



THE AUDITOR'S REPORT

Volume 26, No. 2, Spring 2003

AUDITING SECTION/AMERICAN ACCOUNTING ASSOCIATION

REPORT OF THE PRESIDENT

It has now been over a week since I returned from Southern California and the 2003 Midyear Conference. I am still having withdrawal symptoms—I'm not sure if they are from the superb conference that we just experienced or from Huntington Beach's heavenly weather and natural beauty. Probably both.

The Midyear Conference was a great success. My thanks go out to Bob Ramsay, Chair of the Conference Planning Committee, and the members of the Planning Committee: Steve Glover, Doug Prawitt, Jeff Cohen, Bob Allen, Allen Blay, and Billy Soo. We had over 230 conference participants, and the feedback that I received from those in attendance was overwhelmingly positive.

The tone for the Midyear Conference was set by Friday's plenary speaker, Phil Schimmel. Phil is the Partner-in-Charge of assurance and advisory services for KPMG's Los Angeles region, the firm's second largest region in the U.S. Phil shared his thoughts on "Auditing in the Post-Enron World." Phil discussed the changes affecting the auditing profession and how the profession and KPMG are responding to these changes. Phil's PowerPoint® slide show is available at: http://raw.rutgers.edu/raw/aaa/meetings/2003AU_MeetingInfo.htm.

The Section expanded the 2003 Midyear Conference to run for two full days rather than the day-and-a-half length of prior years. This enabled us to have a second plenary session on Saturday. The Saturday morning plenary session was one of the highlights of the conference. This plenary session was a panel consisting of Bill Kinney (The University of Texas at Austin), Chuck Noski (the recently retired CFO and Vice Chairman of AT&T), and Aulana Peters (a former SEC commissioner and retired partner of Gibson, Dunn & Crutcher). Bill is one of the premier auditing educators in the world, and Chuck and Aulana—in addition to their experiences with AT&T, Gibson, Dunn & Crutcher, and the SEC—sit on a number of corporate boards and audit committees. The title of their session was "What Lessons Have We Learned over the Past Year and Where Do They Lead Us?" Bob Ramsay, the session's moderator, summed it up best as the session closed: "We could have stayed all day and listened to the conversation."



Joseph V. Carcello

In addition to the plenary sessions, there were four concurrent panel sessions. The first was a panel session on risk management, which was extremely well attended. The panelists were Lyn Graham (BDO Seidman), Bill Kinney (The University of Texas at Austin), Ira Solomon (University of Illinois), and Rick Steinberg (Partner, PricewaterhouseCoopers). Rick is directing COSO's project to develop a framework for evaluating an entity's risk management framework.

The second concurrent panel session was on research opportunities in internal auditing. This session was moderated by Audrey Gramling (Georgia State University), and included the nine well-known academics who wrote chapters in the recently published Institute of Internal Auditors' (IIA) monograph, *Research Opportunities in Internal Auditing*. In addition to discussing the

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SUMMER 2003 ISSUE DEADLINE

The deadline for material to be included in the Summer 2003 issue of *The Auditor's Report* is May 1, 2003. The preferred, but not mandatory, format is Word files attached to email messages. Please send all material to the Editor at the address below by May 1, 2003 to ensure timely publication of the issue:

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<http://raw.rutgers.edu/raw/aaa/audit/>

President's Report

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monograph, this session presented information on the IIA's significant commitment to funding academic research in internal auditing. Please take advantage of this opportunity. Those members interested in reading the monograph can download it from: http://www.theiia.org/ecm/iiaarf.cfm?doc_id=3993.

The third concurrent panel session was on communicating and disseminating research results. Rajib Doogar (University of Illinois) planned and moderated this session. The panelists were Barbara Roberts (University of Southern California), Lawrence Evans (General Accounting Office), Karen Nelson (Stanford University), and Lynn Turner (Colorado State University, and formerly Chief Accountant of the Securities and Exchange Commission). The panelists discussed ways that we can better communicate our research results to legislators, regulators, and the financial press. Given the developments of the past 18 months, the academic community may have a once-in-a-lifetime opportunity to become more involved in the policy-making process. These four panelists provided insights into how we can turn this opportunity into a reality.

The final concurrent panel was sponsored by the Section's Education Committee, and focused on audit/assurance education for career success. The panelists were Rich Simitian (Grant Thornton), Diane Featherstone (Edison International), and Tim Lovoy (Deloitte & Touche). This session was designed to test the interest in more teaching-oriented topics at the Midyear Conference. The session was well-attended and received high marks.

No academic conference is complete without sessions for the presentation of research results, and the Midyear Conference had numerous such sessions. There were research sessions on auditor independence, resolving client audit issues, going concern, audit fees, fraud, auditor choice and IPOs, audit risk judgments, auditor quality, audit markets, auditor reporting, performance measures, information search and processing, and corporate governance. There was also a session on audit education cases.

One of my favorite aspects of the Midyear Conference is that we get to recognize and honor those members whose work and accomplishments are particularly noteworthy. The Section has five annual awards. This year congratulations go to: Ted Mock (University of Southern California) for the Outstanding Educator Award; Zoe-Vonna Palmrose (University of Southern California) for the Distinguished Service in Auditing Award; Tim Bell (KPMG) and Arnie Wright (Boston College) for the Notable Contribution to the Auditing Literature Award; Kin-Yew Low (Nanyang Technological University) for the Outstanding Auditing Dissertation Award, and Ira Solomon (University of Illinois) as Kin-Yew Low's dissertation chair; and Ulric J. Gelinis, Jr., Elliott S. Levy, and Jay C. Thibodeau (all of Bentley College) as the inaugural recipients of the Innovation in Auditing and Assurance Education Award. I'm sure all of us in attendance at the Friday luncheon will remember Ted Mock's and Zoe-Vonna Palmrose's remarks upon receiving their respective awards. You can read more about this year's award recipients elsewhere in the newsletter. I want to thank the various selection committees for

their hard work in selecting such worthy recipients.

In conjunction with the Midyear Conference, the Section also sponsors a doctoral consortium. We had over 20 students in attendance, and many of these students remained for the entire conference. Every doctoral student I spoke with was extremely pleased with the quality of the consortium. Speakers included Jere Francis (University of Missouri–Columbia), Mark Peecher (University of Illinois), Zoe-Vonna Palmrose (University of Southern California), Galen Sevcik (Georgia State University), and the always popular editors' panel, which included Bill Messier (Georgia State University), the editor of *Auditing: A Journal of Practice & Theory*; Terry Shevlin (University of Washington), the editor of *The Accounting Review*; and Dan Simunic (University of British Columbia), an associate editor at *Contemporary Accounting Research* and the co-editor at the *Asian Journal of Accounting and Economics*. My thanks to the Doctoral Consortium Planning Committee, chaired by Mark DeFond (University of Southern California) and including Ron King (Washington University in St. Louis) and Dan Simunic (University of British Columbia). Doctoral students represent the future of our discipline and of our Section, and there is no Section activity that is likely to reap as many long-term benefits for our Section as does the Doctoral Consortium.

We also offered a CPE session in conjunction with the Midyear Conference. Bill Heninger (Brigham Young University), Chair of the CPE committee, hit a home run with this year's CPE speaker. Steve Albrecht (Brigham Young University) offered a CPE session on how we can better teach our students about fraud. Steve is a former AAA President, and one of the foremost authorities on fraud in the world. Twenty-three members attended his session, and their feedback was overwhelmingly positive.

The scope and quality of our Midyear Conference would not be possible without the generous support of the KPMG Foundation. KPMG has supported our meeting since its inception, and our Section owes the KPMG Foundation many thanks and, in particular, thanks to Bernie Milano, trustee of the Foundation, who has been a good friend to auditing educators and to our Section for many years. It is my pleasure to tell you that the KPMG Foundation has extended its commitment to fund the Midyear Conference and the Doctoral Consortium through 2006.

Let me briefly tell you about the Section's incoming officers, the activities of the various Section committees, the Section's financial condition, and the status of our research journal. The Section's members voted this fall to elect a new VP–Academic (President-Elect) and a new Treasurer. We had 377 members cast votes (approximately 25 percent of the Section's membership)—our online voting process has clearly been a huge success. My thanks to all of you who took the time to vote. The Section's incoming VP–Academic (President-Elect) is Linda McDaniel (University of Kentucky), and the Section's incoming Treasurer is Jeff Cohen (Boston College). Linda and Jeff will assume their positions at the Section's luncheon at the AAA Annual Meeting this August in Hawaii.

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President's Report

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The Section has 17 committees, many of which exist to select award recipients and to plan the Midyear Conference, Doctoral Consortium, and portions of the AAA Annual Meeting. In addition, the Section has five committees through which much of the Section's work is done. These committees are the Auditing Standards Committee, Communications Committee, Education Committee, Membership and Regional Coordinators Committee, and Research Committee. The chairs of each of these five committees made brief reports at the Section's business meeting.

The Section's Auditing Standards Committee (chaired by Brian Ballou, Auburn University) has been very active because of the current state of the regulatory environment. This committee has drafted a number of comment letters on SAS Exposure Drafts. The Auditing Standards Committee has put a link to these comment letters in this issue of *The Auditor's Report* so that you can read their comment letters if you are interested. This committee also developed the panel session on risk assessment that was so well received at the Midyear Conference.

The Communications Committee (chaired by Jeff Payne, University of Oklahoma) is pursuing a number of initiatives, including making a recommendation to the Executive Committee on how the content and functionality of the Section's website can be improved.

The Education Committee (chaired by Don Tidrick, Northern Illinois University) has aggressively sought out teaching- and practice-related resources that can enhance our effectiveness in the classroom. These resources are shared with the membership through the column in *The Auditor's Report*, "Have You Seen These Educational Resources?" This committee also developed a panel session on audit/assurance education for career success for the Midyear Conference.

The Membership and Regional Coordinators Committee (chaired by Bob Tucker, Fordham University) has a number of initiatives under way. These initiatives involve trying to increase our membership, both among current faculty and Ph.D. students. This committee is also working to improve the auditing-related content at the various regional meetings. I am aware of exciting speakers and/or panels being developed for a number of the regional meetings this Spring. For more details, I suggest that you contact the respective regional coordinator (listed on the Section's website under "Officers and Committees").

The Research Committee (chaired by Steve Salterio, University of Waterloo) is working to provide members with information on how to effectively gain access to subjects and proprietary data, as well as resources for retooling one's research skills. Look for future articles in *The Auditor's Report* and future panel sessions at Midyear Conferences on these initiatives. At the recently completed Midyear Conference, this committee sponsored the panel session on communicating and disseminating research results.

All of the Section's committees are quite active, and whatever the Section is able to accomplish is really a testament to the large number of members serving behind the scenes. I thank all of the Section members serving on one or more of our committees for their hard work.

Unlike last year, the financial condition of the Section has improved markedly. The Section's cash balance has improved from \$15,384 at 8-31-01 to \$54,701 at 8-31-02, and our cash balance at the end of 11-30-02 (the first quarter of our FYE 8-31-03) is \$87,582. We all owe our thanks to Mike Bamber (the Section's Past President) and Rick Tubbs (Treasurer) for leading us to take the actions necessary to solve the Section's structural cash flow problem. It appears that our Section is on solid financial footing for the foreseeable future.

