**ACCT-GB 4320 P1**

**Empirical Research in Financial Accounting III**

**Banking, Financial Instruments, and Debt Contracting**

**Stern School of Business, New York University**

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**Fall 2024**

**Class meeting in KMC 10-181: W 1:30-5:00 pm from September 4 to December 4 (it is possible the accounting department will schedule meetings in KMC 10-181 that end at or after 1:30. If this occurs, the class will start once the accounting department meeting ends)**

**READ THIS!**

**Course Purpose:** The goal of this course is to expose you to areas of accounting research in which I have spent an appreciable portion of my time working, namely financial reporting by banks and for financial instruments, or would like to spend more time working, namely debt contracting. These areas are highly related both conceptually and practically. Banks’ balance sheets are primarily comprised of financial instruments. Banks—as individual lenders, participants in lending syndicates, and securitizers of loans, or through their provision of credit and liquidity support to other loan securitizers—play key and varied roles in debt financing and contracts.

I find these areas interesting for several reasons. First, extensive financial economic theory exists that directly motivates empirical work. Second, the areas are richly institutional along many dimensions (e.g., economics, regulation, contracting, and financial reporting requirements), and opportunities abound for well-chosen empirical work that exploits the institutional settings and/or provides policy-relevant implications. Third, the financial reporting content in these areas is both high and specific. Consequently, accounting researchers can carve out a space among the various other types of financial economists studying the areas, and financial economists can (and sometimes even do) appreciate the work.

I won’t pretend that carving out such a space is easy, though, for several reasons. First, to consistently identify topics and successfully publish papers in these areas requires non-trivial investment in background knowledge about the institutions and the extensive related literatures, most of which are outside of accounting. In this course, we will barely dip our toes into these literatures; almost all the papers in the attached reading list are accounting papers. Second, because institutions generally evolve endogenously, research design competence is necessary, and cleverness at identifying and exploiting interesting settings or data helps a lot. Third, reviewers in these areas, debt contracting papers particularly, tend to be far more analytical and on average appreciably tougher than the typical reviewer at accounting journals.

Let’s say you are not interested in making (part of) your career working in these areas, why should you invest the time and trouble to take this course? The primary reason is that these areas touch on most of the central empirical literatures in accounting, and they may provide settings or examples for your work. For example, if you are interested in management of accrual accounting numbers, banks exercise discretion over loan loss provisions, realized gains and losses on securities, securitization gains and losses, etc... Decidedly better expectations models exist for these specific accruals than for accruals in general. Hence, you may be able to conduct better specified empirical analysis by focusing on one of these accruals. If you are interested in voluntary disclosure, the complexity of financial instruments and the accounting for these instruments makes voluntary disclosure about these instruments particularly useful. For example, Guay, Samuels, and Taylor (JAE, 2016) use the effective dates of FAS 133 (derivatives and hedging) and FAS 157 (fair value measurement) as quasi-natural experiments in empirical analyses of voluntary disclosure. If you are interested in contracting and incentives, debt contracts are the most readily available economically important type of contract. Most generally, reading papers in these areas will help strengthen your analytical and research design skills.

**Course requirements**: Students taking the course for credit will be evaluated based on class participation (40%; 20% for presentations and 20% for contribution to discussion), a referee report (20%), and a research proposal (40%; 20% for the initial proposal and presentation and 20% for the final proposal). Attendance is required absent a good reason communicated to me in advance. Others sitting in the course in its entirety or individual sessions are expected to read all papers for the sessions they attend.

Class participation: I will present the first session. Most papers in other sessions will be presented by the students taking the course for credit and, if they desire, by others attending the course. To foster class participation, individuals normally will present one paper (not all three papers) in a session. Presenters have the option but not the obligation to meet with me prior to the session (Monday afternoons from 2-5 pm in my office or Tuesday afternoons by Zoom) say for up to a half hour per paper. Presenters should assume that the audience has read the paper, and so should focus on critically evaluating the paper’s contributions, limitations, and validity of inferences, and on identifying opportunities for future research. Presenters are encouraged to pose questions to the audience. Individuals not presenting are expected to contribute to the discussion. Assume a total of 55 minutes for each of the three papers assigned to a session, including class participation and questions and comments from me.

