Friday, June 6, 2025

Fall Term 2025

Seminar ACC 750

Disclosure Regulation, Politics, and Innovation

Lecturers: Prof. Holger Daske/Prof. Dirk Simons

I. Admission and Seminar Dates

We are happy to announce our seminar on "Disclosure Regulation, Politics, and Innovation" for the upcoming fall term 2025. 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 16, 2025 (fast close period) and August 28, 2025 (final close period), respectively. The seminar registration form can be downloaded from ILIAS (search for: "ACC 750" in HWS 2025 using Portal2 and join the group). If you are interested in participating in our seminar, please read the reference 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 **23 June 2025 to 18 August 2025** and the **final-close period** spans from **4 September 2025 to 30 October 2025**. We will announce the allocation of topics via email on 23 June 2025 and on 4 September 2025, respectively (at 12 pm).

The seminar presentations will take place on **13 and 14 of November 2025**.

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 Kriti Bhattacharya (kriti.bhattacharya@uni-mannheim.de).

II. Preliminary Remarks

"Disclosure regulation, politics, and innovation" represents a dynamic and increasingly interconnected area of accounting research. Disclosure rules not only shape how firms communicate with investors and regulators but also influence corporate innovation strategies, strategic positioning, and long-term investment behavior. As firms operate in environments marked by political contestation, technological disruption, market competition and regulatory fragmentation, understanding the interplay between transparency requirements and innovation becomes essential. At the same time, the political processes behind disclosure regulation—ranging from standard-setting to enforcement—reveal how power, ideology, and institutional design influence what is disclosed, when, and why.

This year's seminar offers a deep dive into these critical issues by exploring how political actors shape reporting mandates, how disclosure regulation affects innovation incentives, and how firms adjust their strategies under regulatory uncertainty. Given the breadth and complexity of the theme, the seminar is divided into three parts, each focusing on a distinct dimension of the disclosure-politics-innovation nexus.

In Part A, *Regulator Perspective*, we begin at the source: the arenas where disclosure rules are created, shaped, and contested. Disclosure regulation becomes political when it reflects more than technical concerns. Lobbying, ideological agendas, and broader societal trade-offs influence what is disclosed and why. The first topic examines how firms seek to shape accounting standards to protect their economic interests and delay unfavorable rules. The second explores how political ideologies and special-interest pressures influence what policymakers consider meaningful transparency. We then turn to the EU's AI Act, the first major regulation to impose binding disclosure rules on general-purpose AI models. This topic investigates how the Act reflects competing visions of innovation governance — whether transparency fosters trust and accountability or imposes legal and strategic burdens that discourage technical progress. Together, these topics show how disclosure regulation reflects political priorities and regulatory ambitions that go far beyond investor protection.

Once regulation is introduced, firms must navigate it, often under conditions of uncertainty. In Part B, we shift to the *Firm Perspective*. This section explores how political risk, fragmented global regimes, and economic policy shifts influence corporate disclosure strategies. Firms weigh investor expectations against the need to protect proprietary information, particularly when innovation is involved. Disclosure is also used strategically to manage reputation, shape stakeholder perceptions, and respond to political pressures. This part presents the firm as both a political and strategic actor, adapting its disclosure practices to evolving institutional environments.

In Part C *Innovation Outcomes*, we examine what disclosure regulation does to innovation. We study whether transparency requirements, along with enforcement and litigation, encourage or discourage firms' investment in innovation. Several topics explore how stricter enforcement, accounting conservatism, and the public availability of R&D-related information influence firms' innovation strategies and risk-taking behavior. We also examine how disclosure affects firms' ability to signal, protect, or leverage their innovation capabilities, including patents, proprietary resources, and human capital. One topic focuses specifically on supply chain transparency mandates, asking whether sustainability-oriented disclosure rules drive innovation in cleaner technologies or merely add reporting burdens. A central concern throughout the block is whether regulation reveals or conceals the resources firms rely on to innovate. The final discussion explores how financial disclosure rules influence the balance between exploring new ideas and exploiting existing knowledge. Together, these topics connect institutional design and regulatory intent to the real effects of disclosure regulation on how firms innovate and compete.

Part A: Regulator Perspective

Topic 1:

Pressure on Standard-Setters: How Accounting Standards Evolve Under Firm Influence

Supervisor: Peiyuan Zhao, M.Sc.

