

**THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS**

PhD Course Syllabus

- Course Code/Title:** ACCT6020: China-related Topics in Accounting and Finance Research
- Course Description:** There has been an exponential growth in the number of China studies in the leading accounting, finance and economics journals. The rise in China-related research mirrors the country’s increasing importance on the global stage. In this course, we will discuss how institutions shape the role of accounting in China’s transitional economy and learn about the unique contribution of China-centric studies. Besides accounting studies, our readings will also cover the classic China-based studies in finance and economics literature. In particular, the main objective of this course is to provide students a complete framework that is useful for identifying research topics in China-based accounting research and embarking on new research agenda in accounting research.
- Course Objectives:**
1. To provide students with in-depth coverage of classical and cutting-edge research topics and institutional details in China-related accounting and finance research;
 2. To develop students’ ability to pursue the accounting or finance research in a non-US country setting like China;
 3. To enable students to initiate and evaluate the research ideas based on China data.
 4. To familiarize students with basic and advanced empirical skills in solving the research questions in China setting;
- Pre-requisite:** PhD students in the second year or above are preferred (open to all FBE doctoral students). Students are expected to have some previous exposure to the knowledge of accounting and finance.
- Assessment:** 100% coursework
- Remarks:** All PhD courses are non-credit-bearing and will be assessed on a pass/fail basis.

| Course Learning Outcomes (CLOs) On completion of this course, students should be able to: | Aligned PLOs* | | | | |
|---|----------------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 1. Understand the economic institutions as the foundation for the role of accounting in the economy. | X | X | | | |
| 2. Identify key research issues, develop research questions, and apply appropriate methodologies to solve problems. | X | X | X | | X |
| 3. Critically evaluate and discuss the related research papers | X | | X | X | X |
| 4. Develop effective communication skills | | | | X | X |

***Programme Learning Outcomes (PLOs) for Research Postgraduate Programme:**

1. Demonstrate critical understanding, at an advanced level, of up-to-date knowledge and research methodology of a

- particular field
2. Implement effective academic and personal strategies for carrying out research projects independently and ethically
 3. Contribute original knowledge in response to issues in their specialist area
 4. Communicate research findings at a diverse range of levels and through a variety of media
 5. Evaluate one's own research in relation to important and latest issues in the field

COURSE DETAILS (*subject to change at instructor's discretion*)

Time/Venue: To be announced

Instructor: **Prof. Xin WANG**
 Email: wangxacy@hku.hk
 Office: KKL-1215 (by appointment)

I. Teaching and Learning Activities

| In-class and Out-of-class Activities (<i>e.g. lectures, class discussion, papers reading, proposal writing</i>) | Expected hour | % of student study effort |
|--|---------------|---------------------------|
| 1. Lectures with interactive discussions | 30 | 29% |
| 2. Paper reading and self-study | 30 | 29% |
| 3. Assignments and presentations | 20 | 19% |
| 4. Research proposal | 25 | 23% |
| Total | 105 | 100% |

II. Assessment

| Assessment Components (<i>e.g. assignments, proposal, presentation, examination</i>) | Weight | CLOs to be assessed | | | | |
|---|--------|---------------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. Participation and leadership in class discussions | 15% | X | | | X | |
| 2. Presentation | 20% | X | | | X | X |
| 3. Projects and assignments | 30% | X | X | X | | |
| 4. Research proposal | 35% | X | X | X | | X |
| Total | 100% | | | | | |

Students will be assessed based on the following performance standards:

| Course Grade | Performance Standard |
|--------------|---|
| Pass | Understand the idea, contribution, methodology, and results of the papers recommended for reading; Demonstrate a grasp of the research subject by articulating and clearly presenting the idea and research design for their own proposals; Engage actively in class discussions and show independent thinking. |
| Fail | Little evidence on the achievement of the course learning outcomes as listed above. |

