Master Thesis Topics

General information

Students interested in writing a master's thesis may apply for the following topics by submitting their request with their favorite topic (1-14) along with a curriculum vitae and a current transcript of records to Leonardo Mastropietro (leonardo.mastropietro@uni-hamburg.de). You may also submit your own topic ideas. For all topics, the thesis is expected to include an empirical analysis. Therefore, knowledge of statistics and econometrics is required for most topics. Basic knowledge of Stata and R is desirable.

1. Factors that impact the likelihood of obtaining assurance on non-financial information. (AR)

To date, the literature has discussed and identified a variety of factors that encourage companies to voluntarily seek third-party assurance on environmental, social, and governance (ESG) disclosures. For instance, Simnett et al. (2009) identified company-specific indicators that suggest companies adopt ESG assurance due to reputational concerns. In addition, Kaufmann et al. (2011) suggest that SA acts as a governance complement for weak governance structures at the country level. The objective of this master thesis is to examine the existing literature on the previously identified determinants of external ESG assurance. In addition, this master's thesis aims to empirically validate a set of identified determinants using STATA, as well as test one of the following factors on a sample of U.S. companies: Internal Control Weaknesses (ICW), CEO characteristics (other than age or tenure), chief executive officer (CEO) turnovers, CEO-audit committee interlocks (Bose et al. 2022), internal audit functions (Trotman and Trotman 2015).

- Bose, S., M. J. Ali, S. Hossain, and A. Shamsuddin. 2022. Does CEO–Audit Committee/Board Interlocking Matter for Corporate Social Responsibility? Journal of Business Ethics 179 (3): 819–47, doi: 10.1007/s10551-021-04871-8.
- Kaufmann, D., A. Kraay, and M. Mastruzzi. 2011. The worldwide governance indicators: Methodology and analytical issues. Hague Journal on the Rule of Law 3 (02): 220–46, doi: 10.1017/S1876404511200046.
- Simnett, R., A. Vanstraelen, and W. F. Chua. 2009. Assurance on sustainability reports: An international comparison. The Accounting Review 84 (3): 937–67, doi: 10.2308/accr.2009.84.3.937.
- Trotman, A. J., and K. T. Trotman. 2015. Internal audit's role in GHG emissions and energy reporting: Evidence from audit committees, senior accountants, and internal auditors. AUDITING: A Journal of Practice & Theory 34 (1): 199–230, doi: 10.2308/ajpt-50675.

2. Impact on the financial statement audit of providing assurance on non-financial information. (AR)

Maso et al. (2020) suggest that accounting companies providing both financial and non-financial assurance gain information regarding company internals which they use in their audit opinion on the financial audit engagement. In particular, they show that BIG4 auditors providing both (financial and ESG assurance) (i) issue more frequent going-concern opinions and have lower Type II going-concern errors, (ii) have clients that book larger environmental and litigation provisions, (iii) report earnings that are more persistent and value-relevant and are less likely to book income-decreasing earnings restatements, and (iv) do not charge higher audit fees or total fees. Based on this observation, this master thesis aims to analyze empirically the relationship between the effect of the non-financial information assurance and financial statement audit characteristics based on the methodology of Maso et al. (2020). DeFond and Zhang (2014) provide an extensive review of audit literature and provide further financial statement audit characteristics to be analyzed.

- DeFond, M., and J. Zhang. 2014. A review of archival auditing research. Journal of Accounting and Economics 58 (2-3): 275–326, doi: 10.1016/j.jacceco.2014.09.002.
- Maso, L. D., G. J. Lobo, F. Mazzi, and L. Paugam. 2020. Implications of the joint provision of CSR assurance and financial audit for auditors' assessment of going-concern risk. Contemporary Accounting Research 37 (2): 1248–89, doi: 10.1111/1911-3846.12560.

3. Role of the auditor in mitigating misreporting of non-financial information. (AR)

With the entry into force of the non-financial reporting directive (NFRD), companies in the EU were required to publish material ESG-related information. As with mandatory reporting, the responsibility lies with the supervisory board, and many companies in Germany have voluntarily chosen to audit their non-financial statements. However, Italy and Spain have added mandatory assurance in their country-specific laws on NFRD. The objective of this thesis is to analyze the changes in the scope of reporting of companies that are forced to perform ESG assurance for the first time. To this end, a content analysis of reports before the mandatory audit and in the year after its introduction is conducted on a sample of a reasonable amount of English reporting companies based in Italy and Spain.

