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Thursday, June 10, 2021

Fall Term 2021

Seminar ACC 750

### **Firms in Transition**

Lecturers: Prof. Holger Daske/Prof. Dirk Simons

#### **I. Admission and Seminar Dates**

We are happy to announce our seminar for the upcoming fall term in 2021. The seminar consists of a written seminar paper and a presentation of your work to your fellow students as well as the academic staff. Seminar papers and presentations are in English. We accept applications until **21 June 2021**.

The seminar registration form can be downloaded from ILIAS (search for: "ACC 750" in HWS 2021 using Portal2 and join the group). If you are interested in participating in our seminar, please download and 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 **28 June 2021 to 23 August 2021** and the **final-close period** spans from **6 September 2021 to 2 November 2021**. Please indicate in your registration document in which period you intend to write your seminar thesis. We will publish the result of the application on 28 June for both periods via email. We will announce the allocation of paper topics via email on **28 June 2021** and on **6 September 2021**, respectively (at 12 pm).

The seminar presentations will take place on **11 and 12 of November, 2021**.

Please consult the relevant examination regulation and module catalog for information on minimum admission requirements. Please submit your application via e-mail to Hala

Jada (hjada@mail.uni-mannheim.de). 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

“Firms in Transition” is a term we use to refer to the challenges and changes that firms face throughout their economic life. These changes can include sources of finance and listing, technology, regulations, and the general economic environment. In our seminar, we explore some of these challenges in a structure of three blocks: (a) New technologies (b) Digitization and new forms of reporting, and (c) COVID-19 Crisis.

Part (a) focuses on Blockchain technology and how it affects firms' corporate governance and the auditing profession. Then, the focus switches to cryptocurrencies, which are made possible through blockchain technology. We intend to cover an introduction to cryptocurrencies outlining major types as well as their basic mechanisms. Then, we discuss initial coin offerings (ICOs) as a popular fundraising opportunity.

Part (b) discusses the effect of digitization on firms' reporting. It starts with illuminating the effect of digitization on corporate voluntary disclosures. Then, we review the recent state of non-standardized XBRL tags and their economic consequences, and we discuss XBRL's potential role as a substitute to traditional data providers.

Finally, in part (c), we end the seminar with an overview of early evidence on the economic impact and implication of the concurrent pandemic. The COVID-19 pandemic continues to impose a major impact on economies worldwide. While some industries benefited from the crisis, others suffered severely. We analyze recent approaches attempting to measure firm-level pandemic risk and how differences in firms' cost structures and their degree of reporting flexibility have impacted their exposure to the crisis. The pandemic might have also played a role in shifting the focus of investors'



attention and we analyze if that was the case for CSR reporting. Finally, we evaluate how traditional gatekeepers, namely auditors, have been affected by the pandemic.

### III. Topic

#### **Part A: New Technologies**

##### **Topic 1: The Influence of Blockchain Technologies on Auditing.**

The Blockchain Technology has many potential applications in the business world. Due to the properties of the blockchain as a verification instrument, the audit of financial statements could be one of the major areas affected by this technological change. The study should discuss potential areas of applications. The main focus should be on the economic intuition of pros and cons related to the audit process itself and/or the possible consequences for the audit market and audit pricing.

- Cao, S., Cong, L. W., & Yang, B. (2019). Financial reporting and blockchains: Audit pricing, misstatements, and regulation. *Misstatements, and Regulation (June 2019)*.
- Kend, M., & Nguyen, L. A. (2020). Big Data Analytics and Other Emerging Technologies: The Impact on the Australian Audit and Assurance Profession. *Australian Accounting Review, 30(4)*, 269-282.
- Tan, B. S., & Low, K. Y. (2019). Blockchain as the database engine in the accounting system. *Australian Accounting Review, 29(2)*, 312-318.

## **Topic 2: Corporate Governance in the New Era.**

The separation of ownership and control leads to various agency problems. Corporate governance mechanisms aim to reduce these problems using incentive structures and control mechanisms. Blockchain and its accompanying innovations may affect owners and managers in important ways. This thesis aims to provide a structural analysis of how blockchain implementation can potentially shift the focus of corporate governance.

- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics*, 3(4), 305-360.
- Yermack, D. (2017). Corporate governance and blockchains. *Review of Finance*, 21(1), 7-31.
- Zachariadis, M., Hileman, G., & Scott, S. V. (2019). Governance and control in distributed ledgers: Understanding the challenges facing blockchain technology in financial services. *Information and Organization*, 29(2), 105-117.