III. Course Content and Tentative Schedule

Part I: China's political and regulatory institutions

- 1) ***Government intervention and firm-level decisions***
 - (a) Government officials' political incentives and firms' behaviors
 - (b) Government's oversight of domestic IPO and seasoned equity offering (SEOs)
 - (c) Government subsidy and stimulus
- 2) ***State ownership***
 - (a) SOEs, privatization & property rights.
 - (b) Agency conflict between controlling and minority shareholders
 - (c) Managerial incentives and state ownership
- 3) ***Accounting information environment***
 - (a) Financial reporting and disclosure of Chinese firms
 - (b) Accounting quality and its impact on resources allocation
 - (c) Stock price synchronicity
- 4) ***Chinese investors' information acquisition***
 - (a) Investors' access to information
 - (b) Corporate site visits
 - (c) News media and social media in China
- 5) ***Relationship-based economy & historical institutions***
 - (a) Historical institutions and cultural roots
 - (b) China's relational economy & Networked market participants
 - (c) Localized interaction and reputation
- 6) ***Political connection***
 - (a) The value of political connection for the shareholders
 - (b) The economic consequences of political connection
- 7) ***Foreign investors of Chinese companies***
 - (a) Segmented capital markets
 - (b) Overseas listings of Chinese companies

Part II: General research topics in China setting

- 8) ***Auditing***
 - (a) Individual signatory auditors
 - (b) Proprietary data on auditors' judgement and equity ownership
 - (c) Auditing industry reforms and regulatory environment
- 9) ***Tax***
 - (a) Tax avoidance and enforcement
 - (b) Impact of tax consideration on firms' and stakeholders' decisions
- 10) ***Corporate governance of Chinese firms and brokerage houses***
 - (a) Corporate governance issues
 - (b) Financial analysts in brokerage firms
 - (c) Corporate social responsibility
- 11) ***Field experiment method***
 - (a) Information acquisition and processing
 - (b) Regulatory enforcement

Part III: Research presentation

12) Individual presentations of research proposals

VI. Detailed list of recommended readings

PART I: CHINA'S POLITICAL AND REGULATORY INSTITUTIONS

Background reading:

Lennox, C., and J. S. Wu. 2022. A review of China-related accounting research in the past 25 years. *Journal of Accounting and Economics* 74: 101539.

Session 1. Government intervention, regulation and firm-level decisions

(a) Government officials' political incentives and firms' behaviors

Piotroski, J., T. J. Wong, and T. Zhang. 2015. Political incentives to suppress negative information: Evidence from Chinese listed firms. *Journal of Accounting Research* 53: 405-459.

Tang, T., P. L. Mo, and K. Chan. 2017. Tax collector or tax avoider? An investigation of intergovernmental agency conflicts. *The Accounting Review* 92: 247-270.

Chen, H., S. Tang, D. Wu, and D. Yang. 2021. The political dynamics of corporate tax avoidance: The Chinese experience. *The Accounting Review* 96: 157-180.

Lyu, C., K. Wang, F. Zhang, and X. Zhang. 2018. GDP management to meet or beat growth target. *Journal of Accounting and Economics* 66: 318-338.

Chen, X., Q. Cheng, Y. Hao, and Q. Liu. 2020. GDP growth and earnings management: Evidence from China. *Review of Accounting Studies* 25: 1002-1039.

Gu, Z., S. Tang, and D. Wu. 2020. The political economy of labor employment decisions: Evidence from China. *Management Science* 66: 4703-4725.

(b) Government's oversight of domestic IPO and seasoned equity offerings (SEOs)

Chen, K. C. W., and H. Yuan. 2004. Earnings management and capital resource allocation: Evidence from China's accounting-based regulation of rights issues. *The Accounting Review* 79: 645-665.

Aharony, J., C.-W. Lee, and T. J. Wong. 2000. Financial packaging of IPO firms in China. *Journal of Accounting Research* 38 (1): 103-126.

Piotroski, J., and T. Zhang. 2014. Politicians and the IPO decision: The impact of impending political promotions on IPO activity in China. *Journal of Financial Economics* 111: 111-136.

Yang, Z., 2013. Do political connections add value to audit firms? Evidence from IPO audits in China. *Contemporary Accounting Research* 30 (3), 891-921.

Brockman, P., Firth, M., He, X., Mao, X., Rui, O., 2019. Relationship-based resource allocations: Evidence from the use of "Guanxi" during SEOs. *Journal of Financial and Quantitative Analysis* 54 (3), 1193-1230.