Topic Description:

Accounting standards are not determined by policymakers in isolation. Rather, the process of standard-setting is shaped by input of a variety of stakeholders, among which firms as preparers play a particularly influential role. Because accounting standards directly affect how firms disclose their financial performance and position, they often have strong economic incentives to influence the outcome of these standards. This influence may be exerted in various ways, including the submission of comment letters to standard-setting bodies, participation in public consultations, delivering speeches at industry events, or engaging in direct lobbying efforts. There is substantial anecdotal evidence suggesting that firms actively attempt to shape or delay the implementation of accounting standards they perceive as unfavorable. Such interventions highlight the political and strategic dimensions of accounting regulation, in contrast to the traditional view of standard-setting as a purely technical process.

This seminar thesis explores how accounting standards evolve in response to firms' influence by reviewing the theoretical literature that models the incentives, voting behavior, and institutional conditions underlying regulatory changes in financial reporting.

Introductory Literature:

- Bertomeu, J., Magee, R., & Schneider, G. (2019). Voting over Disclosure Standards. *European Accounting Review, 28 (*1), 45-70.
- Friedman, H., & Heinle, M. S. (2016). Lobbying and Uniform Disclosure Regulation. *Journal of Accounting Research, 54* (3), 863-893.
- Chen, H., & Yang, L. (2023). Stability and Regime Change: The Evolution of Accounting Standards*. The Accounting Review, 98* (3), 135-152.
- Hochberg, Y. V., Sapienza, P., & Vissing-Jørgensen, A. (2009). A Lobbying Approach to Evaluating the Sarbanes-Oxley Act of 2002. *Journal of Accounting Research, 47* (2), 519-583.

Topic 2:

When Disclosure Regulation Isn't Neutral: Political Drivers of Corporate Transparency Rules

Supervisor: Tobias Kalmbach, M.Sc.

Topic Description:

The development of disclosure regulations—such as financial or sustainability reporting rules—is not only a technical process aimed at increasing transparency and protecting investors but also a political one shaped by competing interests and ideologies. The theory of regulatory capture argues that powerful special-interest groups can influence regulators to design rules that serve their private interests. The theory of political ideology emphasizes that the personal beliefs and political orientations of policymakers affect which kinds of disclosure regulations they promote. In contrast, the public interest theory assumes that regulations are created primarily to serve the general good, without being driven by private or ideological motives. Understanding these different perspectives is essential for analyzing how and why transparency rules vary across contexts and over time.

This seminar thesis has two main tasks. First, students will briefly summarize the conceptual background of the three theories outlined above. Second, students will critically review and compare three empirical studies that examine how political factors influence the development of disclosure regulation. The empirical comparison should specifically analyze: (1) how each study defines and measures political influences (e.g., special-interest lobbying, ideological positioning); (2) how each study isolates the effect of one political factor from other confounding influences; and (3) the strengths and limitations of each study's empirical strategy. Finally, the thesis should discuss what these studies reveal about the political dynamics behind disclosure regulation.

Introductory Literature:

- Bischof, J., Daske, H., & Sextroh, C. (2020). Why do politicians intervene in accounting regulation? The role of ideology and special interests. *Journal of Accounting Research, 58*(3), 589–642.
- Allen, A., & Ramanna, K. (2013). Towards an understanding of the role of standard setters in standard setting. *Journal of Accounting and Economics, 55*(1), 66–90.
- Ramanna, K. (2008). The implications of unverifiable fair-value accounting: Evidence from the political economy of goodwill accounting. *Journal of Accounting and Economics, 45*(2–3), 253–281.

Topic 3:

The AI Act's Transparency Tightrope: Does the EU's AI Act Chill or Channel Generative-AI Innovation?

Supervisor: Kriti Bhattacharya, M.Sc.

Topic Description:

The European Union's Artificial Intelligence Act (EU AI Act) establishes the first comprehensive, legally binding regime for general-purpose AI models, including text, image and code generators. From a regulatory standpoint, the Act aims to balance transparency obligations designed to enhance trust, market accountability, and compliance technology innovation against concerns about stifling innovation by potentially increasing proprietary risks and compliance burdens for firms, particularly smaller startups.

