Wednesday, May 29, 2024

Fall Term 2024

Seminar ACC 750

Enforcement of Disclosure Regulation

Lecturers: Prof. Holger Daske & Prof. Dirk Simons

I. Admission and Seminar Dates

We are happy to announce our seminar on "Enforcement of Disclosure Regulation" for the fall term of 2024. The seminar consists of a written seminar paper and a presentation of your work in addition to active participation. All seminar papers and presentations are in English.

We accept applications for the seminar until **June 10, 2024** (fast close period) and **August 26, 2024** (final close period), respectively. The seminar registration form can be downloaded from ILIAS (search for: "ACC 750" in HWS 2024 using Portal2 and join the group). If you are interested in participating in our seminar, please read the referenced papers before choosing your topics of interest. Further details about the topics are provided in this announcement.

For the seminar writing phase, you can choose between **two eight-week periods**: the **fast-close period** spans from **17 June 2024 to 12 August 2024** and the **final-close period** spans from **2 September 2024 to 28 October 2024**. We will announce the allocation of topics via email on **17 June 2024** and on **2 September 2024**, respectively (at 12 p.m.).

The seminar presentation dates are **28 November** and **29 November 2024.**

Please consult the relevant examination regulation and module catalog for information on minimum admission requirements. Please submit your application via the task "Application Submission" on ILIAS. Your application should include your bachelor's certificate, a recent transcript of records, and a completed registration form following the instructions provided in the form. The final topic will be assigned according to your preferences as far as possible. If you have any further questions, please contact Hala Jada (hjada@mail.uni-mannheim.de).

II. Preliminary Remarks

The seminar on "Enforcement of Disclosure Regulation" explores the complex and layered processes involved in enforcing disclosure regulations. From the mechanisms employed to the challenges faced, this seminar provides participants with a deep and nuanced understanding of the multiple facets of enforcement. Each section dissects critical elements that underpin effective enforcement, ultimately enhancing firm's transparency and accountability.

In part A, *Public Enforcement*, we examine regulatory enforcement actions and their consequences, focusing initially on the U.S. context, which is often considered the "gold standard" of securities regulation and oversight before expanding to the international arena. We begin with an introductory discussion on one established enforcement mechanism: the SEC comment letters. Following this, we explore the concept of information spillover in enforcement in general and then zoom in on one specific spillover effect, particularly how enforcement transparency can enhance shareholder litigation. Next, we address a non-standard enforcement approach, regulatory leniency programs, and investigate its effectiveness. Transitioning to the international scene, we investigate enforcement mechanisms employed globally and their respective impacts. Finally, we emphasize the importance of enforcement in realizing the benefits of global IFRS adoption.

Part B, *Alternatives and complements to Public Enforcement,* delves into mechanisms beyond traditional *public* enforcement. Topics cover the significance of whistleblowing, the media's influence, investor activism, private enforcement in supply chain transparency, and the effectiveness of (public and private) enforcers of sustainability disclosures beyond financial regulatory authorities. This section highlights how these mechanisms can complement or substitute traditional public enforcement strategies to achieve broader regulatory goals.

Finally, part *C Enforcement Dynamics and Challenges* tackles the broader challenges and dynamics affecting enforcement and corporate governance. It covers the influence of enforcement intensity on CEO compensation, the impact of executives' characteristics on audit processes, and how the SEC manages peak periods. The discussion also delves into the strategic and operational challenges that political interference can pose to enforcement mechanisms, providing a comprehensive view of the internal and external factors that shape enforcement practices.

In sum, this seminar offers a rich learning experience, shedding light on the complex dynamics that underpin accounting enforcement.

Part A: ***Public Enforcement***

Topic 1:

Dear John: SEC Comment Letters.

Supervisor: Hala Jada, M.Sc.