(c) Government subsidy and stimulus

Cong, L. W., H. Gao, J. Ponticelli, and X. Yang. 2019. Credit allocation under economic stimulus: Evidence from China. *Review of Financial Studies* 32: 3412-3460

Fang, L., J. Lerner, C. Wu, and Q. Zhang. 2023. Anticorruption, government subsidies, and innovation: Evidence from China. *Management Science* 69: 4363-4388.

Session 2. State ownership

(a) SOEs, privatization and property rights

- Berkowitz, D., Lin, C., Ma, Y., 2015. Do property rights matter? Evidence from a property law enactment. *Journal of Financial Economics* 116, 583–593.
- Chen, G., Firth, M., Xin, Y., Xu, L., 2008. Control transfers, privatization, and corporate performance: Efficiency gains in China's listed companies. *Journal of Financial and Quantitative Analysis* 43: 161-190.
- Liao, L., B. Liu, and H. Wang. 2014. China's secondary privatization: Perspectives from the split-share structure reform. *Journal of Financial Economics* 113, 500–518.
- Hope, O.-K., H. Wu, and W. Zhao. 2017. Blockholder exit threats in the presence of private benefits of control. *Review of Accounting Studies* 22: 873-902.
- Fisman, R., and Y. Wang. 2015. Corruption in Chinese privatizations. *Journal of Law, Economics, and Organization* 31 (1), 1–29.
- Ru, H., and K. Zou. How Do Individual Politicians Affect Privatization? Evidence from China. 2022. *Review of Finance* 26: 637-672.
- Fang, L., J. Lerner and C. Wu. 2017. Intellectual Property Rights Protection, Ownership, and Innovation: Evidence from China. *Review of Financial Studies* 30: 2446-2477.

(b) Agency conflict between controlling and minority shareholders

- Jiang, G., C. M. Lee, and H. Yue. 2010. Tunneling through intercorporate loans: The China experience. *Journal of Financial Economics* 98: 1-20.
- Jian, M., and T. J. Wong. 2010. Propping through related party transactions. *Review of Accounting Studies* 15 (1), 70-105.
- Bradshaw, M., G. Liao, and M. Ma. 2019. Agency costs and tax planning when the government is a major shareholder. *Journal of Accounting and Economics* 67: 255-277.
- Ge, W., Li, Z., Liu, Q., McVay, S., 2021. Internal control over financial reporting and resource extraction: Evidence from China. *Contemporary Accounting Research* 38: 1274-1309
- Lin, C., H. Liu, C. Ni, and B. Zhang. 2023. State Controlling Shareholders and Payout Policy. *Journal of Financial and Quantitative Analysis* 1943-1972.

(c) Managerial incentives and state ownership

- Kato, T., and C. Long. 2006. Executive turnover and firm performance in China. *The American Economic Review* 96 (2), 363-367.
- Chen, D., J. B. Kim, O. Li, and S. Liang. 2018. China's closed pyramidal managerial labor market and the stock price crash risk. *The Accounting Review* 93: 105-131.
- Du, F., G. Tang, and S. M. Young. 2012. Influence activities and favoritism in subjective performance evaluation: Evidence from Chinese state-owned enterprises. *The Accounting Review* 87 (5), 1555-1588.
- Ke, B., O. Rui, and W. Yu. 2012. Hong Kong stock listing and the sensitivity of managerial compensation to firm performance in state-controlled Chinese firms. *Review of Accounting Studies* 17: 166-188.
- Chen, Z., Y. Guan, and B. Ke. 2013. Are stock option grants to directors of state-controlled Chinese firms listed in Hong Kong genuine compensation? *The Accounting Review* 88: 1547-1574.
- Du, F., D. Erkens, S. M. Young, and G. Tang. 2018. How adopting new performance measures affects subjective performance evaluations: Evidence from EVA adoption by Chinese state-owned enterprises. *The Accounting Review* 93 (1), 161-185.

- Wei, C., 2021. State ownership and target setting: evidence from publicly listed companies in China. *Contemporary Accounting Research* 38: 1925-1960.
- Ke, B., X. Mao, B. Wang, and L. Zuo. 2021. Top management team power in China: Measurement and validation. *Management Science* 67: 5969-6627.