This thesis adopts a regulatory perspective to explore the rationale behind the EU AI Act's transparency mandates. Initially, the thesis will contextualize these disclosure obligations within the broader literature on disclosure regulation, emphasizing regulators' objectives such as consumer protection, competitive fairness, and market stability. It will then discuss the theoretical debates on how regulators attempt to balance transparency requirements with fostering innovation, including the trade-offs they face between encouraging openness and preserving firms' proprietary incentives. Subsequently, the thesis will review preliminary evidence of how European regulators' disclosure policies shape the strategic responses of AI firms, such as adjustments in funding patterns, patent strategies, and investments in compliance-oriented technologies (e.g., auditing, watermarking, and data licensing). Finally, it will propose empirical approaches regulators might utilize—such as cross-jurisdictional regulatory comparisons—to evaluate whether transparency provisions effectively direct AI innovation towards safer and more trustworthy technologies or unintentionally hinder generative-AI innovation.

Introductory Literature

- Breuer, M., Leuz, C., & Vanhaverbeke, S. (2025). Reporting regulation and corporate innovation. *Journal of Accounting and Economics.*
- Dambra, M., Mihov, A., & Sanz, L. (2024). Unintended real effects of EDGAR: Evidence from corporate innovation. *The Accounting Review, 99*(6), 75-99.
- Chen, H., Liang, P. J., & Petrov, E. (2024). Innovation and financial disclosure. *Journal of Accounting Research, 62*(3), 935-979.
- Bania (2025). Decoding the AI Act: Implications for Competition Law and Market Practices. *Journal of Competition Law & Economics*.

Part B: Firm Perspective

Topic 4:

Proprietary Costs vs. Information Demand: Do Innovative Firms Disclose More?

Supervisor: Pascal Schrader, Dipl. WInf.

Topic Description:

Disclosure theory suggests that firms face a critical trade-off when deciding whether to voluntarily disclose innovation-related information. On one hand, innovative firms may have incentives to communicate more openly with stakeholders to satisfy the increased information demand stemming from heightened uncertainty and information asymmetry associated with new innovations. On the other hand, firms might refrain from extensive disclosure due to proprietary costs, fearing that revealing innovation details could erode competitive advantages.

The goal of this thesis is to investigate whether regulatory interventions are necessary to ensure adequate disclosure of innovative activities or if firms naturally disclose sufficient information to meet investor demands. Following a general introduction to voluntary disclosure and proprietary cost theory, the thesis will specifically analyze empirical findings related to the innovation disclosure of firms and regulatory interventions. The thesis should further elaborate on theoretical arguments underpinning these empirical results and critically assess whether voluntary disclosure incentives sufficiently address the information needs of stakeholders or if regulation remains necessary.

Introductory Literature:

- Breuer, M., Leuz, C., & Vanhaverbeke, S. (2025). Reporting regulation and corporate innovation. *Journal of Accounting and Economics*, 101769.
- Huang, S., Ng, J., Ranasinghe, T., & Zhang, M. (2021). Do innovative firms communicate more? Evidence from the relation between patenting and management guidance. *The Accounting Review, 96*(1), 273-297.
- Kim, J., & Valentine, K. (2021). The innovation consequences of mandatory patent disclosures. *Journal of Accounting and Economics, 71*(2-3), 101381.

Topic 5:

Strategic Patent Disclosure: Managing Competitive Pressures

Supervisor: Xinyan Wu, M.Sc.

Topic Description:

While patent filing serves as a mechanism to protect intellectual property by securing legal rights over innovations and preventing competitors from innovating in the same technological direction, prior research suggests that patent disclosure regulations can also lead to knowledge spillovers by revealing proprietary information to peer firms, thereby facilitating follow-on innovation within the industry. Such disclosures can impose proprietary costs and increase the risk of intensified market competition. As a result, firms may strategically adjust their patent disclosure behavior to mitigate competitive threats.

This thesis aims to provide a comprehensive overview of the theoretical and empirical literature on patent disclosure, with a particular emphasis on the role of market competition in shaping firms' disclosure strategies. By examining the benefits and costs of patent disclosure, the central focus of the thesis will be on how firms strategically manage patent reporting in response to the competitive dynamics of their industry.

Introductory Literature:

- Dyer, T. A., Glaeser, S., Lang, M. H., & Sprecher, C. (2024). The effect of patent disclosure quality on innovation. *Journal of Accounting and Economics*, *77*(2-3), 101647.
- Glaeser, S. A., & Landsman, W. R. (2021). Deterrent disclosure. *The Accounting Review*, *96*(5), 291-315.
- Hughes, J. S., & Pae, S. (2015). Discretionary disclosure, spillovers, and competition. *Review of Accounting Studies*, *20*, 319-342.
- Chang, Y. C., Tseng, K., & Yu, T. W. (2024). Access to financial disclosure and knowledge spillover. The Accounting Review, *99*(5), 147-170.