Topic Description:

In an effort to enhance informational transparency for investors, the SEC periodically reviews public firms' filings for regulatory compliance. Moreover, starting from 2004, the SEC began to publicly disseminate all *comment letters* in an effort to enhance the effect of enforcement by increasing third-party monitoring and to increase "supervisory discipline". However, there exists counterarguments postulating that such a disclosure might weaken the effect of the review process by making the SEC's oversight priorities public.

The objective of the seminar paper is to investigate the role of SEC comment letters. Following a literature and regulatory overview, the thesis should be devoted to the analysis and discussion of selected focus papers.

Introductory Literature:

- Ryans, J. P. (2021). Textual classification of SEC comment letters. *Review of Accounting Studies*, *26*(1), 37-80.
- Dechow, P. M., Lawrence, A., & Ryans, J. P. (2016). SEC comment letters and insider sales. *The Accounting Review*, *91*(2), 401-439.
- Kubick, T. R., Lynch, D. P., Mayberry, M. A., & Omer, T. C. (2016). The effects of regulatory scrutiny on tax avoidance: An examination of SEC comment letters. *The Accounting Review*, *91*(6), 1751-178.

Topic 2:

Information Spillovers in Enforcement.

Supervisor: Xinyan Wu, M.Sc.

Topic Description:

Prior research provides evidence that public enforcement has a *direct* effect on improving financial reporting quality of investigated firms and audit quality of audit firms. In addition, increased transparency on regulatory oversight activities and public access to the restatement and enforcement action cases could *indirectly* affect industry and local peer firms' behavior through information spillovers. For example, in the enforcement context, an enforcement action on one firm could signal the potential scrutiny strategy of the enforcer, thereby providing information to peer firms in the same industry.

This thesis aims to provide a comprehensive overview of the existing literature on *information spillovers* in enforcement, examining different contexts in which information spillovers take place and how the information is utilized. Moreover, a main part of this thesis should consider the enforcer's strategy in reaction to the information spillovers.

Introductory Literature:

- Bills, K. L., Cating, R., Lin, C., & Seidel, T. A. (2024). The spillover effect of SEC comment letters through audit firms. *Review of Accounting Studies*, 1-41.
- Choi, H. M., Karpoff, J. M., Lou, X., & Martin, G. S. (2024). Enforcement waves and spillovers. *Management Science*, *70*(2), 834-859.
- Petrov, E., & Stocken, P. C. (2022). Auditor specialization and information spillovers. *The Accounting Review*, *97*(7), 401-428.

Topic 3:

The Effect of Increasing Enforcement Transparency in Aligning Public and Private Enforcement.

Supervisor: Xinyan Wu, M.Sc.

Topic Description:

Regulatory oversight activities and enforcement actions provide valuable information to shareholders. For example, as the direct result of the Securities and Exchange Commission (SEC) investigative scrutiny, the SEC enforcement action cases signal allegations of accounting fraud and enable shareholders to engage in private lawsuits more effectively. However, the public accessibility to oversight activities information is limited. Since 2004, the SEC started to publicly disclose its comment letters to corporate reports and corporate filers' responses to the SEC inquiries. This policy change increases enforcement transparency and is expected to improve shareholder litigation. Previous research considers the isolated effects of public and private enforcement, while the two mechanisms play different roles in improving financial reporting quality and audit quality. Increased enforcement transparency is expected to influence the joint effects of public and private enforcement by providing more information.

This thesis is expected to provide a comprehensive overview of the joint involvement of public and private enforcement. The review aims to contribute to the understanding of the information environment that influences the interplay between public and private enforcers. Furthermore, this thesis should elaborate on the strategic interaction between public and private enforcement under enhanced enforcement transparency.

Introductory Literature:

- Duro, M., Heese, J., & Ormazabal, G. (2019). The effect of enforcement transparency: Evidence from SEC comment-letter reviews. *Review of Accounting Studies*, *24*, 780-823.
- Hutton, A., Shu, S., & Zheng, X. (2022). Regulatory transparency and the alignment of private and public enforcement: Evidence from the public disclosure of SEC comment letters. *Journal of Financial Economics*, *145*(1), 297-321.
- Larmande, F., & Lesage, C. (2023). Auditor's professional judgment, audit efficiency and interplay between legal liability and regulatory oversight. *Journal of Accounting and Public Policy*, 42(6), 107130.