Session 3. Accounting information environment

(a) Financial reporting and disclosure of Chinese firms

- Lu, H., J. E. Shin, and M. Zhang. 2023. Financial Reporting and Disclosure Practices in China. *Journal of Accounting and Economics* 76 (1): 101598.
- Li, Z., K. Ye, C. Zeng, and B. Zhang. 2023. Ending at the wrong time: the financial reporting consequences of a uniform fiscal year-end. *The Accounting Review* 98: 367-396.
- He, X., T. J. Wong, and D. Young. 2012. Challenges for implementation of fair value accounting in emerging markets: Evidence from China. *Contemporary Accounting Research* 29 (2), 538-562.
- Luo, M., S. Shao, and F. Zhang. 2018. Does financial reporting above or below operating income matter to firms and investors? The case of investment income in China. *Review of Accounting Studies* 23, 1754-1790.
- Chen, Y.-C., M. Hung, and Y. Wang. 2018. The effect of mandatory CSR disclosure on firm profitability and social externalities: Evidence from China. *Journal of Accounting and Economics* 65: 169-190.

(b) Accounting quality and its impact on resources allocation

- Chen, H., J. Z. Chen, G. J. Lobo, and Y. Wang. 2010. Association between borrower and lender state ownership and accounting conservatism. *Journal of Accounting Research* 48 (5): 973-1014.
- Bailey, W., V. Huang, and Z. Yang. 2011. Bank loans with Chinese characteristics: Some evidence on inside debt in a state-controlled banking system. *Journal of Financial and Quantitative Analysis* 46: 1795-1830.

(c) Stock price synchronicity

- Morck, R., B. Yeung, and W. Yu. 2000. The information content of stock markets: why do emerging markets have synchronous stock price movements? *Journal of Financial Economics* 58, 215-260
- Gul, F. A., J. B. Kim, and A. Qiu. 2010. Ownership concentration, foreign shareholding, audit quality, and stock price synchronicity: Evidence from China. *Journal of Financial Economics* 95: 425-442.

Session 4. Chinese investors' information acquisition

Background reading:

- Jia, W., G. Redigolo, S. Shu, and J. Zhao. 2020. Can social media distort price discovery? Evidence from merger rumors. *Journal of Accounting and Economics* 70: 101334.
- Core, J. E., W. Guay, and D. F. Larcker. 2008. The power of the pen and executive compensation. *Journal of Financial Economics* 88 (1): 1-25.

(a) Investors' access to information

- Chen, D., Y. Ma, X. Martin, and R. Michaely. 2022. On the fast track: information acquisition costs and information production. *Journal of Financial Economics* 143: 794-823.
- Lee, C. M. C., and Q. Zhong. 2022. Shall we talk? The role of interactive investor platforms in corporate communication. *Journal of Accounting and Economics* 74: 101524.

- Xu, Y., Y. Xuan, and G. Zheng. 2021. Internet searching and stock price crash risk: evidence from a quasi-natural experiment. *Journal of Financial Economics* 141: 255-275.
- Wang, K., X. Yu, and B. Zhang. 2023. Panda games: corporate disclosure in the eclipse of search. *Management Science* 69: 3263-3284.

(b) Corporate site visits

- Cheng, Q., F. Du, B. Y. Wang, and X. Wang. 2019. Do corporate site visits impact stock prices? *Contemporary Accounting Research* 36 (1), 359-388.
- Cheng, Q., F. Du, X. Wang, and Y. Wang. 2016. Seeing is believing: analysts' corporate site visits. *Review of Accounting Studies* 21, 1245-1286.
- Dong, R., R. Fisman, Y. Wang, and N. Xu. 2021. Air pollution, affect, and forecasting bias: Evidence from Chinese financial analysts. *Journal of Financial Economics* 139: 971-984.
- Chen, H., Y. Qu, T. Shen, Q. Wang and D. X. Xu. 2022. The geography of information acquisition. *Journal of Financial and Quantitative Analysis* 57: 2251-2285.

(c) News media and Social media in China

- Qin, B., D. Strömberg, and Y. Wu. Media Bias in China. 2018. *American Economic Review* 108 (9): 2442-2476.
- You, J., B. Zhang, and L. Zhang. 2018. Who captures the power of the pen? *Review of Financial Studies* 31 (1): 43–96.
- Ang, J. S., C. Hsu, D. Tang, and C. Wu. 2021. The role of social media in corporate governance. *The Accounting Review* 96: 1-32.
- Wu, D., and Y. Qing. 2020. Public attention and auditor behavior: The case of Hurun Rich List in China. *Journal of Accounting Research*: 58: 777-825.
- Hope, O., Y. Li, Q. Liu, and H. Wu. 2021. Newspaper censorship in China: Evidence from Tunneling Scandals. *Management Science* 67: 7142-7166.