I will provide the paper to review on November 27. The referee report is due on December 11.

Preliminary proposals of no more than 15 pages are due on November 27. Students may and probably should run their ideas for proposals by me before then. The preliminary proposals should include the idea, setting, brief literature summary, hypotheses, description of relevant data, and proposed main approach to testing the hypotheses. I will give comments on these proposals by no later than December 2. Students will present their proposals in the final class on December 4. Final proposals of no more than 30 pages are due on January 31. The final proposals should look like working papers but need not include empirical work.

**Schedule of sessions**: A tentative schedule of sessions and assigned papers (denoted \*\*\*) is attached. I am open to altering the sessions based on class interest. I will change the papers if I become aware of preferable choices.

**Session 1 (9/4): Overview of Research on Bank Financial Reporting and Debt Contracting**

Note that the three papers for this session, which I will present, are individually and collectively very long.

Textbook treatment of financial reporting rules for financial institutions and financial instruments:

Ryan, S. 2007. *Financial Instruments and Institutions: Accounting and Disclosure Rules*, second edition. John Wiley & Sons: Hoboken, NJ. (This book covers most financial reporting topics for financial institutions and financial instruments, although the discussion of accounting rules in many chapters is now out of date. I have up-to-date slides for all topics except leasing and insurance.)

Broad Recent surveys of the (mostly empirical) literature on financial reporting by banks and financial instruments:

Ryan, S. 2011. Financial Reporting for Financial Instruments, *Foundations and Trends in Accounting*, 6: 3-4: 187-354. (This monograph shares features both with my book above and the survey by Beatty and Liao below.)

\*\*\*Beatty A., and S. Liao. 2014. Financial Accounting in the Banking Industry: A Review of the Empirical Literature, *Journal of Accounting and Economics*, 58: 339-383.

Bushman, R. 2014. Thoughts on financial accounting and the banking industry. *Journal of Accounting and Economics* 58: 384-395. (Not quite a discussion of Beatty and Liao.)

Recent surveys or policy-oriented articles on financial reporting by banks or for financial instruments with focus on financial stability:

Ryan, S. 2008. Accounting in and for the Subprime Crisis. *The Accounting Review*, November: 1605-1638.

Laux, C., and C. Leuz. 2009. The crisis of fair value accounting: Making sense of the recent debate. *Accounting, Organizations and Society* 34: 826-34.

Laux, C., and C. Leuz. 2010. Did fair value accounting contribute to the crisis? *Journal of Economic Perspectives* 24: 93-118.

Barth, M., and W. Landsman. 2010. How did financial reporting contribute to the financial crisis? *European Accounting Review* 19: 399-433.

\*\*\*Acharya, V., and S. Ryan. 2016. Banks’ Financial Reporting and Financial System Stability. *Journal of Accounting Research* May: 277-340.

Ryan, S. 2017. Do the Effects of Accounting Requirements on Banks’ Regulatory Capital Adequacy Undermine Financial Stability? *Annual Review of Financial Economics* 9: 1-20.

Ryan, S. 2018. Recent Research on Banks’ Financial Reporting and Financial Stability, *Annual Review of Financial Economics* 10: 101-123.

Beatty, A., M. Iselin, and S. Liao. 2023. Financial accounting and disclosure in banking. *Oxford Handbook of Banking* 4th edition <https://ssrn.com/abstract=4611592>

Classic banking/debt contracting theory papers (the tip of an iceberg):

Diamond, D., and P. Dybvig. 1983. Bank runs, deposit insurance, and liquidity. *Journal of Political Economy* 91 (3): 401-419.

Diamond, D. 1984. Financial intermediation and delegated monitoring, *Review of Economic Studies* 51: 393–414.