Topic 4:

Carrot or Stick: Is Regulatory Leniency an Effective Governance Tool?

Supervisor: Thomas Simon, M.Sc.

Topic Description:

Traditional public enforcement mechanisms in financial regulation often rely on penalizing non-compliant practices in order to deter misconduct. Instead of punitive measures, an alternative approach focuses on cooperative measures, for example through incentives for firms that voluntarily disclose their own violations. By offering bonuses such as favorable settlement terms or reduced penalties, such strategy intends to encourage transparency and foster a proactive compliance culture.

This seminar thesis aims at exploring the effectiveness of *regulatory leniency programs* that depend on self-reporting. While these programs are designed to motivate regulatory compliance, they could have dual effects. On the one hand, they might motivate firms that would otherwise conceal violations to come forward, potentially increasing overall compliance. On the other hand, by exposing the limitations of current enforcement practices, these programs could highlight exploitable gaps in the regulatory framework, thus exacerbating non-compliance. The thesis should investigate these outcomes and discuss the broader implications for regulatory policy and enforcement strategy.

Introductory Literature:

- Files, R. (2012). SEC enforcement: Does forthright disclosure and cooperation really matter?. *Journal of Accounting and Economics*, *53*(1-2), 353-374.
- Files, R., Martin, G. S., & Rasmussen, S. J. (2019). Regulator-cited cooperation credit and firm value: Evidence from enforcement actions*. The Accounting Review*, *94*(4), 275-302.
- Leone, A. J., Li, E. X., & Liu, M. (2021). On the SEC's 2010 enforcement cooperation program. *Journal of Accounting and Economics*, *71*(1), 101355.
- Maffett, M. G., Samuels, D., & Zhou, F. (2022). Carrot or stick? The impact of regulatory leniency on municipal disclosure compliance. Working Paper. *Available online at*: https://ssrn.com/abstract=4228284.

Topic 5:

The Silk Road: What do we Know About Enforcement in Europe and China?

Supervisor: Kriti Bhattacharya, M.Sc.

Topic Description:

While a significant part of the literature has focused on enforcement within the United States, a growing part of the literature is now making use of newly available data sources to study other enforcement agencies and settings, especially in large jurisdictions where new sources of data is increasingly becoming available.

The purpose of this seminar thesis is to conduct a literature review on enforcement in Europe and China by examining recent working papers and literature published in high-ranked journals to explore those venues with a focus on new data sources and the empirical strategies that have been used to draw causal inferences. Furthermore, the student can then choose a to focus on a specific setting based on the suggested readings.

Introductory Literature:

- Bissessur, S., Litjens, R., & Ormazabal, G. (2023). Enforcement of Financial Reporting Regulation: Insights From New Data. *Available online at*: *SSRN 4620424*.
- Brocard, M., Franke, B., & Voeller, D. (2018). Enforcement actions and auditor changes. *European Accounting Review*, *27*(3), 407-436.
- Hope, O. K., Yue, H., & Zhong, Q. (2020). China's anti-corruption campaign and financial reporting quality. *Contemporary Accounting Research*, *37*(2), 1015-1043.

Topic 6:

The Importance of Enforcement for the Benefits of IFRS Adoption.

Supervisor: Pascal Schrader, Dipl. WInf.

Topic Description:

There has been extensive research on the benefits of adopting international reporting standards (IFRS). For example, benefits, such as improved financial reporting quality (e.g., Barth et al. 2008) or liquidity (e.g., Daske et al. 2008), were initially attributed to IFRS itself. However, follow-up studies claim to show that these benefits may rather be driven by contemporaneous improvements in the enforcement of financial reports (e.g., Christensen et al. 2013 vs. Barth and Isreali, 2013).