Session 5. Relationship-based economy

Background reading:

- Fracassi, C., and G. Tate. 2012. External networking and internal firm governance. *Journal of Finance* 67: 153-194.
- Engelberg, J., P. Gao, and C. A. Parsons. 2012. Friends with money. *Journal of Financial Economics* 103: 169-188.
- Ivkovic, Z., and S. Weisbenner. 2005. Local does as local is: Information content of the geography of individual investors' common stock investments. *Journal of Finance* 60: 267–306.

(a) Historical institutions and cultural roots

- Bai, Y., and R. Jia. 2016. Elite Recruitment and political stability: the impact of the abolition of China's civil service exam. *Econometrica* 84: 677-733.
- Chen, T., J. Kung, and C. Ma. 2020. Long live KeJu! The persistent effects of China's civil examination system. *The Economic Journal* 130: 2030–2064.
- Fishman, R., W. Huang, B. Ning, Y. Pan, J. Qiu, and Y. Wang. 2023. Superstition and Risk Taking: Evidence from “Zodiac Year” beliefs in China. *Management Science* 69: 5174-5188.
- Hirshleifer, D., M. Jian, and H. Zhang. 2018. Superstition and financial decision making. *Management Science* 64: 235-252.

(b) China's relational economy & networked market participants

- Fisman, R., J. Shi, Y. Wang, and W. Wu. 2020. Social ties and the selection of China's political elite. *American Economic Review* 110: 1752-1781.
- Ayyagari, M., A. Demirgüç-Kunt, and V. Maksimovic. 2010. Formal versus Informal Finance: Evidence from China. *Review of Financial Studies*: 23: 3048-3097.
- Gao, X., T. J. Wong, L. Xia, and G. Yu. 2021. Network-induced agency conflicts in delegated portfolio management. *The Accounting Review* 96: 171-198.
- Li, Z., T. J. Wong, and G. Yu. 2020. Information dissemination through embedded financial analysts: Evidence from China. *The Accounting Review* 95: 257-281.
- Gu, Z., Z. Li, G. Y. Yang, and G. Li. 2019. Friends in need are friends indeed: An analysis of social ties between financial analysts and mutual fund managers. *The Accounting Review* 94: 153-181.
- Guan, Y., N. Su, D. Wu, and Z. Yang. 2016. Do school ties between auditors and client executives influence audit quality? *Journal of Accounting and Economics* 61: 506-525.
- He, X., J. Pittman, O. Rui, and D. Wu. 2017. Do social ties between external auditors and audit committee members affect audit quality? *The Accounting Review* 92(5):61-87.

(c) Localized interaction and reputation

- Hong, H., W. Jiang, N. Wang, and B. Zhao. 2014. Trading for status. *Review of Financial Studies* 27: 3171-3212.
- DeFond, M., Z. Li, T. J. Wong, and K. Wu. 2020. Competence vs. independence: Auditor locality specialization in a relational economy. Working paper.

Session 6. Political connection

Background reading:

- Faccio, M. 2006. Politically Connected Firms. *American Economic Review* 96: 369-386.
- Chaney, P. K.; M. Faccio; and D. C. Parsley. 2011. The quality of accounting information in politically connected firms. *Journal of Accounting and Economics* 51: 58-76.

(a) The value of political connection for the shareholders

- Fan, J. P. H., T. J. Wong, and T. Zhang. 2007. Politically connected CEOs, corporate governance, and Post-IPO performance of China's newly partially privatized firms. *Journal of Financial Economics* 84: 330-357.
- Liu, L. X., H. Shu, and K. C. J. Wei. 2017. The impact of political uncertainty on asset prices: Evidence from the Bo scandal in China. *Journal of Financial Economics* 125: 286-310.
- Hung, M., T. J. Wong, and F. Zhang. 2015. The value of political ties versus market credibility: Evidence from corporate scandals in China. *Contemporary Accounting Research* 32: 1641-1675.
- Pan, X., and G. Tian. 2020. Political connections and corporate investments: Evidence from the recent anti-corruption campaign in China. *Journal of Banking and Finance* 119: 105108.

