

ABSTRACTS

Friday, November 5, 2010

11:00 a.m. – 12:30 p.m.

SESSION I

Managerial Accounting Issues 1 – Executive Seminar Room 4.1

Session Chair: Kevin Stevens

“Voluntary Implementation of Performance Measures in Spanish and Japanese Local Governments: Learning from Different Nations”

Lourdes Torres, *University of Zaragoza*, Vicente Pina, *University of Zaragoza*, Takami Matsuo, *University of Kobe*

This study identifies different approaches to the adoption of performance measurement. It is focused on the distinction between performance measures for decision-making, accountability and for their symbolic value. As the implementation of performance measurement is an internal decision, heterogeneous practices have developed. This paper explores the development of non-mandatory performance measures in thirteen of the biggest Spanish and Japanese local governments. Spain and Japan are countries with different cultural traditions but share a bureaucratic public administration style based on French and Prussian influence, high political independence of, and weak national control over, local governments, and a lack of central government guidelines for performance measure implementation. The paper shows the difficulty of obtaining generally accepted performance measures for internal use. Compulsory performance indicators are useful for external use -accountability purposes-, as in the case of GAAP. Why are we trying to introduce dual purpose performance measures (for internal and external purposes)?

“Associations of Balanced Scorecard Perspectives in Monopoly Firms: An Empirical Study of Indonesian Municipal Water Supply Firms”

Ronny Prabowo, *Satya Wacana Christian University*, Priyo Hari Adi, *Satya Wacana Christian University*

BBSC enables firms to formally emphasize nonfinancial and financial performance at systematic approach. It basically assumes cause-and-effect relationship among perspectives, especially the lower-level perspective to upper-level perspective. This article aims to empirically test the association among perspectives of BSC in monopoly firm (municipal water supply firm or PDAM), referring to Bryant, et al (2004). Bryant, et al (2004) use competitive context as their research setting while Banker and Mashruwala (2007) argue and find that the less competitive the business environment, the weaker the association between nonfinancial performance measures (NFPM) and financial performance. Our results show that all nonfinancial perspectives (NFPM) do not have positive association with financial perspective (considering the fact that learning and growth and internal business process perspective indicators are reverse scaled), confirming the unique feature of monopoly firm.

“The Effects of Strategy-Management Control System Misfit on Firm Performance”

Johnny Jermias, *Simon Fraser University*, Lindawati Gani, *Universitas Indonesia*

The purpose of this study is to investigate the effects of misfits between business strategy and management control systems on performance. We address the following research question: “Do firms that align their management control systems with the specific requirements of their business strategy perform significantly better than those that do not achieve the required match?” We define a misfit as the degree to which management control systems deviate from empirically derived ‘ideal’ configurations for a given type of business strategy. We argue that a misfit between business strategy and management control systems has significantly negative implications on firm performance. Based on a questionnaire survey of executives from 109 banks, we hypothesize and find that the strategy-control systems misfit has a significantly negative correlation with performance using both financial and non-financial measures. In addition, we find that the magnitude of differences in the correlations between misfits and performance are significantly more negative for critical-control systems than for non-critical control systems.

SESSION II
Tax Research – Executive Seminar Room 4.2
Session Chair: Carolina Koornhof

“Tax Treaties of the United States: Implementation and Coverage”

Edmund D. Fenton, Jr., *Eastern Kentucky University*

Tax treaties are agreements made between two countries that can cover a variety of taxation topics with the purpose of having their tax laws apply fairly to people and businesses who are residents of one country and who work or invest in the other country. This paper will review the process the United States uses to implement tax treaties with other countries, along with the related Protocols and Totalization Agreements. Treaty models from the Organization for Economic Cooperation and Development, and from the United Nations, that are used to create treaties will be reviewed. Developing countries can use these models to establish new treaties, while developed countries should examine existing treaties to determine if the tax provisions are still current in this ever changing world.

“Malaysian Indirect Tax Administration Performance: Perceptions of Tax Employees and Taxpayers”

Muzainah Mansor, *Universiti Utara Malaysia*, Mahamad Tayib, *Universiti Utara Malaysia*

The attitude of employee is important since employee’s attitude can affect customer satisfaction, hence influencing the performance of an organization. This study examines the performance of the indirect tax administration in Malaysia from the perspectives of both tax employees and taxpayers. Data for this study was collected through questionnaire surveys on the tax employees and the taxpayers of the Royal Malaysian Customs Wilayah Persekutuan Kuala Lumpur (RMC-WPKL). The results reveal that, even though the tax employees are generally motivated and committed with their job and workplace, they are dissatisfied with the department’s concern for its employees’ welfare, and the system for recognizing and rewarding outstanding performance. The assessment on work stress reveals that tax employees perceived that they received many assignments without the manpower to complete them within the deadlines. They are also uncertain on the evaluation for a raise or promotion. The survey on taxpayers reveals that they are generally dissatisfied with the quality of interaction with the tax employees as well as the waiting time at the Customs Department. The policy implication of this paper is that the Royal Malaysian Customs has to establish tax employee satisfaction and taxpayer satisfaction as organizational objectives equal in importance to its business results.

“Analysis of the Impact of the Consumption Tax Increase on Paper and Cellulose Producing Enterprises”

Paschoal Tadeu Russo, *FECAP – Fundação Escola de Comércio Álvares Penteado*, Mauro F. Gallo, *FECAP – Fundação Escola de Comércio Álvares Penteado*, Aldy Fernandes Da Silva, *FECAP – Fundação Escola de Comércio Álvares Penteado*

In an environment of high national and international competitiveness it is essential for the present Brazilian enterprises to count on a long-term commercial strategy. This strategy is affected by factors which might or might not be controlled by these enterprises. Taxes is one of the main factors beyond control and affect enterprises with long growing periods as they are more exposed to the risks of changes in the state of affairs. This article presents a study regarding the tax burden in the paper and cellulose economy, taking into account the consumption tax compared to the national average. The impact of the increase of these taxes, between 2003 and 2007, in the financial reports of the enterprises of the paper and cellulose production which are listed at Bovespa is analysed here. The results bespeak the existence of a strong correlation between the fluctuation of the collection related to consumption in terms of the Brazilian GDP and the sales tax percentage fluctuation in terms of the gross turnover of the enterprises of the paper and cellulose economy which are listed at Bovespa. Besides, it was possible to reckon that the fluctuation of the depreciation on sales, in terms of the turnover of the enterprises in the paper and cellulose economy, is statistically higher than or equal to the fluctuation increase of the collection on consumption in terms of GDP in the same analysis period.

SESSION III

Corporate Disclosure and Financial Statement Analysis 1 – Function Room 4.1

Session Chair: Harri Seppanen

“The Uniformity-Flexibility Dilemma When Comparing Financial Statements: The View of Auditors, Analysts and Other Users”

Vicky Cole, *Vrije Universiteit Brussel*, Joël Branson, *Vrije Universiteit Brussel*, Diane Breesch, *Vrije Universiteit Brussel*

The comparability of financial statements is an important research topic in accounting literature. The introduction of the IFRS in the European Union and many other countries has not eliminated the need for research concerning this topic, on the contrary. Several studies showed that the IFRS still offer many options. Extensive theoretical literature exists concerning the definition of comparable financial statements and the factors that influence this comparability. This study contributes by determining how important these factors are according to the auditors, analysts and other users of European IFRS financial statements and what their view is on the comparability of financial statements. Our survey of 426 individuals shows that most of them (67%) interpret comparability as uniformity, that is all companies using the same accounting methods. Only 31% of the respondents interpret comparability as flexibility, that is all companies can apply an accounting method that is adapted to their unique circumstances. Comparability of financial statements over time and of companies operating within the same industry are considered to be the most important types of comparability. Both types of comparability are jeopardised by the IASB due to the constant changes and the lack of industry specific guidance. Only 41% of the respondents believe that all IFRS financial statements are comparable. Not only accounting methods used but also judgements made by preparers and interpretation differences of the applied standards are viewed as important factors influencing the comparability of financial statements.

“Asset Pricing In Asian Nations”

Syouching Lai, *Chang Jung Christian University*, Hung-Chih Li, *National Cheng Kung University*, James A. Conover, *University of North Texas*, Frederick Wu, *University of North Texas*

We examine asset pricing factors in eight post-1995 Asian equity markets with DataStream data. We test three asset pricing models based on Fama and French’s (1993) 3-factor model. We test across portfolios adjusted for common book-to-market, size and financial distress factors. We find empirical cross-sectional support for the 4-factor country-specific O-score financial distress risk asset pricing model in seven of the eight Asian markets. Financial distress O-score explains asset pricing beyond the Fama and French factors, using the Lai, Li, Conover and Wu’s (2010) asset pricing model, tested in Japan and the United States.