Bill Messier (Georgia State University) assumed the editor's role of *Auditing: A Journal of Practice & Theory* in the summer of last year. Bill's editor's report appears elsewhere in this newsletter. The number of submissions, turnaround time, and number of articles published reflect the great commitment of Bill and his associate editors, Mark DeFond (University of Southern California), Hun-Tong Tan (Nanyang Technological University), and Rick Tubbs (The University of Iowa), as well as the journal's prior editor, Arnie Wright (Boston College) and his editorial team. Bill has recently added a fourth associate editor, Kannan Raghunandan (Texas A&M International), because of the large number of archival-based submissions that the journal is receiving. One of the reasons that the Section has recovered from its financial difficulties so quickly is Bill's decision to forgo most of the stipend that the Section has traditionally provided the editor. Thank you, Bill!

Let me close by briefly telling you about two initiatives that the Executive Committee is pursuing. The Executive Committee believes that it is in the best interest of both the Section and the new Public Company Accounting Oversight Board (PCAOB) for our two organizations to have a close working relationship. We have had contact with the PCAOB as to what this relationship might look like. I hope to provide you with further details on this initiative at the AAA Annual Meeting.

The 25th anniversary of *Auditing: A Journal of Practice & Theory* will be upon us in a couple of years. We are exploring the possibility of sponsoring an *AJPT* research conference to commemorate the journal's 25th anniversary. A preliminary planning committee, chaired by Jean Bedard (VP-Academic), is examining the feasibility of such a conference and will make a recommendation to the Executive Committee by this Spring. Again, I hope to give you more details on this initiative in Hawaii.

Speaking of Hawaii—I hope to see you there. Bryan Church (Georgia Tech) is the Section's liaison to the AAA Annual Meeting Planning Committee, and Bryan tells me that the Auditing Section received 99 paper submissions and one special session proposal. These numbers represent an increase of approximately 30% from last year's numbers. I envision many excellent auditing-related sessions in Hawaii, and we will certainly host the Section's traditional Monday lunch.

I enjoyed seeing many of you at the Section's Midyear Conference, and for those of you who were not in Huntington Beach, I hope this report gives you a sense of the continued vibrancy and activities of your Section.

2003 MIDYEAR AUDITING CONFERENCE

Held in Huntington Beach, California

The 2003 Midyear Meeting of the Auditing section appeared to be a success, aided immeasurably by the 70 degree Southern California weather. The meeting was kicked off by the plenary speaker, Phil Schimmel, managing partner of KPMG's LA office. Phil talked about the profession's response to the post-Enron environment. His slides are available at: http://raw.rutgers.edu/raw/aaa/meetings/2003AU_MeetingInfo.htm.

The meeting featured a second plenary session consisting of a panel discussion by three distinguished leaders in accounting, oversight, and governance: Bill Kinney, Aulana Peters, and Chuck Noski. Their discussions highlighted the uncertainty resulting from Sarbanes-Oxley, the PCAOB, and the legal environment. In addition, there were four panel discussions during the concurrent sessions that dealt with the proposed risk assessment Statement on Auditing Standards and the proposed new COSO report,



The view of the Pacific Ocean from the Hilton Waterfront Beach Resort in Huntington Beach, site of the 2003 Midyear Meeting.

research opportunities in internal auditing, communicating research results outside of academia, and preparing students for the profession.

Thirty-two papers were presented, including, for the first time, cases and conceptual papers oriented toward education. Another 19 papers were presented at the roundtable. This was the second year of the roundtable, and it was quite successful. The papers and abstracts are available at: <http://raw.rutgers.edu/raw/aaa/audit/midyear/03midyear/2003%20Program%20for%20MYM.htm>.

Despite the current economic climate and higher California costs, total attendance was 237. This was down from last year's 272, but still very good. Twenty-eight students registered for the Doctoral Consortium and 27 attended the CPE session on integrating fraud topics in your curriculum presented by Steve Albrecht. Section award winners were: Distinguished Service

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Jeff Cohen enjoying the Welcome Reception with several other attendees, including Roger Simnett who came all the way from Australia.

Panel discussion participants Bill Kinney, Chuck Noski, and Aulana Peters addressed what we have learned from the recent accounting scandals and the related uncertainties facing the profession.



2002 Midyear Auditing Conference

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in Auditing Award—Zoe-Vonna Palmrose; Outstanding Auditing Educator Award—Ted Mock; Notable Contribution to the Auditing Literature Award—Tim Bell and Arnold Wright; Innovation in Auditing and Assurance Education Award—Ulric Gelin, Jr., Elliott S. Levy, and Jay C. Thibodeau; Doctoral Dissertation Award—Kin-Yew Low and advisor, Ira Solomon.

Thanks are due to KPMG and Bernie Milano for their continued sponsorship and support; all reviewers, discussants, and moderators; Dee Strahan at the AAA; McGraw-Hill/Irwin for co-sponsoring a reception; and the Leventhal School at the University of Southern California for sponsoring the closing session.

2003 Auditing Doctoral Consortium

The fourth annual Section Doctoral Consortium was held this year on the day before the 2003 Midyear Auditing Section Conference in beautiful Huntington Beach, California. Once again, KPMG International and the Auditing Section generously sponsored the conference. Twenty-two students attended this year's conference from schools across the U.S. as well as universities in Australia, Germany, and Norway. The purpose of the consortium is to: (1) expose students to the latest cutting-edge auditing research from leading researchers, and (2) provide students with opportunities for networking with other Ph.D. students, established researchers, and editors of journals that publish auditing research. The consortium program consisted of faculty presentations by Jere Francis, Zoe-Vonna Palmrose, Mark Peecher, and Galen Sevcik, followed by an editor's panel consisting of Bill Messier, Terry Shevlin, and Dan Simunic that included a talk on the "author's perspective" by Mark DeFond. KPMG Partner Bernie Milano joined the group for several of the sessions. The dry offshore winds in Southern California made for clear, sunny weather in Huntington Beach with temperatures in the mid-80s and low humidity. The consortium speakers competed with breathtaking views of the blue Pacific ocean from the conference room, and during breaks students basked in the sun and enjoyed the sea view. Directly after the consortium, the faculty and students enjoyed an outdoor cocktail gathering on a patio overlooking the beach, and were joined by several well-known auditing researchers who were in town to attend the Midyear Meeting. This year's planning committee was composed of Mark DeFond (Chair), Ron King (Chair-elect), and Dan Simunic (past Chair). Bob Ramsay organized the very successful cocktail reception.



Participants in the 2003 Doctoral Consortium that led off the 2003 Midyear Meeting.

Awards Presented at the 2003 Midyear Auditing Conference Huntington Beach, California

2003 Outstanding Auditing Educator Award

Presented by Mike Bamber

The Outstanding Auditing Educator Award Selection Committee included Bill Felix (who received the award in 1989), Nick Dopuch (the year 2000 recipient), Barry Cushing (last year's recipient), and Mike Bamber (Section Past President). When I think of the accomplishments and contributions of this year's Outstanding Auditing Educator Award recipient, I wonder where to begin. I am not going to dwell on his research record. His first publication was in the *Journal of Accounting Research* (1969), which was shortly followed by his 1972 paper that was published in *The Accounting Review* and won the AAA Competitive Manuscript Contest. He has over 100 publications, many of which are at the forefront of auditing research. Nor am I going to dwell on how our Outstanding Auditing Educator has served as a great ambassador for audit research and the Auditing Section. He has held honorary and visiting positions at numerous universities in Europe, Asia, and Australia, always spreading the word and encouraging auditing research. What I would like to recognize are two achievements that affected me personally and I know many others. As a Ph.D. student some years ago, I stayed up one night reading the draft of an AICPA monograph that had me transfixed by its findings on auditor consensus and its implication for auditing research. Our Award recipient conducted this research as the first KPMG audit research fellow. The monograph, *Internal Accounting Control Evaluation and Auditor Judgment*, co-authored with Jerry Turner, subsequently won the AAA's Wildman Award. The second accomplishment I have to recognize is that our Award recipient founded in 1983 the annual USC Audit Judgment Symposium. To put this in perspective, this was long before our Midyear Conference. This was not the only auditing conference created about this time, but the others were by invitation. If you could pay your way to California, you could attend the USC Symposium and, reflecting your host, what you found was a conference characterized by a constructive and positive atmosphere. To push the boundaries of our young discipline, researchers from other disciplines often served as panelists and discussants. Finally, I should add that this year's Outstanding Auditing Educator Award recipient's service to our Section includes serving as President, Editor of *Auditing: A Journal of Practice & Theory* and, at one time or another, serving as chair or a member of just about every one of the Section's committees. On behalf of the Selection Committee, the Executive Committee, and all our membership, I want to congratulate Ted Mock, Arthur Andersen Professor of Accounting at the University of Southern California, on his selection as the 2003 Outstanding Auditing Educator.



Mike Bamber and Ted Mock, recipient of the 2003 Outstanding Accounting Educator Award.

2003 Distinguished Service in Auditing Award

Presented by Joe Carcello

The 2003 Distinguished Service in Auditing Award was presented to Professor Zoe-Vonna Palmrose. This award recognizes exemplary service to the auditing profession or the Auditing Section and scholarly contributions to the field of auditing. Criteria for the award are outstanding career achievements over a 20–25-year period that have a lasting and significant impact on the field of auditing, as evidenced by service to the auditing profession, or the Section, or by significant contributions in scholarship. Professor Palmrose has excelled in all three areas.

Professor Palmrose has provided significant service to the auditing profession in numerous ways, five of which are particularly noteworthy. First, Professor Palmrose was the only accounting academic who was a member of the Public Oversight Board Panel on Audit Effectiveness, which was formed in response to concerns by former SEC Chairman Arthur Levitt over earnings management and the quality of financial reporting. Second, she served on the Auditing Standards Board Task Force, which developed SAS No.99, *Consideration of Fraud in a Financial Statement Audit*. Third, Professor Palmrose served as a research consultant to the National

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Distinguished Service Award

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Commission on Fraudulent Financial Reporting (The Treadway Commission). Fourth, she built a database of litigation against auditors and other parties between 1960 and 1995 that she shared with others through the AAA publication of *Studies in Accounting Research #33: Empirical Research on Auditor Litigation: Considerations and Data*. Finally, Professor Palmrose (with Susan Scholz) has built a database on financial restatements from 1997–2002, which has been helpful to both the General Accounting Office in their study on restatements and the Financial Accounting Standards Board in their revenue recognition project.

Professor Palmrose has made numerous contributions to the Auditing Section. She has served the Section as Secretary-Treasurer, chair of the Research Committee, chair of the selection committee for the Outstanding Auditing Dissertation Award, member of the Auditing Standards Committee, speaker at the Auditing Section Doctoral Consortium, and in a number of other ways. Professor Palmrose also currently serves as the AAA's Vice President–Research.

