

Mannheim, November 2023

Spring Term 2024

ACC 750 Accounting Seminar

## Financial and Non-Financial Information on Capital Markets

Lecturers: Professor Jannis Bischof & Professor Jens Wüstemann

### I. Admission and Seminar Dates

We accept applications for the seminar until **December 20, 2023**, for the fast close period and until **February 14, 2024**, for the final close period. Please submit your applications via email to Judith Greger (accounting.bwl@uni-mannheim.de). You can access the seminar registration form under the following link: <https://www.bwl.uni-mannheim.de/en/bischof/teaching/>.

For the seminar writing phase, you can choose between **two eight-week periods**: the **fast close period** spans from **January 2, 2024, to February 27, 2024**, and the **final close period** from **February 16, 2024, to April 12, 2024**. 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 2, 2024, and on February 16, 2024, respectively (at 12 pm).

The seminar presentations will take place on **April 26, 2024**.

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

*"Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman."* (Brandeis, 1914)

This early quote from the Harvard graduate and later Supreme Court judge Louis D. Brandeis reflects the purpose of transparency initiatives as a mechanism for mitigating market defects and achieving regulatory goals. Transparency has emerged as a favorite policy tool, grounded on the idea that regulators can

achieve their desired outcomes without directly intervening in markets. This does not confine to the corporate world but holds for many other domains. Examples include the lobby register in the German parliament, that aims at reducing the impact of special interests and lobbying, or the currently discussed online portal with quality measures of hospitals, that aims at providing patients with relevant information for their treatment decisions.

In the field of accounting, transparency regulation has a long-standing history. Corporate disclosure regulations traditionally focused on the provision of decision-useful financial information targeted at investors. The main purpose of such regulation is the protection of creditors and shareholders, who might be harmed by information asymmetries. Examples include the mandatory adoption of International Financial Reporting Standards (IFRS) within the consolidated financial statements of capital market-oriented parent corporations in the European Union (IAS Regulation, EC No 1606/2002 - [Link](#)) or the mandatory provision of forward-looking information in the management report.

Yet, regulators' attention is increasingly turning towards non-financial information. This shift in emphasis is caused not only by the growing demand from investors for non-financial information but also by the expectations of a broader spectrum of stakeholders, including consumers and non-governmental organizations (NGOs). Alongside the primary objective of protecting investor interests, the pursuit of enhanced corporate sustainability has emerged as a central aim of non-financial reporting. One prominent example is the European Union's Corporate Sustainability Reporting Directive, that was passed by the European Parliament in November 2022. The directive requires firms to publish extensive information on non-financial matters that are relevant to diverse stakeholder groups such as customers. In its motives for the directive, the European Commission mentions, however, not only external stakeholders but also investors, who would increasingly demand this information and should be protected from potential risks related to ESG factors (EC, 2021/0104 – [Link](#)).

Despite transparency mandates, companies have always provided information voluntarily to the broader public. Research has shown how companies voluntarily disclosed financial information in the 19<sup>th</sup> century absent any disclosure regulation in order to satisfy investors' demand for this information and secure financing of their capital-intensive business (Bourveau et al., 2020 – [Link](#)). Similarly, in recent years companies have increasingly satisfied stakeholders' demand for non-financial information by voluntarily reporting information on, for example, ESG risk exposure, carbon emissions, employee diversity, or more broadly ESG initiatives. However, in the context of voluntary disclosures, the credibility question arises and is fueled by recurring greenwashing allegations against companies. Only recently, the Deutsche Bank-controlled investment firm DWS agreed to pay USD 25 million to resolve allegations concerning misstatements on its ESG investing (Reuters, 2023 – [Link](#)).

Against this background, the seminar aims to shed light onto the role of financial and non-financial information in capital markets. In doing so, we start with an analysis of how financial and non-financial information are incorporated and interact in financial statements and management reports. The following chapter focuses on information provision in the context of financing, examining accounting information during initial public offerings as well as the role of non-financial information for the cost of capital and bank lending

decisions. The next two topics in chapter three will provide empirical evidence on direct market reactions to the disclosure of financial and non-financial information. The seminar ends with a broader view analyzing real effects of transparency within firms and among a broader set of external stakeholders.