“Impair or not to Impair? Factors affecting the application of IAS 36 in Australia and the United Kingdom”

Dianne Massoudi, *University of Western Australia*, H.Y. Izan, *University of Western Australia*, Ann Tarca, *University of Western Australia*

This study examines the incidence and amount of IAS 36 asset impairment reported by Australian and UK listed companies from the industrial, consumer discretionary and information technology industry sectors in the four years following IFRS adoption (174 company-years). It is hypothesized that impairment reporting practices are driven by managerial incentives, which have been proxied by variables such as book to market and profitability ratios, debt covenant violation concerns and CEO change. The dependent variable of the incidence of impairment is measured as a dichotomous variable. The amount of impairment is measured as impairment expense as a percentage of total assets of the company. The test and control variables used are book to market ratio, profit (return on assets), interest coverage, change in CEO, auditor, country, industry, equity issue, foreign stock exchange listing, closely held shares, size, age and loss. The incidence of impairment is found to be related negatively to a company's interest coverage and positively related to CEO change. Companies that record impairment are more likely to be larger, audited by a big four auditor, are from the consumer discretionary and information technology sectors, record a loss for the year and record impairment in the 2008/2009 financial year. The amount of impairment is negatively related to a company's book to market ratio, profitability and interest coverage. Companies listed on a foreign stock exchange are more likely to record a lower level of impairment than those that are not. Finally, the amount of impairment is positively related to a company's shares being closely held and is more likely to be recorded in the 2008/2009 financial year.

SESSION IV
Accounting Education 1 - Function Room 4.2
Session Chair: Rita Castro

“Feedback in Australian Accounting Education”

Kim Watty, *University of Melbourne*, Paul De Lange, *RMIT*, Rodney Carr, *Deakin University*, Brendan O’Connell, *RMIT*, Bryan Howieson, *University of Adelaide*, Ben Jacobsen, *James Cook University*, Colin Ferguson, *University of Melbourne*

Evidence from the Course Evaluation Questionnaire (a national survey of graduates) shows that the Accounting discipline ranks poorly on assessment feedback when compared to other disciplines. This is potentially serious because assessment feedback is important in the learning cycle. Moreover, since CEQ scores are used to allocate government funding to universities and education is Australia’s fourth largest export earner, improving these feedback scores is vital. To date few studies have sought to understand the exact nature of the causes for the relatively poor performance in feedback scores in accounting. This study contributes to our understanding of the problem from the student perspective. Guided by frameworks of good assessment feedback practices enunciated in the literature, we summarise student perceptions obtained from a large survey of undergraduate accounting students against five ‘actions’ of good assessment feedback practice. We find that accounting students value feedback that is individualised, diverse, detailed, constructive and timely, but that, on the whole, students report they are not currently receiving enough feedback with these features.

“Accounting For Leases: Opinions of Canadian and Malaysian Accountants”

Audra Ong, *University of Windsor*, Roger Hussey, *University of Windsor*, Hock Hoo Chua, *Cheng and Company*

Leasing transactions are significant in business activities and accounting regulations require leases be classified as either operating or finance (capital lease). This paper compares the opinions of 63 qualified accountants in Canada and 54 qualified accountants in Malaysia on the present regulations and the likely impact of a new standard. The majority of respondents in both countries agreed that the new proposals would result in improved company comparability but also would affect debt covenants and credit ratings. There were differences between the two countries in the opinions expressed and the possible explanation for these are discussed.

“Ethics of Accounting Educators: A Global Survey”

Belverd E. Needles, Jr., *DePaul University*

While considerable attention has been directed to ethics of professional accountants, very little has been written with regard to the ethics of accounting educators. In 2002, the International Association for Accounting Education and Research (IAAER) attempted to address this void by publishing a Global Code of Ethics for Accounting Educators. This code was approved by the Executive Committee and presented to the membership at the IAAER World Congress of Accounting Educators in Hong Kong in 2002. In this study, I assess the current state of ethics of accounting educators and by implication the validity of the IAAER Global Code of Ethics for Accounting Educators through a survey of accounting academics in more than 25 countries from six continents. This is the first empirical assessment of the IAAER Global Code of Ethics.

“Object of Account and Control at Transition to Budgeting, Focused on Result in Public Sector: Problems and results (on an example of Russia experience)”

Dmitry A. Yakovenko, *President of the National Institute of Professional Accountants, Financial Managers and Economists (Russia)*

In Russia now there is multilevel, effective enough system of state budgetary control. But all this system is directed on control of target use of means which have been released under the estimate, i.e. on realization expenses financing method.

In spite of the fact that some years works are spent to Russia on introduction of the budgeting focused on result, a standard substantiation BFR as the financing method hasn't received till now. Federal bodies of unique methodical recommendations in the order of control over productivity and overall performance of establishments haven't developed till now. That at introduction the BFR are subject to an estimation not so much financial (monetary), how many natural indicators (quantity and quality of the rendered services is problem).

Owing to what, Author develops methodical recommendations about system engineering of criteria of an estimation of rendering of services (performance by establishments of the state task (ST)), and also methodical recommendations about application of criteria system for an estimation of performance productivity by establishments ST for the accounting period. The methodological bases prepared by the Author on system engineering of an performance estimation criteria to establishments of the state task consider branch specificity and have recommendatory character.

“Role and Place of Accounting in the Economy Modernisation Conditions of Russia”

Lyudmila Khoruzhii, *Vice-president of the Institute of Professional Accountants of Russia, President of the Institute of Professional Accountants of Moscow region*

Influence of IFRS on accounting development in Russia. Problems of development of accounting in Russia on the basis of IFRS.

Formation of a legal basis reforming domestic accounting. Modernisation of accounting development strategy in Russia. Problems of maintenance and information improvement of quality in accounting and the reporting. Change of accounting regulation system and the reporting in Russia, definition of a nonstate subjects place regulation. Accounting problems in connection with change of the legislation in the field of the taxation. Increase in tax loading at business, return to system of insurance payments, administration change, increase in volume of accountants work on preparation and representation of the financial reporting. Role of accounting and the professional public in fight against corruption. Realisation of measures on performance by members of Institute of professional accountants of Russia behaviour anticorruption norms.

Friday, November 5, 2010

1:30 – 3:00 p.m.

SESSION V

Accounting Education 2 – ESR 4.1

Session Chair: G Donleavy

“Value-based at the Schools of Economic Sciences in Argentina”

M. Marcelo Canetti, *BDO and University of Buenos Aires*, Graciela M. Neira, *National University of La Plata*, Liliana B. Freire, *National University of La Plata*

Economic development brought along an enormous business expansion, imposing new ethical challenges. Accounting education, thus, shall not be limited only to technical affairs but shall also include Ethics and Values. This paper includes some developments in the Americas and specifically in Argentina about how the University may improve this process. In doing so, the paper starts with some general references to axiologic dissonances and other philosophic dilemmas as objectivism vs. subjectivism, but without concluding on such a discussion. Secondly, the environment where values’ transimission in accounting education and profession may take place is discussed; university degree courses, postgraduate courses, professional continuing education and professional practice are considered. Finally, a reference to accounting educators’ responsibility in ethic’s education is presented.

“Teaching Accounting to Generation Y: Applying Current Technologies to the Education Experience. An Australian View”

Keith Howson, *Avondale College*

The number of generation Y students who will enter university education is increasing. This generational group exhibits certain characteristics that should be noted by university accounting educators. Generation Y students come from mainly single parent homes, are already conversant with a range of unethical business and personal situations, are incredibly information literate requiring 24/7 access via the internet and SMS and other communication technologies, and wish to make better work and lifestyle choices than their parents. The suggestion is that changes in teaching and learning will be required. This can be achieved by; an increase in interactive technological delivery methods – webcasts, blogs, web tutorials, and changes in pedagogical approaches – evaluating learning styles, collaborative teaching/learning methods, rapid feedback on assessments, becoming a facilitator, mentor and by building relationships. While there is no magic formula, educators have to be generationally savvy.

“Lessons for Accounting Educators from the Medical World”

Lyn Daff, *Avondale College*

For many years, medical education has incorporated skills training for interacting with patients and research in this is extensive. Like medical practitioners, accountants interact with people from diverse backgrounds. While medical training addresses doctor-patient interactions, accounting education has been slow to address accountant-client face-to-face interactions. Accounting education largely focuses on the written reports produced by accountants, notwithstanding that a large proportion of accountants’ time is spent on interpersonal communication. Technical skills are essential for the successful accountant. In addition, well developed interpersonal skills will enhance communication and relationships with clients and staff alike. Similarities between doctor-patient and accountant-client interactions are explored and successes in medical interpersonal skills training are drawn upon to suggest an approach that is useful for accounting education. A list of resources to assist educators is also provided.