Professor Palmrose has made significant contributions to scholarship. Her research on auditor litigation has been widely cited, and it has been published in *The Accounting Review*, *Journal of Accounting Research*, *Auditing: A Journal of Practice & Theory*, and the *Journal of Accounting and Public Policy*, among numerous others. Her research has been funded by grants from the AAA's Independence Research Grant Program, the Accountants' Coalition, the KPMG Peat Marwick Foundation, and the Coopers & Lybrand Foundation. Professor Palmrose received the AAA's Competitive Manuscript Award for her 1988 paper in *The Accounting Review*, "An Analysis of Auditor Litigation and Audit Service Quality."

The members of this year's selection committee were: Joe Carcello (President, Chair), Dan Guy, Bill Kinney, David Landsittel, and Jerry Sullivan.



Section President Joe Carcello with Zoe-Vonna Palmrose, recipient of the 2003 Distinguished Service in Auditing Award.



Mike Bamber presented the 2003 Innovation in Auditing and Assurance Education Award to Jay Thibodeau for his *Norwood Office Supplies materials*. Not pictured are coauthors Ulric Gelinias and Elliott Levy.

2003 Innovation in Auditing and Assurance Education Award

Presented by Mike Bamber

In 2002, the Section's Executive Committee created this new award as part of the Committee's efforts to encourage innovation and improvement in auditing and assurance education. The criteria used to judge submissions include innovation, educational benefits, and adaptability by other educational institutions. Nominations may include, for example, a set of teaching materials, a creative instructional strategy, or an insightful teaching approach to a particular topic. Since this is the first award given, the 2001–2002 Executive Committee served as the award's selection committee. It is my pleasure to announce and present our first Award. The award winners are Jay Thibodeau and his coauthors, Ulric Gelinias and Elliott Levy, for "Norwood Office Supplies, Inc.: A Teaching Case to Integrate Computer Assisted Auditing Techniques into the Auditing Course." I know that some of you have already used these instructional materials. The case is described in articles in *The Auditor's Report* (Fall 2001) and *Issues in Accounting Education* (November 2001). The case is also supported by its own website, <http://ecampus.bentley.edu/dept/ac/norwood>.

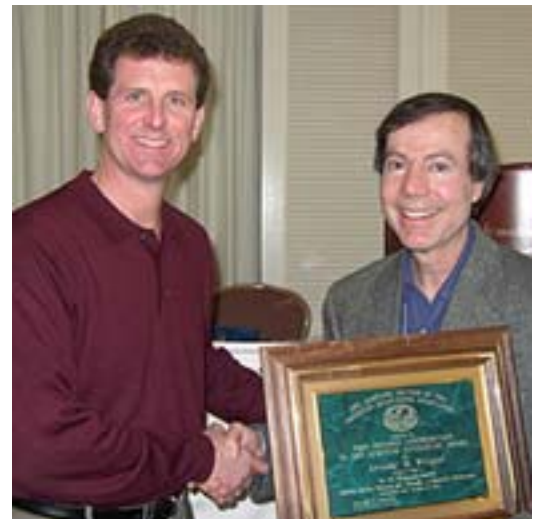
Notable Contributions to the Auditing Literature Award

Presented by Mark Beasley

The 2003 Notable Contributions to the Auditing Literature Award was presented to Tim Bell and Arnie Wright for the monograph they edited, *Auditing Practice, Research, and Education: A Productive Collaboration*, published in 1996. The criteria notes that the award is “to recognize research works of exceptional merit that make a significant contribution to auditing or assurance education, practice or research.” Tim and Arnie’s monograph has made significant contributions on all three dimensions. They led a team of over 20 well-known researchers and practitioners to provide an extensive analysis of the collaboration of auditing research and practice. The monograph has proven to be extremely useful to researchers by providing a comprehensive background of the development of research and practice interactions. It has also been informative to educators, particularly those leading doctoral seminars, by demonstrating the often puzzling linkages between research and practice. It also has helped research influence practice by documenting the role of research to practitioners, including standards setters, and by summarizing complex research results in a concise, collective manner. The 2003 Notable Contributions Award Selection Committee was composed of Mark S. Beasley (Chair), Jagan Krishnan, Jordan Lowe, and Linda McDaniel.



Mark Beasley presented plaques to Tim Bell (top) and Arnie Wright (bottom) as recipients of the 2003 Notable Contributions to Auditing Literature Award for the monograph: Auditing Practice, Research, and Education: A Productive Collaboration.

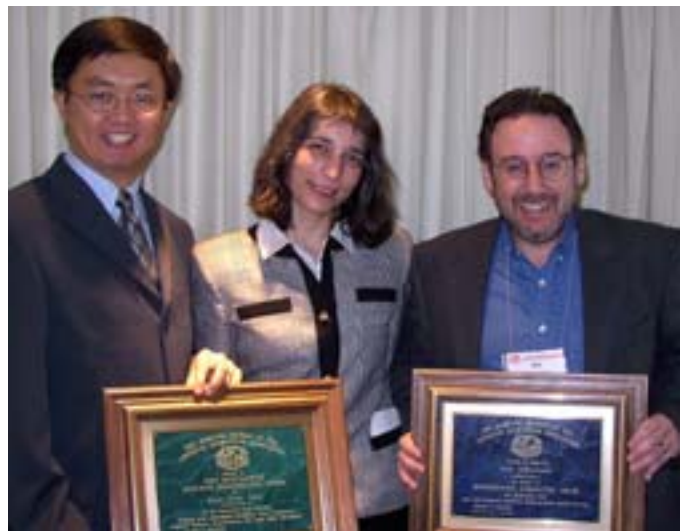


2003 Outstanding Dissertation Award

Presented by Rachel Schwartz

The 2003 Outstanding Auditing Dissertation Award was presented to Dr. Kin-Yew Low of Nanyang Technological University, and the Chair of the Outstanding Dissertation Committee Award was presented to Professor Ira Solomon of the University of Illinois at Urbana–Champaign. The Auditing Section began presenting the award in 1988. Initially the award was presented only to the author, but since 1996 the Section also presents an award to the Chair of the dissertation committee. Dr. Low’s dissertation is entitled “Coping with Identified Budgetary Time Constraints: Auditors’ Industry Specialization and Risk Assessments.”

Several high-quality dissertations were nominated for the 2003 award and the recipient was selected by a committee consisting of Rachel Schwartz (Chair), Jim Bierstaker, and Chris Hogan. The criteria for the award are the timeliness and importance of the problem(s) addressed, the creativity of the research, the development of an appropriate theoretical framework, the appropriateness of the research method and analysis, the potential for publication in a scholarly journal, and the potential for the results to have an impact on the practice of auditing. The Section solicits nominations from the membership by July 1 of each year and presents the award at the following Midyear Meeting.



Rachel Schwartz presented the 2003 Outstanding Dissertation Award to Kin-Yew Low and the Chair of his dissertation committee, Ira Solomon.

ASB Update as of January 31, 2003

*William F. Messier, Jr., Georgia State University
Academic Member of the Auditing Standards Board*

It is a pleasure for me to serve as the new academic member of the Auditing Standards Board (ASB). Auditing Section members owe Ray Whittington a big round of applause for his outstanding service during his term on the ASB. The upcoming year will be very challenging for the Board as we address the proposed changes to the auditor's risk assessment process and respond to the requirements of the Sarbanes-Oxley Act of 2002.

At the October meeting, the ASB unanimously approved SAS No. 100, *Interim Financial Information*, and issued an exposure draft related to the risk assessment process. At the December meeting, the ASB approved SAS No. 101, *Auditing Fair Value Measurements and Disclosures*. The February ASB meeting will focus mainly on exposure drafts for standards to respond to Sarbanes-Oxley. I will briefly review each of these topics. More information can be obtained from the AICPA's website – <http://www.aicpa.org>.

SAS No. 100—Interim Financial Information

SAS No. 100, *Interim Financial Information*, supersedes SAS No. 71. It was issued to provide additional guidance on performing reviews of interim financial information, and include the requirement of the Securities and Exchange Commission (SEC) for timely filings of interim financial information, incorporate recommendations of the Public Oversight Board's Panel on Audit Effectiveness and the AICPA's Professional Issues Task Force in Practice Alert 2000-4, "Quarterly Review Procedures for Public Companies."

The SAS revises SAS No. 71 by:

- Clarifying the applicability of generally accepted auditing standards to a review of interim financial information.
- Citing the SEC requirement that a registrant engage an independent accountant to review the registrant's interim financial information before the registrant files its quarterly report on Form 10-Q or Form 10-QSB, and modifying the relevant guidance in the SAS to reflect this requirement.
- Providing guidance to an accountant performing an initial review of interim financial information.
- Requiring an accountant to establish an understanding with the client regarding the services to be performed in an engagement to review interim financial information.
- Requiring the accountant to perform certain additional specified procedures in an interim review engagement, including:
 - Comparing disaggregated revenue data; for example, comparing revenue reported by month and by product line or business segment for the current interim period with that of comparable prior periods.
 - Obtaining evidence that the interim financial information agrees or reconciles with the accounting records.
 - Inquiring of members of management who have responsibility for financial and accounting matters about their

knowledge of any fraud or suspected fraud affecting the entity, and whether they are aware of allegations of fraud or suspected fraud affecting the entity, received in communications from employees, former employees, analysts, regulators, short sellers, or others.

- Providing an illustrative report for a review of comparative interim financial information.
- Providing guidance on the accountant's consideration, in an interim review engagement, of matters related to an entity's ability to continue as a going concern, and presenting reporting options related to such matters.
- Adding appendices that present examples of analytical procedures, and unusual or complex situations the accountant may consider performing in a review of interim financial information. The appendices also include illustrative representation letters for a review of interim financial information.

SAS No. 101, *Auditing Fair Value Measurements and Disclosures*

Statement on Auditing Standards No. 101, *Auditing Fair Value Measurements and Disclosures*, is effective for audits of financial statements for periods beginning on or after June 15, 2003. It contains significantly expanded guidance on the audit procedures for fair value measurements and disclosures. In recent years, the number of accounting standards requiring fair value measurements and disclosures has increased significantly. Practitioners have used the guidance in SAS No. 57, *Auditing Accounting Estimates*, when evaluating fair value measurements and disclosures. However, the ASB believed that, with the proliferation of accounting standards requiring fair value measurements and the complexity and significance of some of these estimates to the financial statements, auditing guidance that was specific to fair value measurements was necessary.

SAS No. 101 provides guidance on auditing specific assets, liabilities, components of equity, transactions, or industry-specific practices. This standard requires that the auditor's substantive tests of fair value measurements involve: (1) testing management's significant assumptions, the valuation model, and the underlying data, (2) developing independent fair value estimates for corroborative purposes, or (3) examining subsequent events and transactions that confirm or disconfirm the estimate. In testing management's significant assumptions, the valuation model, and the underlying data, the auditor evaluates whether:

- Management's assumptions are reasonable and reflect, or are not inconsistent with, market information.
- The fair value measurement was determined using an appropriate model, if applicable.
- Management used relevant information that was reasonably available at the time.