Diamond, D. 1991. Monitoring and reputation: The choice between bank loans and directly placed debt, *Journal of Political Economy* 99 (4): 689–721.

[Aghion, P., and P. Bolton. 1992. An incomplete contracts approach to financial contracting](https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/2022/incomplete%20contracts%20approach.pdf), *Review of Economic Studies* 59: 473-494.

Rajan, R. 1992. [Insiders and outsiders: The choice between informed and arm’s-length debt](http://public.kenan-flagler.unc.edu/Courses/PHD/busi899/PhD%20Fall%202014/rajan%201992.pdf), *Journal of Finance*, 47: 1367-1400

Rajan, R., Winton, A. 1995. Covenants and collateral as incentives to monitor. *Journal of Finance* 50 (4): 1113–1146.

Diamond, D., and R. Rajan. 2001. Liquidity Risk, Liquidity Creation, and Financial Fragility: A Theory of Banking. *Journal of Political Economy* 109: 287-327.

Recent papers about bank opacity and shadow banking:

Dang, T., G. Gorton, B. Holmstrom, G. Ordonez. 2017. Banks as Secret Keepers, *American Economic Review* 107 (4): 1005-29.

Adrian, T., A. Ashcroft, P. Breuer, and N. Cetorelli. 2018. A review of shadow banking, Working paper, December, https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=3298768

Chen, Q., I. Goldstein, Z. Huang, and R. Vashishtha. 2022. Bank transparency and deposit flows. *Journal of Financial Economics* 146: 475-501.

Background readings on debt contracting and financial reporting

\*Armstrong, C., W. Guay, and J. Weber. 2010. The Role of Information and Financial Reporting in Corporate Governance and Debt Contracting. *Journal of Accounting and* *Economics*: 179-234. (I recommend you read at least Sections 1, 2, 5, and 6. Sections 3 and 4 pertain to governance issues, but includes some discussion of debt.)

\*\*\*Christensen, H., V. Nikolaev, and R. Wittenberg-Moerman. 2016. Accounting Information in Financial Contracting: An Incomplete Contract Theory Perspective, *Journal of Accounting Research*, May: 397-435.

**Session 2 (9/11): Loan Loss Provisioning**

The large and now mostly old literature on bank’s exercise of discretion over allowance or provisions for loan losses and sometimes loan charge-offs:

My early papers:

Beaver, W., C. Eger, S. Ryan, and M. Wolfson. 1989. Financial Reporting, Supplemental Disclosures, and Bank Share Prices. *Journal of Accounting Research*, Autumn: 157-178.

Liu, C., and S. Ryan. 1995. The Effect of Bank Loan Portfolio Composition on the Market Reaction to and Anticipation of Provisions for Loan Losses. *Journal of Accounting Research*, Spring: 77-94.

Liu, C., S. Ryan, and J. Wahlen. 1997. Differential Valuation Implications of Loan Loss Provisions across Banks and Fiscal Quarters, *The Accounting Review*, January: 133-146.

Liu, C., and S. Ryan. 2006. Income Smoothing over the Business Cycle: Changes in Banks’ Coordinated Management of Provisions for Loan Losses and Loan Charge-offs from the Pre-1990 Bust to the 1990s Boom. *The Accounting Review*, March: 421-441.

Notable early papers:

Moyer, S. 1990. Capital adequacy ratio regulation and accounting choices in commercial banks, *Journal of Accounting and Economics* 13 (2): 123-154.

Wahlen, J. 1994. The nature of information in commercial bank loan loss disclosures, *The Account­ing Review* 69(3): 455-478.

Collins, J., D. Shackelford, and J. Wahlen. 1995. Bank differences in the coordination of regulatory capital, earnings, and taxes, *Journal of Accounting Research* 33: 263-291.

Beatty, A., S. Chamberlain, and J. Magliolo. 1995. Managing financial reports of commercial banks: the influence of taxes, regulatory capital, and earnings. *Journal of Accounting Research* 33: 231–261.