“The Effect of University Studies on Accounting Student’s Workplace Expectations”

Tony McMurtrie, *University of Adelaide*

High turnover rates and withdrawal behaviours amongst recently employed staff have seen to be a problem for many public accounting firms. The loss of job satisfaction has been linked to these high turnover rates and withdrawal behaviours. One factor that has influenced job satisfaction is the degree to which the expectations of new employees are met by the reality that confronts the new employees in the workplace. For many newly employed accountants the main determinator of expectations is their university study. This study looks at the effect of university studies on the expectations of accounting students. A survey was used to identify any changes in expectations that occurred during the students studies and these expectations were compared reality that newly employed accountants perceived they faced. The results indicate that students commence their studies with expectations that are similar to the reality the accountants perceive but the students expectations are lowered during their studies. Meaning they may experience a positive reality shock when the commence work. Possible negative effects of this lowering of expectations may have some negative effects. Using the Met Expectations Hypothesis as an informing framework this paper suggest that this reduction in expectations may lead to withdrawal behaviour within the public accounting firm as well as students not participating in their studies fully. The onus is on accounting educators to identify where expectations are being eroded and put in place strategies that will improve the students learning experience.

SESSION VI
Research to Inform the IASB - IAAER KPMG Grant Papers – ESR 4.2
Session Chair: Dianne Massoudi

“Relaxation of Fair Value Rules in Times of Crisis: An Analysis of Economic Benefits and Costs of the Amendment to IAS 39”

Jannis Bischof, *University of Mannheim*, Ulf Brüggemann, *Lancaster University*, Holger Daske, *University of Mannheim*

At the peak of the financial crisis in October 2008, the IASB was put under strong political pressure and granted companies the option to abandon fair value accounting for selected financial assets. Using a comprehensive global sample of 302 publicly listed IFRS banks, we examine the economic consequences of this amendment to IAS 39. We show that banks used the reclassification option to forgo the recognition of fair value losses and ultimately, due to the link between fair value accounting and regulatory capital, regulatory costs from supervisory interventions. The amendment has therefore served to provide relief for international banks with severe financial difficulties rather than to reduce competitive disadvantages vis-à-vis U.S. competitors as it has been politically proclaimed. Analyses of stock market reactions suggest that a small number of the most troubled banks benefited from reclassifications. However, analyses of accompanying footnote disclosures reveal that two thirds of the reclassifying banks do not fully comply with the IFRS 7 requirements. These banks experience a significant long-term increase in information asymmetry among investors.

“Fair Value Supplementary Disclosures”

Beng Wee Goh, *Singapore Management University*, Jeffrey Ng, *Massachusetts Institute of Technology*, Kevin Ow Yong, *Singapore Management University*

We examine the determinants and consequences of fair value supplementary disclosures that financial firms provide in conjunction with the fair value estimates that they report under SFAS 157. With regard to determinants, we find that relatively more opaque fair value estimates, better board monitoring, higher audit quality, and early adoption of SFAS 157 are associated with more fair value supplementary disclosures. We also have find that less profitable firms, larger firms, and firms with more volatile stock returns provide more supplementary disclosures. Finally, we also document that an economic consequence of these disclosures is lower information asymmetry. An important implication of our findings is that while fair value supplementary disclosures are not mandatory, they help financial statement users understand the fair value estimates. Hence, firms should consider supplying these disclosures to the extent that the supply costs (e.g., proprietary costs) are not prohibitive.

SESSION VII
International Corporate Reporting 1 – FR 4.1
Session Chair: Andrei Filip

“Effects of International Institutional Factors on Earnings Quality of Banks”

Kiridaran (Giri) Kanagaretnam, *McMaster University*, Chee Yeow Lim, *Singapore Management University*, Gerald J Lobo, *University of Houston*

We examine the relation between legal, extra-legal and political institutional factors and earnings quality of banks across countries. We predict that earnings quality is higher in countries with legal, extra-legal and political systems that reduce the consumption of private control benefits by insiders and afford outside investors greater protection. Using a sample of banks from 29 countries over the period from 1993 to 2006, we find all five measures of earnings quality studied are higher in countries with stronger legal, extra-legal and political institutional structures. Our findings highlight the implications of institutional environments for financial reporting quality and are relevant to bank regulators who are considering additional regulations on bank financial reporting.

“An Empirical Test of Choi and Meek’s Framework of Accounting System Development”

David C. Yang, *University of Hawaii at Manoa*, Kim M. Shima, *California State University - East Bay*

This paper examines a comprehensive set of environmental characteristics based on Choi and Meek’s (2008) framework to explain accounting system development internationally. IFRS adoption is used to proxy for accounting system development. The main finding indicates that CM’s framework was fairly descriptive. Factors relating to political and economic ties and greater reliance on foreign-sourced debt create contracting incentives for adoption. Similarly, the need for capital investment evidenced by a growing economy and higher capital formation creates signaling incentives for adoption. However, factors relating to taxation, inflation and size of capital markets produce disincentives for adoption relating to internal political and practical concerns.

“Financial Reporting Practices of Micro Finance Institutions”

Rakib Khan, *La Trobe University*, Kamran Ahmed, *La Trobe University*

Empirical evidence on financial reporting practices of microfinance organisations has received much attention but to date very little empirical evidence is available across the globe about what information these organisations disclose to their stakeholders. To redress this gap, we developed an index comprising 82 informational items based on a survey and applied this index to a sample of 435 MFI-NGOs in Bangladesh for the years 2004-2006. The results show that overall disclosure levels have varied from 69.3 per cent in 2004 to 72.7 per cent in 2006. There was a low level of disclosures in accounting policies and other informational items. The regression results show that MFI size, the frequencies of board of directors’ meetings and qualifications of the directors are positively associated with higher level of disclosure, while large board size is associated lower level of disclosures.

SESSION VIII
Corporate Governance 1 – FR 4.2
Session Chair: Bhabatosh Banerjee

“Ownership Structure, Regulation and Corporate Governance: A Study of Private Banking in India during 2002-2008”

K.V. Bhanu Murthy, *University of Delhi*, Ashis Taru Deb, *College of Vocational Studies, University of Delhi*

The study analyses the factors that have a bearing on the evolution of the regulatory framework for corporate governance of private banking industry in India and examines the implications of these regulations. The study argues that the policy of restrictions of voting rights has not achieved its objectives and has led to a conflict between the bank and regulator. A five stage methodology including generalized estimating equation and discriminant analysis is used along with an innovative corporate governance identification matrix to demonstrate conflict in corporate governance. It argues that old banks in general and closely held banks in particular need to be treated differently for corporate governance reasons. Finally it concludes that corporate governance abuses in private banks poses a very difficult regulatory dilemma.

“The Linkages Between Corporate Governance and CEO Succession: A Theatrical Episode, A Theoretical Framework and an Analytical Model”

Anand Saxena, *Deen Dayal Upadhyaya College, University of Delhi*, Ashis Taru Deb, *College of Vocational Studies, University of Delhi*, Mukesh Kumar Mehlawat, *Apeejay School of Management*

CEO successions are universal episodes in the organisations that last long enough. In this paper, we deal with the issue of CEO succession from theoretical and analytical perspectives. We follow a three-stage methodology. First, we reconstruct the theatrics of succession at the Axis Bank. In the second stage, we propose a modified version of the standard Structure-Conduct-Performance (S-C-P) as the relevant theoretical framework for examining organizational preparedness for CEO succession. Finally, we implement a simulation of the Analytical Hierarchy Process (AHP) technique with a view to delineating the relative strength (weights) of the various performance related, process related and antecedent related variables impinging upon CEO succession. We posit CEO succession as a governance issue and recommend, among other things, mandatory disclosure of CEO succession plans.

“Corporate Characteristics of Intellectual Capital Performance”

Zubaidah Abidin, *Universiti Teknologi MARA*, Faidr Wajidi Ariffin, *Universiti Teknologi MARA*

This paper measures intellectual capital performance of Malaysian listed companies using Value Added Intellectual Coefficient (VAICTM) developed by Pulic (1997). It also examines the determinants of VAICTM using eight variables – return on assets, growth in revenue, employee’s productivity, market value, leverage, size, industry type and dividend yield. A total of 392 companies were selected from Main Board of Bursa Malaysia and data was collected for years 2001 until 2004. The result of this study reveals that return on assets, employee’s productivity, market capitalisation and industry type have a positive relationship with VAICTM, while dividend yield is negatively related to VAICTM.

Friday, November 5, 2010

3:30 – 5:00 p.m.

