

Mannheim, November 2024

Spring Term 2025

ACC 750 Accounting Seminar

Information Production and Assurance in Financial and ESG Reporting: Key Differences, Interrelations, and Capital Market Implications

Lecturers: Professor Jannis Bischof/Professor Jens Wüstemann

I. Admission and Seminar Dates

We accept applications for the seminar for the fast close period until December 18, 2024, and for the final close period until February 6, 2025. Please submit your applications via email to Judith Greger (accounting.bwl@uni-mannheim.de). You can access the seminar registration form using the following link: <https://www.bwl.uni-mannheim.de/en/bischof/teaching/>.

You must prove in your application that you fulfill the prerequisites. The necessary prerequisites for participation include the successful completion of at least **one** of the following classes: ACC 510, ACC 530, ACC 540, ACC 560, ACC/TAX 570. Please highlight the respective class in your transcript and note it on the seminar registration form. If the class grades have not been published yet, you can still apply for the seminar. However, you must hand in the grade later as your admission to the seminar is conditional on the successful completion of the course.

For the seminar writing phase, you can choose between two eight-week periods: the fast close period spans from January 3, 2025, to February 28, 2025, and the final close period from February 17, 2025, to April 14, 2025. Please indicate in which period you intend to write your seminar thesis in your registration document. We will publish the allocation of paper topics **via email** on January 3, 2025, and on February 17, 2025, respectively (at noon, 12 pm).

We will send out admission emails for the fast close period on December 19, 2024, and for the final close period on February 13, 2025. **If you wish to withdraw from the seminar, please respond to the admission email for the fast close period until December 20, 2024, and the final close period until February 14, 2025. If we do not receive a response, we will consider this as confirmation of your attendance.**

The seminar presentations will take place on April 29, 2025.

II. Seminar Paper and Presentation

1. Motivation & Preliminary Remarks

“Transparent, informative and accurate financial reporting are the lifeblood of the capital markets and are essential for investors to make informed decisions as to how to allocate their capital.” (Steven B. Harris, 2024, board member of PCAOB (Public Company Accounting Oversight Board))

There is widespread agreement on the role of financial reporting for capital markets. From an individual perspective, it is assumed to facilitate the single investor's decision-making. From a macroeconomic perspective, it aids in forming security prices, contributing to an optimal resource allocation. Both perspectives are inseparably interconnected. To fulfill this role, financial reporting must exhibit key qualities: Steven Harris emphasizes the need for financial reporting to be “transparent, informative, and accurate”, and the IFRS Foundation highlights its purpose of providing *decision-useful* information to its primary users, particularly investors (Conceptual Framework of Financial Reporting 1.2).

Recently, a similar role has been ascribed to ESG reporting. By offering insights into a firm's sustainability-related risks and opportunities, ESG reporting aims to enhance investors' decision-making (IFRS S1.2) and, in turn, contributes to the efficient functioning of capital markets (ISSB, 2023 – [Link](#)). However, ESG reporting's relevance extends beyond capital markets. It seeks to promote transparency for a broad group of stakeholders. ESG reporting is intended to raise awareness of sustainability issues and influence the behavior of both companies and stakeholders. Given this multifaceted role, the demands on the quality of ESG information are high: Like financial information, ESG data must be understandable, relevant, verifiable, comparable, and faithfully represented (IFRS S1 Appendix D). While there is broad consensus on these requirements for decision-useful ESG reporting, achieving them remains an ongoing challenge. Current sustainability reporting practices frequently face criticism for their lack of comparability, credibility, and reliability. Cases of greenwashing, like the case of the DWS (Reuters, 2023 – [Link](#)), have further eroded trust, underscoring the need for robust ESG reporting standards.

Standard setters have already been acting on this criticism. The IFRS Foundation and the European Union are leading the way, both of which aim to establish robust standards for sustainability reporting. To this end, the IFRS Foundation created the International Sustainability Standards Board (ISSB) in 2021, while the European Commission tasked the European Financial Reporting Advisory Group (EFRAG) with developing the European Sustainability Reporting Standards (ESRS). In 2023, both the ISSB and the European Union introduced their first standards: The ISSB issued IFRS S1 and IFRS S2. Meanwhile, the EU adopted its first set of ESRS. These initiatives reflect the ambitious goal of elevating ESG reporting to the same level of importance as financial reporting (Bischof, Liu, & Simon, 2024 – [Link](#)). However, compared to financial reporting, the institutionalization of ESG reporting is still in its early stages.

