

Abstracts: Emerging Research Papers

Abstract ID: 487642

Title: New Iraq Free Market Economy & Accounting

Abstract: Little has been written about accounting in Iraq. This article attempts to fill this gap by investigating the development and trends of accounting in this country over several decades. Major factors that influence and shape the accounting practice in Iraq are discussed first. These include political and economic systems, organization structure, tax and company laws, accounting profession, early American and British influence and the later influence of the former Soviet Union through Egypt. Iraq's accounting practices are then discussed with some details about the introduction of several sector uniform accounting plans which led to the eventual launching of a national uniform accounting plan at the beginning of the 1980s. This latest step was to help the central government of Saddam Hussein to control the economy. Now Saddam's regime is removed, Iraq is trying to return to a market based economy once it had. Uniform accounting is becoming irrelevant and a new accounting approach is needed. The question that needs to be addressed is which accounting system is best suited for use in new Iraq. International accounting standards may be considered as a good option.

Author(s): Fouad K. Alnajjar
Baker College Center for Graduate Studies, Michigan

Abstract ID: 484182

Title: A Re-examination of Gray's Culture Framework Using a Modification of Nair's Accounting Practice Classification: Is There a Relationship with IAS Conformity?

Abstract: The harmonization of international accounting practices is a complex, slow process that involves multiple issues. According to the literature, little empirical research has assessed the extent to which harmonization via International Accounting Standards (IAS) is actually occurring and the research that has been conducted to date have reported mixed results. This proposed research will explore the extent that culture, defined within Gray's (1988) adaptation of Hofstede's (1983) cultural dimensions to accounting values, may explain and predict degrees of a country's conformity with IAS. This exploratory study proposes to first determine if a relationship exists between the Hofstede/Gray cultural dimensions framework and a modification of Nair's classification of accounting practices. For those countries for which a relationship exists between cultural dimensions and accounting practices, the study will then examine what relationship exists between these countries' accounting practices (i.e., financial measurement and disclosure) and the degree of conformity with IAS.

Author(s): Nancy M. Borkowski
St. Thomas University – Florida, Miami FL
Richard L. Caldarola
Troy State University, Troy AL
Shafi Ullah
American Intercontinental University, Ft. Lauderdale FL
Revonna Mitchell
MTG Consultants Inc.

Abstract ID: 489142

Title: Assisting FARS Research Capabilities of Students: A Preliminary Study

Abstract: This research was undertaken to address the question of whether students with a list of potentially relevant terms would be in a better position to develop queries for use in the FARS database. Students were tested, in class, on the use of FARS as a research tool. Students were given two research questions. One included just a fact pattern. The other included a fact pattern and a listing of terms. There were only two instances that were found to be statistically significant: One group of students did significantly better in identifying the correct pronouncement when given a list of potential terms and significantly more students were able to at least identify the correct pronouncement for the second question when given a list of potential terms. This may be due to the nature of the question. Participant's comments indicated that they thought having the list was helpful.

Author(s): Margaret R. Garnsey
Siena College, Loudonville NY
Leonard E. Stokes
Siena College, Loudonville NY

Abstract ID: 486925

Title: An Experimental Examination of the Effects of Self-Interest, Morality and Economic Context on Preference for Tax Policy

Abstract: The study experimentally examines the effect of three factors potentially affecting individuals' determination of preferred gasoline tax policies. The three factors: 1) self-interest, 2) moral sense of fairness, and 3) economic context, serve as the foundation of three major theories and/or perspectives of human behavior largely associated with von Neuman and Morgenstern, James Q. Wilson, and Kahnemann and Tversky, respectively. The study found that while self-interest, not surprisingly, was an important factor affecting subjects' support for an equity-based policy, it also found that a moral sense of fairness tempered their desire to achieve its maximization. Additionally, the study found, under a condition of potential economic advantage, that support for a particular tax policy would vary, consistent with Kahnemann and Tversky's prospect theory, depending upon economic context and resulting benefit form (e.g., cash refund or reduction in tax liability). Support, in this case, also varied by gender.