SESSION IX

Ethics – ESR 4.1

Session Chair: Lyn Daff

“Faculties Perceptions of Ethics in the Accounting Curriculum: A Japanese Study”

Satoshi Sugahara, *Hiroshima Shudo University*, Gregory Boland, *University of Canberra*

The primary purposes of this study was to explore the perceptions of accounting faculties toward ethics education, the extent of ethics coverage and reasons why ethics should (or should not) be taught in Japanese tertiary schools. The present research also attempted to investigate possible associations between a faculties' intention to incorporate ethics and reasons why ethics should be taught at all. Data for this research was collected from faculties that teach accounting related subjects in Japanese tertiary schools. Of 300 members of the Japanese Accounting Association (JAA) randomly selected from the JAA member's Directory, 67 responses were participated in this survey research in September, 2009. The results of this study indicate that over 90 percent of accounting faculties believed that ethics should be taught in the accounting curriculum. In terms of how ethics should be taught the survey participants believed in a more holistic approach, which would encompass the benefits of teaching ethics as both a stand-alone course and integrating it with other relevant courses. Of particular concern in the results was the fact that the survey revealed that only 55.2 percent of respondents actually intend to incorporate ethics into their accounting courses in the foreseeable future.

“Ethical Climate and Professional Commitment in an Asian Accounting Firm”

William E. Shafer, *Lingnan University*, Margaret C.C Poon, *City University of Hong Kong*, Dean Tjosvold, *Lingnan University*

This study examines the impact of organizational ethical climate and affective professional commitment on public accountants' organizational-professional conflict and organizational commitment. The findings indicate that employee perceptions of the ethical climate in their organization have a significant impact on organizational-professional conflict, affective organizational commitment, and normative organizational commitment. In addition, we found that ethical climate and affective professional commitment interact to affect conflict and commitment. Professionally committed employees reported lower levels of conflict and higher levels of organizational commitment when they felt the firm placed more emphasis on serving the public interest. These effects were not present for employees with lower levels of professional commitment. Regardless of their level of professional commitment, employees experienced increased organizational-professional conflict and decreased organizational commitment when they felt the climate in their firm placed greater emphasis on the pursuit of self-interest and firm profitability. We also found that taxation specialists perceived the least emphasis in the organization on serving the public interest.

“Accountability and Responsibility: Student Accountants' View”

Mary Low, *University of Waikato*, Scott Kendall, *KPMG*, Howard Davey, *University of Waikato*

The aim of this paper is to explore the concepts of accountability and responsibility in the wake of the series of corporate failures in the past decade that have called into the question the actions and professionalism of accountants. The exploratory research seeks to construct a theoretical framework through which student accountants define their understanding of accountability and responsibility concepts in an effort to understand why the actions of our professionals remain quite questionable in spite of the advancements made in the accounting education of accounting graduates. The findings of the survey showed that while respondents had a weak understanding of the theoretical foundations of the concepts, they had a strong awareness of how their roles in society were perceived to be defined. They recognised a need for professionals to act in the best interest of society, as much as they do to the stakeholders, they serve on a more direct basis.

“The Moderating Effects of Auditor Quality and Investor Protection on the Relationship between Leverage and Conservatism”

Indra Wijaya Kusuma, *Universitas Gadjah Mada*, Yavida Nurim, *Universitas Gadjah Mada*

High leverage firms tend to increase earnings through the use of discretionary accruals to avoid violation of debt covenant and high probability of bankruptcy. The purpose of this study is to investigate the possibility of high quality auditor and high level of investor protection could mitigate this tendency, thus increasing the firm’s conservatism. The study uses data from 30 countries to examine the moderating effects of auditor quality and investor protection towards leverage-conservatism relationship. Auditor quality is proxied by Big4 versus non Big4 accounting firms. Investor protection level is obtained from La Porta (1998) study which uses anti-director right as a proxy. The results show that high quality auditor and investor protection level increase firm conservatism. Deeper analysis reveals that high quality auditor increases the conservatism only in the country where investor protection is high. When investor protection is low, the moderating effect of auditor quality disappears. This is consistent with the high quality auditors prevent themselves from litigation, but not to gain reputation. However, investor protection does not mitigate the high leverage firms’ efforts to reduce conservatism; instead, investor protection helps low quality audit clients to reduce conservatism further.

“The Audit Firm’s Decision to Switch from Unlimited to Limited Liability”

Bing Li, *Nanyang Technological University Clive Lennox, Nanyang Technological University*

This study investigates the determinants and consequences of the audit firm’s decision to become a limited liability partnership (LLP). We find that the likelihood of an audit firm switching from unlimited to limited liability is increasing in its size and its exposure to litigation risk from clients. There is no evidence that audit firms supply lower audit quality, lose market share, or charge lower audit fees after they become LLPs. However, the mix of public and private clients in audit firms’ portfolios exhibits a significant shift toward riskier publicly traded companies following the adoption of limited liability.

“The Audit Committee and Directors’ Liability: Adding value in an ever changing corporate landscape”

Ben Marx, *University of Johannesburg, South Africa*

The business failures and corporate collapses of the late 20th and early 21st centuries, as well as the recent credit crunch with its devastating effect on companies and world economies, have focused attention on the responsibilities of directors to act in the best interests of shareholders and all stakeholders alike. The development of corporate governance and the resultant codes provided further guidance and recommendations on how companies should be directed and controlled, and entrusted new duties and responsibilities to boards and their committees. This was further elevated with the issuance of the King III Report on Corporate Governance and the promulgation of the Companies Act, 71 of 2008 in South Africa, which now sets standards for directors’ conduct, as well as consequences for non-compliance. Audit committees have been identified over the years as an effective means of assisting the directors in meeting their responsibilities and limiting their potential legal liability. In this paper the role that an effective audit committee can fulfil in assisting the directors in meeting their financial reporting and other related responsibilities, and accordingly limiting their potential legal liability in this regard, is analysed and discussed. The paper also argues that although audit committees can assist directors in meeting their responsibilities and limiting their potential legal liability, boards cannot merely appoint audit committees and blindly rely on their work. They will need to appoint audit committee members who have the necessary independence, qualifications and experience, and they will need to provide them with the authority and resources to effectively perform their delegated oversight responsibilities. They will also need to monitor the workings of their audit committees and critically apply their minds to their findings. The paper focuses on the South African corporate environment, but the discussion is equally applicable to directors and audit committees in other countries.

“Sustainability Reporting and Assurance: An Analysis of Assurance Practices in South Africa”

Vanessa van Dyk, *University of Johannesburg*, Ben Marx, *University of Johannesburg*

Sustainability has been described as the primary moral and economic imperative of the twenty-first century and one of the most important sources of both opportunities and risks for businesses. Today's companies are integral to society, and as such, they are expected to behave, and be seen to behave, as responsible corporate citizens: that is protecting, enhancing and investing in the wellbeing of the economy, society and the natural environment in which they do business. The increased focus on sustainability and the related demand for corporate accountability has resulted in constant growth in sustainability reporting over recent years. Many companies are now reporting on their sustainability performance (including their social, environmental and governance issues) to their stakeholders. Such sustainability reporting should however be relevant and credible – hence the need for independent assurance thereof. The objective of the paper is threefold: to provide a brief overview of the development of sustainability reporting and the assurance thereof; secondly to provide evidence on current assurance practices on sustainability reporting in South Africa; and thirdly to provide evidence that the requirement of the third Report on Corporate Governance in South Africa (King III) for independent assurance of sustainability reporting is justified. This is done through a literature review of corporate governance and sustainability developments and practices, which is supported by empirical evidence obtained through content analysis of the sustainability reports of companies listed on the Johannesburg Securities Exchange Socially Responsible Investment Index. The study found that, although sustainability reporting and independent assurance thereof is widely researched and advocated in the literature, only a limited number of companies (30%) obtained independent assurance on their sustainability reporting, while only one company (1.6%) obtained independent assurance regarding the sustainability information published on its website. These findings are of significance as they provide support for the recommendations of King III (effective from 1 March 2010) that companies should provide integrated reporting in terms of both their finances and sustainability, and that the sustainability reporting and disclosure should be independently assured.

SESSION XI
Corporate Disclosure and Financial Statement Analysis 2 – FR 4.1
Session Chair: Vicky Cole

“Financial Statement Information and Evaluation of Newly Listed High-Technology Nano Caps”

Harri Seppanen, *Aalto University School of Economics*

This study examines the usefulness of financial statement information in evaluating very small newly listed high-technology nano cap firms' (i.e., market capitalization less than USD 50 million) by employing data from 36 countries during the high investor sentiment era of 1995-2000. I find that financial statement information is useful in screening nano caps from non-nano caps as well as explaining nano caps' delisting risk and valuing them. The evidence based on these three approaches is consistent with the view that financial statements provide useful information to investors for evaluating high financial risk, hard-to-value firms irrespective of the institutional setting during a high investor sentiment period.