### **Topic 3: Cryptocurrencies: The Future of Money?**

Cryptocurrencies have emerged as a viable alternative to traditional currencies. Institutional investors increasingly consider cryptocurrencies for diversification purposes and even some industrial firms have begun holding liquid assets in cryptocurrencies. This seminar topic aims at providing an overview of the current state of cryptocurrencies. The paper should include an introduction to cryptocurrencies outlining major types, their basic mechanisms, and the related markets. Furthermore, the thesis should summarize recent scientific findings related to cryptocurrencies and provide an outlook discussing potential benefits and risks of a widespread adoption of cryptocurrencies.

- Foley, S., Karlsen, J. R., & Putniņš, T. J. (2019). Sex, drugs, and bitcoin: How much illegal activity is financed through cryptocurrencies?. *The Review of Financial Studies*, 32(5), 1798-1853.
- Liu, Y., & Tsyvinski, A. (2021). Risks and returns of cryptocurrency. *The Review of Financial Studies*, 34(6), 2689-2727.
- Makarov, I., & Schoar, A. (2020). Trading and arbitrage in cryptocurrency markets. *Journal of Financial Economics*, 135(2), 293-319.

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#### **Topic 4: Babbling or Value Added? The Information Content of Initial Coin Offerings' White Papers.**

The prosperity of Bitcoin and its successor has brought initial coin offerings (ICOs) as an ever-popular fundraising opportunity. However, criticisms over the potential fraud and manipulations due to the lack of regulation raise growing concerns. This thesis aims to provide descriptive information about ICOs and their white paper disclosure practices. Moreover, combining with theoretical analysis, the thesis should further discuss the information content of such disclosure and mechanisms that strengthen the disclosure credibility.

- Farrell, J., & Rabin, M. (1996). Cheap talk. *Journal of Economic perspectives*, 10(3), 103-118.
- Bourveau, T., De George, E. T., Ellahie, A., & Macciocchi, D. (2018). Initial coin offerings: Early evidence on the role of disclosure in the unregulated crypto market. *Available at SSRN*, 3193392.
- Sockin, M., & Xiong, W. (2020). *A model of cryptocurrencies* (No. w26816). National Bureau of Economic Research.

## **Part B: Digitization and New Forms of Reporting**

### **Topic 5: The Impact of Increasingly Digital Information Environments on Firms' Disclosures.**

The corporate information environment has changed drastically through disruptive technological innovations which paved the way for myriads of additional information sources. The related increase in available information attributable to the genesis of such information sources as for instance social media, may have shifted strategic corporate disclosure decisions in important ways. This thesis aims to summarize recent analytical research on the impact of increasingly digital information environments on firms' voluntary disclosures. In particular, the goal is to shed light on the effect that this development has on firms' costs associated with voluntary disclosures. Furthermore, the thesis should discuss specific mechanisms through which the change in the information environment affects corporate voluntary disclosures costs and related disclosure decisions.

- Banerjee and Kim (2017). Leaks, Disclosures and Internal Communication. *Available at SSRN 2999835*.
- Ebert, M., Schäfer, U., & Schneider, G. T. (2019). Information Leaks and Voluntary Disclosure. *Available at SSRN 3372141*.
- Xue, H., & Zheng, R. (2021). Word-of-mouth communication, noise-driven volatility, and public disclosure. *Journal of Accounting and Economics*, 71(1), 101363.



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## **Topic 6: Customization vs. Standardization: The Current State of XBRL Tagged Data.**

In 2009, the SEC required public companies to prepare their financial reporting in the eXtensible Business Reporting Language (XBRL) as an extension to their normal filing requirements (SEC, 2019. Interactive Data to Improve Financial Reporting). The aim of this regulation was to standardize the reporting practice and provide investors a machine-readable format (by tagging financial items) to improve the usefulness of the financial information. Nonetheless, the Security and Exchange Commission (SEC), states that companies “[...] must create and use a new special element if and only if an appropriate tag does not exist in the standard list of tags for reasons other than or in addition to an inappropriate standard label.” The goal of this seminar thesis is to conduct a literature review on the recent state of non-standardized XBRL tags and its economic consequences.