4. Impact of non-financial reporting assurance on on-financial risk management (AR)

Asante-Appiah and Lambert (2022) suggest that companies leverage their auditor's knowledge to manage ESG-related reputational risks by showing a positive relationship between non-service audit fees and a company's tarnished reputation. Furthermore, Channuntapipat's (2021) qualitative work suggests that the audit process supports companies in implementing ESG programs. This study aims to empirically test this relationship and further investigate whether a company benefits from better ESG risk management when its financial auditor also provides ESG disclosure assurance. The objective is to identify variables that capture ESG risk mitigation activities (in the ESG Refinitiv Database) (relevant to the particular industry or company) and empirically test the relationship with ESG assurance and whether the financial auditor performs this assurance.

- Asante-Appiah, B., and T. A. Lambert. 2022. The role of the external auditor in managing environmental, social, and governance (ESG) reputation risk. Review of Accounting Studies, doi: 10.1007/s11142-022-09706-z.

- Channuntapipat, C. 2021. Can sustainability report assurance be a collaborative process and practice beyond the ritual of verification? Business Strategy and the Environment 30 (2): 775–86, doi: 10.1002/bse.2653.

5. ESG related interactions in conference calls. (TT)

The Questions and Answers (Q&A) part of an earnings conference call is a unique setting to analyze a direct interaction between market participants. Further, ESG Topics have become more important for companies. In this research question, students shall analyze the interaction between analysts and the management in ESG topics. In the first step, students can either use hand coding of conference calls or natural language processing to answer a vast variety of questions. Did the CEO answer the question directly? Does the tone of the answer/question change? Are there follow-up questions? In the second step, students should attempt to answer a "so what?" question. Thereby, students will analyze the market reaction using an event study.

6. ESG related questions and their determinants. (TT)

Similar to the aforementioned project, students shall inspect conference calls as a unique setting to analyze the direct effect of questions in the Q&A section in the context of ESG. However, rather than focusing on what is asked, this project will aim to answer the question: "Who asks ESG related questions". In a first step, students shall create a control group of conference call participants who did not ask ESG related questions and compare those with those who did ask ESG related questions. To gather data, students can rely on public sources such as Linked-in. In a next step, students can compare different background variables such as age, gender, skills, networks, education, and many more and analyze if they can find a difference between the two groups. In the second step, students shall answer a "so what?" question using an event study methodology.

7. The effect of foreign natural disasters on firms. (TT)

Natural disasters are a big cause of destruction and harm all over the world. This thesis analyses how firms are affected based on their operations in the affected country. Using earthquakes and segment reporting students can differentiate between different levels of involvement to setup a baseline on how a company is operated in a country and analyze how a company is affected compared to one without operations in an affected country. Students can either use a differences-in-differences set up to analyze the long-time effect on firm level variables such as the firms' return. Another option is applying an event study methodology to analyze the effect on the capital market. Further, students can analyze moderating effects of this relationship using variables such as cultural differences between countries, country distance, or the firms' ESG score.

8. Natural disasters and awareness for ESG. (TT)

The effects of global warming are felt all across the world. The rise of the frequency and severity of extreme weather events is one result of this. These events make a rather abstract and distant subject such as global warming more present. This heightened awareness could have a direct impact on polluting firms. Thereby, the question answered in this master thesis is, if natural disasters affect polluting firms' market performance. In the first step students utilize event study methodology to determine the stock market reaction for each firm. In the second step students analyze if firm level carbon emissions affect the before calculated market reaction. Third, students might additionally analyze if there are other factors that influence this relationship. One possible factor to look at could be the social performance of a firm.

9. Mass layoffs and ESG. (TT)

Employees are one of the most important resources of firms, determining their success. Still, in some cases, firms need to reduce their workforce due to external factors. This thesis aims to analyze the effect of mass layoffs on firms' stock prices. The Worker Adjustment and Retraining Notification (WARN) act can be used to gather data on firms' mass layoffs. In the first step, by event study methodology the effect of these layoffs on the stock market should be analyzed. Further, students will identify factors that negatively or positively moderate the market reaction. One possible interaction effect to be considered could be the ESG performance of a company. Hereby the student might answer if environmental performance mitigates the reaction to social issues.

10. Corporate Sustainability Policies. (KW)

Given the current regulatory landscape with the European Union upheavals can be observed, which will have great impact on corporations. Here, the EU-Taxonomy, the CSRD, SFDR and CSDDD can be mentioned. For corporations these new regulatory environment need quick implementation and compliance. The objective of the master thesis is the examination of internal corporate consequences due to the adaption to the changed regulatory environment, especially the impact on corporate policies. Therefore, the first step consists of the identification of the relevant literature. In the second step, the study will focus on outcomes of these policies. One possible avenue is to conduct an event study to analyze how the markets react to the implementation to these policies. It is also possible to set a focus on specific corporate policies (sustainability, human rights, supply chain) and certain aspects like policy changes, policy introduction, etc.