Beaver, W., and E., Engel. 1997. Discretionary Behavior with Respect to Allowance for Loan Losses and the Behavior of Security Prices *Journal of Accounting and Economics*, May.

Ahmed, A., C., Takeda, and S. Thomas. 1999. Bank loan loss provisions: A reexamination of capital management, earnings management, and signaling effects, *Journal of Accounting & Economics* 28: 1-25.

Papers comparing public and private banks:

Beatty, A., B. Ke., and K. Petroni. 2002. Earnings management to avoid earnings declines across publicly and privately held banks, *The Accounting Review* 77: 547-570.

Nichols, C., J. Wahlen, and M. Wieland. 2009. Publicly Traded versus Privately Held: Implications for Conditional Conservatism in Bank Accounting, *Review of Accounting Studies* 14(1): 88-122.

Recent papers:

\*\*\*Beatty, A., and S. Liao. 2011. Do delays in expected loss recognition affect banks' willingness to lend? *Journal of Accounting and Economics* 52(1): 1-20.

Bushman, R., and C. Williams. 2012. Accounting Discretion, Loan Loss Provisioning, and Discipline of Banks’ Risk-taking, *Journal of Accounting and Economics*, August: 1-18.

\*\*\*Bushman and Williams. 2015: Delayed Expected Loss Recognition and the Risk Profile of Banks, *Journal of Accounting Research,* June: 511-553.

Beck, P., and G. Narayanamoorthy. 2013. Did the SEC Impact Banks’ Loan Loss Reserve Policies and their Informativeness?’ *Journal of Accounting & Economics*, December: 42-65.

Ryan, S., and J. Keeley. 2013. Discussion of ‘Did the SEC impact banks’ loan loss reserve policies and their informativeness?’ *Journal of Accounting & Economics*, December: 66-78.

Harris, T., U. Khan, and D. Nissim. 2018. The Expected Rate of Credit Losses on Banks’ Loan Portfolios, *The Accounting Review*, 93 (5): 245-271.

Lu, Y., and V. Nikolaev. 2022. Expected loan loss provisioning: An empirical model, *The Accounting Review* 97 (7): 319-346.

Bhat, G., J. Lee, and S. Ryan. 2021. Utilizing Loan Loss Indicators by Loan Type to Sharpen the Evaluation of Banks’ Loan Loss Accruals, *Accounting Horizons*, September.

Bischof, J., D. Foos, and J. Riepe. 2020. Does greater transparency discipline the loan loss provisioning of privately held banks, Deutsche Bundesbank Discussion Paper No. 40/2020, August.

Basu, S., J. Vitanza, and W. Wang. 2020. Asymmetric loan loss provision models. *Journal of Accounting and Economics* 70: 101359.

Beatty, A., and S. Liao. 2021. What do analysts’ provision forecasts tell us about expected credit loss recognition? *The Accounting Review*, January 2021: 1-21.

Lopez-Espinosa, G. Ormazabal, and Y. Sakasai. 2021. Switching from incurred to expected loan loss provisioning: Early Evidence. *Journal of Accounting Research* 59 (3): 757-804.

Wheeler, B. 2021. Unrecognized expected credit losses and bank share prices. *Journal of Accounting Research* 59 (3): 805-866.

Kim, S. 2022. Delays in banks’ loan loss provisioning and economic downturns: Evidence from the U.S. housing market, *Journal of Accounting Research* 60 (3): 711-754.

Kim, S., S. Kim, A. Kleymenova, and R. Li. 2022. Current expected credit losses (CECL) standard and banks’ information production. Working paper, https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=4117869

Narayanamoorthy, G., and B. Wheeler. 2021. A re-examination of income smoothing in banks. Working paper <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3805961> (There is a newer version of this paper titled “Income Smoothing in Banks: Obfuscation or information?” that is conditionally accepted at *Contemporary Accounting Research* but does not appear to be available online.)