Author(s): Seth Hammer
Towson University, Towson MD

Abstract ID: 489082

Title: INDEPENDENCE: Clarification of the Profession's Primary Attribute

Abstract: Independence has been long recognized as the hallmark of the professional accountant and an essential attribute when the accountant performs attestation and audit services. Recent scandals in corporate financial reporting have renewed concerns about the definition of independence and the profession's compliance with its own standards as well as with contemporary laws and government regulations applicable to auditor independence. This study strives to clarify the distinction between independence and the related attribute of objectivity and to demonstrate that both of these professional attributes can be operationally defined as Jungian personality constructs which are amenable to empirical investigation. It is hoped that clarification of these concepts will help strengthen the integrity of the profession and restore confidence in its important public service.

Author(s): Philip F. Jacoby
American University, Washington DC

Abstract ID: 489062

Title: Market Expectation & Auditor Litigation

Abstract: This study provides a better theoretical understanding for the reasons of the audit failure that may cause audit litigation with market expectation. This study examines whether a higher market expectation for firm performance before the audit failure finally causes the audit litigation. This study also investigates whether markets variable such as variability of return can be served as useful indicators for measuring the level of audit risk. In addition, this study exams the relation between audit tenure and auditor independence and audit quality. The results may suggest the practical implication for the external auditor. Also, the variables employed in this study are helpful for the auditors to determine the level of their business risk before the audit failure.

Author(s): Dong-Young Lee
Nova Southeastern University, Ft. Lauderdale FL

Abstract ID: 490742

Title: Going Concern Judgments as a Multiple Constraint Satisfaction Process

Abstract: Key components of the multiple-constraint satisfaction framework are explored in an extensive experiment set in the complex and ambiguous domain of external auditing. The results show the prevalence and importance of a purposeful, albeit unconscious, structuring of the information by both the professional auditors and the auditing students as they gradually generate coherence and sense. In accordance with multiple constraint satisfaction predictions, the assessments of inferences increasingly spread apart. Also, the correlations between the dependent variable (the decision) and the independent variables, as well as between the independent variables, consistently grow stronger as the participant progresses through the decision stages. The information structuring - a gradual simplification of the component structure - is captured as principal components associated with the various decision stages. Neural networks capture the judgments in the various decision stages quite well. Finally, the role of the ongoing structuring of the underlying information was explored through the application of trained networks to data originating in other decision stages.

Author(s): C. Gustav Lundberg
Duquesne University, Pittsburgh PA
Brian M. Nagle
Duquesne University, Pittsburgh PA

Abstract ID: 486964

Title: On the Tax Classification of Day Stock Traders as Investors or Traders

Abstract: The paper develops an analytical model that can be used to guide courts in the tax classification of day stock traders as investors or traders. Present tax laws do not clearly distinguish between a trader and an investor yet each classification has different tax consequences. Accordingly, the issue has been left to the judicial system to arbitrate between the Internal Revenue Service and taxpayers. The judicial system has developed its classification guidelines. However, some of the judicial classification guidelines are arbitrary and inept. The analytical model developed herein can be used to streamline some of the judicial guidelines.

Author(s): Buagu Musazi
Virginia State University, Petersburg VA

Abstract ID: 489182

Title: The Market Perception of Mandatorily Redeemable Preferred Stock: Some Empirical Evidence

Abstract: This study uses a market valuation model of a firm's common equity to measure the market's perception of mandatorily redeemable preferred stock (MRPS). Using a methodology similar to Landsman (1986), Barth, et. al. (1992), and the theoretical valuation model proposed in Ohlson (1995), the market value of common equity is regressed on the following independent variables: total assets, total liabilities, net income and MRPS. For a sample of firms reporting MRPS, regression coefficients are estimated cross-sectionally by year for 1999-2002. Results of the regression analysis suggest that the market views MRPS very similar to debt. The coefficient for MRPS has the same magnitude as the coefficient for conventional debt in most cases. Results of this analysis lend support to Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity (FASB 2003) which requires that MRPS be reported as a liability.