- Scherr, E., & Ditter, D. (2017). Customization versus standardization in electronic financial reporting: Early evidence from the SEC XBRL mandate. *Journal of Information Systems*, 31(2), 125-148.
- Johnston, J. (2020). Extended xbrl tags and financial analysts’ forecast error and dispersion. *Journal of Information Systems*, 34(3), 105–131.
- Vasarhelyi, M. A., Chan, D. Y., & Krahel, J. P. (2012). Consequences of XBRL standardization on financial statement data. *Journal of Information Systems*, 26(1), 155–167.

### **Topic 7: Do Advances in XBRL Make Traditional Financial Databases Obsolete?**

Financial accounting databases such as Compustat, Worldscope and Bureau van Dijk are widely used in research and practice. Nonetheless, research has shown that the information in those databases differ substantially among different providers and the true underlying value form firms' financial statements. Recent advances in XBRL processing led to the emergence of a new industry – information provider with data directly extracted from financial statements. An example of such a provider is CALCBENCH, which aims at making XBRL data easily accessible. The goal of this thesis is to conduct a large sample analysis of financial line items between CALCBENCH and traditional financial databases.

- Chychyla, R., & Kogan, A. (2015). Using XBRL to conduct a large-scale study of discrepancies between the accounting numbers in Compustat and SEC 10-K filings. *Journal of Information Systems*, 29(1), 37-72.
- Kern, B.B. & Morris, M.H. (1994). Differences in the COMPUSTAT and Expanded Value Line Databases and the Potential Impact on Empirical Research. *The Accounting Review*, 69(1), 274–284
- Dai, R. (2012). International Accounting Databases on WRDS: Comparative Analysis. *Available at SSRN 2938675*.

## **Part C: COVID-19**

### **Topic 8: How can we Evaluate Firm-Level Risk in the COVID-19 Crisis? An Investigation into Recent Approaches.**

The Covid-19 crisis has major economic consequences for economies worldwide. However, the degree to which a firm is affected by the crisis strongly depends on its business model. While grouping firms into industries can give a first indication of which firms might be affected more severely by the crisis and which firms are rather unaffected, several recent papers developed methods to assess an individual firm's risk, based on publicly available information, such as its disclosures. The goal of this seminar thesis is to conduct a literature review on recent approaches to assessing a firm's individual economic risk arising from crises like the current Covid-19 crisis.

- Hassan, T. A., Hollander, S., Van Lent, L., Schwedeler, M., & Tahoun, A. (2020). *Firm-level exposure to epidemic diseases: Covid-19, SARS, and H1N1* (No. w26971). National Bureau of Economic Research.
- Larcker, D. F., Lynch, B., Tayan, B., & Taylor, D. J. (2020). The spread of Covid-19 disclosure. *Rock Center for Corporate Governance at Stanford University Closer Look Series: Topics, Issues and Controversies in Corporate Governance No. CGRP-84*.
- Loughran, T., & McDonald, B. (2020). Management disclosure of risk factors and COVID-19. *Available at SSRN 3575157*.

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## **Topic 9: Better Safe than Sorry? The Costs and Benefits of Financial Flexibility at Times of Economic Upheaval.**

The Covid-19 crisis has led to major economic disruption and brought forth unprecedented challenges to firms. While some companies had to deal with a sudden drop in revenues, others were faced with a sharp boost in demand for their products or services. This topic aims at illuminating the costs and benefits of financial flexibility during periods of economic disruption. First, the thesis should illuminate how financial flexibility relates to other forms of corporate flexibility, such as investment or workplace flexibility. Moreover, the thesis should elaborate on the means that a firm might employ to alter its degree of financial flexibility. Finally, the seminar thesis is expected to work out measures which empirical researchers have developed for assessing financial flexibility and to analyze their validity.

- Barry, J. W., Campello, M., Graham, J. R., & Ma, Y. (2021). Corporate Flexibility in a Time of Crisis. *Available at SSRN 3778789*.
- Fahlenbrach, R., Rageth, K., & Stulz, R. M. (2020). *How valuable is financial flexibility when revenue stops? Evidence from the COVID-19 crisis* (No. w27106). National Bureau of Economic Research.
- Gamba, A., & Triantis, A. (2008). The value of financial flexibility. *The Journal of Finance*, 63(5), 2263-2296.

## **Topic 10: A Deliberate Managerial Decision: The Determinants and Effects of a Cost Structure Choice.**

Recent literature highlights that a firm's cost structure significantly influences how that firm is able to cope with the economic challenges brought about by the Covid-19 crisis. The aim of this thesis is twofold: First, the thesis should examine the determinants that guide managers in establishing a particular cost structure. Second, the thesis is supposed to illuminate potential effects that arise from that cost structure choice. In doing so, the thesis is expected to present in detail the measures that empirical researchers have developed for assessing a firm's cost structure and to analyze the validity of these measures.