(b) The economic consequences of political connection

- Piotroski, J., T. J. Wong, and T. Zhang. 2022. Political Networks and Stock Price Co-movement: Evidence from network-connected firms in China. *Review of Finance* 26: 521-559..

- Berkman, B., R. A. Cole, and L. J. Fu. 2010. Political connections and minority-shareholder protection: Evidence from securities-market regulation in China. *Journal of Financial and Quantitative Analysis* 45: 1391–1417.
- Lin, K. Z., L. F. Mills, F. Zhang, and Y. Li. 2018. Do political connections weaken tax enforcement effectiveness? *Contemporary Accounting Research* 35 (4): 1941-1972.
- Hope, O.-K., H. Yue, and Q. Zhong, 2020. China's anti-corruption campaign and financial reporting quality. *Contemporary Accounting Research* 37: 1015-1043.
- He, K., X. Pan, and G. Tian. 2017. Political connections, audit opinions, and auditor choice: Evidence from the ouster of government officers. *Auditing: A Journal of Practical & Theory* 36: 91-114.

Session 7. Foreign investors of Chinese companies

(a) Segmented capital markets

- Chan, K., A. J. Menkveld, and Z. Yang. 2008. Information asymmetry and asset prices: Evidence from the China foreign share discount. *Journal of Finance* 63 (1), 159-196.
- Tang, V. W., 2011. Isolating the effect of disclosure on information risk. *Journal of Accounting and Economics* 52 (1), 81-99.
- Jia, C., Y. Wang, and W. Xiong. 2017. Market segmentation and differential reactions of local and foreign investors to analyst recommendation. *Review of Financial Studies* 30: 2972-3008.
- Yoon, A. S. 2021. The role of private disclosures in markets with weak institutions: Evidence from market liberalization in China. *The Accounting Review* 96: 433-455.

(b) Overseas listings of Chinese companies

- Lee, C. M. C., K. K. Li., and R. Zhang. 2015. Shell games: The long-term performance of Chinese reverse merger firms. *The Accounting Review* 90 (4): 1547-1589.
- Chen, K., Q. Cheng, Y. Lin, Y. Lin, and X. Xiao. 2016. Financial reporting quality of Chinese reverse merger firms: The reverse merger effect or the China effect? *The Accounting Review* 91 (5): 1363-1390.
- Hung, M., T. J. Wong, and T. Zhang. 2012. Political considerations in the decision of Chinese SOEs to list in Hong Kong. *Journal of Accounting and Economics* 53: 435-449.
- Darrough, M., R. Huang, and S. Zhao. 2020. Spill-over effects of fraud allegations and investor sentiment. *Contemporary Accounting Research* 37: 982-1014.

PART II: GENERAL RESEARCH TOPICS STUDIED IN CHINA SETTING

Session 8. Auditing

(a) *Individual signatory auditors*

- Gul, F. A., D. Wu, Z. Yang. 2013. Do individual auditors affect audit quality? Evidence from archival data. *The Accounting Review* 88: 1993-2023.
- Chen, J. Z., M.-H. Chen, C.-L. Chin, and G. J. Lobo. 2020. Do firms that have a common signing auditor exhibit higher earnings comparability? *The Accounting Review* 95: 115-143.
- Li, L., B. Qi, G. Tian, and G. Zhang. 2017. The contagion effect of low-quality audits at the level of individual auditors. *The Accounting Review* 92: 137-163.
- He, X., S. P. Kothari, T. Xiao, and L. Zuo. 2018. Long-term impact of economic conditions on auditors' judgment. *The Accounting Review* 93: 203-229.
- Lennox, C., X. Wu, and T. Zhang. 2014. Does mandatory rotation of audit partners improve audit quality? *The Accounting Review* 89: 1775-1803.