Author(s): Douglas K. Schneider
East Carolina University, Greenville NC
Mark G. McCarthy
East Carolina University, Greenville NC
Mark Rieman
East Carolina University, Greenville NC

Abstract ID: 487509

Title: The Ethical Perceptions of Two-Year College Students in Business Situations Compared to Academic Situations

Abstract: Since today's college students will be the decision makers of tomorrow, it is worthwhile to examine their current attitudes toward cheating from both academic and business perspectives. This study statistically analyzes two-year college students' attitudes toward cheating via a survey containing academic and business situations that the students evaluated on a seven point scale from unethical to ethical. When both the general questions concerning attitudes about cheating and the opinions on the ethical statements are considered, the business students were generally more unethical in their behavior and attitudes than nonbusiness majors. In particular, business majors are found to have a statistically higher incidence of collegiate cheating and are more prone to consider cheating socially acceptable. These results indicate a need for more ethical exposure in business courses to help students distinguish ethical from unethical decisions.

Author(s): Lynnette Smyth
University System of Georgia – Gordon College, Barnesville GA
James R. Davis
University System of Georgia – Gordon College, Barnesville GA

Abstract ID: 489242

Title: Derivative Financial Instruments & the Financial Management of Non-Profit Health Systems

Abstract: This paper examines the impact of derivative financial instruments use on the financial management of US nonprofit health systems. We review the existing literature on interest rate derivative instruments and US hospitals and health systems. There are several published papers have described the design of these derivative financial instruments from a theoretical perspective. Our contribution to the literature is to provide an empirical evaluation of derivative financial instruments usage by US nonprofit health systems. We present five case studies of US hospitals and integrated delivery systems that describe the design and operations of the fixed rate to floating rate swap, the floating rate to fixed rate swap, the basis swap, the interest rate cap, and the swaption. In each case study we examine the impact of derivative use across the dimensions of risk management, cash flow, and reported operating results. We conclude that interest rate swaps; caps, and swaptions are effective risk management tools. However, we also found that while these derivative financial instruments are useful hedges against the risks of issuing long term financing instruments, they also expose derivative users to additional credit and other risks. In conclusion, we find that these financial instruments can also generated negative as well as positive cash flows and have both a positive and negative impact on reported operating results.

Author(s): Louis J. Stewart Sr.
Long Island University, Brooklyn NY
Vincent Owoso
Bentley College, Waltham MA

Abstract ID: 488905

Title: Assessing the 'Balance' in a Balanced Scorecard System

Abstract: Performance measurement has been a topic of increased interest in both the accounting and business literatures in recent years. One of the most noteworthy new models has been the Balanced Scorecard, which calls for the establishment of a multi-dimensional measurement system, typically encompassing at least four dimensions of business success (financial, customers, internal business processes, and learning and growth), with perhaps one to five metrics in each dimension. We examined in detail the performance measurement system employed at an automobile assembly plant. We reviewed documents pertaining to the system, interviewed top management as well as managers and assistant managers at the department level, and conducted an analytical hierarchy exercise to assess the weights placed on various components. We believe the findings offer some initial insight into the functioning of a balanced scorecard system in a large, multi-departmental organization.

Author(s): Eiichiro Suematsu
Saitama University, Japan
Ronald J. Huefner
State University of New York (SUNY) at Buffalo, Buffalo NY

Abstract ID: 488224

Title: Developing a Moral Decision Framework for Business Students

Abstract: This study examines the ways schools are teaching and assessing business ethics. Through an examination of the literature it attempts to reference perspectives, decision models, specific interventions, influences and measures of moral intensity. It looks at the socialization process assimilating business values in managers. As an action research study, it examines attitudes of business students at a regional public university and their ability to identify common business ethical situations. The study describes factors that influence ethical awareness in various situations. Finally, the study recommends steps to help students increase their awareness of moral issues, develop decision processes and arrive at a moral code for themselves and their companies.