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

- Wüstemann, J., Bischof, J., & Koch, C. 2008. Regulierung durch Transparenz – Ökonomische Analysen, empirische Befunde und Empfehlungen für eine europäische Kapitalmarktregulierung. In: *Kapitalmarktgesetzgebung im Europäischen Binnenmarkt*, ed. by Klaus J. Hopt et al., Tübingen: Mohr Siebeck, 1-18.
- Becker, K., Bischof, J., & Daske, H. 2021. IFRS: Markets, Practice, and Politics (Chapter 3). *Foundations and Trends in Accounting*, 15, 1-262.
- Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. *Journal of Accounting Research*, 54(2), 525-622.
- Beyer, A., Cohen, D. A., & Lys, T. Z. (2010). The financial reporting environment: Review of the recent literature. *Journal of Accounting and Economics*. 50(2-3), 296-343.
- 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.

## 2. Topics and Related Literature

### Part A: Financial & Non-Financial Information in Financial Statements and Management Reports

- **Topic 1:** Critical assessment of the impact of non-financial risks on the accounting of goodwill with particular reference to IAS 36 / Kritische Würdigung der Auswirkung nicht finanzieller Risiken auf die Bilanzierung von Geschäftswerten unter besonderer Berücksichtigung von IAS 36 (Supervisor: Leonie Baumann)
  - ISSB: Effects of climate-related matters on financial statements, July 2023, available at: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf>
  - Reinke, Jens: Klima- und umweltbezogene Aspekte in IFRS-Abschlüssen, in: IRZ, 17. Jg. (2022), S. 161-167.
  - Hennrichs, Joachim: Bilanzierung und Bewertung eines Geschäfts- oder Firmenwerts nach BilMoG, Steuerbilanzrecht und IFRS, in: FS Schaumburg, hrsg. v. Wolfgang Spindler et al., Köln (2009), S. 367-386.

- IASB: Discussion Paper DP/2020/1 Business Combinations - Disclosures, Goodwill and Impairment, London 2020.
- **Topic 2:** Critical assessment of the impact of non-financial risks on the accounting of green bonds with particular reference to IFRS 9 / Kritische Würdigung der Auswirkung nicht finanzieller Risiken auf die Bilanzierung von Green Bonds unter besonderer Berücksichtigung von IFRS 9 (Supervisor: Leonie Baumann)
  - ISSB: Effects of climate-related matters on financial statements, July 2023, available at: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf>
  - Berger, Jens et al.: Neue Klassifizierungs- und Bewertungsvorschriften für Finanzinstrumente: Endgültige Fassung von IFRS 9, in: WPg, 67. Jg. (2014), S. 1075-1131.
  - Geisel, Adrian/Spieles, Jennifer: Grüne Finanzierung nach IFRS: Betrachtung der europäischen und der allgemeinen Green Bond Standards aus der Bilanzierungsperspektive, in: WPg 75. Jg. (2022), S. 77-83.
  - Pucci, Sabrina et al.: ESG Features in Financial Instruments: A challenge for the accounting treatment, in: G. M. Mantovani et al. (Eds.), Corporate governance: Theory and practice (2022), pp. 52-56.
- **Topic 3:** Materiality of Non-Financial Information: Comparison between the materiality concepts of the ISSB and the European Union / Die Wesentlichkeit nichtfinanzieller Informationen: Ein Vergleich der Wesentlichkeitskonzepte des ISSB und der Europäischen Union (Supervisor: Franziska Büchner)
  - Baumüller, Josef: European Sustainability Reporting Standards (ESRS) Set 1 – Die Vorschläge der EFRAG vom November 2022, in KoR, 23 Jg. (2023), S. 200-211.
  - Directive (EU) 2022/2646 of the European Parliament and of the Council of 14.12.2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, in: Official Journal of the EU 322/15 of 16.12.2022.
  - Hacker, Bernd: Die „doppelte Wesentlichkeit“ in der nichtfinanziellen Berichterstattung, in PiR, 24. Jg. (2022), S. 137-142.
  - ISSB: European Commission, EFRAG and ISSB confirm high degree of climate-disclosure alignment, 2023, abrufbar unter <https://www.ifrs.org/news-and-events/news/2023/07/european-comission-efrag-issb-confirm-high-degree-of-climate-disclosure-alignment/> (abgerufen am 12.10.2023).

