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**UNIVERSITÄT
BERN**

SEVENTH ARW DOCTORAL COURSE 2011

In preparation to the **Seventh Accounting Research Workshop** (June 10-11 at the University of Fribourg, Switzerland) there will be a doctoral course from

June 6 – June 9 2011

at the Institute of Accounting, University of Bern, Switzerland. John S. Hughes (UCLA) and Tim Balde-
nius (Columbia University) have kindly agreed to teach.

Course organization

A detailed time schedule will be distributed in the week before the start of the course. For doctoral students who need credit points for their PhD-studies there will be a task assignment. The course language is English.

Course charge, travel and accommodation cost

There is no fee for the doctoral course but the participants must afford accommodation and travel expenses. Moreover, an application to the doctoral course must be accompanied by a (costly) registration to the conference (www.arw-suisse.ch/register.php). Notice that the doctoral course is in Berne and the conference is in Fribourg. The distance is about 35 km. Hotel recommendations for the conference can be found on the ARW website www.arw-suisse.ch. For accommodation in Berne, please contact beatrice.pidoux@iuc.unibe.ch.

Who should apply and how?

Both professors assume that students are in their advanced stage of their PhD studies and are specialized on analytical accounting. In particular, sound knowledge of principal-agent theory and / or disclosure theory is required. There will be no in-depth repetition of the basic methods.

Interested students should apply by email to Beatrice Pidoux beatrice.pidoux@iuc.unibe.ch. In principle, any PhD student may apply. However, the number of places is limited to 20 students who are personally unknown to the organizers must provide evidence on their specialization on at least one of the above fields.

<p>Professor John S. Hughes (UCLA) will teach a mini course, entitled</p> <p style="text-align: center;">“Discretionary Disclosure“</p>	<p>Professor Tim Baldenius (Columbia University) will teach a mini course, entitled</p> <p style="text-align: center;">“Boards of Directors: Analytical Models“</p>
<p>Meeting Time: 6 classes, 90 minutes each</p> <p>Requirements: Problem sets and final exam/project</p> <p style="text-align: center;">Course Readings</p> <p style="text-align: center;">Surveys (pre-course reading):</p> <p>Verrecchia (2001): Essays on Disclosure, <i>Journal of Accounting and Economics</i> 32 (1-3), 97-180. *</p> <p>Dye (2001): An evaluation of “essays on disclosure” and the disclosure literature in accounting, <i>Journal of Accounting and Economics</i> 32 (1-3), 181-235. *</p> <p style="text-align: center;">Session I</p> <ol style="list-style-type: none"> 1. Introduction and overview 2. Agency Theory <p>Holmström (1979), “Moral Hazard and Observability” <i>The Bell Journal of Economics</i> 10, 74-91</p> <p style="text-align: center;">Session II</p> <ol style="list-style-type: none"> 3. Unraveling and disclosure <p>Milgrom (1981), “Good News and Bad News:</p>	<p>Meeting Time: 6 classes, 90 minutes each</p> <p>Requirements: Problem sets and final exam/project</p> <p style="text-align: center;">Course Readings</p> <p>Readings marked with a (*) on the following list will be covered in some detail in class; those with a (†) will also be contained in the packet but not necessarily covered.</p> <p style="text-align: center;">Surveys (required pre-course reading):</p> <p>*Adams, Hermalin and Weisbach (2010), “The Role of Boards of Directors in Corporate Governance: A Conceptual Framework & Survey,” <i>Journal of Economic Literature</i> 48(1), 58–107.</p> <p>Tirole (2001), “Corporate Governance,” <i>Econometrica</i> 69(1), 1-35.</p> <p style="text-align: center;">Textbooks (good sources of reference for deeper coverage):</p> <p>Tirole, <i>The Theory of Corporate Finance</i>, Princeton Press, 2005, Chapter 10</p> <p>Bolton and Dewatripont, <i>Contract Theory</i>, MIT Press, 2004</p>