The goal of this thesis is to discuss the academic literature about the importance of enforcement on the perceived benefits of IFRS adoption. Following a general introduction to effects of IFRS adoption, the thesis focuses on findings that analyze the relationship between enforcement and IFRS adoption. The thesis should highlight different proxies used for accounting enforcement of IFRS. A main part of the thesis should elaborate on the different approaches to the empirical designs to establish the causal effects of IFRS adoption.

Introductory Literature:

- Barth, M. E., & Israeli, D. (2013). Disentangling mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, 56(2-3), 178-188.
- Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International accounting standards and accounting quality. *Journal of Accounting Research*, *46*(3), 467-498.
- Becker, K., Bischof, J, & Daske, H. (2021), "IFRS: Markets, Practice, and Politics", *Foundations and Trends® in Accounting*, 15(1–2),1-262.
- Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, *56*(2-3), 147-177.
- Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences. *Journal of Accounting Research*, *46*(5), 1085-1142.

Part B: Alternatives and complements to Public Enforcement

Topic 7:

The Role of Whistleblowing in Accounting Enforcement.

Supervisor: Dr. Sebastian Kronenberger

Topic Description:

Enforcers have several tools available to facilitate efficient markets. One mechanism, rising in popularity, is whistleblowing. The German Wirecard scandal serves as one example, where whistleblowing initiated the demise of a criminal business model. Studies indicate that, monetary rewards appear to be a significant motivator for employee whistleblowers. Hence, policymakers continue to introduce laws aimed at promoting whistleblower participation by allocating substantial resources to support and incentivize whistleblowing activities. For instance, the Dodd-Frank Act of 2010 mandates that public enforcement institutions have special offices for whistleblowers to report concerns and provide evidence to regulatory bodies. Additionally, the incentives for whistleblowers who provide information are significant. Whistleblowing activity often triggers private enforcement actions, such as litigation by investors, which interacts with public enforcement. Yet, the joint effects of public, private and alternative enforcement mechanisms remain ambiguous.

The task of this topic is to answer some of the following or related questions: Why is whistleblowing particularly important? What are the economic effects? How does it interact with other enforcement tools, such as inspections? Are there detrimental effects that can outweigh the potential positive effects?

Introductory Literature:

- Nan, L., Tang, C., & Zhang, G. (2024). Whistleblowing bounties and informational effects, *Journal of Accounting and Economics*, *77*(1), 101616.
- Heese, J., Krishnan, R., & Ramasubramanian, H. (2021). The department of justice as a gatekeeper in whistleblower-initiated corporate fraud enforcement: Drivers and consequences. *Journal of Accounting and Economics*, *71*(1), 101357.
- Nan, L., Tang, C., & Ye, M. (2023). Auditing with a chance of whistleblowing. Working Paper. *Available online at: SSRN 4052083.*

Topic 8:

The Role of the Media in Enforcing Firms' Provision of Adequate Material Information.

Supervisor: Tobias Kalmbach, M.Sc.

Topic Description:

The dissemination of adequate and material financial and sustainability information is crucial for market efficiency, investor protection, and corporate governance. While regulatory bodies play a significant role in ensuring that firms provide information relevant to influence stakeholders' decisions, private players can also enforce the provision of this information. One enforcer is the media. For decades, the traditional press and television have used their power to reach a wide audience to exert public pressure on firms (such as the Financial Times in the case of Wirecard). The emergence of new types of media, including social media, might have strengthened the role of the media. Hence, the question arises: What role does the media play in enforcing the provision of adequate material information?

The objective of this seminar paper is to discuss the academic literature about the role of the media as enforcers of financial or sustainability information. Following a general introduction to the power of the media, incentives of the media to exert public pressure, and the channels through which the media might be able to enforce firms' provision of material information, the seminar paper should focus on the different approaches that the empirical literature uses to examine whether there is descriptive or causal evidence for these channels.