- ISSB: IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information.
- **Topic 4:** Critical Assessment of the voluntary use of frameworks in the non-financial statement according to §289d HGB / Kritische Würdigung der handelsrechtlichen Vorschriften zur freiwilligen Nutzung von Rahmenwerken in der nichtfinanziellen Erklärung gem. §289d HGB (Supervisor: Franziska Büchner)
  - Binder, Jens-Hinrich: Neue Vielfalt der Regelgeber und Regelungstechniken im Gesellschafts- und Kapitalmarktrecht unter Einschluss des Bilanzrechts, in: ZGR, 51. Jg. (2022), S. 502–524.
  - Kajüter, Peter: Kommentierung zu §§289b – 289e HGB, in: Münchener Kommentar zum HGB, 4. Auflage, hrsg. v. I. Drescher et al., 4. Auflage, München 2010.
  - Krajewski, Markus: Legitimationsfragen internationaler Rahmenwerke für die CSR-Berichterstattung: Inhalt, Regelgeber und Durchsetzungsmechanismen, in: ZGR, 47. Jg. (2018), S. 271- 294.
  - Kruck, Andreas: Privatisierung von Regieren und die Dynamiken und Grenzen der rechtlichen Kontrolle privater Autorität(en), in KJ, 49. Jg. (2016), S. 439-452
  - Richtlinie 2014/95/EU des europäischen Parlaments und des Rates vom 22.10.2014 zur Änderung der Richtlinie 2013/34/EU im Hinblick auf die Angabe nichtfinanzieller und die Diversität betreffender Informationen durch bestimmte große Unternehmen und Gruppen, in: Amtsblatt der Europäischen Union L 330/1 vom 15.11.2014.

#### **Part B: Financial & Non-Financial Information in the Context of Financing**

- **Topic 5:** Accounting information in Initial Public Offerings: A Literature Review (Supervisor: Vincent Giese)
  - Hong, H. A., Hung, M., & Lobo, G. J. (2014). The Impact of Mandatory IFRS Adoption on IPOs in Global Capital Markets. *The Accounting Review*, 89(4), 1365-1397.
  - Cecchini, M., Jackson, S. B., & Liu, X. (2012). Do initial public offering firms manage accruals? Evidence from individual accounts. *Review of Accounting Studies*, 17, 22-40.
  - Ball, R., & Shivakumar, L. (2008). Earnings quality at initial public offerings. *Journal of Accounting and Economics*, 45(2-3), 324-349.
- **Topic 6:** Disclosures of Non-Financial Information and the Cost of Capital: A Literature Review (Supervisor: Clemens Lauer)
  - Dhaliwal, D., Li, O. Z., Tsang, A., & Yang, Y. G. (2014). Corporate social responsibility disclosure and the cost of equity capital: The roles of stakeholder orientation and financial transparency. *Journal of Accounting and Public Policy*, 33(4), 238-255.

- Lambert, R., Leuz, C., & Verrecchia, R. E. (2007). Accounting Information, Disclosure, and the Cost of Capital. *Journal of Accounting Research*, 45(2), 385-420.
- Friedman, H. L., Heinle, M. S., & Luneva, I. (2021). A theoretical framework for ESG reporting to investors. Working Paper.
- Leuz, C., & Verrecchia, R. (2000). The Economic Consequences of Increased Disclosure. *Journal of Accounting Research*, 38, 91-124.
- **Topic 7: How Do Banks Incorporate ESG Information in Lending Decisions? A Literature Review** (Supervisor: Alexandra Langness)
  - Kim, S., Kumar, N., Lee, J., & Oh, J. (2022). ESG lending. In: Proceedings of Paris December 2021 Finance Meeting EUROFIDAI-ESSEC, European Corporate Governance Institute-Finance Working Paper (No. 817).
  - Wang, L. L. (2023). Transmission effects of ESG disclosure regulations through bank lending networks. *Journal of Accounting Research*, 61(3), 935-978.
  - Houston, J. F., & Shan, H. (2022). Corporate ESG profiles and banking relationships. *The Review of Financial Studies*, 35(7), 3373-3417.