Ng, J., W. Saffar, and J. Zhang. 2020. Policy uncertainty and loan loss provisions in the banking industry. *Review of Accounting Studies* 25: 726-777.

Yang, H. 2024. How does loan loss accounting influence bank lending? Evidence from the current expected credit loss (CECL) model. *The Accounting Review* forthcoming <https://doi.org/10.2308/TAR-2022-0511>

Qiang, X., and J. Wang. The effect of the current expected credit loss model on conditional conservatism of banks and its spillover effect on borrower conservatism. *The Accounting Review* forthcoming <https://doi.org/10.2308/TAR-2022-0279>

\*\*\*Granja, J., and F. Nagel. 2024. Current expected credit losses and consumer loans. Working paper, January, <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4324118>

Loan Portfolio Quality:

Gallimberti, C. 2021. Borrowers’ financial reporting and the quality of banks’ loan portfolios. *The Accounting Review*, 96 (2): 261-301.

**Session 3 (9/18): Fair Value Accounting and Other-than-Temporary Impairment**

Barth, M. 1994. Fair value accounting: Evidence from investment securities and the market valuation of banks, *The Accounting Review* 69: 1-25.

Barth, M., W. Beaver, and W. Landsman. 1996. Value-relevance of banks’ fair value disclosures under SFAS No. 107, *The Accounting Review* 71 (4): 513-537.

Eccher, E., K. Ramesh, and R. Thiagarajan. 1996. Fair value disclosures by bank holding companies, *Journal of Accounting and Economics* 22 (1-3). 79-117.

Nelson, K. 1996. Fair value accounting for commercial banks, *The Accounting Review* 71(2):161-182.

Hodder, L., P. Hopkins, and J. Wahlen. 2006/ Risk-Relevance of Fair-Value Income Measures for Commercial Banks, *The Accounting Review*, March: 337-375.

Barth, M., L. Hodder, and S. Stubben. 2008. Fair Value Accounting for Liabilities and Own Credit Risk. *The Accounting Review* 83: 629-664.

Vyas, D. 2011. The Timeliness of Write-downs by U.S. Financial Institutions during the Financial Crisis of 2007-2008. *Journal of Accounting Research,* 49 (3): 823-860.

Bhat, G., R. Frankel, and X. Martin. 2011. [Panacea, Pandora’s Box, or Placebo: Feedback in Bank Mortgage-backed Security Holdings and Fair Value Accounting](http://nl.sitestat.com/elsevier/elsevier-com/s?sciencedirect&ns_type=clickout&ns_url=http://www.sciencedirect.com/science?_ob=GatewayURL&_origin=IRSSCONTENT&_method=citationSearch&_piikey=S0165410111000498&_version=1&md5=0e5391e402c9e7fbaa9f87734b7b65ae). *Journal of Accounting and Economics*, November: 153-173.

Blankespoor, E., T. Linsmeier, K. Petroni, and C. Shakespeare. 2013. Fair value accounting for financial instruments: Does it improve the association between bank leverage and credit risk? *The Accounting Review*, July: 1143-1177.

Badertscher, B., J. Burks, and P. Easton. 2012. A convenient scapegoat: fair value accounting by commercial banks during the financial crisis, *The Accounting Review,* 87 (1).

Badertscher, B., J. Burks, and P. Easton. 2014. The Market Pricing of Other-Than-Temporary Impairments, *The Accounting Review,* 87 (1): 59-90.

Dong, M., S. Ryan, and X. Zhang. 2014. Preserving Amortized Cost within a Fair-Value-Accounting Framework: Reclassification of Gains and Losses on Available-for-Sale Securities upon Realization, *Review of Accounting Studies,* March: 242-280.

Bens, D., M. Cheng, and M. Neamtiu. 2016. The Impact of SEC Disclosure Monitoring on the Uncertainty of Fair Value Estimates, *The Accounting Review*, 91 (2): 349-375.