(continued on page 10)

ASB Update

(continued from page 9)

Proposed Statements on Auditing Standards for Audit Risk Assessments

For nearly two years, the Joint Risk Assessment Task Force has been working on a set of auditing standards that revise the auditor's risk assessment process. These standards are to serve as a basis for both international and U.S. standards. The International Auditing and Assurance Standards Board and the ASB issued their respective exposure drafts in October 2002. The U.S. exposure draft contains the following amendments to existing Statements on Auditing Standards and new standards:

Amendment to Statement on Auditing Standards No. 95,

Generally Accepted Auditing Standards

Audit Evidence

Audit Risk and Materiality in Conducting an Audit

Planning and Supervision

Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained

Amendment to Statement on Auditing Standards No. 39, Audit Sampling

The requirements and guidance provided in the proposed Statements on Auditing Standards will result in a substantial change in audit practice. They require:

- More in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate them.
- More rigorous assessment of the risks of material misstatement of the financial statements based on that understanding.
- Improved linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.

The proposed standards were developed in response to the report of the Public Oversight Board Panel on Audit Effectiveness and recent corporate failures that have led to increased scrutiny of the work of auditors. The Explanatory Memorandum at the beginning of the exposure draft presents commentary on how the proposed Statements on Auditing Standards collectively are expected to affect practice, a summary of the significant provisions in each of the proposed Statements on Auditing Standards, and a summary of the major changes to the organization of guidance in the existing standards and reasons for which the changes

are proposed. Members of the Auditing Section are encouraged to comment on the exposure draft. The deadline for comments is April 30, 2003. Responses also may be sent by email to jdilley@aicpa.org.

Responses to the Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 requires auditing standards in three areas:

- Second (concurring) partner review.
- Documentation retention.
- Internal control reporting by management with auditor attestation.

The ASB has two task forces working on standards to respond to the requirements of Sarbanes-Oxley. The Omnibus SAS Task Force has drafted an exposure draft for a new SAS on second partner review. The exposure draft is based on SECPS Practice Manual, Appendix E—Concurring Partner Review Requirements. The exposure draft includes guidance for second partner qualifications; the nature, timing, and extent of the review; and documentation. The task force is also drafting requirements to comply with the SEC's final rule on documentation (release number 33-8180). The final rule requires "accounting firms to retain for seven years certain records relevant to their audits and reviews of issuers' financial statements. Records to be retained include an accounting firm's work papers and certain other documents that contain conclusions, opinions, analyses, or financial data related to the audit or review."

The Internal Control Task Force is charged with developing standards to comply with Sarbanes-Oxley Sections 103, 302, and 404. Those sections essentially require management to provide an assertion on the effectiveness of internal control and the entity's auditor to issue an "audit" report on management's assertion. Note that these requirements only apply to public companies with some exceptions. The task force has developed a new proposed standard that will provide overall guidance for auditors conducting "audits" of internal control. The performance requirements for this SAS will be included in a revision to AT 501—*Reporting on an Entity's Internal Control over Financial Reporting*. There also will be a standard that provides guidance for identifying and reporting matters that relate to an entity's internal control to the entity's audit committee. The proposed draft distinguishes between internal control deficiencies, significant deficiencies (formerly called reportable conditions), and material weaknesses. It is very likely that the requirement under Sarbanes-Oxley and related auditing guidance on internal control reporting will result in increased work for management and auditors.

Communicating Research Results: The Pros Give Advice

by Steve Salterio and Rajib Doogar, on behalf of the Research Committee

Our president, Joe Carcello, set as one of his goals upon assuming the presidency of the Section to encourage increased dissemination of audit research to nontraditional (i.e., nonpractitioner) audiences. Joe assigned this goal to a number of relevant committees hoping that something would be done. The Research Committee, in meeting this charge, decided to take a “bottom-up” approach and help Section members become better disseminators of their own research. After all, “if you give a person a fish you feed them for a day, if you teach them how to fish you feed them for a lifetime.” Hence, Rajib Doogar (with some help from Steve Salterio and Mark DeFond) set up a panel at the Midyear Meeting to give us some “expert” advice on how to approach this communication process. The Panel members were:

- Karen Nelson, Assistant Professor at Stanford, who communicates her research to regulators, legislators, the business press and nontraditional niche audiences such as investor newsletters.
- Barbara Roberts, USC Marshall School of Business Communications Director, whose full-time job is to promote the profile of the School in the media and beyond.
- Lawrence Evans, an economist at the General Accounting Office, who is frequently tasked with employing academic research to respond to mandates from Congressional Committees to provide information relevant to the legislative process.
- Lynn Turner, now at Colorado State University, but formerly an activist regulator in his role as Chief Accountant of the Securities and Exchange Commission.

Below are the top seven pieces of advice to academics we culled from the very thoughtful presentations made by all four presenters about how to target nontraditional audiences for research:

1. Before starting, learn about on-campus resources to help you communicate your research. For example, School- or University-level communications officials would love to help raise the profile of the School/University via helping you publicize your research results.
2. Understand the different needs of each target audience:
 - a. News media wants research stories that grab an audience, frequently looking for conflict or who “wins or loses.” This is the toughest target audience for most academics to deal with, as reasoned thought and careful nuances can easily get lost. Communications officials are the key here, as they know who to call and can help you understand what level to talk to the media on.
 - b. Regulators like the SEC—they keep on top of published research but working papers are always welcome.
 - c. Congressional resources like the GAO—again, they keep on top of published research, so there is the most interest in working papers.

Both of these groups need a reader-friendly summary and often a follow-up phone call to make certain that the significance is understood. When a working paper is best forwarded to either group is a judgment call. Certainly it should have stood up to some level of scrutiny via workshop or conference presentation prior to being sent. Also, research that reaches congressional staffers may result in requests for endorsements of legislation that are only loosely based on your research.
 - d. Think about niche resources—your School’s/University’s alumni magazine, user group newsletters (e.g., investor clubs), or industry magazines (e.g., insurance) in addition to more traditional outlets like the *Journal of Accountancy*, *The Internal Auditor*, and similar professional journals.
3. Identify the top two or three messages that your research has for the target audience. Remember, attention spans are short and everyone is under deadline pressure. Think, “What would you tell your mother?”
4. Be prepared not just to talk about your own research, but to put it in context for the recipient. What does other research say? How new is what *you* are saying? What are the trends? What are the implications for the target audience?
5. Also remember you can contribute perspective to the media, regulators, and legislators by integrating the research of others into an informed commentary that does not necessarily represent “basic” research, but rather the scholarship of integration. One of the hardest problems that users of academic research have is understanding that any one research paper cannot answer all the questions the audience might have. As academics, we have to weave a story. “Expertise” in disseminating research to various audiences is largely a matter of telling a compelling story that places research (including your own) in a wider context.
6. Be clear about your biases. If the research is sponsored, state that it is sponsored and identify the sponsor. Make it clear whether the sponsor had any control over the dissemination of results. Unbiased research is one of the key contributions academics can make to the public policy debate.
7. Remember, there are limited (some faculty would say nonexistent) incentives for doing research dissemination to nontraditional audiences. So, carefully allocate time to this activity in the context of the other things you need to accomplish at each stage of your career.

“Have You Seen These Instructional Resources?”

Education Committee of the Auditing Section of the AAA
 Donald E. Tidrick, Chair; James Bierstaker; Christine Earley; Susan Parker;
 Pamela B. Roush; Charles W. Stanley; and C. William Thomas

The Section’s Education Committee presents the table of educational resources related to “corporate governance and audit committees” to assist members seeking relevant topical materials to supplement their courses. (The Fall 2002 issue of *The Auditor’s Report* included resources related to recent scandals, such as Enron and WorldCom, as well as Andersen’s role.) We hope that these efforts might increase the discussion among the Section’s membership about instructional materials and resources that other faculty find particularly useful in their assurance and auditing classes. We welcome your comments or suggestions about these or other interesting instructional materials.

List of Educational Resources for Corporate Governance and Audit Committees

Format	Title	Date	Source	Description/Contents	How to Obtain
Video/VHS	NOW with Bill Moyers 9/27/02	9/27/02	PBS	Includes panelists’ comments regarding problems of corporate oversight. 60 m.	Video can be ordered at http://www.pbs.org (click on “Shop PBS” link) for \$29.98 (plus S&H). Other educational materials can be obtained at: http://www.pbs.org/now/classroom
Website	Various	N/A	The Corporate Library	Contains research on corporate governance.	http://www.thecorporatelibrary.com
Website	Various	N/A	Corporate Governance Website	Contains links to sites, news items, library, search hints, etc.	http://www.corpgov.net
Website	Various	N/A	Institute of Internal Auditors	Extensive links on audit committees and corporate governance.	http://www.theiia.org/ecm/iipro.cfm?doc_id=71
Website	Various	N/A	International Chamber of Commerce	Discusses corp. governance with other resource links.	http://www.iccwbo.org/index_corpgov.asp
Website	KPMG’s Audit Committee Inst.	N/A	KPMG	Various links regarding audit committees	http://www.kpmg.com/aci/
Article	Former AICPA Chair Testifies ...	May 2002	AICPA online publications <i>The CPA Letter</i>	Testimony by former Chair Olivia Kirtley before U.S. Senate	http://www.aicpa.org/pubs/cpaltr/may2002/supps/busind1.htm
Article	NYSE Sets Audit Committees on New Road	Nov. 2002	AICPA <i>Journal of Accountancy</i>	Describes NYSE’s new listing requirements	http://www.aicpa.org/pubs/jofa/nov2002/sweeney.htm
Article	The State of Audit Committees	May 2001	AICPA <i>Journal of Accountancy</i>	Comments following Arthur Levitt’s criticism of audit committees	http://www.aicpa.org/pubs/jofa/may2001/read.htm
Article	New Rules, New Responsibilities	Aug. 2000	AICPA <i>Journal of Accountancy</i>	Describes impact of the Blue Ribbon Committee on Audit Committees	http://www.aicpa.org/pubs/jofa/aug2000/zachar.htm
Various links	Sarbanes-Oxley/PCAOB Implementation	N/A	AICPA Website	Extensive links to resources about Sarbanes-Oxley	http://www.aicpa.org/sarbanes/index.asp
PDF File	Panel on Audit Effectiveness	Aug. 2000	Public Oversight Board	Discussion related to audit committees	http://www.pobauditpanel.org/download.html
PDF File	Report and Recommendations of the Blue Ribbon Committee ...	1999	New York Stock Exchange	Private sector initiative by NYSE and NASD in response to Arthur Levitt Sept. 1998 speech.	(1) Click on the tab for “search” (bottom); (2) enter “Blue Ribbon Committee”; (3) click on “Blue Ribbon Committee” link (7/20/99 version); (4) scroll down for “Full PDF Version,” if desired. http://www.nyse.com
PDF file (37 pages)	2002 Corporate Governance Principles	May 2002	Business Roundtable	A White Paper from an Association of CEOs	Click on “corporate governance” link (then click “publications,” look for “2002 corporate governance principles”) or click tab for “2002 corporate governance principles” http://www.brtable.org/index.cfm

HAVE YOU SEEN...?