Topic 6:

Political Uncertainty and Corporate Disclosure: Adjusting Transparency in Times of Risk?

Supervisor: Tobias Kalmbach, M.Sc.

Topic Description:

The extent and quality of corporate disclosure are not only shaped by firm characteristics or regulatory requirements, but also by the broader political environment. One important political factor is political uncertainty—for example, during elections, policy transitions, or geopolitical shocks. In such situations, firms may change their disclosure strategies to reduce exposure, avoid political backlash, or manage investor expectations. While standard economic models treat disclosure decisions as market-driven, recent empirical research shows that firms actively respond to political uncertainty by altering both the content and timing of their financial and narrative disclosures. Understanding how firms adjust their transparency in response to political risk is essential for evaluating the stability and informativeness of disclosure in volatile environments.

This seminar thesis will begin with a brief conceptual overview of how political uncertainty can affect corporate decision-making, particularly regarding disclosure. It should outline theoretical expectations about whether firms increase or reduce transparency in response to political risk and why. In the empirical part, students will select and compare three empirical studies that examine how political uncertainty influences corporate disclosure behavior. The comparison should focus on: (1) how political uncertainty is measured (e.g., elections, textual risk indices, geopolitical shocks), (2) what types of disclosure outcomes are analyzed (e.g., voluntary reporting, tone, frequency), and (3) how the studies identify a causal link between political uncertainty and disclosure. The thesis should assess the methodological strengths and weaknesses of each study and conclude by discussing what we can learn about corporate transparency under political uncertainty.

Introductory Literature:

- Arikan, M., Kara, M., Masli, A., & Xi, Y. (2023). Political euphoria and corporate disclosures: An investigation of CEO partisan alignment with the president of the United States. *Journal of Accounting and Economics*, *75*(2-3), 101552.
- Gulen, H., & Ion, M. (2016). Policy uncertainty and corporate investment. *The Review of Financial Studies*, *29*(3), 523-564.
- Mekhaimer, M., Soliman, M., & Zhang, W. (2024). Does Political Uncertainty Obfuscate Narrative Disclosure? *The Accounting Review*, *99*(4), 367-394.

Topic 7:

Disclosure Strategies of Cross-Listed Firms Under Uncertainty

Supervisor: Wenqian Yang, M.Sc.

Topic Description:

The global economy is shifting from convergence toward increasing institutional fragmentation. Examples include rising regulatory tensions between the U.S. and China, the European Union's evolving ESG disclosure rules, and the rise of localized sustainability reporting standards in emerging markets. These developments have produced a disjointed global regulatory landscape characterized by heterogeneous disclosure standards, enforcement mechanisms, and investor expectations. Firms need to adapt their disclosure policies in response to the institutional and political features of their environment accordingly.

These challenges are especially pronounced for cross-listed firms, which are subject to multiple regulatory regimes. Cross-listed firms face heightened uncertainty over how rules will be implemented and enforced. They must also navigate the preferences of heterogeneous investor bases, which may demand more complex disclosure strategies. The dynamic interplay between political uncertainty, institutional heterogeneity, and firm disclosure incentives underscores the need for a more nuanced understanding of how global firms manage transparency under uncertainty.

This seminar thesis aims to investigate how political and policy uncertainty affects the disclosure strategies of cross-listed firms. It provides an overview of the relevant theoretical and empirical literature, focusing on how companies adapt their disclosure practices in response to uncertainty within a fragmented global regulatory environment.

Introductory Literature:

- Pagano, M. & Röell, A. A. & Zechner, J. (2002). The Geography of Equity Listing: Why Do Companies List Abroad? *Journal of Finance*, *57*(6), 2651–2694. https://doi.org/10.1111/1540-6261.00511
- Lei, L. and Luo, Y. (2023), Political/Policy Uncertainty, Corporate Disclosure, and Information Asymmetry*. *Account Perspectives, 22*: 87110.
- Pastor, L. & Veronesi, P. (2012). Uncertainty about Government Policy and Stock Prices. *The Journal of Finance, 67* (4), 1219-1264.

Topic 8:

How Does Public Availability of R&D-Related Information Affect Firms' Innovation Strategy?

Supervisor: Xinyan Wu, M.Sc.