Against this background, it becomes evident that the role of accounting – encompassing both financial and ESG reporting – could not be more complex. A central question emerges: (How) Can financial and ESG reporting systems ensure they provide the desired decision-useful information?

At least partially overlapping objectives and requirements across financial and ESG reporting systems result in comparable challenges in information production and assurance, which are, in the case of ESG reporting, further reinforced by the unique characteristics of ESG information. These challenges form the foundation of the seminar, which begins with a focus on financial reporting and then extends these insights to ESG reporting. A critical area of discussion is the inherent management discretion in all reporting systems, particularly in forward-looking disclosures such as risk reporting. The seminar explores how reporting standards seek to address this discretion and how executive incentives affect these decisions. Moreover, given the important role of assurance in enhancing the credibility of disclosures, the seminar examines the determinants and implications of financial and ESG key audit matters. Finally, the ultimate test of decision-usefulness lies in its impact on capital markets, which can only be assessed ex-post. Consequently, the seminar concludes by first examining the effects of financial and ESG risk reporting on capital markets and then investigating the relation between short-seller interest and future financial and ESG performance.

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

- *Wüstemann, J., Bischof, J., & Koch, C., 2008.* Regulierung durch Transparenz – Ökonomische Analysen, empirische Befunde und Empfehlungen für eine europäische Kapitalmarktregulierung. In: Kapitalmarktgesetzgebung im Europäischen Binnenmarkt, ed. by Klaus J. Hopt et al., Tübingen: Mohr Siebeck, 1-18.
- *Becker, K., Bischof, J., & Daske, H., 2021.* IFRS: Markets, practice, and politics (Chapter 3). Foundations and Trends in Accounting, 15, 1-262.
- *Leuz, C., & Wysocki, P. D., 2016.* The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. Journal of Accounting Research, 54(2), 525-622
- *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.
- *Friedman, H. L., & Ormazabal, G., 2024.* The role of information in building a more sustainable economy: A supply and demand perspective. Journal of Accounting Research, 62(5), 1575-1609.

2. Topics and Related Literature

Part A: Preparation of Accounting Information

- **Topic 1:** “Kritische Würdigung der Risikoberichterstattung im Lagebericht unter besonderer Berücksichtigung des DRS 20” (Supervisor: *Franziska Büchner*)
 - *Deutsches Rechnungslegungs Standards Committee (DRSC), 2012.* Deutscher Rechnungslegungs Standard Nr. 20 – Konzernlagebericht of November 2, 2012; last amended by DRÄS 13 of June 16, 2023. BAnz, 64, AT of 4.12., B1.
 - *Grottel, B, 2024.* Kommentierung zu § 289. Beck’scher Bilanz-Kommentar. Handels- und Steuerbilanz. Ed. Grottel et al., 14th edition, München: C.H. Beck.
 - *Kajüter, P., Nienhaus, M. & Mohrschladt, H., 2015.* Chancen- und Risikoberichterstattung nach DRS 20. WPg, 68(11), 514-524.
 - *Kravet, T., & Muslu, V., 2013.* Textual risk disclosures and investors’ risk perceptions. Review of Accounting Studies, 18, 1088–1122.
- **Topic 2:** “Critical Assessment of Sustainability Risk Reporting in Accordance with the CSRD under Special Consideration of ESRS SBM-3 / Kritische Würdigung der Risikoberichterstattung in der Nachhaltigkeitsberichterstattung gem. CSRD unter besonderer Berücksichtigung des ESRS SBM-3” (Supervisor: *Franziska Büchner*)
 - *European Union, 2023.* Commission Delegated Regulation supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards of July 31 2023. Official Journal of the European Union, No. L 2023/2772.
 - *Institut der Wirtschaftsprüfer (IDW), 2024.* IDW Stellungnahme zur Rechnungslegung: ESRS-Modulverlautbarung (IDW RS FAB 100). Available online: https://zugang.idw-verlag.de/xopp/onlinebibliothek/start.xav?requestid=&nonce=355c24c3-875f-4290-9031-dbbd1545c97a×tamp=2024-11-29T08%3A45%3A49.719%2B01%3A00&token=xopp&checksum=D44F9C0B2B3EFD3E5F565F3FF4ACFB6036C0D43B7B33F95CB8E421403CC50ECA&userid=fbuechne#_onlinebibliothek_%2F%2F%5B%40attr_id%3D%27rs.fab.100_2024-02-20%27%5D_1732866457175.
 - *Ilhan, E., Krueger, P., & Sautner, Z., 2023.* Climate risk disclosure and institutional investors. The Review of Financial Studies, 36(7), 2617–2650.
 - *Iselborn, M., 2022.* EU-Anforderungen an die Nachhaltigkeitsberichterstattung – Von der nichtfinanziellen Erklärung zu einem umfassenden Nachhaltigkeitsbericht. KlimaRZ, 2(7-8), 162-168.
- **Topic 3:** “Critical Assessment of the Scope of the Management Approach in Financial Reporting with Particular Reference to IFRS 18 / Kritische Würdigung der Reichweite des Management