“The Association between Dividends and Earnings”

Felix Fisher, *Goethe-University Frankfurt-Main*, Gunther Gebhardt, *Goethe-University Frankfurt-Main*

The determinants of dividend distributions are still subject of large interest as it is shown that dividend policy affects the valuation of companies. This paper provides evidence of the association between dividends and earnings for German listed companies by using a comprehensive sample of listed stock corporations for the period 1987-2007. The dividends of German stock corporations are judicially linked to the individual financial statements of parent companies which have to be prepared in German GAAP. The focus of the paper is set on the different net income items; on the one hand the net income of the parent company that is required by law as the starting point of dividend distributions, and on the other hand net income of the consolidated financial statements that shows the financial performance of the economic entity. Empirical literature neglects these restrictions and focus only on group net income. By using panel regressions based on Linter's (1956) partial adjustment model, we find that consolidated net income is a significantly stronger determinant of the management's payout decision than the net income of individual financial statements, even though parent company net income is the legal starting point for the determination of dividends. Our results are robust in different variations of the sample and show that consolidated net income is the strongest determinant of dividends for holding companies. These findings support the conjectures from anecdotal and survey evidence for German companies that the reference to consolidated net income is rational from an economic perspective. However, the paper has strong policy implications to the current debate of changes in the regime of capital maintenance in the European Union that still does not consider the consolidated statements adequately. It may be a starting point to reconsider the necessity of individual German local GAAP financial statements in the future.

“Can Selection of Risky Projects Lead to a Win-Win Situation under Limited Liability?: Risk-taking Incentives in Decentralized Organizations”

Huang Wang, *University of Zurich*, Dieter Pfaff, *University of Zurich*

We investigate incentives to adopt risky projects in a decentralized organization where the principal takes an active role in project selection and has a liability-limited manager accomplish the concrete project task. The central consideration lies in that, although the manager has only limited control over the project selection, he could opportunistically respond to the principal's decision when performing his task. The resulting impact on the project's performance may generate a significant influence on the principal's initial incentive to invest in risky projects. The result shows that a rational principal could have a preference towards those riskier projects as the limited liability constraint becomes more stringent. In addition, we extend our analysis by considering the use of an abandonment option conditioned on the interim output reported by the manager. We show that the principal will strictly prefer the riskiest project as the liability protection prevails. This further confirms that the threat of the downside risk can positively affect the principal's expected return whenever its financial and informational effects are removed. Moreover, we find that adopting a riskier project may lead to a win-win situation for both parties either if the abandonment option exists or not. However, when the manager has control over the project selection due to asymmetric information, such favorable possibility can no longer exist.

SESSION XII
Managerial Accounting Issues 2 – FR 4.2
Session Chair: Vincente Pina

“Modified Problem-Based Learning for Accounting Curriculum”

Lee J. Yao, *Loyola University New Orleans*, Chunhui Liiu, *University of Winnipeg*, Siew H. Chan, *Washington State University*

This paper proposes the use of a modified problem based learning (mPBL) approach in an accounting curriculum. Studies have shown that PBL is designed to (1) promote lifelong learning, (2) integrate theory with practice, (3) develop soft skills and (4) confront multifaceted problems, hence aiding in students' adaptation to the real world. Little research has been done on the use of PBL in an accounting context. This paper argues for and serves as a guide for the use of a mPBL approach in multidisciplinary accounting modules. Results from a trial application indicate that students generally prefer the mPBL approach and there was significant intelligence improvement observed from using this approach.

“Effects of Exogenous and Indigenous Contingencies on Management Accounting Choices in the GCC Countries”

Esam Moustafa, *UAE University*, John D. McLellan, *Abu Dhabi University*

This study aims at providing more understanding of how organizational contingency factors such as various company characteristics (including a new factor of firm's legal structure as a proxy for agency relations) and societal factors may affect the choice of a particular set of Management Accounting techniques (MATs) in the Gulf Cooperation Council (GCC) countries. A factor analysis and stepwise regression analysis employed to test the effects of company characteristics on the choice of MATs and to explain patterns of use of MATs in relation to various firm characteristics in GCC countries. The results show that in general, various company contingency factors do influence the degree of use of MATs. These results may be area specific, but the regression equations explaining the use of MATs according to different company characteristics could be tested with businesses in other places.

“Performance Practices, Measurement and Comparison in Corporate Governance”

Gopal Ji, *Shri Ram College Of Commerce, Delhi University*, Prakash Sharma, *University of Rajasthan, Jaipur*

The study applies a micro approach to evolve an objective method for measuring corporate governance effectiveness, and study the relationship between the corporate governance effectiveness (the processing mechanism), the societal perceptions (the input) and the stakeholder perception on the corporate value (the output). The findings emanated from the present analysis points: a) considerable variations in the perceptions, namely, awareness, acceptance, behavioral expectations and rating of ethics, morality, business ethics and corporate governance, within regions, between region to region, and the nature of profession of the respondent group; b) the relationship between the societal perceptions and the corporate governance; c) the variance in corporate governance quotient with in and in between regions; and the d) the influence of corporate financial performance, overseas stock market listings, board composition and its strategic vision, split up of roles as Chairman and CEOs, and the type of ownership on corporate governance.

Saturday, November 6, 2010

9:00 – 10:30 a.m.

SESSION XIII

Earnings Management – ESR 4.1

Session Chair: Dandre van der Merwe

“Does Debt-IPO by Privately-held Firms Trigger Financial Statement Management?”

Steven F. Orpurt, *Pepperdine University*, Joseph Aharony, *Tel Aviv University and The University of Adelaide Business School*, Jiwei Wang, *Singapore Management University*

We investigate financial statement management by privately-held firms that only issue debt in an initial public offering. We examine whether managers manage financial ratios important to credit rating agency Standard & Poor's, attempting to achieve a better credit rating. To this end, we examine whether these ratios are consistently near the worse (better) end of a benchmark sample distribution for a particular credit rating category (e.g. AAA, BBB, etc.) depending upon whether managers' efforts are (are not) successful in attaining a better credit rating. Only the debt leverage ratios are consistently worse. Examining accounting earning management via accruals and earnings management via real economic actions we find little evidence of financial ratio manipulation. Further, we find that Standard and Poor's does not assign overly optimistic credit ratings to debt-IPO firms (relative to other firms with debt ratings), presumably to win new business.

“Postponing the Inevitable: Corporate Response to NASDAQ Deficiency Notices”

Lili Sun, *University of North Texas*, Carol Ann Frost, *University of North Texas*, Ammr Kurdi, *King Fahd University*

This study examines how managers of financially stressed firms respond to the threat of being delisted from the Nasdaq Stock Market, Inc. (Nasdaq). The sample is comprised of 296 firms that received notices from Nasdaq related to quantitative deficiencies such as related to shareholders' equity and bid price during 2004-2006. We address the following: (1) Do managers manage accruals, issue equity, and/or effect reverse stock splits to regain compliance with Nasdaq listing rules? (2) Do responses to Nasdaq deficiency notices vary by deficiency type? and (3) Are corporate actions taken to avoid regulatory delisting effective in the short- and long-run? As expected, we find that discretionary accruals (current and total), equity issuance, and reverse stock splits are positively associated with delisting risk (the receipt of a deficiency notice). Specifically, discretionary accruals and amount of new equity raised are positively associated with the receipt of equity deficiency notices, and reverse stock splits are positively associated with receipt of bid price notices. However, we also find that such actions are only weakly associated with short-run compliance, and not associated with long-run compliance. This evidence suggests that short-run responses to delisting risk at best 'buy time' for affected companies.

“Perceptions of Earnings Management in Russia”

Leevik Yulia, *St. Petersburg State University*

There are many ways that accountants and managers can influence the reported accounting results of their organizational units. When such influence is directed at changing the amount of reported earnings, it is known as earnings management. The purpose of this paper is to present the results of surveys of Russian respondents concerning their attitudes on the ethical acceptability of earnings management. Analysis of the survey results reveals how the attitudes of the Russian respondents differ from other countries and what variables are associated with these differences. Based on the analysis, it was found that Russia is not significantly different in earnings management perception from market oriented developed countries.

SESSION XIV
Auditing and Assurance 2 – ESR 4.2
Session Chair: Lesley Stainbank

“Voluntary Audits versus Mandatory Audits”

Clive Lennox, *Nanyang Technological University*, Jeffrey Pittman, *Memorial University of Newfoundland*

An important policy question is whether audits of financial statements should be mandatory or voluntary. The economic rationale for mandatory auditing is that financial statement users enjoy assurance benefits from having access to reliable audited information for every company. However, advocates for voluntary auditing stress that imposing audits suppresses the signaling value stemming from companies revealing whether they wish to be audited. To evaluate these arguments empirically, we examine a setting in which voluntary audits replace mandatory audits for private UK companies. We distinguish between the assurance and signaling roles by focusing on the companies that remain audited under the voluntary regime. These companies experience no change in audit assurance, although they can now signal for the first time their desire to be audited. We find that these companies attract upgrades to their ratings since they send a positive signal by undergoing an audit when this is no longer legally required. In contrast, companies that dispense with being audited suffer downgrades to their ratings since avoiding an audit sends a negative signal and removes its assurance value. Finally, we demonstrate that mandatory audits provide only modest benefits since companies that do not want to be audited privately contract for a low level of assurance.