(b) *Proprietary data on audit adjustments*

- Lennox, C., X. Wu, and T. Zhang. 2016. The effect of audit adjustments on earnings quality: Evidence from China. *Journal of Accounting and Economics* 61: 545-562.
- Lennox, C., C. Wang, and X. Wu. 2020. Opening up the 'black box' of audit firms: The effects of audit partner ownership on audit adjustments. *Journal of Accounting Research* 58: 1299-1341.
- Lennox, C., Z.-T. Wang, X. Wu. 2018. Earnings management, audit adjustments, and the financing of corporate acquisitions: Evidence from China. *Journal of Accounting and Economics* 65: 21-40.
- Lennox, C., and X. Wu. 2022. Mandatory internal control audits, audit adjustments, and financial reporting quality: Evidence from China. *The Accounting Review* 97: 341-364.

(c) *China's audit market and regulatory environment*

- DeFond, M., T. J. Wong, and S. Li. 2000. The impact of improved auditor independence on audit market concentration in China. *Journal of Accounting and Economics* 28 (4): 269-305.
- Gong, Q., Q. Z. Li, Y. Lin, and L. Wu. 2016. On the benefits of audit market consolidation: Evidence from merged audit firms. *The Accounting Review* 91: 463-488.
- Chan, K. H., and D. Wu. 2011. Aggregate quasi rents and auditor independence: Evidence from audit firm mergers in China. *Contemporary Accounting Research* 28: 175-213.
- He, X., S. P. Kothari, T. Xiao, and L. Zuo. 2022. Industry-specific knowledge transfer in audit firms: Evidence from audit firm mergers in China. *The Accounting Review* 97: 249-277.
- Pan, Y., N. Shroff, and P. Zhang. 2023. The dark side of audit market competition. *Journal of Accounting and Economics* 75 (1): 101520.
- Wang, Q., T.J. Wong, and L. Xia. 2008. State ownership, the institutional environment, and auditor choice: Evidence from China. *Journal of Accounting and Economics* 46: 112-134.
- Ke, B., C. Lennox, and Q. Xin. 2015. The effect of China's weak institutional environment on the quality of Big 4 Audits. *The Accounting Review* 90: 1591-1619.

Session 9. Tax

(a) Tax avoidance and enforcement

- Chan, K. H., and L. Chow. 1997. An empirical study of tax audits in China on international transfer pricing. *Journal of Accounting and Economics* 23: 83-112.
- Chan, K. H., and P. L. Mo. 2000. Tax holidays and tax noncompliance: An empirical study of corporate tax audits in China's developing economy. *The Accounting Review* 75: 469-484.
- Chan, K. H., K. Z. Lin, and P. L. Mo. 2010. Will a departure from tax-based accounting encourage tax non-compliance? Archival evidence from a transition economy. *Journal of Accounting and Economics* 50: 58-73.
- Chen, T., Y. Tan, J. Wang, and C. Zeng. 2022. The unintended consequences of land finance: evidence from corporate tax avoidance. *Management Science* 68: 8319-8342

(b) Impact of taxation on corporate policies and investors' decisions

- Li, O. Z., H. Liu, C. Ni, and K. Ye. 2017. Individual investors' dividend taxes and corporate payout policies. *Journal of Financial and Quantitative Analysis* 52: 963-990.
- Li, O.Z., H. Liu, and C. Ni. 2021. Dividend taxes, investor horizon and idiosyncratic volatility. *The Accounting Review* 96: 403-430.
- Bauer, A. M., J. Fang, J. Pittman, Y. Zhang, and Y. Zhao. 2020. How aggressive tax planning facilitates the diversion of corporate resources: Evidence from path analysis. *Contemporary Accounting Research* 37: 1882-1913.

Session 10. Corporate governance, financial analysts, Environmental issues and ESG

(a) Corporate governance issues

- Jiang, F., and K. A. Kim. 2020. Corporate governance in China: a survey. *Review of Finance* 24: 733-772
- Chen, Z., B. Ke, and Z. Yang. 2013. Minority shareholders' control rights and the quality of corporate decisions in weak investor protection countries: A natural experiment from China. *The Accounting Review* 88: 1211-1238.
- Ke, B., and X. Zhang. 2021. Does public enforcement work in weak investor protection countries? Evidence from China. *Contemporary Accounting Research* 38: 1231-1273.
- Qian, J., P. E. Strahan, and Z. Yang. 2015. The impact of incentives and communication costs on information production: Evidence from Bank Lending. *Journal of Finance* 70: 1457-1493.
- Chen, Q., X. Chen, K. Schipper, Y. Xu, and J. Xue. 2012. The sensitivity of corporate cash holdings to corporate governance. *Review of Financial Studies* 25: 3610-3644.
- Wang, K., R. Wang, K. C. Wei, B. Zhang, and Y. Zhou. 2022. Insider sales under the threat of short sellers: New hypothesis and new tests. *The Accounting Review* 97: 427-451.
- De Janvry, A., G. He, E. Sadoulet, S. Wang, and Q. Zhang. 2023. Subjective Performance Evaluation, Influence Activities, and Bureaucratic Work Behavior: Evidence from China. *American Economic Review* 113: 766-799.