Brad Reed, Southern Illinois University Edwardsville, and John T. Reisch, East Carolina University

“Board Characteristics and Audit Fees,” by J. V. Carcello, D. R. Hermanson, T. L. Neal, and R. A. Riley, *Contemporary Accounting Research* (Vol. 19, No. 3, 2002): 365–384.

This study examines the relationship between three board characteristics (independence, diligence, and expertise) and Big 6 audit fees for Fortune 1000 companies. To protect its reputation capital, avoid legal liability, and promote shareholder interests, a more independent, diligent, and expert board may demand differentially higher audit quality than the Big 6 audit firms normally provide. Because of the additional work required of the auditor, the audit fees are expected to increase as the Board’s independence, diligence, and expertise increase. The authors find significant positive relationships between audit fees and board independence, diligence, and expertise. These results add to the body of literature documenting relationships between corporate governance mechanisms and various facets of the financial reporting and audit processes.

“Audit Review: Managers’ Interpersonal Expectations and Conduct of the Review,” by M. Gibbins and K. T. Trotman, *Contemporary Accounting Research* (Vol. 19, No. 3, 2002): 411–444.

The authors of this paper present an interpersonal model of audit file reviews that is centered on the audit manager. The paper also presents a comprehensive field-based analysis of how a working paper review is conducted. The model shows that managers’ conduct of the review is affected by four components: the managers’ expectations of the client, expectations about the preparer, expectations about the partner, and managers’ own approach and circumstances. The authors find that the extent of review is sensitive to specific features of the client and the file (including risk factors), features of the preparer, and, in particular, the reviewer’s style. The evidence of managers’ awareness of preparers “stylizing” the file to suit the manager was weak, while the evidence of managers’ stylizing for the partners was pervasive, affecting both work performed and documentation. The authors also provide some descriptive evidence on the nature of the review process, including how frequently surprises are found in the review process.

“The Market for External Audit Services in the Public Sector: An Empirical Analysis of NHS Trusts,” by M. A. Clatworthy, H. J. Mellett, and M. J. Peel, *Journal of Business Finance & Accounting* (Vol. 29, No. 9/10, 2002): 1399–1435.

This paper extends research into the determinants of audit fees by investigating, for the first time, the market for audit services in U.K. National Health Service (NHS) trusts. A multivariate model of the determinants of trusts’ external audit fees is developed and augmented with reference to an analysis of private sector firms across a range of industrial sectors. The analysis

finds that Big 6 auditors did not appear to be charging fee premiums. The analysis also demonstrates that, in common with private sector research, auditee size, location, and complexity were significant determinants of NHS trusts’ external audit fees. Also, the authors find that, in contrast to prior research, a significant negative relationship exists between audit and nonaudit fees. This negative relationship is consistent with the “knowledge spillover” hypothesis expressed in prior research.

“Auditor Conservatism and Voluntary Disclosure: Evidence from the Year 2000 Systems Issue,” by P. M. Clarkson, C. Ferguson, and J. Hall, *Accounting and Finance* (Vol. 43, 2003): 21–40.

The authors examine the disclosure level of Year 2000 remediation information in company annual reports to test the conservatism of Australian auditors. Annual reports for the 1998 reporting period were used because, at that time, Year 2000 remediation disclosure was completely voluntary. Among the explanatory variables used in the regression model to capture the Year 2000 disclosure were audit firm (Big 6 or not), company size, IT intensity, and level of corporate governance. The study finds that the extent of Year 2000 remediation disclosure made by companies with Big 6 auditors was greater than that made by non-Big 6 auditors. The authors argue that, because Big 6 auditors have greater reputation capital at stake, they are more likely to act conservatively and insist on increased Year 2000 remediation disclosure to reduce litigation risk.

“Why Press Coverage of a Client Influences the Audit Opinion?” by J. R. Joe, *Journal of Accounting Research* (March 2003): 109–133.

This study examines why auditors are more likely to issue going-concern (GC) opinions to clients when the clients have been subjected to negative press coverage prior to the audit opinion date. Prior studies suggest that the increased likelihood of a GC opinion associated with negative press, which is arguably redundant information, is attributable to auditors’ conservatism and efforts to minimize litigation risk. This study uses an experiment to test the above explanation (called the “strategic” explanation) as well as whether the negative information affects the auditors’ cognition via the saliency of the redundant, negative press coverage. Using 90 in-charge auditors, the author tests how press coverage of loan default information (present or not) impacts the auditors’ viability choices (continue or fail), GC probability, opinion choice, and perceived litigation risk. The findings suggest that cognition plays a significant role in auditors’ opinion choice; specifically, the redundant information influenced auditors’ beliefs about the company’s viability while the auditors’ perceived litigation risk remained constant.

(continued on page 14)

CALL FOR NOMINATIONS

Notable Contribution to the Auditing Literature Award

The Auditing Section seeks submissions for the Notable Contribution to the Auditing Literature Award. The award will recognize a published work of exceptional merit that has made, or has the potential to make, a direct contribution to auditing or assurance research, education, and practice. To be eligible for submission, a work must have been published during the ten-year period ended December 31, 2002, and at least one of the authors of the published article, chapter, book, or monograph must be a current member of the Auditing Section. Selection of the award winner will be made by the Auditing Section's Notable Contribution to the Auditing Literature Award Committee. The award will be presented at the 2004 Midyear Conference of the Auditing Section.

A work may be submitted either by the author or another individual with an interest in auditing research, education, or practice. Submissions must include five copies of: (1) a nomination letter stating why the work is deserving of special recognition, and (2) the submitted work. Submissions should be sent by July 1, 2003 to:

Professor Jean C. Bedard
Northeastern University
404 Hayden Hall
Boston, MA 02115
Phone: (617) 373-8368
Fax: (617) 373-8814
Email: j.bedard@neu.edu

Have You Seen...?

(continued from page 13)

“Shredded Reputation: The Cost of Audit Failure,” by P. K. Chaney and K. L. Philipich, *Journal of Accounting Research* (September 2002): 1221–1245.

By examining the market reactions to significant events related to the Enron debacle, the authors were able to test how the events affected Arthur Andersen's audit reputation. A key finding was that Andersen's admission to having shredded documents related to Enron had a significant negative effect on the stock prices of Andersen's other clients. In addition, the reaction was more severe for clients from Andersen's Houston office. The authors argue that the market reaction was a reflection of Andersen's loss of reputation. However, the study did not show that Andersen's overall independence, as measured by the amount of audit or nonaudit fees charged to its clients, was impaired.

“Auditors' Conflict Management Styles: An Exploratory Study,” by J. Goodwin, *ABACUS* 38 (2002): 378–405.

In this exploratory study, the author identifies the conflict management styles of audit partners and managers. Two variables are manipulated, the size of the client and strength of the company's corporate governance mechanisms, to capture the conflict management style of auditors in a dispute with a company's finance director concerning the valuation of inventory. Participants primarily used an integrating style (open exchange of information to achieve an outcome agreeable to both parties, and thus a win-win situation) to resolve disputes. Compromising (both parties give something up to achieve a mutually acceptable decision, and thus a no-win, no-lose situation) and dominating (desire to impose one's views on the other party, and thus a win-lose situation) styles were used to a lesser extent. Client size and corporate governance had a relatively minor impact on auditors' choice of styles.

“Do Non-Audit Service Fees Impair Auditor Independence? Evidence from Going Concern Audit Opinions,” by M. L. DeFond, K. Raghunandan, and K. R. Subramanyam, *Journal of Accounting Research* (September 2002): 1247–1274.

This paper tests the association between nonaudit (and audit) fees paid to incumbent auditors and auditor independence by investigating the auditors' willingness to issue going-concern (GC) opinions. The authors argue that the GC opinion proxies for independence because issuing a GC opinion means that the auditor is objectively evaluating the firm's performance and is able to withstand client pressure to issue a clean opinion. Based on a sample of 1,158 distressed firms, the results indicate no evidence of a significant association between the auditor's propensity to issue a GC opinion and either total fees or audit fees.

“Multiple Hypothesis Evaluation in Auditing,” by R. P. Srivastave, A. Wright, and T. J. Mock, *Accounting and Finance* (Vol. 42, 2002): 251–277.

This paper presents a model, derived from probability theory, that examines the appropriate revision of likelihoods for multiple hypotheses given different audit conditions. The framework indicates that probability revisions should vary substantially under alternative audit scenarios. Specifically, the authors focus on the process of assessing the most likely cause(s) of account fluctuations in four scenarios: (1) mutually exclusive and collectively exhaustive; (2) mutually exclusive and nonexhaustive; (3) nonexclusive and nonexhaustive hypotheses with positive correlations; and (4) nonexhaustive with mixed correlations (positive, negative, and independent). The paper concludes with the development of testable hypotheses and avenues for future research.

**MEETING ANNOUNCEMENT
AND CALL FOR PAPERS**

**TENTH ANNUAL
MIDYEAR AUDITING SECTION CONFERENCE**

The Tenth Annual Midyear Auditing Section Conference will be held in **Clearwater, Florida (Tampa/St. Petersburg area) on January 15–17, 2004**. CPE sessions will be held on the afternoon of January 15. The remainder of the conference will consist of keynote, plenary, and concurrent sessions dealing with a wide variety of contemporary topics related to audit, attestation, and assurance practices, education, and research. You are encouraged to contribute to the program through submissions of auditing/attestation/assurance research and education papers, teaching cases, and special session proposals.

The conference will be held at the **Hilton Clearwater Beach Resort** in Clearwater Beach, Florida, located 20 miles from the Tampa International Airport. Located on an island and overlooking the Gulf of Mexico, the Hilton Clearwater Beach Resort sits on ten acres along a beautiful, private white sandy beach. Recreational facilities include beach cabanas, two beachside swimming pools, volleyball, wave runners, parasailing, and more. A short walk from the hotel is an entertainment pier. The island has 30 or more restaurants as well as many shops and attractions. Activities such as snorkeling, deep sea fishing, or sailing charters are also available. The Florida Aquarium, Salvador Dali Museum, and Busch Gardens are all within a few minutes' drive. For children, there is the special recreation program, "Fun Factory," custom-designed to entertain and educate.

SUBMISSION GUIDELINES AND DEADLINE

Email submissions (auditing research and education papers, teaching cases, and special session proposals) to **2004Audit@byu.edu** as Word attachments. Research papers should follow the style guidelines of *Auditing: A Journal of Practice & Theory*. To preserve anonymity, email the cover page and the remainder of the manuscript as separate files. For field surveys or experiments, also email the research instrument, removing the identities of the authors.

Submissions of teaching cases and research papers are not eligible for consideration if they: (1) have been published or accepted for publication, (2) were presented at the 2003 AAA Annual Meeting, or (3) were presented at more than one AAA regional meeting. Papers presented at the Research Forum of the AAA Annual Meeting are eligible for consideration. It should be noted that papers accepted for presentation at the 2004 Midyear Auditing Section Conference may also be submitted for presentation at the AAA Annual Meeting scheduled for August 2004.

Submissions must be received by **September 1, 2003** to be considered for the program. Early submission is highly encouraged. Any questions should be addressed to the meeting co-chairs, Steve Glover and Doug Prawitt, at the email address listed above.