11. What board of director attributes foster or weaken resilience? (KA)

The Covid 19 pandemic ranks as one of the most devastating events of recent decades. It caused deep structural changes in our personal lives, but also in the way how we operate our businesses. In the aftermath of such events, businesses have had to quickly adapt their operations to the changing environment in order to stay afloat. Currently, there is a vast literature on the role of corporate governance before and after a crisis (such as the global financial crisis). However, little is known about the role of corporate governance before and after so-called "black swan events" such as natural disasters. For example, a recent study by Salvato et al. (2020) shows that family firms perform better than nonfamily firms after an earthquake, especially when multiple family members are involved as owners. Since boards are responsible for these adjustments to external shocks, this thesis aims to determine which board characteristics help firms survive in these changing times (e.g., board diversity and busyness).

- Salvato, C., Sargiacomo, M., Amore, M. D., & Minichilli, A. (2020). Natural disasters as a source of entrepreneurial opportunity: Family business resilience after an earthquake. Strategic Entrepreneurship Journal, 14(4), 594-615.

12. Which aspects of corporate governance may be more or less effective as a remedy? (KA)

Corporate governance has already been shown to matter for corporate resilience, but the results of these previous studies are mixed. For example, while literature shows that "good" governance practices such as an independent and vigilant board and incentive alignment can help companies cope with a financial crisis (Grove et al., 2011), not all governance measures are expected to have the same effectiveness in a crisis situation. This paper aims to investigate which corporate governance measures help companies to maintain investor confidence in adverse situations such as natural disasters or the recent Covid 19 pandemic outbreak (i.e., black swan events) and thus are expected by the capital market to be particularly helpful in these situations. The event-study method is used to calculate investor reaction to events. These market reactions are then used to analyze the effectiveness of governance measures in these circumstances. One aspect could be the difference between internal and external governance mechanisms. To address this, students in Refinitiv ESG can assemble a score for these two dimensions of governance and test the expected resilience of the capital market. Alternatively, the different governance dimensions can be tested against the performance of the firm.

- Grove, H., Patelli, L., Victoravich, L.M. and Xu, P. (2011). Corporate governance and performance in the wake of the financial crisis: evidence from US commercial banks, Corporate Governance: An International Review 19(5), 418-436.

13. Does ESG engagement save firms form the impact of restatements? (NG)

Corporate reporting is one of the most important systems for providing information to external parties such as the capital market. However, previously reported information may need to be subsequently restated due to errors, which could for instance stem from fraud, or simply be of clerical nature. In any case, restatements are generally a bad look for a company. Still, as Palmrose et al. (2004) show, how negatively the capital market reacts to restatement announcements depends on different factors. The objective of this thesis is to analyze whether and if so which ESG activities dampen the negative impact of restatement announcements. To that end, this thesis should also comprise a theoretical background on how ESG activities could assist companies in maintaining investor confidence and in reducing negative market impacts. In addition, the thesis can be extended by showing the interaction between the type of restatement and the change in the above relationship.

- Palmrose, Z. V., Richardson, V. J., & Scholz, S. (2004). Determinants of market reactions to restatement announcements. Journal of accounting and economics, *37*(1), 59-89.

14. The effect of ESG-related protests and demonstrations on the capital market. (NG)

Protests and demonstrations are a way for the public to make their voices heard (King and Soule, 2007). They draw attention to a particular issue in the hope of bringing change. This raises awareness of these issues, which can have an impact on companies through the capital market. This thesis aims to investigate this relationship by looking at market reactions in times of significant environmental and social-related protests. In a first step, events and companies of interest are identified and the potential for different events' influence on companies' stock market performance discussed. Then, market reactions to these events are calculated using event study methodology. In a third step, companies are compared based on their performance in the area of concern during the protests. For example, the Corporate Equality Index could be used to determine which companies are performing well and which are performing poorly in the area of concern. The market reactions of these two types of companies during the protest can then be compared. In addition, possible moderators could be analyzed, such as the scale of the protest. Finally, the cause of the issue could be compared to determine whether the effect depends on the issue itself (i.e., market reactions in social protests vs. environmental protests).

- King, B. G., & Soule, S. A. (2007). Social movements as extra-institutional entrepreneurs: The effect of protests on stock price returns. Administrative Science Quarterly, 52(3), 413–442.