Badia, M., M. Duro, F. Penalva, and S. Ryan. 2017. Conditionally Conservative Fair Value Measurements, *Journal of Accounting and Economics* 63 (1): 75-98.

McInnis, J., Y. Yu, and C. Yust. 2018. Does fair value accounting provide more useful financial statements than current GAAP for banks? *The Accounting Review*, 93 (6): 257-279.

Dong, M., L. Doukakis, and S. Ryan. 2023. Banks’ discretion over the debt valuation adjustment for own credit risk. *Journal of Accounting, Auditing, and Finance* 38 (2): 302-330.

\*\*\*Fiechter, P., Z. Novotny-Farkas, and Annelies Renders. 2022. Are level 3 fair value remeasurements useful? Evidence from ASC 820 rollforward disclosures. *The Accounting Review*, 97 (5): 301-323.

Lin, W., A. Panaretou, G. Pawlina, and C. Shakespeare. 2023. What can we learn about credit risk from debt valuation adjustments? *Review of Accounting Studies* 28: 2556-2588.

Ashraf, M., D. Donelson, J. McInnis, and R. Mergenthaler. 2024. Fair value accounting standards and securities litigation. *Journal of Accounting and Economics* forthcoming <https://doi.org/10.1016/j.jacceco.2024.101705>.

Security-level disclosures by insurers and mutual funds:

Hanley, K., A. Jagolinzer, and S. Nikolova. 2018. Strategic reporting of asset fair values. *Journal of Accounting and Economics* 66 (1): 25-45.

\*\*\*Khan, U., S. Ryan, and A. Varma. 2019. Fair Value versus Amortized Cost Measurement and the Timeliness of Other-than-Temporary Impairments: Evidence from the Insurance Industry, *The Accounting Review*, 94 (6): 285-307.

Hodder, L., and A. Sheneman. 2022. Fair value measurement discretion and opportunistic avoidance of impairment loss recognition. *The Accounting Review*, 97 (7): 243-268.

Koo, M., K. Sivaramakrishnan, and Y. Zhao. 2023. Third-party source switches: Objective valuation or fair value opinion shopping?*The Accounting Review* 98 (7): 405-433.

\*\*\*Berfeld, N., K. Choi, O. Usvyatsky, and J. Weber. 2024. Is beauty in the eye of the beholder? Do fair value estimates depend on whether you are the issuer or the investor in debt securities? Working paper, <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4818437>

**Session 4 (9/25): Securitizations**

Niu, F. and G. Richardson. 2006. Are securitizations in-substance sales or secured borrowings: capital market evidence, *Contemporary Accounting Research* 23(4): 1105–1133.

Landsman, W., K. Peasnell, and C. Shakespeare. 2008. Are asset securitizations sales or loans? *The Accounting Review* 83 (5): 1251-1272.

Chen, W., C. Liu, and S. Ryan. 2008. Characteristics of Securitizations that Determine Issuers’ Retention of the Risks of the Securitized Assets, *The Accounting Review* 83 (5): 1181-1215.

Bens, D., and S. Monahan. 2008. Altering Investment Decisions to Manage Financial Reporting Outcomes: Asset-backed Commercial Paper Conduits and FIN 46. *Journal of Accounting Research* 46: 1017-1055.

Dechow, P., and C. Shakespeare. 2009. Do managers time securitization transactions to obtain accounting benefits? *The Accounting Review* 84 (1): 99-132.

Cheng, M., D. Dhaliwal, and M. Neamtiu. 2011. Asset securitization, securitization recourse, and information uncertainty, *The Accounting Review* 86(2): 541-563.

Barth, M.E., G. Ormazabal, and D.J. Taylor. 2012. Asset securitizations and credit risk. *The Accounting Review*, March 2012: 423-448.