Author(s): James Carl Thomas
Indiana University – Northwest, Gary IN

Abstract ID: 465961

Title: Similarities & Differences in Financial Analysis Between Not-For-Profit & For-Profit Analysts

Abstract: This behavioral research investigates if the financial assessments made by an analyst concerning the financial condition of the business firm may be affected by the professional employment group of the analyst. Two professional employment groups were studied. The two groups were analysts for state public service commissions who regulate the public electric utilities industry and professional financial analysts who track stocks of public utility companies. We asked members of each of the groups by way of a mailed survey, to analyze multi-year comparative financial statements of a business enterprise using variables related to liquidity, long term debt, cash flow, and profitability. The paper describes the data collection process, statistical analysis, and results of the research as well as limitations and a call for additional research.

Author(s): Robert L. Webster
Ouachita Baptist University, Arkadelphia AR

Abstracts: Dialogue Papers

Abstract ID: 492122

Title: Teaching Tax to Undergraduate Students: Learning by Doing 'Net Pay' and 'Taxable Income'

Abstract: I am always challenged to find ways to help my undergraduate tax students grasp the all-important vocabulary and foundation concepts. To my students, words such as 'net pay' and 'taxable income' appear at first to be 'English'. But when used in a tax setting, those simple English words become a 'foreign language'. In particular, I find many students have particular difficulty understanding the interrelationships and differences between 'net pay' and 'taxable income'. Over the years, I designed and implemented a variety of 'learning by doing' course assignments to provide my undergraduate tax students experiential learning in a practical and useful framework for assimilating these basic, but important concepts. In this paper, I share with accounting colleagues some of my more successful 'learning by doing' exercises- 'Net Pay & Taxable Income Handout and four computer Tax Lab Assignments. These exercises have helped to better prepare my students for employment and life in the 'real world' - may they do the same for your students. NOTE: Intuit ProSeries professional tax compliance software is available for free to tax educators. Find additional information at:
www.proseries.com/resources/education.shtml

Author(s): Faye Bradwick
IUP – Indiana University of Pennsylvania, Indiana PA

Abstract ID: 489102

Title: Auditor Rotation: Deferring the Public's Interest Again

Abstract: The debate over audit firm rotation is not a new discussion in the United States or abroad. Given the recent rash of business failures and associated accounting scandals, the United States Congress and the accounting profession have been moved to act in an effort to reinforce investors' confidence in the capital marketplace. One proposed method to address the audit quality issue is a policy of mandatory audit firm rotation. Recently the General Accounting Office completed a study that fails to support a rotation policy. This paper documents the history of the mandatory audit firm rotation debate in the United States and examines the central arguments both for and against a required audit firm rotation policy. Commentary supporting a mandatory rotation policy concludes the paper.

Author(s): Julia Brennan
University of Massachusetts at Boston, Boston MA
Dwight David McIntyre
Clemson University, Clemson SC

Abstract ID: 488242

Title: Accounting Education: Three Tracks for Non-Accounting Majors

Abstract: This paper presents the three accounting programs that are available to students at Georgia Southern University who choose not to major in accounting. The programs specifically address the educational needs of non-accounting majors within the College of Business Administration, information technology majors within the College of Information Technology, and other majors across the University who either minor in Business Administration or wish to take a concentration of business courses. Course goals, objectives, and descriptions are provided. Three years of enrollment data show the mix of students across the University in the accounting survey class (ACCT 2030), the two accounting principles classes (ACCT 2101 and 2102), and the unique capstone accounting course for non-accounting majors (BUSA 3134). These three programs offer an innovative approach to accounting education and stress the importance of accounting knowledge to students who choose to major in another discipline.

Author(s): Leslie B. Fletcher
Georgia Southern University, Statesboro GA
Abbie Gail Parham
Georgia Southern University, Statesboro GA

Abstract ID: 451521

Title: Audit Quality Examined One Large CPA Firm at a Time: Empirical Evidence of a Precursor of Arthur Andersen's Collapse