Approach in der finanziellen Berichterstattung unter besonderer Berücksichtigung von IFRS 18”
(Supervisor: Lorenz Alberding)

- Alexander, D. & Jermakowicz, E., 2006. A True and Fair View of the Principles/Rules Debate. *Abacus*, 42(2), 132-164.
- Ansari, M. & Euske, K. J., 1995. Breaking down the barriers between financial and managerial accounting. *Accounting Horizons*, 9(2), 40-43.
- Florstedt, T., Wüstemann, J., & Wüstemann, S., 2015. Wirtschaftliche Betrachtungsweise und europäische Bilanzsteuerrechtsordnung. *StuW*, 92(4), 374-385.
- Fama, E. F. & Laffer, A. B., 1971. Information and Capital Markets. *The Journal of Business*, 44(3), 289-298.
- **Topic 4:** “Critical Assessment of the Scope of the Management Approach in ESG Reporting with Particular Reference to DRS 20 / Kritische Würdigung der Reichweite des Management Approach in der Nachhaltigkeitsberichterstattung unter besonderer Berücksichtigung von DRS 20” (Supervisor: Franziska Büchner)
 - 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.
 - Deutsches Rechnungslegungs Standards Committee (DRSC), 2012. Deutscher Rechnungslegungs Standard Nr. 20 – Konzernlagebericht of November 2, 2012; last amended by DRÄS 13 of June 16, 2023. *BAnz*, 64, AT of 4.12., B1.
 - Institut der Wirtschaftsprüfer (IDW), 2024. IDW Stellungnahme zur Rechnungslegung: ESRS-Modulverlautbarung (IDW RS FAB 100). Available online: https://zugang.idw-verlag.de/xopp/onlinebibliothek/start.xav?requestid=&nonce=355c24c3-875f-4290-9031-dbbd1545c97a×tamp=2024-11-29T08%3A45%3A49.719%2B01%3A00&token=xopp&checksum=D44F9C0B2B3EFD3E5F565F3FF4ACFB6036C0D43B7B33F95CB8E421403CC50ECA&userid=fbuechne#_onlinebibliothek_%2F%2F%5B%40attr_id%3D%27rs.fab.100_2024-02-20%27%5D_1732866457175.
 - Michelon, G., Patten, D. M. & Romi, A. M., 2019. Creating Legitimacy for Sustainability Assurance Practices: Evidence from Sustainability Restatements. *European Accounting Review*, 28(2), 395-422.

Part B: Internal Controls

- **Topic 5:** “The interrelation between internal controls and financial reporting choices” (Supervisor: Friederike Lötters)
 - Armstrong, C. S., Kepler, J. D., Larcker, D. F., & Shi, S. X., 2024. Rank-and-file accounting employee compensation and financial reporting quality. *Journal of Accounting and Economics*, 101672.

- *Dehaan, E., Hodge, F., & Shevlin, T., 2013.* Does voluntary adoption of a clawback provision improve financial reporting quality?. *Contemporary Accounting Research*, 30(3), 1027-1062.
- *Li, Z., & Wang, L., 2016.* Executive compensation incentives contingent on long-term accounting performance. *The Review of Financial Studies*, 29(6), 1586-1633.
- *Balsam, S., Jiang, W., & Lu, B., 2014.* Equity incentives and internal control weaknesses. *Contemporary Accounting Research*, 31(1), 178-201.
- **Topic 6:** “The interrelation between internal controls and ESG reporting choices” (Supervisor: *Yuhan Liu*)
 - *Cai, Y., Jo, H., & Pan, C., 2011.* Vice or virtue? The impact of corporate social responsibility on executive compensation. *Journal of Business Ethics*, 104, 159-173.
 - *Cohen, S., Kadach, I., Ormazabal, G., & Reichelstein, S., 2023.* Executive compensation tied to ESG performance: International evidence. *Journal of Accounting Research*, 61(3), 805-853.
 - *Hong, B., Li, Z., & Minor, D., 2016.* Corporate governance and executive compensation for corporate social responsibility. *Journal of Business Ethics*, 136, 199-213.
 - *Kräkel, M & Schöttner, A., 2024.* Performance pay, internal control, and employee misconduct. TRR 266 Accounting for Transparency Working Paper Series No. 139, Available at SSRN.