TENTH ANNUAL MIDYEAR AUDITING SECTION CONFERENCE

JANUARY 15–17, 2004
CLEARWATER BEACH, FLORIDA

Your help in planning and conducting the Section's 2004 Midyear Conference is needed. If you are willing to volunteer your assistance in one or more of the following areas, please complete this form and mail/fax it to the address/number below.

Name _____

Address _____

City _____ State _____ ZIP _____

Phone _____ Fax _____ Email _____

Reviewer: If you are willing to assist by reviewing one to three manuscripts, please indicate your areas of competence/interest.

Research Areas _____

Research Methods _____

Session Chair or Discussant: Please indicate if you are willing to assist in either of these capacities.

Session Chair _____ Discussant _____

Special Sessions: Please provide any ideas that you have for special CPE topics, panels, workshops, etc. If you know any particular individual(s) who may be interested in the areas you recommend, please list their names.

The Steering Committee very much appreciates your input. Mail or fax this form to:

Steve Glover or Doug Prawitt

Fax: (801) 422-0621 Email: 2004Audit@byu.edu

CALLS FOR NOMINATIONS

Outstanding Auditing Dissertation Award

The Auditing Section seeks nominations for its annual Outstanding Auditing Dissertation Award. The author of the dissertation judged to make the most outstanding contribution to auditing knowledge among those dissertations nominated for consideration, in addition to the recipient's dissertation chair, will receive the award. The assessment of what constitutes an outstanding contribution will be based upon, but not limited to, the following criteria:

- The timeliness and importance of the problem(s) addressed.
- The creativity of the research.
- The development of an appropriate theoretical framework.
- The appropriateness of the research method and analysis.
- The potential for publication in a scholarly journal
- The potential for the results to have an impact on the practice of auditing.

Selection of the award winner will be made by the Section's Outstanding Dissertation in Auditing Committee. A dissertation can be nominated either by the author or one or more members of the dissertation committee. Nominations will be considered complete when the following materials have been submitted:

- A letter from the dissertation chairperson stating that the dissertation has been completed and accepted by the degree-granting institution between January 1, 2001 and December 31, 2002 (dissertations can be nominated more than once).
- Five copies of a nomination letter stating why the dissertation is deserving of special recognition.
- An electronic copy of a paper from the dissertation that meets the criteria for papers submitted to *Auditing: A Journal of Practice & Theory* (refer to the latest issue for requirements related to length and other matters, e.g., submission of experimental instruments).
- An electronic copy of the entire dissertation.

Please submit all materials by July 1, 2003 to:

Professor Jean C. Bedard

Northeastern University, 404 Hayden Hall, Boston, MA 02115

Phone: (617) 373-8368; Fax: (617) 373-8814;

Email: j.bedard@neu.edu

Innovation in Auditing and Assurance Education Award

The Innovation in Auditing and Assurance Education Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2004. The purpose of this award is to encourage innovation and improvement in auditing and assurance education. The award will recognize a significant activity, concept, or materials. The criteria used to judge the submissions include, but are not necessarily limited to: (1) innovation, (2) educational benefits, and (3) adaptability by other educational institutions or to other situations.

Nominations may include, for instance, a set of teaching materials, a creative instructional strategy, or an insightful teaching approach. The innovation should have been implemented so that evidence of its success can be evaluated. Award winners must be willing to share instructional materials with other members of the Section.

Individual faculty members or groups of faculty teaching or preparing materials to be used for auditing and/or assurance education are eligible to apply. Persons may also nominate another faculty member or group of faculty. At least one nominee must be a member of the Auditing Section. Nominations should be sent by July 1, 2003 to:

Professor Joseph V. Carcello
University of Tennessee
601 SMC
Knoxville, TN 37996-0560
Phone: (865) 974-1757
Fax: (865) 974-4631
Email: jcarcell@utk.edu

Distinguished Service Award in Auditing

The Distinguished Service in Auditing Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2004. This award recognizes outstanding and sustained service to the profession or the Auditing Section. The distinguished careers of past recipients of the award (e.g., Robert Mautz, Robert Elliott, William Kinney, Dave Landsittel, and Dan Guy) represent the type of contribution to the profession that exemplifies this recognition. Nominations should be sent by July 1, 2003 to:

Scott Showalter

KPMG LLP

Phone: (201) 505-5500

Email: dsshowalter@kpmg.com

CALLS FOR NOMINATIONS

Outstanding Auditing Educator Award

The Outstanding Auditing Educator Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2004. This award is given annually and recognizes outstanding contributions to the field of auditing education. Prior recipients of this award include Andy Bailey, Ira Solomon, William Kinney, William Felix, Nick Dopuch, and Barry Cushing. Nominations should be sent by July 1, 2003 to:

Professor Joseph V. Carcello
University of Tennessee
601 SMC
Knoxville, TN 37996-0560
Phone: (865) 974-1757
Fax: (865) 974-4631
Email: jcarcell@utk.edu

Nominees for Election as Section Officers

The members of the Auditing Section will elect three officers in Fall 2003, the **Vice President–Academic (President-Elect)**, **Vice President–Practice**, and **Secretary**. Those elected will begin serving their terms in August 2004. Please submit names of individuals you would like to nominate for these positions no later than **July 1, 2003**. The Nominations Committee will then select the slate for election from these nominations. In addition, the Bylaws require the Nominations Committee to automatically place on the ballot any person whose nomination is accompanied by a signed petition of no fewer than one hundred (100) members in good standing of the Section and a signed statement by the nominee of willingness to serve if elected. This petition should also be received by July 1, 2003. Please submit nominations and/or petitions to Joseph V. Carcello, Chairperson, Nominations Committee, by mail, fax, or email:

Professor Joseph V. Carcello
University of Tennessee, 601 SMC
Knoxville, TN 37996-0560
Phone: (865) 974-1757; Fax: (865) 974-4631
Email: jcarcell@utk.edu

Auditing: A Journal of Practice & Theory Publication Report

William F. Messier, Jr., Editor

December 31, 2002

	<u>7/1/02 – 12/31/02</u>	<u>1/1/02 – 6/30/02</u>	<u>1/1/01 – 12/31/01</u>
Submissions:			
New	33	42	78
Revisions	34	25	20
Total available for decision	67	67	98
Decisions made	62	55	86
Accepted for publication	9 ¹ (14%)	9 (16%)	11 (13%)
Revised	22 (35%)	19 (35%)	35 (41%)
Rejected	31 (51%)	27 (49%)	40 (46%)
Average days for review	34 ²	40	32

¹ Four papers were accepted by Professor Wright and will be published in my first issue.

² Add to this 1–3 days to process at submission and 3–10 days to process upon completion of reviews.

CALL FOR PAPERS

Academy of Accounting Historians
2003 Research Conference
November 6–8, 2003 — Denton, Texas

CONFERENCE THEME:

“Accountability—Pre–Post Enron: Alternative Global Views”

The theme of the 2003 Academy of Accounting Historians’ Research Conference, “Accountability—Pre–Post Enron: Alternative Global Views” is intended to stimulate a historical analysis of the concept of accountability. Specifically, we are interested in an evaluation of:

- In search of the moral compass
- Accounting and auditing responsibility
- The role of accounting research in rendering accountability invisible
- Corporate culture and its impact on accountability
- Professional ethics
- Impact of standard setting on accountability
- Corporate governance
- Abdication of academia in the advancement of normative research
- History of earnings management
- History of off-the-balance-sheet financing
- An educator’s response to Enron
- An historical analysis of how the profession responds to crisis
- History of auditor rotation

Submission of papers: The deadline for submissions is June 15, 2003. Three copies of papers (double-spaced) and an abstract of 500 words or less should be submitted to:

Professor Sarah A. Holmes
Department of Accounting
Texas A&M University
4353 TAMU
College Station, Texas 77843-4353

Papers are subject to double-blind review. Abstracts (but not papers) will be published in the *Proceedings* of the conference and on the Academy’s home page.

Registration: Registration is \$125. This fee includes a Thursday night reception, Friday and Saturday continental breakfasts, Friday and Saturday luncheons, and Friday evening dinner. Registration forms should be returned to Sarah A. Holmes, Department of Accounting, Texas A&M University, 4353 TAMU, College Station, TX 77843-4353.

Hotel Accommodations: The conference will be held at the Radisson Hotel Denton and Eagle Point Golf Club. The conference rate is \$99 plus tax per night—single or double. Reservations should be made directly with the hotel at (940) 384-2254 or by Fax at (940) 384-2244. Be sure to reference the Academy of Accounting Historians.

Airport: Denton is served by the Dallas/Ft. Worth Airport. Shuttle services will be provided.

High-Impact Articles Appearing in *Auditing: A Journal of Practice & Theory—An Extension*

Jack L. Krogstad (Creighton University) and Gerald Smith (University of Northern Iowa)

In the Spring 2003 issue of *Auditing: A Journal of Practice & Theory (AJPT)*, we analyze 3,102 citations to the 465 articles published in *AJPT* from its inception through 2000. Our citation database includes citations to the contents of *AJPT* from the 15 highest-ranked accounting journals (see Brown and Huefner 1994, 236–237) that are likely to cite auditing literature. One purpose of our study is to identify the most widely cited articles appearing in *AJPT*. Accordingly, Table 4 in that study lists the 29 articles cited 24 or more times. These articles are noted to represent only 6 percent of the total 465 published articles, yet account for 30 percent of the 3,102 total citations.

While Table 4 brings appropriate recognition to *AJPT* articles making the most significant impact on the literature, any cutoff is arbitrary and many other articles are likewise noteworthy. Accordingly, the following Table 1 extends our Table 4 by recognizing an additional 69 of the most frequently cited articles. This additional 15 percent of the total 465 published articles accounts for another 35 percent of the 3,102 total citations.

