Introduction

Objectives

This seminar mainly addresses the following issues and problems related to financial information and both internal and external governance mechanisms:

- The role of financial reporting and audit in corporate governance, strategy, contracts and markets.
- Managers' strategic accounting decisions (earnings management, income smoothing, conservatism, management of real transactions, financial and non financial voluntary disclosures and other accounting choices) and financial reporting quality (FRQ).
- Investigative and forensic accounting or the analysis, prevention, detection of accounting irregularities and fraudulent financial statements.
- Institutional environment (culture, market and corporate ownership architectures, regulatory and legislative shareholders and stakeholders protection regimes), corporate governance quality (CGQ) and FRQ.
- International convergence of accounting (IFRS), auditing (IAS) and governance principles and standards.
- Corporate moral development and social responsibility, pluralism or diversity and CGQ.
- Corporate ownership structure and performance

The objective is to help you become productive researchers, consultants and/or managers. One aspect of this education process is for you, as users or consumers of information and research, to develop skills in critical thinking, analysis and interpretation of existing knowledge and research. Then, as preparers or producers of information and research, you should be able to build on those skills to conduct your own research and resolve or clarify issues and problems that concern you, your clients, the academic community and the society in general.

Teaching approach and term project

Each class session is an opportunity for dialogue and discussion of the seminar's themes and articles. Articles are assigned during the first class. The seminar and role playing approaches we use are intended to simulate the environment of a management committee, a board of directors or a scholarly conference. In this context, producers or preparers of information and knowledge present and justify their findings and conclusions to consumers or users who, in turn, evaluate the quality of the information produced before using it for the purpose of decision making or further research.

Required readings

All articles listed under the « required readings » section of each class or seminar's session.

Articles with an asterisk will be assigned for presentation by students.

Recommended bibliography


Complementary references

Assignments and examinations

Class participation (20%)

Presentation of articles (30%)

Students are asked to discuss critically the papers they are assigned and not merely present a summary of the main findings. Therefore, the focus should be the motivation in theory and practice, the research question and the choice(s) of research design. We strongly encourage students to think "outside the paper" and, whenever deemed appropriate, students are encouraged to refer to other papers/work to complement their presentation and/or supplement their argumentation (whether or not these other papers have been assigned as required or complementary readings). Presentations should be 30 minutes followed by a 30-45 minutes period for questions and discussion.

Final Exam (50%)

A 4 hour open book exam on all required readings in the course outline.

A Take-home: A three pages (max. excluding references) summary of a research project. The final product may take the form of a service proposal or an application for financial assistance or grant from a funding body.

For Ph. D. students only, the discussion of a paper (5 pages max. excluding references).

Plagiarism

Please consult the acts and gestures that are considered plagiarism or another academic violation, along with the applicable procedure and sanctions, which range up to suspension and even expulsion from HEC. Violations are analyzed based on the facts and circumstances, and sanctions are applied accordingly. Learn more about plagiarism

List of themes

Theme 1: Sessions 1 -01-06- and 2 -01-13-: Réal Labelle

Academic approach

Introduction to corporate governance and financial accounting research

Objectives:
1. Introduce the seminar
2. Show how the sessions/subjects of the seminar are integrated to examine the role of financial reporting and audit in corporate governance, strategy, contracts and markets.
3. Present a panorama of the theoretical and empirical research on governance and the management of corporate financial disclosure

Required readings (first session)

- Committee on Capital Markets regulation. 2006. Interim report of the Committee on Capital Markets...
Regulation: 152 p.

Required readings (before the second session)


Complementary readings

- Amann (B.), 1999, La théorie des droits de propriété, in De nouvelles théories pour gérer l'entreprise du XXIème siècle, Economica.
- Joffre (P.), 1999, L'économie des coûts de transaction, in Faire de la recherche en contrôle de gestion, FNEGE, Vuibert.
Theme 2: Sessions 3-01-20- and 4-01-27-: Sophie Marmousez

"Academic approach"

Measures of financial reporting quality (FRQ) in accounting research and practice

"Objective"

An important goal of governance and financial accounting research is to examine the determinants and consequences of FRQ. So, this concept is used throughout the balance of this seminar. The objective of sessions 3 and 4 is for students to understand and be able to use the following measures of FRQ in their own research:

1. Conservatism in accounting
2. Earnings management and income smoothing
3. Association between price and earnings and earnings response coefficient

"Required reading for session 3"


"Required readings for session 4"


"Complementary readings"


**Theme 3 : Session 5 -02-03-: Réal Labelle**

**Academic approach**

**Institutional environment, corporate governance and financial reporting quality**

**Objectives:**

1. Understand the link between the institutional and socio-economic environment (market and corporate ownership architectures, regulatory and legislative shareholders and stakeholders protection regimes), corporate governance and FRQ.
2. International convergence of accounting (IFRS), auditing (IAS) and governance principles and standards.

**Required readings**


**Complementary readings**


Theme 4 : Session 6 -02-10-: Réal Labelle

Academic approach
Corporate social responsibility and diversity in corporate governance

Objective

While understanding that current governance and financial reporting regulations and mainstream research are shareholder oriented, present a holistic view of sustainability, in which environmental, cultural, ethical and economic issues are interlinked.

Required readings


Complementary readings

- Luis-Carnicer, P., A. Martinez-Sanchez, M. Perez-Perez and M. J., Vela-Jimenez, 2008. Gender Diversity in Management: Curvilinear Relationships to Reconcile Findings, Gender Diversity in Management, 23(8), 583-597
Theme 5 : Session 7 -02-17-: Jackie Di Vito

Academic approach
Corporate Ownership structures and performance

Objectives:

Present Sloan's (2001) overview of corporate governance and financial information
Position corporate ownership structures (COS) in corporate governance research
Present the theoretical framework (mainly agency theory: entrenchment, agency costs and the internal and external governance responses)
Review of international literature on COS and performance

Required readings


Complementary readings


Theme 6 : Session 8 -03-03-: Jackie Di Vito

Academic approach
Ownership structure and value creation through innovation (R&D)

Objectives:

1. Review of agency conflicts according to corporate ownership structures
2. Position studies linking COS and R&D activity in governance research
3. Innovation through R&D activity and value creation
4. Methodology: proxies used and empirical findings

Required readings


Complementary readings

• Gugler, K., Dennis C. Mueller et Burcin B. Yurtoglu (2004), «Corporate Governance and the Returns

Theme 7: Session 9 -03-10-: Jackie Di Vito

Academic approach
Ownership structures and the quality of accounting information

Required readings


Complementary readings


Theme 8: Sessions 10 -03-17- and 11 -03-24-: Louis-Philippe Sirois

Academic approach
External Auditing and Governance: Demand and Supply Issues

Objectives:
1. Explain the governance function external auditing plays and what factors affect the demand for external audit services
2. Understand supply issues related to external auditing, more specifically:
3. The supply for audit quality, product differentiation and auditor independence
4. The pricing of audit engagements, audit production costs and firm strategy
5. Discuss questions and issues explored by economic-based auditing research, including common research design choices employed for empirical research
6. Summarize key research findings related to demand and supply issues for external auditing

Required readings (session 10)


Complementary reading:


Student presentation: auditor reputation and event studies in auditing


Complementary reading:


Complementary readings (sessions 10 and 11):


Required readings (session 11)

First presentation (by student): international economic-based auditing empirical research


Complementary reading:


Second presentation (by student): office-level economic-based auditing empirical research


Complementary reading:


Third presentation: audit fees (by professor)


Complementary reading:


Theme 9 : Session 12 -03-31-: Claude Laurin