<p>Representation Theorems and Applications”, <i>The Bell Journal of Economics</i> 12 (2), 380-391</p> <p>4. Proprietary cost and disclosure</p> <p>Verrecchia (1983), “Discretionary disclosure”, <i>Journal of Accounting and Economics</i> 5, 179-194.*</p> <p style="text-align: center;">Session III</p> <p>5. Uncertain information and disclosure</p> <p>Jung and Kwon (1988), “Disclosure When the Market Is Unsure of Information Endowment of Managers”, <i>Journal of Accounting Research</i> 26, 146-153</p> <p>6. Information sharing and disclosure</p> <p>Darrough (1993), “Disclosure Policy and Competition: Cournot vs. Bertrand”, <i>The Accounting Review</i> 68, 534-561.</p> <p style="text-align: center;">Session IV</p> <p>7. Information acquisition and disclosure</p> <p>Pae (1999), “Acquisition and Discretionary Disclosure of Private Information and Its Implications for Firms’ Productive Activities”, <i>Journal of Accounting Research</i> 37, 465-474.</p> <p>8. Precision information, trade, and disclosure</p> <p>Hughes and Pae (2004): „Voluntary disclosure of precision information“, <i>Journal of Accounting</i></p>	<p style="text-align: center;">Course Plan</p> <p>Classes 1 & 2: Principal/agent-type papers</p> <p>Aghion and Tirole (1997), “Formal and Real Authority in Organizations,” <i>Journal of Political Economy</i> 105, 1–29.</p> <p>*Drymiotis (2007), “The monitoring role of insiders,” <i>Journal of Accounting and Economics</i> 44 (3), 359-377.</p> <p>Almazan and Suarez (2003), “Entrenchment and Severance Pay in Optimal Governance Structures,” <i>Journal of Finance</i> 58 (2), 519–547.</p> <p>Laux (2008), “Board Independence and CEO Turnover,” <i>Journal of Accounting Research</i> 46, 137–171.</p> <p>*Laux and Laux (2009), “Board Committees, CEO Compensation, and Earnings Management,” <i>The Accounting Review</i> 84, 869-891 (note: I will make an earlier working version available for class discussion)</p> <p>Classes 3—6: Optimal assignment of decision rights and strategic communication</p> <p>Dessein (2002), “Authority and Communication in Organizations,” <i>Review of Economic Studies</i> 69, 811–38.</p> <p>*Harris and Raviv (2005) “Allocation of Decision-making Authority,” <i>Review of Finance</i> 9, 353–83.</p> <p>Harris and Raviv (2008), “A Theory of Board Control and Size,” <i>Review of Financial Studies</i> 21(4), 1797–1832 (note: there is a useful online Appendix available from the RFS website).</p>
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<p><i>and Economics</i> 37 (2), 261-289*</p> <p style="text-align: center;">Session V</p> <p>9. Investment, abandonment, and disclosure</p> <p>Hughes and Pae, WP (2011) "Effects of Changes in the Information Environment on Entrepreneurial Investment and Initial Public Offerings"</p> <p style="text-align: center;">Session VI</p> <p>10. Information sharing, spillovers, and disclosure</p> <p>Hughes and Pae, WP (2011) "Information Sharing, Spillovers, and Competition"</p>	<p>Harris and Raviv (2010), "Control of Corporate Decisions: Shareholders vs. Management," <i>Review of Financial Studies</i> 23(11), 4115-4147 (note: there is a useful online Appendix available from the RFS website).</p> <p>*Adams and Ferreira (2007), "A Theory of Friendly Boards," <i>Journal of Finance</i> 62, 217-50.</p> <p>*Baldenius, Melumad and Meng (2010), "Advising and Monitoring CEOs: The Dual Role of Boards," working paper, Columbia Univ.</p> <p>*Chakraborty and Yilmaz (2009), "Authority, Consensus and Governance," working paper, York Univ.</p>
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