Introductory Literature:

- Belnap, A. (2023). The effect of intermediary coverage on disclosure: Evidence from a randomized field experiment. *Journal of Accounting and Economics*, *75*(1), 101522.
- Dyreng, S. D., Hoopes, J. L., & Wilde, J. H. (2016). Public pressure and corporate tax behavior. *Journal of Accounting Research*, *54*(1), 147-186.
- Dube, S., & Zhu, C. (2021). The disciplinary effect of social media: Evidence from firms' responses to Glassdoor reviews. *Journal of Accounting Research*, *59*(5), 1783-1825.
- Miller, G. S. (2006). The press as a watchdog for accounting fraud. *Journal of Accounting Research*, *44*(5), 1001-103.

Topic 9:

Passive Investor, Active Investor.

Supervisor: Hala Jada, M.Sc.

Topic Description:

There is considerable evidence that *institutional investors* influence the governance and policies of firms, be it in the form of exerting exit threats which make the management reluctant to underperform or using their voting rights to actively influence firms' governance choices. Traditionally, the influence of those investors is measured based on their ownership relative to the outstanding shares of the public firm. However, such an approach ignores the importance of the investment relative to the investor's own portfolio.

The purpose of this seminar paper is to examine the mechanisms by which passive and active investors influence firms' governance choices, the methods used in the literature to measure such influence, with a specific focus on their effect on firm performance.

Introductory Literature:

- Appel, I. R., Gormley, T. A., & Keim, D. B. (2016). Passive investors, not passive owners. *Journal of Financial Economics*, *121*(1), 111-141.
- Fich, E. M., Harford, J., & Tran, A. L. (2015). Motivated monitors: The importance of institutional investors′ portfolio weights. *Journal of Financial Economics*, *118*(1), 21-48.
- Harford, J., Jenter, D., & Li, K. (2011). Institutional cross-holdings and their effect on acquisition decisions. *Journal of Financial Economics*, *99*(1), 27-39.

Topic 10:

The Role of Private Enforcement in Corporate Supply Chain Disclosure.

Supervisor: Sabrina Popow, M.Sc.

Topic Description:

While the imperative for corporate transparency on *supply chain practices* has become increasingly pronounced, accompanied by a global rise in related regulation, achieving effective enforcement of supply chain reporting remains challenging. As public enforcement capacity is limited, private actors such as non-governmental organisations (NGOs) can contribute to enforcing supply chain responsibility through private litigation or media pressure.

The objective of the seminar paper is to investigate the role of private enforcement in ensuring corporate supply chain responsibility. Following a literature and regulatory overview, the thesis should be devoted to the analysis and discussion of selected focus papers. Particular attention should be paid to assessing the incentives and levers of NGOs as a private enforcement mechanism, as well as on the interaction between private and public enforcement.

Introductory Literature:

- Chen, S., Zhang, Q., & Zhou, Y. P. (2019). Impact of supply chain transparency on sustainability under NGO scrutiny. *Production and Operations Management*, *28*(12), 3002–3022.
- Schantl, S. F., & Wagenhofer, A. (2020). Deterrence of financial misreporting when public and private enforcement strategically interact. *Journal of Accounting and Economics*, *70*(1), 101311.
- She, G. (2022). The real effects of mandatory non-financial disclosure: Evidence from supply chain transparency. *The Accounting Review*, *97*(5), 399-425.

Topic 11:

Who Enforces the Provision of Sustainability Information?

Supervisor: Tobias Kalmbach, M.Sc.

Topic Description:

Public authorities like the U.S. Securities and Exchange Commission (SEC) and Germany's BaFin enforce financial and securities laws, with capabilities to investigate issues such as accounting fraud. However, their role in effectively enforcing sustainability disclosures remains uncertain (Christensen et al., 2021). In the US, environmental regulations typically fall under agencies like the Environmental Protection Agency (EPA). Beyond government bodies, private enforcement through shareholder activism and non-governmental organizations (NGOs) significantly influences corporate compliance with regulation and social conventions. This scenario prompts the following question: Which players are effective in enforcing the provision of *sustainability information*?