Dou, Y., Y. Liu, G. Richardson, and D. Vyas. 2014. [The Risk-Relevance of Securitizations during the Recent Financial Crisis](http://link.springer.com/article/10.1007%2Fs11142-013-9265-4), *Review of Accounting Studies*, 19: 839-876

\*\*\*Bonsall, S., K. Koharki, and M. Neamtiu. 2015. The Effectiveness of Credit Rating Agency Monitoring: Evidence from Asset Securitizations, *The Accounting Review,* September: 1779-1810.

Oz., S. 2020. Did FAS 166/167 decrease information asymmetry of securitizing banks? *The* *Financial Review* 55 (4): 557-581.

Ryan, S., J. Tucker, and Y. Zhou. 2016. Securitization and Insider Trading, *The Accounting Review*, March: 649-675.

Tian, X., and H. Zhang. 2017. Impact of FAS 166/167 on credit card securitization. Working paper, Ohio State University, January.

\*\*\*Dou, Y, S. Ryan, and B. Xie. 2018. The Real Effects of FAS 166/167 on Banks’ Mortgage Approval and Sale Decisions, *Journal of Accounting Research* 56 (3): 843-882.

\*\*\*Neilson, J., S. Ryan, K. Wang, and B. Xie, 2022. Asset-level Transparency and the (E)valuation of Asset-Backed Securities, *Journal of Accounting Research* 60 (3): 1131-1183.

Dou, Y., J. Ronen, and T. Toksoz. 2024. Securitization, Recourse Uncertainty, and Crash Risk, Working paper, <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3564768>

Dou, Y. 2021.The spillover effects of consolidating securitization entities on small business lending, *The Accounting Review*, 96 (5): 207-229.

Schmidt, B., and H. Zhang. 2024. Loan-level disclosure and the convenience yield of asset-backed securities. *The Accounting Review* forthcoming <https://doi.org/10.2308/TAR-2022-0245> also <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3316344>

**Session 5 (10/2): Derivatives, Risk Disclosures, and Risk Modeling**

Ryan, S. 2011. Financial Reporting for Financial Instruments, *Foundations and Trends in Accounting,* 6: 3-4, Chapters 5-6, provide general background on these topics.

Campbell, J., L. Mauler, and S. Pierce. 2019. A Review of Derivatives Research in Accounting and Suggestions for Future Work, *Journal of Accounting Literature* 42: 44-60.

Derivatives:

Schrand, C. 1997. The Association between Stock-Price Interest Rate Sensitivity and Disclosures about Derivative Instruments, *The Accounting Review*, 72 (1): 87-109.

Venkatachalem, M. 1997. Value-Relevance of Banks’ Derivatives Disclosures, *Journal of Accounting and Economics*, 22 (1-3): 327-355.

Ahmed, A., Kilic, E., Lobo, G. 2006. Does recognition versus disclosure matter? Evidence from value-relevance of banks’ recognized and disclosed derivative financial instruments, *The Accounting Review* 81 (3): 567-588.

Ahmed, A., E. Kilic, and G. Lobo. 2011. Effects of SFAS 133 on the risk-relevance of accounting measures of banks’ derivative exposures, *The Accounting Review* 86(3): 769–804.

Campbell, J., J. D’Adduzio, J. Downes, and S. Utke. 2021. Do debt investors adjust financial statement ratios when financial statements fail to reflect economic substance? Evidence from cash flow hedges. *Contemporary Accounting Research* 38 (3): 2302-2350.

Campbell, J., U. Khan, and S. Pierce. 2021. The effect of mandatory disclosure on market inefficiencies: Evidence from Financial Accounting Standards Board (FASB) Statement Number 161. *The Accounting Review* 96 (2), 153-176.

\*\*\*Neilson, J., P. Wang, C. Williams, and B. Xie. 2024. Offsetable derivatives and investor risk assessment. *Management Science* 70 (5): 2705-3380.

Ryan, S., and B. Seitz. 2023. Gross versus net balance sheet presentation of offsetting derivatives assets and liabilities. *Review of Accounting Studies* 28 (4): 2516-2555.