Abstract: The largest CPA firms have been regarded as quality-differentiated auditors. This has been a prominent assumption of empirical research in accounting and auditing. Yet, prior research has only tested whether the largest CPA firms, in the aggregate, are quality-differentiated auditors. This paper contributes to the audit quality literature by individually examining each of the largest CPA firms. This new approach is timely, given the questions that have been raised concerning Arthur Andersen. Each Big Six CPA firm was compared to the non-Big Six CPA firms, using post-Private Securities Litigation Reform Act of 1995 data. The outcomes of auditors in civil and criminal litigation and administrative proceedings were analyzed using a taxonomy based on the corporate misconduct and economic analysis of legal process literatures. With the exception of Arthur Andersen, each of the Big Six CPA firms was individually found to be a higher quality auditor than the non-Big Six. The null hypothesis of no difference between the outcomes of each of the Big Six firms (except Arthur Andersen) and the non-Big Six was rejected at $p < .05$. Since the lawsuits (filed in 1996-1998) were based on allegedly misstated 1995-1997 financial statements, this suggests that deterioration in the audit quality of Arthur Andersen occurred no later than the mid-1990's. It is empirical evidence of a precursor of the eventual failure of the firm. The research results thus suggest that the Enron audit document destruction obstruction of justice conviction in June 2002 was the culmination of a gradual, firm-wide deterioration that was the cause of the destruction of Arthur Andersen. **Keywords:** audit quality, auditor quality, private securities class actions, SEC enforcement actions, criminal law, white collar crime, litigation

Author(s): Ross D. Fuerman
Suffolk University, Boston MA

Abstract ID: 487084

Title: The Implications of Global Convergence on IFRS for U.S. Regulators, Standard Setters, Accounting Profession & Educators

Abstract: Recent progress towards a single set of high quality global accounting standards has been unprecedented. In 2002, the Parliament and Council of the European Union (EU) approved an accounting Regulation, which required listed companies to follow International Financial Reporting Standards (IFRS) adopted at the European level, in their consolidated financial statements. The Regulation applies to accounting periods beginning on or after January 1, 2005. Many countries in other parts of the world also have formal policies or other convergence plans in place. It is estimated that by 2005 IFRS will be required in at least 64 countries for all domestic listed companies and become the most widely accepted accounting model in the world. This paper discusses these developments and their implications for the SEC, the FASB, and the accounting profession. On this background, questions are raised as to the adequacy of our academic programs. Suggestions for future research are also provided.

Author(s): Sylwia Gornik-Tomaszewski
St. John's University, Jamaica NY

Abstract ID: 494744

Title: A Look Back at the Future of the Accounting Profession

Abstract: The past has often offered a unique vantage point from which to view the future. In a speech given at the First Annual Accountants' Day at Texas Christian University, Stettler (1968) discussed anticipated changes in professional auditing practice and in the accountant who would provide these services. Stettler (1968) commented that the profession was often criticized for its 'crawfish' or backward-looking approach to facing and responding to changing economic and social climates. In light of such criticism, Stettler (1968) made several predictions regarding the state of the profession in the year 2000. The purpose of the paper is to reflect on his predictions and to examine why some expectations have been met; while others have not. Stettler's predictions were an effort to look at what lay ahead for the profession. Each prediction was grounded in the history of the profession and the recognition that certain events were destined to impact both the accounting professional and the services he provided. Due to recent events in the business and regulatory climates, the profession is once again faced with reexamining its role in the community and preserving the integrity of the capital markets. Within this context, Stettler's predictions can serve to guide and facilitate needed discussion. Such discussion is crucial to the viability of the profession and necessary to generate conversation among all stakeholders – practitioners, clients, regulators, educators, students and the society at large – to insure the profession remains responsive to their collective needs.

Author(s): Byron K. Henry
Howard University, Washington DC
Margaret Hicks
Howard University, Washington DC

Abstract ID: 483822

Title: Professing Accounting: A Portrait of the Accountant as a Young Man

Abstract: In 1972 the author joined the accounting faculty of a private urban university which had an established reputation for quality in professional accounting education. This paper describes the evolution of accounting education at that university as well as selected aspects of the author's professional experience over the ensuing thirty years. Programmatic highlights include the achievement of accounting accreditation under the standards of the American Assembly of Collegiate Schools of Business as well as the subsequent abandonment of that accreditation. Aspects of faculty development are discussed from the perspective of an accounting faculty member, a department chair, and an associate dean. Lessons derived from these experiences may be helpful to other accounting academics in responding to continuous change in higher education, in planning successful and fulfilling careers, and in advancing the cause of professional accounting education.

