.819-854.

***November 8 (Week 11): Executives and Board Turnover/Compensation***

Cadman, B., and S. Jayanthi. 2014. Investor horizon and CEO horizon Incentives. *The Accounting Review*. 89 (4):1299-1328

Jayaraman, S. and Milbourn, T., 2014. CEO equity incentives and financial misreporting: The role of auditor expertise. *The Accounting Review*, 90(1), pp.321-350.

Srinivasan, S. 2005. Consequences of financial reporting failure for outside directors: Evidence from accounting restatements and audit committee members. *Journal of Accounting Research* 43 (2): 291-334.

Leone A. J., and M. Liu. 2010. Accounting Irregularities and Executive Turnover in Founder- Managed Firms. *The Accounting Review* 85 (1) 287-314.

***November 15 (Week 12): Chief Financial Officers***

Feng, M., W. Ge, S. Luo, and T. Shelvin. 2010. Why do CFOs become involved in material accounting manipulations. *Journal of Financial Economics* 51 (1-2): 21-36.

Jiang, J., K. Petroni, and I.Y. Wang. 2010. CFOs and CEOs: Who has the most influence on earnings management. *Journal of Financial Economics* 96(3): 513-526.

Wang X. 2010. Increased Disclosure Requirements and Corporate Governance Decisions- Evidence from Chief Financial Officers in the Pre- and Post- Sarbanes Oxley Periods. *Journal of Accounting Research*, 48 (4): 885-920.

***November 22 (Week 13): Chief Financial Officers/Other Governance Actors***

Beck, M.J. and Mauldin, E.G., 2014. Who's really in charge? Audit committee versus CFO power and audit fees. *The Accounting Review*, 89(6), pp.2057-2085..

Friedman, H.L., 2014. Implications of power: When the CEO can pressure the CFO to bias reports. *Journal of Accounting and Economics*, 58(1), pp.117-141.

Jagolinzer, A.D., Larcker, D.F. and Taylor, D.J., 2011. Corporate governance and the information content of insider trades. *Journal of Accounting Research*, 49(5), pp.1249-1274.

***December 6 (Week 14): Shareholders' rights***

Mai Dao, K. Raghunandan, and Dasaratha V. Rama 2012. Shareholder voting on auditor selection, audit fees, and audit quality. *The Accounting Review*, 87(1):149-171.

Ertimur, Yonca, Ferri, Fabrizio, Maber, David. 2012. Reputation penalties for poor monitoring of executive pay: Evidence from option backdating. *Journal of Financial Economics* 104: 118-144.

Fischer, P., Gramlich, J., Miller, B., White, H. 2009. Investor perceptions of board performance: evidence from uncontested director elections. *Journal of Accounting and Economics* 48: 172-189.

***December 6 (Week 15): Final Research Project Presentations***

In-Class presentation of each student's complete research project. Final project is due.

*December 13 (Week 16): Final exam in class, closed book/notes.*