Topic Description:

Mandated corporate disclosure reduces information asymmetries between firms and external stakeholders, thereby enhancing transparency and promoting more efficient capital allocation. However, the public availability of research and development (R&D)-related information can also expose commercially sensitive details, potentially leading to proprietary costs. In particular, disclosing R&D activities may reveal a firm's innovation direction to competitors, potentially weakening its competitive advantage in the market. Moreover, disclosure dissemination technologies such as EDGAR further reduce information processing costs, which may unintentionally exacerbate market competition by making R&D disclosures more accessible to competitors.

This thesis aims to provide a comprehensive overview of the theoretical and empirical literature on the disclosure of R&D-related information. By examining the benefits and costs of enhancing the public availability of R&D-related information, a main part of the thesis should elaborate on firms' strategic decisions regarding innovation in response to the disclosure regulations.

Introductory Literature:

- Breuer, M., Leuz, C., & Vanhaverbeke, S. (2025). Reporting regulation and corporate innovation. *Journal of Accounting and Economics*, 101769.
- Chen, J. Z., Kim, Y., Yang, L. L., & Zhang, J. H. (2023). Information transparency and investment in follow-on innovation. *Contemporary Accounting Research*, *40*(2), 1176-1209.
- Chen, H., Liang, P. J., & Petrov, E. (2024). Innovation and Financial Disclosure. *Journal of Accounting Research*, *62*(3), 935-979.
- Dambra, M., Mihov, A., & Sanz, L. (2024). Unintended real effects of EDGAR: Evidence from corporate innovation. *The Accounting Review*, *99*(6), 75-99.

Topic 9:

Mollifying Politicians - Corporate Appeasement

Supervisor: Ilias Matthias Nasri, M.Sc.

Topic Description:

Firms under political scrutiny face the prospect of costly regulatory interventions, intensified oversight, or reputational damage. Drawing on the political-cost hypothesis, this thesis explores a spectrum of appeasement tactics, ranging from income-decreasing accounting choices and district-level advertising to CEO-led sociopolitical statements and board-level accommodations. By investigating how managers deploy financial disclosures, targeted communication efforts, public activism, and activist-director appointments, this study will illuminate the strategies firms employ to mollify political actors and interest groups.

Building strictly on existing empirical work and theory, the student will first map the theoretical foundations of the political-cost hypothesis and its extensions to voluntary (sociopolitical messaging) messaging and governance responses (activist-director appointments). They will then synthesize empirical findings on how earnings-management techniques, location-specific ad spending, CEO activism, and activist director placements serve as tools to mitigate anticipated political costs. Finally, the student will identify gaps in the prior literature and propose promising avenues for future research at the intersection of disclosure regulation, corporate politics, and governance interventions.

Introductory Literature:

- Braam, G., Nandy, M., Weitzel, U., & Lodh, S. (2015). Accrual-based and real earnings management and political connections. *The International Journal of Accounting*, *50*(2), 111-141.
- Cuny, C., Kim, J., & Mehta, M. N. (2023). Political costs and strategic corporate communication. *Available at SSRN* 4102423.
- Gow, I. D., Shin, S. P. S., & Srinivasan, S. (2024). Activist directors: Determinants and consequences. *Review of Accounting Studies, 29*(3), 2578-2616.
- Mkrtchyan, A., Sandvik, J., & Zhu, V. Z. (2024). CEO activism and firm value. *Management Science*, *70*(10), 6519-6549.

Topic 10:

Explore or Exploit? A Theory of Financial Disclosure and Innovation Strategies.

Supervisor: Yasmin Hoffmann, M.Sc.

Topic Description:

Firms regularly encounter strategic decisions about whether to continue exploiting existing technologies or to invest resources in exploring new technological approaches. Exploiting established technologies provides stability, predictability, and proven outcomes, whereas exploring new alternatives offers the possibility of groundbreaking innovation, efficiency gains, and market advantages but with greater uncertainty. Given that both insufficient and excessive innovation efforts can reduce overall firm efficiency, determining the optimal extent of innovation is a complex challenge.

Innovation strategies become even more nuanced for firms subject to financial disclosure regulation. Disclosure requirements mandate firms to reveal potentially sensitive or proprietary information, which on the one hand might dampen their incentives to innovate, yet on the other hand can facilitate valuable knowledge spillovers across firms. This seminar thesis will explore how financial disclosure policies influence the strategic trade-off between exploration and exploitation - whether to invest in developing new technologies or to continue leveraging existing ones - in corporate innovation often modeled as a two-armed bandit problem.

As such, this thesis aims to provide a broad overview of empirical and theoretical literature, with a strong emphasis on the latter, in the field of accounting that relates to the interaction of financial disclosure regulations and corporate innovation strategies.