“The Impact of the Arthur Andersen and Ernst & Young Merger on the Australian Audit Services Market”

David Bond, *University of Technology Sydney*

The objective of this study is to evaluate the impact of the merger of AA and EY on the market for audit services in Australia. In this regard, consideration is given to whether the Australian audit services market became less competitive subsequent to the merger of AA and EY. In order to address this objective, the impact of the merger on Australian listed companies is examined. The sample was drawn from the 1271 available companies on the Australian Stock Exchange (ASX) in 2002. The results show that the audit services market in Australia is still competitive subsequent to the merger of AA and EY. This is so, even though the changes in concentration would suggest that anti-competitive effects could be occurring. One possible explanation for these findings is that the measures of market concentration as identified in the industrial organization literature are difficult to apply to audit firms.

“The Internal Audit Function: Perceptions of Internal Audit Roles, Effectiveness, and Evaluation”

Nonna Martinov-Bennie, *The University of Sydney*, Dominic Soh, *The University of Sydney*

The aim of this exploratory study is to provide insights into the current roles and responsibilities of the internal audit (IA) and the factors perceived to be necessary to ensure its effectiveness. The current performance evaluation practices of the IA are also examined. Semi-structured interviews were utilised to elicit the perceptions of key corporate governance actors about the evolving role of IA, as well as IA effectiveness, in terms of its design, measurement, and evaluation. The results of the study suggest significant expansion and refocus of the role of IA and perceptions of its effectiveness. However, the findings also suggest that performance evaluation mechanisms of IA have not evolved contemporaneously. The misalignment between the role and evaluation gives rise to difficulty in assessing the extent to which the IA is meeting stakeholders' expectations.

SESSION XV
Accounting Education 3 – FR 4.1
Session Chair: Kim Watty

“Internationalization of Accounting Education: A Case Study in Portugal”

Rita Castro, *University of Aveiro*, Joaquim Carlos Costa Pinho, *University of Aveiro*, Maria de Fátima Teixeira Lopes Pinho, *University of Aveiro*

Globalization and internationalization have been receiving increasing attention in the specialized literature in higher education. In this perspective, the proposal of this article is to evaluate the developments of the internationalization of the accounting course in a Portuguese university into accounting the Model of Internationalization established by Jane Knight. For this, an empirical study was conducted using case study as methodology and interview and analysis of documentary evidence as techniques for data collection. The survey results suggest that the institution has made efforts to develop the internationalization, however, the language is the major obstacle.

“Profiling Students on Courses with the Highest Multiple Failure Rates”

Gabriel Donleavy, *University of Western Sydney*, Beth Tennent, *CQ University*, Michele Woolfe, *CQ University*

Students who failed more than once in those courses showing the highest repeat failure rates in a particular university were examined over several years to ascertain if systematic patterns could be discerned. They could, but patterns drawn from aggregated data do not enable conclusions to be drawn at the level of the individual student. We are at best identifying risk factors for students on accounting courses whose motivation to enrol is instrumentalist rather than vocational.

“Teaching Accounting to Engineering Students in a Blended Learning Environment: A Cross-Cultural Comparison”

Anne Abraham, *University of Western Sydney*

As blended learning grows in popularity in both the corporate and academic world, an increasing number of tertiary institutions are providing more such opportunities in an increasingly diverse cross-cultural space. The reason for this transition is two-fold: to improve student learning experiences, and to respond to the growing economic pressures on the sector. In order for students to learn in a blended environment it is imperative that the appropriate ingredients are blended in such a way as to satisfy the needs of these international participants. Since technology in itself is insufficient to meet this need, consideration must be given to the effect of culture on the various components of blended unit delivery. This paper reports on a research study of an accounting subject presented to two cohorts of engineers, one in Australia and one in Hong Kong. In terms of delivery of a blended subject in a cross-cultural context, it is proposed that one of the most important ingredients is the amount of face-to-face contact time to which students are exposed, with Chinese students performing significantly better as this is increased. Cultural differences also presented implications for assessment with students achieving better results when they worked in smaller groups, contrary to their stated choices.

SESSION XVI
International Financial Reporting Standards – FR 4.2
Session Chair: Carien Mourik

“IFRS Adoption in Japan”

Sidney Gray, *University of Sydney*, Chikako Ozu, *Kyushu University*

While Japan has yet to adopt IFRS for mandatory use and will make a final decision only in 2012, Japanese listed companies are now permitted (effective for reporting periods ending 31 March 2010) to voluntarily adopt IFRS. This paper investigates Japanese corporate perceptions of the costs and benefits of converging to IFRS. Using survey data collected from the Chief Financial Officers (or senior accounting executives) of 391 Japanese listed companies in 2008 this study assesses the likely impacts of IFRS adoption. We examine the following questions. First, what do preparers perceive as the greatest difficulties of implementation of IFRS? Second, how much do preparers estimate the costs of IFRS implementation to be? Third, what are the preparers' perceived benefits to their firms of using IFRS to prepare financial reports? Our findings reveal that the senior financial executives of Japanese companies recognize three major areas of general concern: uncertainty about the nature of future standards; staff training; and: technical knowledge. Regarding accounting standards, those relating to retrospective restatement, revenue recognition, consolidated financial statements, financial statements presentation (reporting performance), and employee benefits are considered to be the most costly areas. In contrast, few significant benefits are expected though a minority of companies believe that the international and local comparability of financial information is likely to be improved.

“The True and Fair View Concept in Romania: A Case Study of Concept Transferability”

Catalin Nicolae Albu, *Bucharest Academy of Economic Studies*, Nadia Albu, *Bucharest Academy of Economic Studies*, David Alexander, *University of Birmingham*

There is an enormous literature relating to the true and fair view (hereafter TFV). We are concerned with how the concept is actually perceived by various actors in an emerging economy which has only recently joined the European Union, i.e. Romania. Romania has a code law system with an obvious preference for the legal form, which results in an interesting setting to study the transferability of a concept issued from a principle-based accounting system, i.e. the UK-issued concept of TFV. Two main steps have been taken for the purpose of our study. First, textual analysis of all accounting regulations has been performed with respect to the provisions regarding the TFV concept. Second, eleven in-depth semi-structured interviews have been conducted with preparers, auditors and users of accounting information, and with top representatives of the Romanian regulator and accountancy professional bodies. The perception of TFV in Romania depends firstly on the category: for auditors, professional bodies and users, this is a guide or a vital concept, closely related to substance over form, relevance and usefulness for users, while for regulators and preparers, TFV is primarily compliance with the rules. Thus, we conclude that intertranslatability of concepts cannot be assumed, with practical application here to the one of TFV.

“IFRS Adoption and Analysts' Earnings Forecasts”

Ann Tarca, *University of Western Australia*, Julie Cotter, *University of Southern Queensland*, Marvin Wee, *University of Western Australia*

We study 145 large listed Australian firms to explore the impact of IFRS adoption on the properties of analysts' forecasts and the role of firm disclosure about IFRS impact. We find that analyst forecast accuracy improves and there is no significant change in dispersion in the adoption year, suggesting that analysts have benefited from IFRS adoption. We measure firms' IFRS impact disclosures in their financial statements issued at the end of the transition and adoption years. Transition year disclosure was not associated with forecast error and dispersion in the adoption year. However, more disclosure by firms during the adoption year (proxied by their adoption year-end financial statement disclosure) is associated with reduced error and dispersion. The findings raise questions about the timeliness and usefulness of financial statement disclosure, even in a setting where disclosure was mandated by accounting standards (AASB 1047 and AASB 1) and firms had strong incentives to provide information to analysts.

Saturday, November 6, 2010

11:00 a.m. – 12:00 p.m.

SESSION XVII

Corporate Disclosure – ESR 4.1

Session Chair: Vanessa Vanessa van Dyk

“Earnings Management of Different Security Issuers in Korea”

Soon Suk Yoon, *Chonnam National University*, Hyo Jin Kim, *Jeonju University*

We examine whether different security issuers engage in different degrees of earnings management. We also investigate whether issuance of different securities affects financial performances differently. For this purpose, we examine three different types of securities firms issue for external financing using the most recent seven year firm-year observations listed in two different stock exchanges of Korea: common stocks, straight bonds, and dilutive securities. We document that there are no significant differences in accruals between common stock issuers and straight bond issuers while dilutive security issuers have significantly lower accruals than common stock issuers. We find cash flow from operations and reported earnings are not affected by the issuance of securities no matter what types of securities are issued by KSE firms. The issuance of common shares by Kosdaq firms adversely affects reported earnings, while the issuance of straight bonds does not affect cash flow from operations nor reported earnings.