### **Part C: Capital Market Reactions to Transparency (empirical topics)**

- **Topic 8: An Analysis of Market Reactions to the Introduction of Financial Reporting Regulation** (Supervisor: Clemens Lauer)
  - Armstrong, C. S., Barth, M. E., Jagolinzer, A. D., & Riedl, E. J. (2010). Market reaction to the adoption of IFRS in Europe. *The Accounting Review*, 85(1), 31-61.
  - Joos, P. M., & Leung, E. (2013). Investor perceptions of potential IFRS adoption in the United States. *The Accounting Review*, 88(2), 577-609.
  - Becker, K., Bischof, J., & Daske, H. (2021). IFRS: Markets, practice, and politics. *Foundations and Trends in Accounting*, 15(1-2), 1-262.
- **Topic 9: An Analysis of Market Reactions to the Adoption of Non-Financial Reporting Regulation** (Supervisor: Daniela Zipperer)
  - Grewal, J., Riedl, E. J., & Serafeim, G. (2019). Market reaction to mandatory nonfinancial disclosure. *Management Science*, 65(7), 2947-3448.
  - Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, 26, 1176-1248.
  - Bennedsen, M., Siminitzi, E., Tsoutsoura, M., & Wolfenzon, D. (2022). Do firms respond to gender pay gap transparency? *The Journal of Finance*, 77(4), 2051-2091.

## Part D: (Real) Effects of Transparency

- **Topic 10:** Mandatory Sustainable Fund Classification and Greenwashing Behavior (Supervisor: Frederik Kohl)
  - Ceccarelli, M., Ramelli, S., & Wagner, A. F. (2023). Low carbon mutual funds. Review of Finance, forthcoming.
  - Starks, L. T. (2023). Presidential Address: Sustainable Finance and ESG Issues – Value versus Values. The Journal of Finance, 78(4), 1837-1872.
  - Dai, J., Ormazabal, G., Penalva, F., & Raney, R. (2023). Can Mandatory Disclosure Curb Greenwashing? First Evidence from the EU SFDR. Working Paper.
  - Cochardt, A., Heller, S., & Orlov, V. (2023). Do Mutual Funds Greenwash? Evidence from Fund Name Changes. Working Paper.
- **Topic 11:** Critical Assessment of the Benchmarking Role of Mandatory Non-Financial Disclosures (Supervisor: Frederik Kohl)
  - Greenstone, M., Leuz, C., & Breuer, P. (2023). Mandatory disclosure would reveal corporate carbon damages. Science 381(6660), 837–840.
  - Tomar, S. (2023). Greenhouse Gas Disclosure and Emissions Benchmarking. Journal of Accounting Research 61(2). 451–492.
  - Lyubich, E., Shapiro, J., & Walker R. (2018). Regulating Mismeasured Pollution: Implications of Firm Heterogeneity for Environmental Policy. AEA Papers and Proceedings 108. 136–142.
- **Topic 12:** Real Effects of Firm Transparency on Stakeholders (Supervisor: Clemens Lauer)
  - She, G. (2022). The real effects of mandatory nonfinancial disclosure: Evidence from supply chain transparency. The Accounting Review, 97(5), 399-425.
  - Dyreng, S. D., Hoopes, J. L., & Wilde, J. H. (2016). Public pressure and corporate tax behavior. Journal of Accounting Research, 54(1), 147-186.
  - 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.

## 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 1, 2, 3, and 4 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) or Judith Greger (office assistant to Prof. Bischof) 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 must be handed in by April 19, 2024, at the very latest.

## 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 via ILIAS or mail. 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 / Leonie Baumann
Topic 2 (part A)	Prof. Wüstemann / Leonie Baumann
Topic 3 (part A)	Prof. Wüstemann / Franziska Büchner
Topic 4 (part A)	Prof. Wüstemann / Franziska Büchner
Topic 5 (part B)	Prof. Bischof / Vincent Giese
Topic 6 (part B)	Prof. Bischof / Clemens Lauer
Topic 7 (part B)	Prof. Bischof / Alexandra Langness
Topic 8 (part C)	Prof. Bischof / Clemens Lauer
Topic 9 (part C)	Prof. Bischof / Daniela Zipperer
Topic 10 (part D)	Prof. Wüstemann / Frederik Kohl
Topic 11 (part D)	Prof. Wüstemann / Frederik Kohl
Topic 12 (part D)	Prof. Bischof / Clemens Lauer