Introductory Literature:

- Chen, H. & Liang, P. J. & Petrov, E. (2024). Innovation and Financial Disclosure. *Journal of Accounting Research 62* (3), https://doi.org/10.1111/1475-679X.12546.
- Breuer, M. & Leuz, C. & Vanhaverbeke, S. (2025). Reporting Regulation and Corporate Innovation. *Journal of Accounting and Economics*, https://doi.org/10.1016/j.jacceco.2025.101769.
- Allen, A. & Lewis-Western, M. F. & Valentine, K. (2022). The Innovation and Reporting Consequences of Financial Regulation for Young Life-Cycle Firms. *Journal of Accounting Research 60* (1), https://doi.org/10.1111/1475-679X.12398.

Part C: Innovation Outcomes

Topic 11:

The Real Effect of Mandatory Disclosure Regulation on Firms' Strategic Decisions

Supervisor: Peiyuan Zhao, M.Sc.

Topic Description:

Firms are obligated to regularly issue financial disclosures in accordance with mandatory disclosure regulations. These regulations serve several important functions: they help mitigate information asymmetry between firms and their stakeholders, enhance market efficiency, facilitate regulatory oversight, and reduce firms' cost of capital. However, firms may at times be reluctant to disclose all information in order to conceal unfavorable details, preserve strategic ambiguity, or minimize the risk of scrutiny and litigation. Although firms are bound by mandatory disclosure requirements to provide truthful and relevant information, one potential strategy to address these concerns involves adjusting their operational decisions. Through such adjustments, firms may be able to strategically influence stakeholder perceptions without breaching their reporting obligations.

This seminar thesis undertakes a comprehensive review of the existing empirical and theoretical literature, with particular emphasis on the latter, to provide an in-depth analysis of the potential real-world effects of mandatory disclosure regulations on firms' operational decisions. It also aims to identify the specific circumstances under which these effects may arise.

Introductory Literature:

- Ozbilgin, M., & Penno, M. (2005). Corporate Disclosure and Operational Strategy: Financial vs. Operational Success. *Management Science*, *51* (6), 920-931.
- Ernstberger, J., Link, B., Stich, M., & Vogler, O. (2017). The Real Effects of Mandatory Quarterly Reporting. *The Accounting Review*, *92* (5), 33-60.
- Schneider, G. T., & Scholze, A. (2015). Mandatory Disclosure, Generation of Decision-Relevant Information, and Market Entry. *Contemporary Accounting Research*, *32* (4), 1353-1372.
- Jayaraman, S., & Wu, J. S. (2019). Is Silence Golden? Real Effects of Mandatory Disclosure. *The Review of Financial Studies*, *32* (6), 2225-2259.

Topic 12:

Innovation and Accounting Conservatism

Supervisor: Dr. Sebastian Kronenberger

Topic Description:

Disclosure Regulation and accounting standards can have various features. One of the central notions in many accounting standards is conservatism. Conservatism can fulfil is commonly viewed as useful in terms of mitigating litigation threats or enabling contracting, but its impact on innovation is not entirely clear. Innovation drives progress and risk-taking, while accounting conservatism emphasizes caution and reliability in financial reporting. What could be the role of accounting conservatism in these high-risk situations? In a first step, this thesis should explain and discuss the theory study by Laux and Ray (2020). In a second step, the theory should be connected to existing empirical evidence. Does theory and empirical research results align? What are the reasons why findings differ?

Introductory Literature:

- Laux, V. and Ray, K. 2020. Effects of Accounting Conservatism on Investment Efficiency and Innovation. *Journal of Accounting and Economics*. 70, 1.
- Bai, M., Kent, P., Kim, S., & Li, S. (2024). The role of accounting conservatism in corporate innovation. *Accounting & Finance*.
- Hsu, C., Novoselov, K. E., & Wang, R. (2017). Does accounting conservatism mitigate the shortcomings of CEO overconfidence?. *The Accounting Review 92*(6), 77-101.

Topic 13:

Innovation and Enforcement

Supervisor: Dr. Sebastian Kronenberger

Topic Description:

Innovation thrives in environments that encourage experimentation and risk-taking, while accounting enforcement ensures compliance with financial reporting standards, enhancing transparency and investor confidence. However, stringent enforcement may impose constraints on managerial discretion, potentially discouraging high-risk, high-reward innovation. Conversely, weak enforcement could lead to opportunistic behavior and financial misreporting, undermining trust and long-term innovation incentives. The task of the seminar thesis in this context is to explain and discuss the arguments provided in Laux and Stocken (2018). In a second step, the insights shall be evaluated against the existing body of empirical literature. Do theory and empirical findings align? Why might they contradict each other? Understanding this dynamic is essential for students interested in corporate governance, financial regulation, and innovation management.