TABLE 1
Additional High-Impact Articles in *AJPT*

	Number of Citations	Average Citations per Year
Daroca, F. P., and W. W. Holder. "The Use of Analytical Procedures in Review and Audit Engagements" (Spring 1985)	23	1.5
Lampe, J. C., and D. W. Finn. "A Model of Auditors' Ethical Decision Processes" (Supplement 1992)	23	2.9
Lord, A. T. "Pressure: A Methodological Consideration for Behavioral Research in Auditing" (Fall 1992)	23	2.9
McKeown, J. C., J. F. Mutchler, and W. Hopwood. "Towards an Explanation of Auditor Failure to Modify the Audit Opinions of Bankrupt Companies" (Supplement 1991)	23	2.6
Willingham, J. J., and W. F. Wright. "Financial Statement Errors and Internal Control Judgments" (Fall 1985)	23	1.5
Bedard, J. C. "An Archival Investigation of Audit Program Planning" (Fall 1989)	22	2.0
Farmer, T. A., L. E. Rittenberg, and G. M. Trompeter. "An Investigation of the Impact of Economic and Organizational Factors on Auditor Independence" (Fall 1987)	22	1.7
Kinney, W. R., Jr. "Achieved Audit Risk and the Audit Outcome Space" (Supplement 1989)	22	2.0
Turpen, R. A. "Differential Pricing on Auditors' Initial Engagements: Further Evidence" (Spring 1990)	22	2.2
Bamber, E. M., L. S. Bamber, and M. Schoderbek. "Audit Structure and Other Determinants of Audit Report Lag: An Empirical Analysis" (Spring 1993)	21	3.0
Biggs, S. F., and J. J. Wild. "A Note on the Practice of Analytical Review" (Spring 1984)	21	1.3
Chen, K. C. W., and B. K. Church. "Default on Debt Obligations and Issuance of Going-Concern Opinions" (Fall 1992)	21	2.6
Choo, F. "Job Stress, Job Performance, and Auditor Personality Characteristics" (Spring 1986)	20	1.4
Hansen, J. V., and W. F. Messier, Jr. "A Preliminary Investigation of EDP-XPRT" (Fall 1986)	20	1.4
Newman, P., and J. Noel. "Error Rates, Detection Rates, and Payoff Functions in Auditing" (Supplement 1989)	20	1.8
Smith, D. B. "Auditor 'Subject to' Opinions, Disclaimers and Auditor Changes" (Fall 1986)	20	1.4
Daniel, S. J. "Some Empirical Evidence about the Assessment of Audit Risk in Practice" (Spring 1988)	19	1.6
Graham, L. E., Jr., J. Damens, and G. V. Ness. "Developing Risk Advisor sm : An Expert System for Risk Identification" (Spring 1991)	19	2.1
Loebbecke, J. K., and P. J. Steinbart. "An Investigation of the Use of Preliminary Analytical Review to Provide Substantive Audit Evidence" (Spring 1987)	19	1.5
Kelley, T., and L. Margheim. "The Impact of Time Budget Pressure, Personality and Leadership Variables on Dysfunctional Auditor Behavior" (Spring 1990)	18	1.8
Lightner, S. M., S. J. Adams, and K. M. Lightner. "The Influence of Situational, Ethical and Expectancy Theory Variables on Accountants' Underreporting Behavior" (Fall 1982)	18	1.0
Rasch, R. H., and A. Harrell. "The Impact of Personal Characteristics on the Turnover Behavior of Accounting Professionals" (Spring 1990)	18	1.8
Wilson, T. E., Jr., and R. A. Grimlund. "An Examination of the Importance of an Auditor's Reputation" (Spring 1990)	18	1.8

(continued on page 21)

High-Impact Articles

(continued from page 20)

TABLE 1 (continued)
Additional High-Impact Articles in *AJPT*

	Number of Citations	Average Citations per Year
Chow, C. W., A. H. McNamee, and R. D. Plumlee. "Practitioners' Perceptions of Audit Step Difficulty and Criticalness: Implications for Audit Research" (Spring 1987)	17	1.3
Kaplan, S. E., and P. M. J. Reckers. "An Empirical Examination of Auditors' Initial Planning Processes" (Fall 1984)	17	1.1
Messier, W. F., Jr., and W. C. Quilliam. "The Effect of Accountability on Judgment: Development of Hypotheses for Auditing" (Supplement 1992)	17	2.1
Icerman, R. C., and W. A. Hillison. "Disposition of Audit-Detected Errors: Some Evidence on Evaluative Materiality" (Spring 1991)	16	1.8
Jennings, M. M., D. C. Kneer, and P. M. J. Reckers. "A Reexamination of the Concept of Materiality: Views of Auditors, Users, and Officers of the Court" (Spring 1987)	16	1.2
Sherman, H. D. "Data Envelopment Analysis as a New Managerial Audit Methodology: Test Methodology" (Fall 1984)	16	1.0
Brown, C. E., and I. Solomon. "Auditor Configural Information Processing in Control Risk Assessment" (Fall 1990)	15	1.5
Firth, M. "An Analysis of Audit Fees and Their Determination in New Zealand" (Spring 1985)	15	1.0
Grobstein, M., and P. W. Craig. "A Risk Analysis Approach to Auditing" (Spring 1984)	15	0.9
Huss, H. F., and F. A. Jacobs. "Risk Containment: Exploring Auditor Decisions in the Engagement Process" (Fall 1991)	15	1.7
Levitan, A. S., and J. A. Knoblett. "Indicators of Exceptions to the Going Concern Assumption" (Fall 1985)	15	1.0
Margheim, L., and K. Pany. "Quality Control, Premature Signoff, and Underreporting of Time: Some Empirical Findings" (Spring 1986)	15	1.1
Mutchler, J. F. "Empirical Evidence regarding the Auditor's Going-Concern Opinion Decision" (Fall 1986)	15	1.1
Rebele, J. E., J. A. Heintz, and G. E. Briden. "Independent Auditor Sensitivity to Evidence Reliability" (Fall 1988)	15	1.3
Shafer, G., and R. P. Srivastava. "The Bayesian and Belief-Function Formalisms: A General Perspective for Auditing" (Supplement 1990)	15	1.5
Bernardi, R. A. "Fraud Detection: The Effect of Client Integrity and Competence and Auditor Cognitive Style" (Supplement 1994)	14	2.3
Chow, C. W., and S. J. Rice. "Qualified Audit Opinions and Share Prices: An Investigation" (Winter 1982)	14	0.8
Eichenseher, J. W., M. Hagigi, and D. Shields. "Market Reaction to Auditor Changes by OTC Companies" (Fall 1989)	14	1.3
Jiambalvo, J., and N. Wilner. "Auditor Evaluation of Contingent Claims" (Fall 1985)	14	0.9
Johnson, D. A., K. Pany, and R. A. White. "Audit Reports and the Loan Decision: Actions and Perceptions" (Spring 1983)	14	0.8
Kaplan, S. E. "An Examination of the Effects of Environment and Explicit Internal Control Evaluation and Planned Audit Hours" (Fall 1985)	14	0.9
Messier, W. F., Jr., and R. M. Tubbs. "Recency Effects in Belief Revision: The Impact of Audit Experience and the Review Process" (Spring 1994)	14	2.3
Newton, J. D., and R. H. Ashton. "The Association between Audit Technology and Audit Delay" (Supplement 1989)	14	1.3
Pincus, K. V. "Auditor Individual Differences and Fairness of Presentation Judgments" (Fall 1990)	14	1.4
Simunic, D. A., and M. T. Stein. "The Impact of Litigation Risk on Audit Pricing: A Review of the Economics and the Evidence" (Supplement 1996)	14	3.5
Anderson, J. C., S. E. Kaplan, and P. M. J. Reckers. "The Effects of Output Interference on Analytical Procedures Judgments" (Fall 1992)	13	1.6
Anderson, U., and R. A. Young. "Internal Audit Planning in an Interactive Environment" (Fall 1988)	13	1.1
Fellingham, J. C., D. P. Newman, and E. R. Patterson. "Sampling Information in Strategic Audit Settings" (Spring 1989)	13	1.2

(continued on page 22)

High-Impact Articles

(continued from page 21)

TABLE 1 (continued)
Additional High-Impact Articles in *AJPT*

	Number of Citations	Average Citations per Year
Frederick, D. M., V. B. Heiman-Hoffman, and R. Libby. "The Structure of Auditors' Knowledge of Financial Statement Errors" (Spring 1994)	13	2.2
Holder, W. W. "Analytical Review Procedures in Planning the Audit: An Application Study" (Spring 1983)	13	0.8
Kachelmeier, S. J. "A Laboratory Market Investigation of the Demand for Strategic Auditing" (Supplement 1991)	13	1.4
Kinney, W. R., Jr. "A Note on Compounding Probabilities in Auditing" (Spring 1983)	13	0.8
McConnell, D. K. "Auditor Changes and Related Disagreements" (Spring 1984)	13	0.8
Mutchler, J. F., and D. D. Williams. "The Relationship between Audit Technology, Client Risk Profiles, and the Going-Concern Opinion Decision" (Fall 1990)	13	1.3
Carcello, J. V., D. R. Hermanson, and H. F. Huss. "Temporal Changes in Bankruptcy-Related Reporting" (Fall 1995)	12	2.4
Amer, T., K. Hackenbrack, and M. Nelson. "Between-Auditor Differences in the Interpretation of Probability Phrases" (Spring 1994)	11	1.8
Boritz, J. E., and A. K. P. Wensley. "Structuring the Assessment of Audit Evidence—An Expert Systems Approach" (Supplement 1990)	11	1.1
Dopuch, N., R. R. King, and D. E. Wallin. "The Use of Experimental Markets in Auditing Research: Some Initial Findings" (Supplement 1989)	11	1.0
———. "Another Perspective on the Use of Deception in Auditing Experiments" (Fall 1992)	11	1.4
Haskins, M. E., and D. D. Williams. "A Contingent Model of Intra-Big Eight Auditor Changes" (Fall 1990)	11	1.1
Kaplan, S. E., C. Moeckel, and J. D. Williams. "Auditors' Hypothesis Plausibility Assessments in an Analytical Review Setting" (Fall 1992)	11	1.4
Kinney, W. R., Jr., and R. D. Martin. "Does Auditing Reduce Bias in Financial Reporting? A Review of Audit-Related Adjustment Studies" (Spring 1994)	11	1.8
O'Keefe, T. B., R. D. King, and K. M. Gaver. "Audit Fees, Industry Specialization, and Compliance with GAAS Reporting Standards" (Fall 1994)	11	1.8
Pany, K., and P. M. J. Reckers. "Non-Audit Services and Auditor Independence: A Continuing Problem" (Spring 1984)	11	0.7
Raghunandan, K., and D. V. Rama. "Audit Reports for Companies in Financial Distress: Before and after SAS No. 59" (Spring 1995)	11	2.2
Trompeter, G. M. "The Effect of Partner Compensation Schemes and Generally Accepted Accounting Principles on Audit Partner Judgment" (Fall 1994)	11	1.8
Total	1,099	

CALL FOR PAPERS

Contemporary Accounting Research Conference 2003

The Canadian Academic Accounting Association
announces the

18th *CAR* Conference

Toronto, Ontario
November 8–9, 2003
(plus Doctoral Consortium on November 7)

Building on the successful diversity achieved at the 16th and 17th Conferences, *CAR* invites research papers in any area of accounting research, broadly defined (financial, managerial, assurance, and tax) and employing any method (analytical, archival, case, empirical, and survey). The cross-pollination of the different disciplines has proven to be of value to all attendees.

Submissions to the conference also constitute submissions to *CAR*. Therefore, submissions should follow *CAR*'s editorial guidelines. These require submission in quadruplicate, **with a check payable to the CAAA** in the amount of \$75 for CAAA members and *CAR* subscribers, or \$125 for others (dollar amounts are in Canadian funds in Canada and in U.S. funds elsewhere). **Submissions must arrive at the *CAR* office no later than April 25, 2003.**

Papers not accepted for the conference (and submissions that come in after the deadline) will be treated the same as nonconference submissions. Papers accepted for the conference are generally published in *CAR*. However, the ultimate disposition of each manuscript depends on the normal review procedures employed by the journal.

Authors will be notified of the decision regarding the conference agenda by August 18, 2003. Authors will be notified of the outcome of the editorial process for publication in *CAR* in the normal course.