\*\*\*Granja, J., E. Jiang, G. Matvos, T. Piskorski, and A. Seru. 2024. Book value risk management of banks: Limited hedging, HTM accounting, and rising interest rates. Working paper, March, <https://www.nber.org/system/files/working_papers/w32293/w32293.pdf>

Risk disclosures:

McAnally, M. 1996. Banks, Risk, and FAS No. 105 disclosures, *Journal of Accounting, Auditing, and Finance* 11(3): 453-496.

Liu, C., S. Ryan, and H. Tung. 2004. How Banks’ Value-at-Risk Disclosures Predict their Total and Priced Risk: Effects of Bank Technical Sophistication and Learning over Time. *Review of Accounting Studies,* June: 265-294.

Risk modeling:

Bhat, G., and S. Ryan. 2015. The Impact of Risk-Modeling on the Market Perception of Banks’ Estimated Fair Value Gains and Losses for Financial Instruments, *Accounting Organizations and Society*, October: 81:95.

\*\*\*Bhat, G., S. Ryan, and D. Vyas. 2019. The Implications of Credit Risk Modeling for Banks’ Loan Loss Provisions and Loan-Origination Procyclicality, *Management Science*, 65 (5): 1949-244.

**Session 6 (10/9): Bank Financial Reporting and Financial Stability**

Laeven, L., and G. Majnoni. 2003. Loan loss provisioning and economic slowdowns: too much, too late? *Journal of Financial Intermediation* 12: 178-197.

Bikker J., P. Metzemakers. 2005. Bank provisioning behavior and procyclicality. *Jour of International Financial Markets, Institutions, and Money* 15: 141–147.

Plantin, G., H. Sapra, and H. Shin. 2008. Marking-to-market: Panacea or Pandora’s box? *Journal of Accounting Research* 46 (2): 435–460.

Xie, B. 2016. Does Fair Value Accounting Exacerbate the Procyclicality of Bank Lending? *Journal of Accounting Research* March: 235-274.

Laux, C., and T. Rauter. 2017. Procyclicality of U.S. Bank Leverage, *Journal of Accounting Research*, 55 (2): 237-273.

Amel-Zadeh, A., M. Barth, and W. Landsman. 2017. The Contribution of Bank Regulation and Fair Value Accounting to Procyclical Leverage, *Review of Accounting Studies*, 22: 1423-1454.

Meder, A. 2015. Interaction between Accounting Standards and Monetary Policy: The Effect of SFAS 115, *The Accounting Review* 90 (5): 2031-2056.

Chircop, J. and Z. Novotny-Farkas. 2016. The economic consequences of extending the use of fair value accounting in regulatory capital calculations. *Journal of Accounting and Economics* 62 (2): 183–203.

Laux, C. 2016. The economic consequences of extending the use of fair value accounting in regulatory capital calculations: A discussion. *Journal of Accounting and Economics* 62 (2): 204–208.

\*\*\*Kim, S., S. Kim, and S. Ryan. 2019. Economic Consequences of the AOCI Filter Removal for Advanced Approaches Banks, *The Accounting Review*, 94 (6): 309-335.

Kim, S., Kim S., and S. Ryan. 2024. Banks’ Motivations for Designating Securities as Held to Maturity. Working paper. Get most recent version from me.

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**Session 7 (10/16): Bank Competition, Regulation, Auditing, and Tax**

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**Session 9 (10/30): Debt Contracting, Asymmetric Information, and Accounting Attributes**

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**Session 10 (11/6): Accounting-Based Debt Covenants, other Debt Contract Features, and Renegotiation**

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**Session 11 (11/13): Borrower Provision of Information to Lenders, Information Sharing among Lenders, and the Role of Soft Information**

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**Session 12 (11/20): Loan Syndicates and Collateralized Loan Obligations**

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**Session 13 (11/27): Credit Default Swaps and Credit Ratings**

Credit Default Swaps:

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**Session 14 (12/4): Presentation and Discussion of Research Proposals**