“A Study on the Use of Managerial Accounting by companies within the Pole Clothing Pernambucano the Wasteland”

Umbelina Lagioia, *Universidade Federal de Pernambuco*, Francineide Borges de Lima, *Universidade Federal de Pernambuco*, Rita de Cassia Silva Castro, *Universidade de Aveiro*, Suênia Graziella Oliveira de Almeida Santos do Nascimento, *Universidade Federal de Pernambuco*, Janayna Katyuscia Freire de Souza Ferreira, *Universidade Federal de Pernambuco*

This article has as main objective to analyze the extent to which companies in the textile cluster of rural Pernambuco in Brazil use the information of management accounting (cost control and preparation of cash flow) to achieve the desired profit. To achieve the proposed objective, we developed a descriptive research that supported on a bibliographic search, allowed to describe the environment of a group of companies, the textile sector to transform the city of Santa Cruz do Capibaribe-PE-Brazil. The collected data were analyzed using descriptive statistics and a complementary manner by nonparametric statistical. We used a strategy of exploratory research through structured questionnaires to a random sample consisted of 68 companies located in the region focus of this study. The study concluded that most respondents use the information generated by the system costs for the conduct of their affairs and prepare cash flow in their businesses. However, this information is not taken into account in the process of price formation, to the extent that managers make up prices based on market expectations.

SESSION XVIII
International Corporate Reporting 2 – ESR 4.2
Session Chair: Catalin Albu

“The Value Relevance of Earnings in Europe: Why do National Difference Persist?”

Andrei Filip, *ESSEC Business School*, Bernard Raffournier, *University of Geneva*

Since 2005, all European listed companies must comply with IFRS in the preparation of their consolidated financial statements. Several studies have investigated the consequences of this political decision, comparing various dimensions of accounting quality before and after IFRS implementation. But none of them really addresses the following question: Will the adoption of a common set of accounting standards result in a standardization of accounting quality throughout Europe, or will national differences persist due to the influence of local characteristics? In order to provide evidence on this issue, we measure the value relevance of accounting earnings in 14 European countries over the period 2006-2007. The results show that country differences persist despite the use of common accounting standards. Legal and regulatory country characteristics as well as market forces still have a significant impact on the association between market returns and accounting data.

“The Unit of Account in Financial Reporting: A Set of Conceptual Framework Problems”

Mark Bunting, *Rhodes University*

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) are currently engaged in a joint project to develop an international conceptual framework for financial reporting. One part of this project is an attempt to address a financial reporting problem referred to by the boards as the unit of account issue. The boards propose to address the unit of account as a separate issue within their conceptual framework project. This paper describes the unit of account issue as a pervasive aggregation / disaggregation problem in financial reporting. It is argued that the unit of account problem is embedded within, and arises from, a number of other unresolved problems with the existing concepts in the boards' current frameworks. Therefore, the unit of account is a set of problems rather than a single one that can be dealt with as a standalone issue. The paper identifies ten conceptual problems in the boards' existing frameworks, and concludes with a discussion of the manner in which these problems contribute to the vexed nature of the unit of account issue.

SESSION XIX
International Corporate Reporting 3 – FR 4.1
Session Chair: Chikako Ozu

“An Examination of the Due Process in South Africa Which Led to the Adoption of the Draft International Financial Reporting Standard for Small and Medium-sized Entities”

Lesley Stainbank, *University of KwaZulu-Natal*

This study examines the development of accounting standards for small and medium-sized entities in South Africa. It also examines analyses of prior research on differential reporting and the due process of the International Accounting Standards Board on this topic. This study then examines the due process of the South African standard-setter. The paper provides a contextual analysis as to the unique reporting environment of South African companies and concludes that adopting the draft IFRS for SMEs may have been the best option for the standard-setting body in providing relief for limited interest companies from the cost of complying with the International Financial Reporting Standards while still enabling auditors to express an opinion on the financial statements.

“Technical and Scale Efficiency of Indonesian Domestic Commercial Banks”

Tessa Vanina Soetanto, *Petra Christian University*, Ricky Soedarsono, *Petra Christian University*

In this study, input-oriented Data Envelopment Analysis (DEA) model to evaluate the technical and scale efficiency of Indonesian domestic commercial banks from period of 2003 to 2008. Two approaches are used, intermediation approach and profit-oriented approach. We find that banks in our sample showing good performance in terms of efficiency in doing their intermediary role while there is fluctuation in perspective of the profitability.

SESSION XX
Corporate Governance 2 – FR 4.2
Session Chair: Anand Saxena

“Firm Performance, CEO Tenure and Corporate Governance Reporting in Malaysia”

Norman Mohd-Saleh, *Universiti Kebangsaan Malaysia, Bangi, Malaysia*, Zuraidah Mohd-Sanusi, *Universiti Teknologi MARA*, Rashidah Abd-Rhaman, *Universiti Teknologi MARA*, Rina Bukit, *Universitas Sumatra Utara*

This study examines the relation between chief executive officer (CEO) tenure, firm performance and corporate governance reporting. Data for corporate governance reporting is taken from the Malaysian corporate governance reporting scores (MCGRS) while other variables are collected from annual reports for the year 2002-2005. Seventy-six large public firms listed in Bursa Malaysia were selected as the sample. They comprise of panel data set of 304 firm-year observations. Results demonstrate that performance is negatively related to corporate governance reporting (CGR). Subsequent analysis suggests that firms with shorter-tenured CEOs disclose more information about corporate governance practices than firms with longer-tenured CEOs. Evidence suggests that CEO tenure significantly affects CGR irrespective of the firm performance. Therefore, we conclude that new managers disclose more information to convince shareholders monitoring through corporate governance mechanisms are in place in order to justify their positions in the firms when firm performance is weak.

“Business Group Ownership of Banks: Issues and Implications”

Ashis Taru Deb, *College of Vocational Studies, University of Delhi*, K.V. Bhanu Murthy, *University of Delhi*

The paper introduces the phenomenon of business groups in the theory of financial intermediation by banks developed by Diamond (1984) to analyze their impact on the result of financial intermediation. It argues that result of financial intermediation depends on the type of business groups, which is supported by diverse historical experiences. The paper made a pioneering attempt to econometrically examine the impact of group ownership with the help of a Generalized Estimating Equation on conduct of banks in India. The results clearly show that group banks differ in their conduct from non group banks. The theory developed in the paper and the evidence in its favor through econometric evidence and case studies leads to rejection of the idea of business group owned banks in India.

SESSION 1

ESR 4.1

Session Chair: Robertine Chaderton

“Cross-Border Hybrid Financial and Tax Planning”

Ewald Aschauer, *Vienna University of Economics and Business*, Eva Eberhartinger, *Vienna University of Economics and Business*, Wolfgang Panny, *Vienna University of Economics and Business*

Hybrid financial instruments are neither typical equity nor typical debt and often lead to classification conflicts, especially in cross-border transactions. The use of hybrid financial instruments for intra-group financing offers the chance of possible double non-taxation. However, a parent company that wishes to finance its foreign subsidiary via hybrid instruments faces uncertainties in multiple ways. The chance of double non-taxation is connected to the risk of misclassification and double taxation. This chapter analyzes the influence of the existence or non-existence of a double tax convention on the benefits of using hybrid finance. We have therefore modeled the influence of uncertainty with respect to tax law to these financial decision using probability trees. We find that the existence of a double tax convention does not necessarily reduce the expected total tax burden. In many cases, the expected tax burden is even higher.

“Impact of Control Environment on Accounting Misstatements”

Faruk Ziya Firat, *Istanbul Bilgi University*

Control environment factors defined by COSO were redistributed into three main identifiers and named as control environment principles. Firstly, external auditors' views on the priority of control environment factors and principles were taken. Secondly, major accounting misstatements were determined and auditors' views on the avoidability of accounting misstatements by such factors were examined. Auditors' reactions signaled “commitment to competence” followed by “board of directors / audit committee” and “integrity and ethical values” as the key factors to prevent most of the common material misstatements. Ranking of control environment principles has shown that “a conscientious board of directors/audit committee”, “safeguarding of assets and records” and “knowledge of and adherence to current laws and regulations by financial reporting managers” were the top three control environment principles for an efficient control environment.