- Anderson, M. C., Banker, R. D., & Janakiraman, S. N. (2003). Are selling, general, and administrative costs "sticky"? *Journal of Accounting Research*, 41(1), 47-63.
- Banker, R. D., & Byzalov, D. (2014). Asymmetric cost behavior. *Journal of Management Accounting Research*, 26(2), 43-79.
- He, J., Tian, X., Yang, H., & Zuo, L. (2020). Asymmetric cost behavior and dividend policy. *Journal of Accounting Research*, 58(4), 989-1021.

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## **Topic 11: Is Corporate Social and Environmental Responsibility Still Relevant During an Epidemic? Evidence from the COVID-19 Crisis.**

Before March 2020, environmental protection and social equality were two of the major topics discussed in politics and by the media. The Covid-19 crisis shifted the focus of attention away from these topics, not only in the public debate, but probably also from an investor point of view. While Corporate Social Responsibility (CSR) was a major focus of investors before the crisis, one could hypothesize that in a crisis like the current one, where the survival of firms and entire industries is at risk, these topics experience a decline in investor attention. The goal of this seminar thesis is to conduct a literature review on the role of CSR-topics from the investor perspective in the Covid-19 crisis.

- Crane, A., & Matten, D. (2020). COVID-19 and the future of CSR research. *Journal of Management Studies*.
- Demers, E., Hendrikse, J., Joos, P., & Lev, B. (2021). ESG did not immunize stocks during the COVID-19 crisis, but investments in intangible assets did. *Journal of Business Finance & Accounting*, 48(3-4), 433-462.
- Garel, A., & Petit-Romec, A. (2021). Investor rewards to environmental responsibility: Evidence from the COVID-19 crisis. *Journal of Corporate Finance*, 68, 101948.

## **Topic 12: Remote Auditing: Audit in the Wake of Covid-19.**

The pandemic created unexpected restrictions and challenges for auditors, who had to adjust their work to take into consideration the decline in revenues and stock prices of their clients. Furthermore, the travel restrictions and enforced remote working created challenging for audit firms in obtaining and evaluating their evidence and in maintaining their organizational culture. Whether audit firms will be able to thrive and create new opportunities from the unexpected outbreak of the pandemic is still an open question. This seminar thesis is expected to provide a literature review on the impact of the pandemic on auditors, and the factors that might influence their success in thriving through the crisis, using both academic and professional resources that are based on auditors' experience with the current crisis as well as previous crises.

- Howard-Grenville, J. (2020). How to Sustain Your Organization's Culture When Everyone is Remote. *MIT Sloan Management Review*, 61(4), 1-4.
- Haga, J., & Ittonen, K. (2021). Organizational Resilience of Audit Firms-Evidence from the Outbreak of COVID-19. *Available at SSRN 3845879*.
- Choi, J. H., Kim, J. B., Qiu, A. A., & Zang, Y. (2012). Geographic proximity between auditor and client: How does it impact audit quality?. *Auditing: A Journal of Practice & Theory*, 31(2), 43-72.

## **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 and Presentations*

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 a USB stick or by email. 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





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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.

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** have to be handed in on **9 November 2021** at the very latest.

#### *4. 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.

#### *5. 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.



## 6. Examiner / Supervisor

The students will be examined/supervised by the following Professor/Research Assistant:

Topic 1 (Part A) Prof. Simons/ Sebastian Kronenberger

Topic 2 (Part A) Prof. Simons/ Qi Gao

Topic 3 (Part A) Prof. Daske/Sara Alsarghali

Topic 4 (Part A) Prof. Simons/ Qi Gao

Topic 5 (Part B) Prof. Simons/ Yasmin Hoffman

Topic 6 (Part B) Prof. Daske/ Matthias Uckert

Topic 7 (Part B) Prof. Daske/ Matthias Uckert

Topic 8 (Part C) Prof. Daske/ Benjamin Tödtmann

Topic 9 (Part C) Prof. Simons/ Thomas Simon

Topic 10 (Part C) Prof. Simons/ Thomas Simon

Topic 11 (Part C) Prof. Daske/ Benjamin Tödtmann

Topic 12 (Part C) Prof. Simons/ Hala Jada