Part C: Auditors' Assessment of Accounting Information

- **Topic 7:** “The determinants and consequences of financial key audit matters: Evidence from Europe” (Supervisor: *Daniela Zipperer*)
 - *International Federation of Accountants (IFAC), 2015.* International standard on auditing (ISA) 701: Communicating key audit matters in the independent auditor's report. Available online: <https://www.iaasb.org/publications/international-standard-auditing-isa-701-new-communicating-key-audit-matters-independent-auditor-s-3>.
 - *Burke, J. J., Hoitash, R., Hoitash, U., & Xiao, S., 2023.* The disclosure and consequences of US critical audit matters. *The Accounting Review*, 98(2), 59-95.
 - *Moroney, R., Phang, S.Y., & Xiao, X., 2021.* When do investors value key audit matters?. *European Accounting Review*, 30(1), 63-82.
 - *Newman, D. P., Patterson, E. R., & Smith, J. R., 2005.* The role of auditing in investor protection. *The Accounting Review*, 80(1), 289-313.
- **Topic 8:** “The determinants and consequences of ESG key audit matters: Evidence from Europe” (Supervisor: *Daniela Zipperer*)
 - *International Federation of Accountants (IFAC), 2015.* International standard on auditing (ISA) 701: Communicating key audit matters in the independent auditor's report. Available online: <https://www.iaasb.org/publications/international-standard-auditing-isa-701-new-communicating-key-audit-matters-independent-auditor-s-3>.

- Bentley, J. W., Lambert, T. A., & Wang, E., 2021. The effect of increased audit disclosure on managers' real operating decisions: Evidence from disclosing critical audit matters. *The Accounting Review*, 96(1), 23-40.
- Moroney, R., Phang, S.Y., & Xiao, X., 2021. When do investors value key audit matters?. *European Accounting Review*, 30(1), 63-82.
- Rousseau, L.M., & Zehms, K.M., 2024. It's a matter of style: The role of audit firms and audit partners in key audit matter reporting. *Contemporary Accounting Research*, 41(1), 529-561.

Part D: Capital Market's Reaction to Accounting Information

- **Topic 9:** "Critical assessment of the role of financial risk disclosures in capital markets" (Supervisor: *Frederik Kohl*)
 - Hail, L., Muhn, M., & Oesch, D., 2020. Do risk disclosures matter when it counts? Evidence from the Swiss Franc Shock. *Journal of Accounting Research*, 59(1), 283–330.
 - Hope, O.-K., Hu, D., & Lu, H., 2016. The benefits of specific risk-factor disclosures. *Review of Accounting Studies*, 21, 1005–1045.
 - Kravet, T., & Muslu, V., 2013. Textual risk disclosures and investors' risk perceptions. *Review of Accounting Studies*, 18, 1088–1122.
 - Madsen, J. M., & McMullin J. L., 2020. Economic consequences of risk disclosures: evidence from crowdfunding. *The Accounting Review*, 95(4), 331–363.
- **Topic 10:** "Critical assessment of the role of ESG risk disclosures in capital markets" (Supervisor: *Frederik Kohl*)
 - Ilhan, E., Krueger, P., & Sautner, Z., 2023. Climate risk disclosure and institutional investors. *The Review of Financial Studies*, 36(7), 2617–2650.
 - Jeong-Bon, K., Wang, C., & Wu, F., 2022. The real effects of risk disclosures: evidence from climate change reporting in 10-Ks. *Review of Accounting Studies*, 28(4), 2271–2318.
 - Wang, L., 2023. Truth or date? ESG risk disclosure of mutual funds. Working Paper, Available at SSRN.
 - Smith, K., 2023. Climate risk disclosure and risk sharing in financial markets. Working Paper, Available at SSRN.
- **Topic 11:** "The association between short-seller interest and future financial performance: Evidence from Europe" (Supervisor: *Daniela Zipperer*)
 - Jiang, H., Habib, A., & Hasan, M. M., 2022. Short selling: A review of the literature and implications for future research. *European Accounting Review*, 31(1), 1-31.
 - Boehmer, E., Jones C.M., Wu, J., & Zhang, X., 2020. What do short sellers know?. *Review of Finance*, 24(6), 1203–1235.
 - Karpoff, J.M., & Lou, X., 2010. Short sellers and financial misconduct. *The Journal of Finance*, 65, 1879-1913.