The objective of this seminar paper is to synthesize the academic literature about the different players who are enforcing sustainability information. Following a general introduction of challenges to enforce sustainability information as well as possible enforcement players and channels, the seminar paper should focus on the different approaches that the empirical literature uses to examine the effectiveness of the different players.

Introductory Literature:

- Brendel, J., Chen, C., & Keusch, T. (2024). Scrutinizing corporate sustainability claims. Evidence from NGOs' greenwashing allegations and firms' responses (Working Paper, March 14, 2024).
- 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.
- Flammer, C., Toffel, M. W., & Viswanathan, K. (2021). Shareholder activism and firms' voluntary disclosure of climate change risks. *Strategic Management Journal*, *42*(10), 1850-1879.
- Peters, G. F., & Romi, A. M. (2013). Discretionary compliance with mandatory environmental disclosures: Evidence from SEC filings. *Journal of Accounting and Public Policy*, *32*(4), 213-236.
- Weber, A., & Hitz, J.M. (2024). Does enforcement of sustainability reporting work? Evidence from the European Union's Non-Financial Reporting Directive. Working Paper.

Part C: Enforcement Dynamics and Challenges

Topic 12:

Enforcement Intensity and CEO Pay.

Supervisor: Dr. Sebastian Kronenberger

Topic Description:

Oftentimes, the *market* serves as a well-documented mechanism to discipline the participants. When market mechanisms fail, regulation can help to close the gaps. One of the main functions of accounting enforcement is, of course, to prevent wrongdoing and to punish those who don't follow the rules. However, this does not only have direct effects on fraud probabilities and illegal earnings management. The effects spillover to various aspects of interaction, for example: Contracting with the CEO.

The task of this topic is to answer some of the following or related questions: What is the effect of enforcement intensity on the CEOs pay? And how do we evaluate this effect? Is higher pay always bad and lower pay always better? Is it an unintended negative or positive consequence? These and/or related questions are in the center of this seminar thesis.

Introductory Literature:

- Ewert, R., & Wagenhofer, A. (2019). Effects of increasing enforcement on financial reporting quality and audit quality. *Journal of Accounting Research*, *57*(1), 121-168.
- He, C., Su, L. (Nancy), Wang, Z., & Zhu, X. (Kevin). (2023). The Spillover of U.S. regulatory oversight to foreign markets: Evidence from the effect of PCAOB international inspections on executive compensations. *European Accounting Review*, 1–30.
- Persellin, J. S. (2013). The influence of PCAOB inspections on audit committee members' judgments. *Behavioral Research in Accounting*, *25*(2), 97-114.

Topic 13:

The Impact of Executives' Characteristics on Audits.

Supervisor: Pascal Schrader, Dipl. WInf.

Topic Description:

Upper echelons theory predicts that individual executives have a significant influence on corporate policies and activities. Top managers, particularly CEOs and CFOs, exert significant influence on financial reporting decisions. The auditing literature argues that because of potential litigation and reputation costs, auditors are sensitive to client risk and require an audit fee premium for riskier clients. As the audit process is highlighted by personal interactions, between auditors and executives, auditors may develop perceptions of client executives' personal traits and factor such perceptions into their subsequent decision-making.

The goal of this thesis is to provide an introduction to the effects of executives' individual characteristics on audits. Following a general introduction to executives' characteristics, which covers definitions and measurement methods, the thesis focuses on findings from the scientific literature that analyze the relationship between executives' characteristics and audit risk. The thesis should also elaborate on underlying theoretical concepts, such as upper echelons theory. A main part of the thesis should also elaborate on the different approaches emerging in the literature to measure individual traits of executives. Ultimately, such insights may also be used by enforcement regulators to target firms going forward.