Introductory Literature:

- Laux, V. and Stocken, P. 2018. Accounting Standards, Regulatory Enforcement, and Innovation. *Journal of Accounting and Economics*. 65, (2018), 221-236.
- Breuer, M., Leuz, C., & Vanhaverbeke, S. (2025). Reporting regulation and corporate innovation. *Journal of Accounting and Economics*, 101769.
- Zhong, R. I. (2018). Transparency and firm innovation. *Journal of Accounting and Economics 66*(1), 67-93.

Topic 14:

Enforcement and Innovation: Navigating the Tensions Between Transparency and Entrepreneurial Risk-Taking

Supervisor: Sabrina Popow, M.Sc.

Topic Description:

Disclosure requirements, along with associated enforcement tools such as regulatory oversight and shareholder litigation, aim to enhance transparency and protect investors. However, they also introduce costs and risks that may reshape firms' incentives to innovate.

This seminar thesis explores the complex interplay between disclosure regulation, enforcement mechanisms, and corporate innovation and examines how accounting standards, litigation risk, and regulatory penalties can simultaneously encourage and constrain innovative activity. While transparency may reduce information asymmetry and promote investment efficiency, stringent disclosure and high litigation risk may deter risk-taking and exploratory R&D efforts.

Analyzing theoretical models and empirical evidence, the thesis will investigate how the enforcement of disclosure rules impact firms' innovation strategies. Special attention will be given to the dual role of litigation as both a deterrent and a form of investor insurance, and to the broader political and policy processes that shape the evolution of enforcement regimes.

Introductory Literature:

- Laux, V., & Stocken, P. C. (2018). Accounting standards, regulatory enforcement, and innovation. *Journal of Accounting and Economics*, *65*(2–3), 221–236.
- Schantl, S. F., & Wagenhofer, A. (2024). Economic effects of litigation risk on corporate disclosure and innovation. *Review of Accounting Studies*, 29, 3328–3368.
- Lin, C., Liu, S., & Manso, G. (2021). Shareholder litigation and corporate innovation. *Management Science*, *67*(6), 3346–3367.
- Glaeser, S., & Lang, M. (2024). Measuring innovation and navigating its unique information issues: A review of the accounting literature on innovation. *Journal of Accounting and Economics*, 78, 101720.

Topic 15:

Innovating under Uncertainty: How Economic Policy Uncertainty Shapes Firms' Disclosure and Innovation Decisions.

Supervisor: Yasmin Hoffmann, M.Sc.

Topic Description:

Future economic policies, such as those related to trade, taxation, or environmental and sustainability standards impose uncertainty on firms. A notable recent example is the shifting regulatory landscape surrounding ESG disclosures. After years of momentum toward more stringent ESG disclosure mandates, both the European Union and the United States have recently paused or reconsidered previously announced regulatory frameworks. Such shifts exemplify the broader phenomenon of economic policy uncertainty (EPU), which profoundly influences corporate behavior. Heightened EPU may discourage firms from investing in innovative technologies or sustainable initiatives due to unclear regulatory outcomes and potential costs. Conversely, uncertainty might also encourage proactive innovation, positioning firms strategically ahead of possible future policy developments or competitive threats. Moreover, policy uncertainty impacts firms' disclosure strategies, influencing managerial decisions about whether and how extensively to voluntarily disclose information to investors, regulators, and the public.

This seminar thesis investigates the effects of economic policy uncertainty on corporate innovation decisions and disclosure practices. It aims to provide an overview of theoretical and empirical literature examining how firms navigate the challenges and opportunities created by policy-driven uncertainty.

Introductory Literature:

- Nagar, V., Schoenfeld, J., & Wellman, L. (2019). The Effect of Economic Policy Uncertainty on Investor Information Asymmetry and Management Disclosures. *Journal of Accounting and Economics, 67*(1), 36–57. https://doi.org/10.1016/j.jacceco.2018.08.011
- He, C. & Li, Y. & Zhu, J. (2022). The effect of firm-level perception of uncertainty on innovation: Evidence from China's listed firms. *Economic Letters*, 221 (1), https://doi.org/10.1016/j.econlet.2022.110886.
- Pastor, L. & Veronesi, P. (2012). Uncertainty about Government Policy and Stock Prices. *The Journal of Finance*, *67* (4), 1219-1264. https://doi.org/10.1111/j.1540-6261.2012.01746.x

Topic 16:

Resources Revealed or Hidden? Disclosure Regulation and Corporate Innovation Capabilities

Supervisor: Ilias Matthias Nasri, M.Sc.