“How Does the Control Chain in Ownership Structure Affect the Timeliness of Financial Reporting? Evidence from the Emerging Chinese Market”

Hui Du, *University of Houston*

Fangjun Wang, *Xi'an Jiaotong University*

Gaoliang Tian, *Xi'an Jiaotong University*

Junrui Zhang, *Xi'an Jiaotong University*

“The effects of adopting IFRS on the dynamics of financial statements”

Mariano Sanchez, *CEU Cardinal Herrera University Luis Vives*, Juan M. Nave Pineda, *CEU Cardinal Herrera University Luis Vives*, David Toscano Pardo, *University of Huelva*

In this paper we analyze the impact of International Financial Reporting Standards (IFRS) adoption on the consolidated financial statements of Spanish listed companies. For so doing, we quantify the possible influence of IFRS on balance sheet and income statement. We estimate a panel data model by Generalized Least Squares (GLS) within-between to contrast three possible effects: variations in accounting conservatism; changes in balance sheet items value; and structural breaks of income statement items which reflect the variations in balance sheet. The results show the presence of these three effects on the financial statements analyzed, but with different signs and degrees of intensity.

SESSION 2

ESR 4.2

Session Chair: Esam Moustafa

“IT Governance Maturity Level for the Romania Companies”

Pavel Nastase, *Bucharest Academy of Economic Studies*, Simona Felicia Unchiasu, *Bucharest Academy of Economic Studies*

The implementation of IT governance, driven by best practices, ensures that the IT function adds value to the company while balancing risks versus return. The purpose of the research is to analyze the degree of perception, acceptance, implementation and maturity level of IT governance at the level of Romanian companies. Moreover, it offers a comparative analysis between the Romanian results and the worldwide level data published by the IT Governance Institute. This institute is interested in all issues related to IT Governance and has developed a database of opinions, facts and statistics on the aforementioned subject. The research is focused on determining the perception on the importance of IT to the business, the IT governance accountability, the outcome of IT, the most used frameworks for implementing IT governance, and a self-assessment of the IT governance maturity level for the Romanian companies.

“Effectiveness of Corporate Boards: An empirical study”

Shirin Rathore, *University of Delhi*, Anil Kumar, *University of Delhi*

The need for regulation of corporates in India assumed importance only in 1993, as a consequence of the scams that occurred then, resulting in the adoption of a mandatory Code in 2001 by the regulator SEBI. This paper examines the effectiveness of independent directors in terms of their impact on performance. A sample of 85 Group A companies listed on BSE representing 45 % of market capitalization as on March 31, 2001 has been taken for the period 2001-2005 and panel data for each constructed. The hypothesis is that the fraction of independent directors (FID) leads to better accounting performance and positive impact on market performance. A market value to book value ratio and return on assets have been used. The Fixed Effect Model with ROA as dependent variable reveals absence of significant effect of board composition on performance but when MBR is computed it is positive and significant.

“Survey and assessment of IFRS Knowledge in El Salvadore”

Salvador Ruiz de Chavez, *Carana Corporation*, Alvaro Calero-Rodas, *University of El Salvador*, Vincente Alvaredo-Rodriguez, *University of El Salvador*, Carlos Gomez-Castaneda, *University of El Salvador*, Gary Fechtmeyer, *Carana Corporation*

The University of El Salvador and the Oversight Council for Public Accountants and Auditors (CVPCPA) participated, in close coordination with the consulting team from Carana, in the design and fieldwork of a survey to determine training needs for on International Financial Reporting Standards (IFRS) for accounts who work in the private sector, accounting firms, universities and government, in San Salvador, Santa Ana and San Miguel. A self-applied questionnaire of 36 closed questions, nine of which were focused on the respondent's general data and 27 on their knowledge of IFRS was developed and tested. The sample of approximately 360 accountants was selected using qualitative criteria as opposed to random. The students of the University of El Salvador, under the supervision of two board members and one professor, and supported by the “Handbook for the interviewer”, obtained responses to 238 questionnaires. The Carana team of consultants considered that this sample was sufficient to meet the objectives of the survey, although it may not reflect the accounting profession as a whole in El Salvador due to its limited sample size. Data was collected, systematized, analyzed, and included in a final report with the support of Carana staff. Some questions were subject to a correlation analysis to identify whether there were significant differences in responses between groups divided by sex, sector of employment, job, main function, number of employees and income in 2008. The purpose of this was to try to identify specific training needs for some of these groups. The vast majority (76%) of respondents either strongly agreed or agreed that IFRS knowledge is required for their work. However, only 40.4% work in companies where IFRS have been implemented or are about to be implemented. According to interviewees, the main obstacle to implement IFRS is the lack of training, followed by the lack of management support. However, regarding the lack of training of users of financial information as an obstacle in IFRS implementation, the survey results did indicate that the higher the respondent was in the management organization the more important this obstacle was rated. This could result because upper management may be better able see the financial sector architecture and interrelations more comprehensively than persons in lower level positions and that upper management could be a potential resource in building the capacity of financial statement users. Among the main conclusions we might highlight the existence of a gap between what public accountants perceive they know regarding IFRS and what they consider should be known about IFRS.

SESSION 3

FR 4.1

Session Chair: Marcello Canetti

“Association between BSC Implementation and Profiles of Management Accounting Attributes in Brazilian Companies”

Fábio Frezatti, *University of Sao Paulo – USP*, Tania Regina Sordi Relvas, *University of Sao Paulo – USP*, Emanuel R. Junqueira, *University of Sao Paulo – USP*

This study examines whether an association exists between the implementation of the balanced scorecard (BSC) and the profile of information attributes in the management accounting systems of Brazilian companies. The study thus seeks to identify the characteristics of companies that know and use the BSC, thereby analysing the possible reasons for the relative failure of Brazilian firms to utilise this management instrument as frequently as firms in some other countries. The study finds that a significant relationship exists between the use of BSC and management accounting attributes connected with the planning process, which suggests that the BSC is the extension of a commitment to the importance of a structured planning process and a demand for reliable projected information and results. The results of the study have the potential to provide management with a useful guide to the prerequisites and structural conditions required for the successful implementation and use of the BSC.

“The IASB and the Public Interest”

Carien van Mourik, *Open University Business School*

According to the IFRS Foundation’s Constitution, the IASB develops its Conceptual Framework and IFRS in the public interest. This paper analyses the IFRS Constitution and the IASB Conceptual Framework to investigate how the IASB interprets 'the public interest' with respect to the purposes of accounting and reporting regulation. It argues that prioritising usefulness for making economic decisions over the protection and reconciliation of conflicting economic interests does not support legitimacy of the IASB’s claim to the public interest in an international environment characterised by great institutional diversity. This paper explores how the Conceptual Framework could reconcile the economic and social functions of accounting in order to serve the public interest across national, ideological and institutional boundaries.

“Positive versus Negative News; Readability and Obfuscation in Financial Reports”

Leopold Bayerlein, *University of New England*

This paper extends prior obfuscation research through an assessment of the readability and obfuscation levels in chairman and/or CEO reports of 30 listed Australian firms. In addition, possible associations between obfuscation and several basic firm level performance indicators as well as possible mitigating factors are assessed. Drawing on prior research, the Flesch readability formula is used to assess readability and obfuscation. However, a novel methodological approach is used to distinguish between cases of positive and negative news. The study finds that the analysed narratives are typically very difficult to read. A significant association is found between the presence/absence of obfuscation and year to year changes of a firm’s net profit, whilst the associations between obfuscation and year to year changes of a firm’s debt ratio, a firm’s level of shareholder concentration, and the proportion to which a firm’s board is staffed with independent directors are non-significant. This paper adds to prior literature by introducing a new basis upon which the readability of positive news and negative news, and thus obfuscation is determined. This new methodology improves the assessment of obfuscation because the definitions of its components are more closely aligned with the assessment intention of the obfuscation hypothesis.

“m-Learning in an Off-campus Environment Using iPods in Accounting Education”

Steven Dellaprotas, *Deakin University*

The widening availability of the Internet and the popularity of handheld devices such as Apple’s iPod, iPhones and iPads are creating a generation of technology-savvy students searching for innovative ways to access information. In this study, 30 iPods were distributed to students studying an exclusively online graduate level accounting program at a publicly-funded, mid-sized Australian university. The primary aim of this study was to determine and assess the perceived benefits of using iPods as part of the students’ online learning environment. Two instruments were issued to students: (1) a questionnaire to elicit students’ opinions on the usefulness of the iPod as a tool for learning; and (2) a questionnaire to establish their learning styles (using a VARK[®] questionnaire). In terms of perceived benefits, the findings indicate that flexibility was the primary advantage of iPods, which, in turn, facilitated more efficient and effective use of time and study planning. In particular, the mobility created by iPods allowed students to take advantage of what would otherwise be down-time such as travelling on public transport. The disadvantages of using iPods related to the difficulty in reading text on a small screen and the inability to move to particular points of a podcast with precision. These comments were consistent for all students, however, students with a preference for visual learning rated the iPod as being more important to their learning than other students.



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