Submissions should be directed to:

Professor Gordon Richardson, Editor
Contemporary Accounting Research
Joseph L. Rotman School of Management
University of Toronto
105 St. George St., Toronto, Ontario
M5S 3E6 CANADA
Phone: (416) 946-8601; Fax: (416) 971-3048
Email: car@caaa.ca

AMERICAN ACCOUNTING ASSOCIATION—AUDITING SECTION

Statement of Cash Receipts, Disbursements, and Cash Balance for Years Ended August 31, 2001 and 2002 (Note 1)

	FY 01 9/1/00–8/31/01 (Actual)	FY 02 9/1/01–8/31/02 (Actual)
RECEIPTS:		
Membership Dues (Note 2)	\$28,125.50	\$35,172.00
Journal Subscriptions	16,375.00	17,321.50
Sales of Publications/Royalties	2,331.79	2,859.92
Journal Submission Fees	5,475.00	6,054.45
CPE (net)	2,700.00	1,450.00
Reimbursements (Note 3)	55,546.93	10,922.68
Midyear Meeting Registration	32,785.00	34,086.00
Miscellaneous Receipts (Note 4)	2,744.30	809.67
TOTAL RECEIPTS	\$146,083.52	\$108,676.22
DISBURSEMENTS:		
Awards	\$1,109.50	\$957.50
<i>AJPT</i> —Printing/Distribution (Note 5)	71,156.33	19,399.35
<i>AJPT</i> —Editorial Support (Note 6)	20,000.00	0.00
Newsletter: <i>The Auditor's Report</i> (Note 7)	10,426.42	720.00
Midyear Meeting	66,084.74	46,506.72
Annual Meeting Costs (Note 8)	805.60	(33.40)
Committee Expenses	117.00	404.00
Council Fee	1,000.00	809.67
Miscellaneous Expenses (Postage)	1,850.23	594.92
TOTAL DISBURSEMENTS	\$172,549.82	\$69,358.76
Cash Increase (Decrease)	(26,466.30)	39,317.46
Beginning Cash Balance	41,850.01	15,383.71
Ending Cash Balance (Note 9)	\$15,383.71	\$54,701.17

Notes:

1. The Statement of Cash Receipts, Disbursements, and Cash Balance was compiled from the monthly financial reports received from the American Accounting Association national office.
2. As of November 1, 2002, there were 1,137 U.S. members and 414 foreign members; 1,424 were full members and 127 were associate members. As of October 26, 2001, there were 1,173 U.S. members and 431 foreign members; 1,487 were full members and 117 were associate members. Auditing Section full member dues increased from \$20 to \$35 effective FY 03. Some FY 03 dues were received during FY 02.
3. FY 2002 receipts represent a reimbursement to the Section from KPMG to cover the 2002 Midyear Meeting deficit of \$4,363.68 and the 2002 Doctoral Consortium cost of \$6,559.00. FY 2001 receipts represent the following reimbursements to the Section: \$15,754.37 from the University of Waterloo for costs associated with the 1999 Supplement of *AJPT*, \$29,045.20 from KPMG to cover a portion of the 2001 Midyear Meeting deficit (\$21,284.23) and the cost of the 2001 Doctoral Consortium (\$7,760.97), and \$10,747.36 from University of Southern California, University Maastricht, Nanyang Technological University, and University of New South Wales for costs associated with the 2000 Supplement of *AJPT*.
4. Reflects the allocation of interest income from the AAA headquarters to the Section.
5. This item includes *AJPT* costs related to printing, mailing, and AAA staff support (primarily typesetting). FY 2002 disbursements relate to the following issues of *AJPT*: March 2002 and September 2002 (staff support only). FY 2001 disbursements relate to the following issues of *AJPT*: Supplement 1999 (printing and mailing only), Fall 2000, March 2001, Supplement 2000, and September 2001.
6. The disbursement for editorial support has traditionally been made in the summer for the following academic year. For example, the FY 01 disbursement is related to editorial support for the 01–02 academic year. This practice was not followed in FY 02.
7. Expenses in both years reflect costs associated with three issues of *The Auditor's Report*. FY 2002 costs are for AAA staff support only because the *Newsletter* is now online. FY 2001 costs are for printing, mailing, and AAA staff support.
8. FY 2002 receipts reflect excess of Section lunch ticket sales over luncheon costs and speaker's transportation. FY 2001 disbursements primarily reflect excess of Section luncheon costs over lunch ticket sales.
9. \$10,000 per year, starting with FY 02, is to be put into escrow to support a 25th anniversary *AJPT* conference. Therefore, \$10,000 of the ending cash balance as of 8/31/02 is restricted for this purpose.

AMERICAN ACCOUNTING ASSOCIATION—AUDITING SECTION

Statement of Cash Receipts, Disbursements, and Cash Balance for 1st Quarter of FY 2003 (2002)—Ended November 30, 2002 (2001) (Note 1)

	FY 02	FY 03
	9/1/01–11/30/01	9/1/02–11/30/02
	(Actual)	(Actual)
RECEIPTS:		
Membership Dues (Note 2)	\$11,382.00	\$20,879.00
Journal Subscriptions (Note 3)	9,855.00	16,560.00
Sales of Publications/Royalties	366.00	215.51
Journal Submission Fees	1,000.00	1,200.00
CPE (net)	500.00	500.00
Reimbursements	0.00	0.00
Midyear Meeting Registration	11,455.00	6,965.00
Miscellaneous Receipts (Note 4)	92.12	99.49
TOTAL RECEIPTS	\$34,650.12	\$46,419.00
DISBURSEMENTS:		
Awards	\$0.00	\$0.00
<i>AJPT</i> —Printing / Distribution (Note 5)	77.69	8,168.23
<i>AJPT</i> —Editorial Support (Note 6)	0.00	5,000.00
Newsletter: <i>The Auditor's Report</i> (Note 7)	240.00	255.00
Midyear Meeting	0.00	0.00
Meeting Rooms—Annual Meeting	0.00	0.00
Committee Expenses	0.00	0.00
Miscellaneous Expenses (Postage)	54.91	114.73
TOTAL DISBURSEMENTS	\$372.60	\$13,537.96
Cash Increase (Decrease)	\$34,277.52	\$32,881.04
Beginning Cash Balance as of September 1	\$15,383.71	\$54,701.17
Ending Cash Balance (Note 8)	\$49,661.23	\$87,582.21

Notes:

1. The Statement of Cash Receipts, Disbursements, and Cash Balance was compiled from the monthly financial reports received from the American Accounting Association national office.
2. As of December 11, 2002, there were 1,425 full members and 133 associate members; 1,150 were U.S. members and 408 were foreign members. As of November 30, 2001, there were 1,491 full members and 119 associate members; 1,177 were U.S. members and 433 were foreign members. Auditing Section full member dues increased from \$20 to \$35 effective FY 03.
3. The nonmember rate for *AJPT* increased from \$30 to \$120 effective FY 03.
4. Reflects the allocation of interest income from the AAA headquarters to the Section.
5. FY 03 disbursements relate to the September 2002 issue of *AJPT* (printing and mailing). FY 02 disbursements reflect postage only.
6. The disbursement for editorial support has traditionally been made in the summer for the following academic year. For example, the disbursement related to editorial support for the 2001–2002 academic year was made in FY 01. The FY 03 disbursement is related to editorial support for the 2002–2003 academic year.
7. Expenses in both years reflect the cost of AAA staff support associated with one issue of *The Auditor's Report*.
8. \$10,000 per year, starting with FY 02, is to be put into escrow to support a 25th anniversary *AJPT* conference. Therefore, \$10,000 of the ending cash balance as of 11/30/02 is restricted for this purpose.

Comment Letters for Proposed Standards Issued by the Section's Auditing Standards Committee

Over the past year, the Section's Auditing Standards Committee (ASC) has issued four comment letters relating to standards issued by the Auditing Standards Board. The Executive Committee and the ASC decided to utilize *The Auditor's Report* as an outlet for making you aware of the letters and allow you the opportunity to view them. Below are descriptions of the standard associated with the comment letter, an embedded link to the underlying exposure draft, and an embedded link to the comment letter sent by the ASC. (If you printed a hard copy of *The Auditor's Report*, you will need to go online to access the exposure drafts and letters.) Please keep in mind that the comment letters are based solely on the opinion of the ASC and do not represent the Section or AAA as a whole. The ASC encourages all Section members to be active participants in the comment process and will continue to make you aware of important standards from various standards-setting bodies that are exposed for comment. If you have any comments for the ASC, contact current Committee Chair, Brian Ballou (bballou@business.auburn.edu).

October 2001 Letter Associated with Standard on Audit Documentation (now SAS No. 96). Committee: Kay Tatum, Chair; Brian Ballou, Vice Chair; Stephen Asare, Karla Johnstone, Konrad Kubin, Larry Rittenberg, and Roger Simnett.

Summary of Standard:

<http://www.aicpa.org/members/div/auditstd/riasai/sas96.htm>

ASC Comment Letter: http://raw.rutgers.edu/raw/aaa/audit/Pubs/Audrep/03spring/Antifraud_Guidance.pdf

March 2002 Letter Associated with Invitation to Comment on Proposed International Standard on Auditing Fair Value Measurements and Disclosures—Used by the AICPA

as the Basis for a SAS (voted and approved as a SAS in December 2002). Committee: Kay Tatum, Chair; Brian Ballou, Vice Chair; Stephen Asare, Karla Johnstone, Konrad Kubin, Larry Rittenberg, and Roger Simnett.

Exposure Draft:

http://www.ifac.org/Members/Source_Files/Exposure_Drafts/ED-Auditing_Fair_Values.pdf

ASC Comment Letter:

http://raw.rutgers.edu/raw/aaa/audit/Pubs/Audrep/03spring/LetterOnISA_FV_Standard.pdf

May 2002 Letter Associated with Standard on Consideration of Fraud in a Financial Statement Audit (SAS No. 99). Committee: Kay Tatum, Chair; Brian Ballou, Vice Chair; Stephen Asare, Karla Johnstone, Konrad Kubin, Larry Rittenberg, and Roger Simnett.

Summary of Standard:

<http://www.aicpa.org/members/div/auditstd/riasai/sas99.asp>

ASC Comment Letter: http://raw.rutgers.edu/raw/aaa/audit/Pubs/Audrep/03spring/Letter_Fraud_Standard.pdf

September 2002 Letter Associated with Management Antifraud Programs and Control: Guidance to Help Prevent and Deter Fraud (prepared by the Antifraud Detection Subgroup of the Fraud Task Force of the AICPA and Later Issued as a Separate Document). Committee: Brian Ballou, Chair; Dana Hermanson, Vice Chair; Kay Tatum, past chair; Stephen Asare, Karla Johnstone, Roger Martin, and Roger Simnett.

Exposure Draft:

<http://www.aicpa.org/antifraud/management/20.htm>

ASC Comment Letter:

http://raw.rutgers.edu/raw/aaa/audit/Pubs/Audrep/03spring/Letter_Fraud_Appendix.pdf