Topic Description:

Disclosure regulation plays a pivotal role in determining how firms' innovation resources, R&D investments, patents, know-how, human capital, are recognized, valued, and communicated to the market. By mandating the revelation of proprietary information, disclosure rules can both diminish firms' incentives to invest in novel activities (unintended spillovers to competitors) and enhance overall welfare by facilitating knowledge diffusion and subsequent innovation. Political and institutional factors, such as regime stability, election cycles, and economic policy uncertainty, further shape both disclosure mandates and firms' strategic responses, making the interplay among regulation, politics, and resource-based innovation capabilities a timely and consequential research area.

The goal of this thesis is to conduct a structured literature review on how disclosure regulation affects the identification, valuation, and strategic communication of firms' innovation capabilities under varying political and institutional environments. After outlining key theoretical frameworks, particularly the three attributes of innovation (novelty, nonrivalry, partial excludability), the student will synthesize prior empirical findings to show how different disclosure regimes influence the market's valuation of R&D expenditures, patents, and other intangible assets. The thesis will then explore the conditions under which enhanced transparency spurs downstream knowledge diffusion ("spill-in") versus when it imposes proprietary costs ("spill-out") on innovators. Throughout, the student should critically compare competing theoretical models, highlight gaps in the accounting literature and suggest avenues for future research.

Introductory Literature:

- Barth, M. E., & Gee, K. H. (2024). Accounting and innovation: Paths forward for research. Journal of Accounting and Economics, *78*(2-3), 101733.
- Glaeser, S., & Lang, M. (2024). Measuring innovation and navigating its unique information issues: A review of the accounting literature on innovation. Journal of Accounting and Economics, 101720.
- Grabner, I., Posch, A., & Wabnegg, M. (2018). Materializing innovation capability: A management control perspective. Journal of Management Accounting Research, *30*(2), 163-185.
- Kim, J., & Valentine, K. (2021). The innovation consequences of mandatory patent disclosures. Journal of Accounting and Economics, *71*(2-3), 101381.

Topic 17:

Supply Chain Transparency Mandates: Catalysts or Constraints for Corporate Innovation?

Supervisor: Sabrina Popow, M.Sc.

Topic Description:

The disclosure of supplier practices can create both pressure and incentives for firms to develop innovations that reduce negative environmental and social impacts. Additionally, the very process of gathering and reporting supply chain data can facilitate the adoption of new technologies and best practices.

However, disclosure requirements may simultaneously disincentivize innovation by increasing proprietary costs and exposing sensitive information to competitors. In such cases, firms might prioritize the management and presentation of disclosed information over substantive improvements in supply chain practices. The overall effect on innovation of growing public and regulatory demands for transparency across firms' supply chains is therefore complex and likely depends on the specific regulatory environment, industry characteristics, and the nature of the information required for disclosure. Analyzing theoretical models and empirical evidence, this seminar thesis will explore the dual role of supply chain transparency as both a catalyst and a constraint for corporate innovation. Understanding these nuanced dynamics is critical for assessing the effectiveness of transparency mandates as policy tools, and their broader implications for corporate strategy, sustainability, and competitiveness.

Introductory Literature:

- Kalkanci, B., & Plambeck, E. L. (2020). Managing supplier social and environmental impacts with voluntary versus mandatory disclosure to investors. *Management Science, 66*(8), 3311–3328.
- Breuer, M., Leuz, C., & Vanhaverbeke, S. (2025). Reporting regulation and corporate innovation. Forthcoming in *Journal of Accounting and Economics*.
- Chen, H., Liang, P. J., & Petrov, E. (2024). Innovation and financial disclosure. *Journal of Accounting Research, 62*(3), 953–979.
- Glaeser, S., & Lang, M. (2024). Measuring innovation and navigating its unique information issues: A review of the accounting literature on innovation. *Journal of Accounting and Economics, 78*, 101720.

IV. 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 a 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 13 and 14 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, 11 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%).** Active seminar participation will be appreciated. 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 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 relevant introductory literature and the final 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.