Introductory Literature:

- Hrazdil, K., Novak, J., Rogo, R., Wiedman, C., & Zhang, R. (2020). Measuring executive personality using machine-learning algorithms: A new approach and audit fee-based validation tests. *Journal of Business Finance & Accounting*, *47*(3-4), 519-544.
- Hsieh, T. S., Kim, J. B., Wang, R. R., & Wang, Z. (2020). Seeing is believing? Executives' facial trustworthiness, auditor tenure, and audit fees. *Journal of Accounting and Economics*, *69*(1), 101260.
- Jha, A., & Chen, Y. (2015). Audit fees and social capital. *The Accounting Review*, *90*(2), 611-639.
- Judd, J. S., Olsen, K. J., & Stekelberg, J. (2017). How do auditors respond to CEO narcissism? Evidence from external audit fees. *Accounting Horizons*, *31*(4), 33-52.

Topic 14:

A Theory of Disclosure, Enforcement and Political Connections When Enforcer Capacity is Limited.

Supervisor: Yasmin Hoffmann, M.Sc.

Topic Description:

Enforcement not only ensures transparency and the availability of information, but also influences corporate reporting strategies in anticipation of potential enforcement actions. Yet, public enforcement is usually carried out by an independent institution that is government-funded and subject to severe capacity constraints or political pressures. Enforcement institutions therefore often only investigate selected samples of firms or shy away from firms that are politically connected. Hence, natural questions that arise are: How do disclosure and enforcement regulations interact under limited resources and political connections? Are certain enforcement mechanisms more efficient than others when the enforcing institution is capacity-constraint?

This seminar thesis aims to provide a broad overview of first and foremost theoretical literature, in the field of accounting that relates to the interaction of disclosure and enforcement regulation under capacity restrictions and political connections.

Introductory Literature:

- Franke, B., & Simons, D. (2023). Enforcement and disclosure. *Journal of Accounting and Public Policy, 42*(5).
- Bleibtreu, C., Königsgruber, R., & Lanzi, T. (2022). Financial reporting and corporate political connections: An analytical model of interactions. *Journal of Accounting and Public Policy, 41(3)*.
- Schantl, S. F., & Wagenhofer, A. (2023). Economic Effects of Public Enforcement When Both Managers and Firms Are Penalized for Misreporting. Working Paper. *Available online at: https://ssrn.com/abstract=4337009*.
- Xue, W. (2020). Costly regulatory institutions of enforcement, extent of the market, and rational expectations. Working Paper. *Available online at*: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3518283.

Topic 15:

Peak Pressures: How Does the SEC Manage Busy Periods?

Supervisor: Thomas Simon, M.Sc.

Topic Description:

Resources are scarce not only for managers and businesses but also for governance agencies like the SEC. This seminar examines how the SEC handles periods of intense busyness, investigating the strategic decisions involved in setting priorities and managing case backlog.

The focus of the seminar thesis should be on understanding the agency's methods for maintaining oversight and enforcement during operational peaks – such as during heavy transactional periods marked by IPOs and mergers or following the year end. Participants will explore the implications of these high-demand times, questioning how the SEC balances its workload and whether it can sustain its mission to deter misconduct effectively despite fluctuating resource levels. This discussion is essential for formulating recommendations that could enhance the SEC's adaptive capacity to manage enforcement responsibilities effectively, despite fluctuating caseloads and resource demands.

Introductory Literature:

- Bonsall, S. B., Holzman, E. R., & Miller, B. P. (2024). Wearing out the watchdog: The impact of SEC case backlog on the formal investigation process. *The Accounting Review*, *99*(1), 81-104.
- Ege, M., Glenn, J. L., & Robinson, J. R. (2020). Unexpected SEC resource constraints and comment letter quality. *Contemporary Accounting Research*, *37*(1), 33-67.
- Gunny, K. A., & Hermis, J. M. (2020). How busyness influences SEC compliance activities: Evidence from the filing review process and comment letters. *Contemporary Accounting Research*, *3*(1), 7-32.

Topic 16:

A Game That Two Can Play: Political Connections and Enforcement.

Supervisor: Kriti Bhattacharya, M.Sc.