(b) Financial analysts in brokerage firms

- Gu, Z., Z. Li, and Y. G. Yang. 2013. Monitors or predators: The influence of institutional investors on sell-side analysts. *The Accounting Review* 88: 137-169.

- Firth, M., C. Lin, P. Liu, and Y. Xuan. 2013. The client is king: Do mutual fund relationships bias analyst recommendations? *Journal of Accounting Research* 51: 165-200
- Chan, K. C., X. Jiang, D. Wu, N. Xu, and H. Zeng. 2020. When is the client king? Evidence from affiliated-analyst recommendations in China's split-share reform. *Contemporary Accounting Research* 37: 1044-1072.
- R. Zhang. 2022. Language commonality and sell-side information production. *Management Science* 68: 4435-4453.

(c) Environmental issues and ESG activity

- Chen, Y., M. Hung and Y. Wang. 2018. The effect of mandatory CSR disclosure on firm profitability and social externalities: Evidence from China. *Journal of Accounting and Economics* 65 (1): 169-190.
- Liu, Z., H. Shen, M. Welker, N. Zhang, and Y. Zhao. 2021. Gone with the wind: An externality of earnings pressure. *Journal of Accounting and Economics* 72 (1): 101403.
- Li, J., M. Massa, H. Zhang, and J. Zhang. 2021. Air pollution, behavioral bias, and the disposition effect in China. *Journal of Financial Economics* 142: 641-673.
- Ito, K., and S. Zhang. 2020. Willingness to pay for clean air: Evidence from air purifier markets in China. *Journal of Political Economy* 128: 1627-1672.

Session 11. Field experiment method

Background reading:

- Bloom, N., J. Liang, J. Roberts and Z. J. Ying. 2015. Does working from home work? Evidence from a Chinese experiment. *The Quarterly Journal of Economics* 130: 165–218.

(a) Information acquisition and processing

- Wong, T. J., G. Yu, S. Zhang, and T. Zhang. 2023. Calling for transparency: Evidence from a field experiment. *Journal of Accounting and Economics*. Forthcoming.
- Liao, L., X. Martin, N. Wang, Z. Wang, and J. Yang. 2023. What if borrowers are aware of credit information sharing? A pair of field experiments. *The Accounting Review* 98: 397-425.
- Chan, T., L. Liao, X. Martin, and Z. Wang. 2023. Avoiding peer information and its effects on charity crowdfunding: a field experiment. *Management Science*. Forthcoming.

(b) Regulatory enforcement.

- Buntaine, M., M. Greenstone, G. He, S. Wang, M. Liu, and B. Zhang. 2023. Does the Squeaky Wheel Get More Grease? Citizen Participation, Social Media, and Environmental Governance in China. *American Economic Review*. forthcoming.

Part III. RESEARCH PRESENTATION

Session 12. Individual presentations of research proposals

V. Course Policy

The University Regulations on academic dishonesty will be strictly enforced! Academic dishonesty is behaviour in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

- a. Plagiarism - The representation of someone else's ideas as if they are their own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else's ideas is still using someone else's ideas, and must be acknowledged. Please check the University Statement on plagiarism on the web: <http://www.hku.hk/plagiarism/>
- b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one's own when in fact it is the result of a joint effort.
- c. Cheating on In-Class Exams - The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.
- d. Unauthorized Advance Access to an Exam - The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.

You are expected to do your own work whenever you are supposed to. Incident(s) of academic dishonesty will NOT be tolerated. Cheating or plagiarism of any kind would result in an automatic FAIL grade for the course plus strict enforcement of all Faculty and/or University regulations regarding such behaviour.