- Massa, M., Zhang, B., & Zhang, H., 2015. The invisible hand of short selling: Does short selling discipline earnings management?. *The Review of Financial Studies*, 28(6), 1701–1736.
- **Topic 12:** “The association between short-seller interest and future ESG performance: Evidence from Europe” (Supervisor: *Vincent Giese*)
 - Jiang, H., Habib, A., & Hasan, M. M., 2022. Short selling: A review of the literature and implications for future research. *European Accounting Review*, 31(1), 1-31.
 - Boehmer, E., Jones C.M., Wu, J., & Zhang, X., 2020. What do short sellers know?. *Review of Finance*, 24(6), 1203–1235.
 - Karpoff, J.M., & Lou, X., 2010. Short sellers and financial misconduct. *The Journal of Finance*, 65, 1879-1913.
 - Massa, M., Zhang, B., & Zhang, H., 2015. The invisible hand of short selling: Does short selling discipline earnings management?. *The Review of Financial Studies*, 28(6), 1701–1736.

III. Administration and General Information

1. Supervision

In general, you should contact your assigned supervisor shortly after the allocation of topics to discuss the general direction of your topic and the principles of writing an academic seminar paper. In addition, we expect that you present and discuss the structure and content of your term paper at one or two more meetings with your supervisor. Please check the list of topics and the chair's website for information on how to contact your supervisor.

2. Formal Guidelines

Please check the "Guidelines for Academic Writing" („Richtlinien für die Anfertigung wissenschaftlicher Arbeiten“), which are available for download on the relevant chair's website. Seminar papers need to be written in English (seminar papers of topics 2, 3, and 4 can be written in German). Seminar papers of **topic 1** can only be written in German. Please note that students in the English-track of the MMM program must write their seminar papers in English. In general, seminar papers consist of 14 to 16 text pages, excluding indices and appendices. You should start your paper with a clear and concise introduction that motivates the topic and derives the main research question of your paper. The introduction should be approximately 1-1.5 pages in length and conclude with a short outline of the course of your study. Accordingly, your seminar thesis shall end with a conclusion that summarizes the main findings of your paper. You can find further details in the "Guidelines for Academic Writing".

3. Submission of Seminar Papers and Presentations

Please submit two printed copies of your written seminar thesis to Silke Frankl (office assistant to Prof. Wüstemann) or Judith Greger (office assistant to Prof. Bischof) during the regular office hours. Seminar papers must not be bounded by hard- or paperback; stapled copies are sufficient. In addition, please submit a digital version of your paper to your supervisor. The digital version shall include, if applicable, all relevant digital content of your thesis (such as MS Excel files, internet resources, etc.). Seminar papers need to be submitted by noon on the ending date of either the fast or final close period (*vide supra*). Extensions of the submission deadline are only possible by the examination regulation if you can present a medical certificate. Please note that extending the working period beyond the date scheduled for the seminar presentations is impossible. In addition to the written seminar thesis, you must prepare a presentation based on your submitted seminar paper. The language of the presentation is English. Details on the content and structure of your presentations will be available from your supervisors only after the submission of your written papers. The presentation slides must be handed in on April 25, 2024, at the very latest. More information will follow.

4. Grading

Grading is based on the written paper (60%), the presentation and active seminar participation (40%). Attendance at all seminar sessions is mandatory, and all participants are expected to participate in the seminar discussions.

5. *Seminar Preparation and Materials*

To effectively prepare for the seminar and the discussions, we will send all participants relevant introductory literature and the final presentations via ILIAS or email. We will also announce the availability of additional material in due time.

6. *Examiner/Supervisor*

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

Topic 1 (part A)	Prof. Wüstemann / Franziska Büchner
Topic 2 (part A)	Prof. Wüstemann / Franziska Büchner
Topic 3 (part A)	Prof. Wüstemann / Lorenz Alberding
Topic 4 (part A)	Prof. Wüstemann / Franziska Büchner
Topic 5 (part B)	Prof. Bischof / Friederike Lötters
Topic 6 (part B)	Prof. Bischof / Yuhan Liu
Topic 7 (part C)	Prof. Bischof / Daniela Zipperer
Topic 8 (part C)	Prof. Bischof / Daniela Zipperer
Topic 9 (part D)	Prof. Wüstemann / Frederik Kohl
Topic 10 (part D)	Prof. Wüstemann / Frederik Kohl
Topic 11 (part D)	Prof. Bischof / Daniela Zipperer
Topic 12 (part D)	Prof. Bischof / Vincent Giese