Topic Description:

A large stream of research has analyzed the effects of corporate political connections (CPCs) on firms. While some argue that these connections have deterimintal consequences, others predict the opposite. Research significantly focuses on the impact of such connections on financial reporting quality, some papers specifically focus on the relationship between political connections and enforcement quality. Furthermore, research has employed different measures for political connections including connectedness of board members through donations, connectedness of auditors through donations, familial connections, and geographic proximity.

The purpose of this seminar thesis is to conduct a literature review on the relationship between political connections with a focus on its effect on enforcement. The thesis will examine literature published in high-ranked journals to explore how political connections of various stakeholders are defined, which empirical strategies have been used to measure them, and how such connections impact enforcement intensity.

Introductory Literature:

- Kuvvet, E., & Maskara, P. K. (2018). Former members of the US Congress and fraud enforcement: Does it help to have politically connected friends on the board?. *The Quarterly Review of Economics and Finance*, *70*, 77-89.
- Heese, J., Khan, M., & Ramanna, K. (2017). Is the SEC captured? Evidence from comment-letter reviews. *Journal of Accounting and Economics* ,*64*(1), 98-122.
- Correia, M. M. (2014). Political connections and SEC enforcement. *Journal of Accounting and Economics*, *57*(2-3), 241-262.

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. Once you are assigned a topic, we will provide you with your supervisor's contact information.

2. Formal Guidelines

Please check the "Guidelines for Academic Writing" ("Richtlinien für die Anfertigung wissenschaftlicher Arbeiten"). Seminar papers need to be written in English. In general, seminar papers consist of 14-16 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

Please submit two printed copies of your written seminar thesis to Zdenka Pospisil (office assistant to Prof. Daske) or Julia Filusch (office assistant to Prof. Simons) during the regular office hours. Seminar papers need not be bounded; stapled copies are sufficient. In addition, please submit the digital version of your paper using the ILIAS Task "Paper Submission" **and** by email to your supervisor. The digital version shall include, if applicable, all relevant digital content of your thesis (such as MS Excel files, internet resources, the literature used, 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.

4. Submission of Seminar Presentations

In addition to the written seminar thesis, you are required to prepare a presentation based on your submitted seminar paper. The presentations will be held on 28 and 29 November and attendance for the two days is mandatory. There will be only one presentation for each topic, meaning that some presentations will be held in groups of two in those cases where the same topic is assigned to two students. Individual presentations are scheduled for 40 minutes including approximately 10 minutes of discussion and questions. Group presentations are scheduled for 60 minutes (approx. 20 min each) including approximately 20 minutes of discussion and questions. Accordingly, your presentation should consist of approximately 15-20 slides and should be formatted in an adequate and professional presentation style (not too much information on one slide, not very small font size, etc.). You are required to submit your presentations by Tuesday, 26 November, 12pm (noon), as PowerPoint and PDF by uploading them to ILIAS under the task “Presentation Submission”. Please read our general instructions for presentation guidelines available on ILIAS.

5. Grading

Grading is based on the **written paper (60%)** and the **presentation (40%)**. Attendance at all seminar sessions is mandatory, and all participants are expected to participate in the seminar discussions. To facilitate productive engagement, **each participant will be allocated to a randomly assigned presentation authored by a fellow colleague**. Subsequently, the participant will be required to pose the initial inquiry. Allocations will be announced two days in advance via ILIAS.

6. Seminar Preparation and Materials

To effectively prepare for the seminar and the discussions, we will provide all participants with the seminar presentations via ILIAS. Further information on the availability of additional material will be announced in time.

7. Seminar Participation

Participation in seminars is expected to be in person. This expectation is grounded in principles of politeness and respect towards all other participants and is essential for fostering an interactive learning environment.

Following the presentations, we typically organize a social get-together. The preliminary date for this year's event is Friday, 29 November. We warmly invite as many of you as possible to join us for this occasion, with drinks provided by us. While attendance at the get-together is highly encouraged, it is not obligatory.