

Accounting Research: Methodology & Communication
Fall 2004
Professor Somnath Das

PROJECT 2- DUE DATE: December 3, 2004

FASB may potentially consider some form of accounting for human resources. In preparation for a position paper to be forwarded to FASB on behalf of your accounting firm, your partner has asked you to investigate the following Research Question:

Do investors value “investments in intangible human capital” above and beyond “investments in tangible fixed assets”? (Remember Ou addressed whether other ratios are useful above and beyond ROE in predicting next period’s earnings change. – This is equivalent to asking whether human assets are incrementally useful for firm valuation.)

You’re primary task is to write the OUTLINE of a Research Paper that will provide an answer to the above research question. You do not have to conduct actual data analysis and hence the results and conclusion section do not need to be written.

However, your research outline MUST address the following:

1. Discuss why this may be an important research question – MOTIVATION- perhaps provide anecdotal evidence from newspapers/ business magazines – to support and substantiate your statements.
2. Conduct a brief literature search on the subject matter – to see whether this or other related questions have been addressed in existing research – Survey of what we know. In the interest of time you may restrict your search to no less than THREE and no more than FIVE research papers. Summarize the results of these existing researches under the sub-section “Review of Prior Literature”. – Remember that you are communicating with some one who has not had the benefit of reading the research paper – so you’re summary of each paper must be as comprehensive as possible.
3. Based on the literature review and the research question – set up one or more specific testable hypothesis – You MUST test them as testable propositions, and wherever possible discuss whether each hypothesis is developed based upon prior research, anecdotal evidence or intuition.
4. Discuss and describe what research methodology you will use to address the research question. This must include a detailed discussion of the following: (For this part – it would be useful to IMAGINE that you are actually going to conduct the analysis using real data from Compustat and CRSP)
 - a. What sample/ population of observations will you choose and why, including time period and industry.

- b. If your sample and population are going to be different – discuss why and provide a discussion of what steps you will take to convince the reader that your sample is representative of the population.
 - c. What variables do you have to measure – how will you measure them and where are you likely to get information / data on them – be SPECIFIC – specify Compustat data items or CRSP data and file that you would want to use. Also discuss issues pertaining to whether you are measuring the construct of interest or its proxy.
 - d. Discuss whether there is a need to use any control variables. If so, discuss why, what specific variables and how they will be used.
 - e. What kind of analysis – graph, basic statistics such as differences in mean or chi-square tests of association will you use to test EACH of your hypotheses. Be as SPECIFIC as possible – no credit will be given for making general statements.
5. Discuss what possible sets of answers that your data analysis might reveal and how they will influence the position that you will recommend that your firm take.
6. Provide citations / references in your discussions, wherever possible and also provide a “Reference” list as in the research papers discussed in class.
7. Any OTHER RELEVANT issues that you wish to discuss.
8. Your report must not exceed 15 pages in length.