Author(s): Philip F. Jacoby
American University, Washington DC

Abstract ID: 489002

Title: Teaching Non-business Majors How to Decipher Accounting Discourse

Abstract: This paper is a plea to the accounting educators to think seriously about the importance of teaching non-business students how to make sense of accounting vocabulary and reports that serve as the necessary foundation of the modern civil societies. The economic resources and how they are shared help make civil society possible; and financial discourse allows one to communicate about how economic resources are being deployed. Besides being a plea to the accounting educators about the need to develop such a course, this paper reports on an experimental course at a northeastern university being developed to teach non-business majors how to make sense of the financial discourse. The paper urges the accounting educators to think about how to teach accounting literacy to millions of individuals who have no such awareness and illustrates how such accounting literacy can be taught using tools and techniques familiar to non-business majors.

Author(s): Athar (Art) Murtuza
Seton Hall University, South Orange NJ

Abstract ID: 489133

Title: A More Holistic Approach to the Teaching of Ethics in Business Programs

Abstract: The paper proposes a more holistic approach to the teaching of ethics in a business context. The scope for ethics education includes a philosophical grounding, a model for the resolution of ethical dilemmas, and a discussion of values ethics and values clarification for ethical leadership. The paper was motivated by the legislation of ethics under provisions of the Sarbanes-Oxley Act. This federal legislation sets forth management and auditor responsibilities including the requirement for a Code of Conduct for publicly held companies. This author hopes to trigger best thinking of accounting educators for the better integration of ethics in a business context across courses in undergraduate and graduate business programs.

Author(s): Susan Sadowski
Gettysburg College, Gettysburg PA

Abstract ID: 487043

Title: Accountability & the Drift Towards 'Fair Value Measurement'

Abstract: Accountants measure and adjust. Their adjustments provide a prospective diagnosis of the financial condition of an organization. The diagnostic model increasingly includes adjustments to fair value measurement. This drift towards fair value measurement is indicative of a growing gap between the measures accountants take on concrete economic processes and the GAAP amounts reported in financial statements. Organizational accountability arises in its accounting of economic processes. Consequently, the connectivity of disclosed amounts to the measures of economic processes is important. This paper discusses a means of disclosing that connectivity.

Author(s): G.A. Swanson
Tennessee Technological University, Cookeville TN

Abstract ID: 488442

Title: After Enron and WorldCom: The Government, AICPA & FASB Responses

Abstract: This paper examines the responses of the government, the AICPA, and the FASB after the Enron and WorldCom accounting scandals. The major failures of these companies center on their creative accounting and bad corporate governance. The Congress responded to these issues with the Sarbanes-Oxley Act of 2002. The SEC responded with a variety of measures to restore confidence in the accounting profession; expand the role of management; improve disclosures and financial reporting; improve the performance of audit committees; and enhance enforcement tools. The Auditing Standards Board of the AICPA responded by issuing SAS No. 99, which provides auditors with additional guidance for detecting material fraud. The FASB has been slower to respond due to its lengthier due process rules. The paper discusses whether those responses would have been enough to prevent the Enron and WorldCom financial disasters, and whether they are ample now to prevent corporate failures in the future.

Author(s): Magdalena Teguh
Southeastern Louisiana University, Hammond LA
Joseph L. Morris
Southeastern Louisiana University, Hammond LA

Abstract ID: 488443

Title: Student Transition - Critical Thinking & the Use of a Review Sheet

Abstract: The Intermediate Accounting sequence is one that creates obstacles for both the instructor and the students. In order to assist in the student transition, a tool is used that assists them in identifying the significant topics they must have a mastery of from their Accounting Principles course(s) as well as to identify the terms and topics that will be stressed throughout the term. This tool is referred to as the Review Sheet. The accompanying report summarizes the development of this tool over a period of time, and its expansion into other upper level accounting courses. Students were also informally surveyed for their input into the usefulness of the Review Sheet. In addition, a sample of the review sheet is provided for the reader's evaluation and use.

Author(s): Deborah Smiach Zakrzwski
University of Pittsburgh at Johnstown, Johnstown PA