HAVE YOU SEEN? ……

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Editorial Note: If you have an abstract or know of an abstract that would be of interest to the members of the AAA International Accounting Section, please email the reference information and abstract to Chris Hodgdon at chodgdon@bsad.uvm.edu.

Abdelsalam, Omneya H., Stephanie M. Bryant and Donna L. Street, "An Examination of the Comprehensiveness of Corporate Internet Reporting Provided by London-Listed Companies," *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 1-33.

Recent changes in the regulatory environment of the London Stock Exchange are aimed at prohibiting selective disclosure and enhancing the credibility of reporting. Using an innovative 143-item disclosure checklist, we examine corporate Internet reporting (CIR) comprehensiveness and its determinants within this new regulatory environment. We also extend the literature linking corporate governance measures to CIR. Our findings indicate that despite this new regulatory environment, there is considerable room for improvement in CIR by London-listed companies. For example, our sample companies provide only 58 percent and 70 percent, respectively, of the credibility and usability items assessed by our comprehensiveness index. After controlling for size, profitability, industry, and high growth/intangibles, we find the CIR comprehensiveness of London-listed companies is associated with analyst following, director holding, director independence, and CEO duality. Because prior research indicates the U.K. leads Europe in Internet reporting, our results may shed light on how CIR will evolve throughout Europe.

Adhikari, Ajay, and Luis Betancourt, "Accounting for Securitizations: A Comparison of SFAS 140 and IAS 39," *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 73–105.

This paper examines the accounting for securitizations under US GAAP and international financial reporting standards (IFRS). Using a sample securitization of the Ford Motor Company, we demonstrate substantial differences depending on whether the securitization is recorded following US GAAP or IFRS. Our analysis suggests international convergence of accounting standards will be more challenging as the FASB and IASB begin tackling issues, such as asset securitization, that have important economic consequences and where the differences between US GAAP and IFRS are substantive.

Brown, Philip, and Ann Tarca, "Achieving High Quality, Comparable Financial Reporting: A Review of Independent Enforcement Bodies in Australia and the United Kingdom," *Abacus* (Volume 43, Issue 4, 2007): 438-473.

This article provides a review of the activities of two quite different types of national enforcement body, the U.K.'s Financial Reporting Review Panel (FRRP) and the Australian Securities and Investments Commission (ASIC). We present material (some not available elsewhere) about their activities over the period 1998–2004 and show that both types of body can fulfill an enforcement role, albeit subject to political forces. We also assess the relevance of the bodies' past activities for comparable international enforcement following the adoption of International Financial Reporting Standards (IFRS) in 2005. A review of cases reveals that for both bodies approximately half were related to recognition and measurement issues, where

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interpretation can be crucial. Although there is potential for cross-country differences to arise, they may be mitigated by the participation of both bodies in international enforcement coordination activities. Past activities suggest that the scope of the bodies' activities and the extent of comparability of enforcement decisions are likely to reflect political views held within the government, corporate sector and accounting profession.

Christensen, Hans B., Edward Lee and Martin Walker, "Cross-sectional variation in the economic consequences of international accounting harmonization: The case of mandatory IFRS adoption in the UK," *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 341-379.

This study examines the economic consequences for UK firms of the European Union's decision to impose mandatory IFRS. We hypothesize that the impact varies across firms and is conditional on the perceived benefit. We estimate a counter-factual proxy for a UK firm's willingness to adopt IFRS from the prior GAAP choices of German firms. We show that this proxy predicts cross-sectional variations in both the short-run market reactions and the long-run changes in cost of equity that are associated with the decision. This implies that mandatory IFRS adoption does not benefit all firms in a uniform way but results in relative winners and losers.

Daske, Holger, and Günther Gebhardt, "International financial reporting standards and experts' perceptions of disclosure quality," *Abacus* (Volume 42 Issue 3-4, 2006): 461-498.

From 2005, over 7,000 listed firms in the European Union and many more around the world are required to adopt International Financial Reporting Standards (IFRS). The introduction of a uniform accounting regime is expected to ensure greater comparability and transparency of financial reporting around the world. However, recent research has questioned the quality of financial statements prepared under IFRS standards, particularly in the presence of weak enforcement mechanisms and adverse reporting incentives (Ball et al., 2003). In this paper, we assess the quality of the financial statements of Austrian, German and Swiss firms which have already adopted internationally recognized standards (IFRS or U.S. GAAP). The study makes use of available disclosure quality scores extracted from detailed analyses of annual reports by reputed accounting scholars ('experts'). This work complements other contemporary research on the quality of IFRS financial statements where the properties of earnings are used as an evaluation metric (Barth et al., 2005). Our evidence shows that disclosure quality has increased significantly under IFRS in the three European countries we analyse. This result holds not only for firms which have voluntarily adopted IFRS or U.S. GAAP, but also for firms which mandatorily adopted such standards in response to the requirements of specific stock market segments. Although we cannot establish direct causality due to the inherent self-selection issues for most of our sample firms, the evidence shows that the quality of financial reports has increased significantly with the adoption of IFRS.

Guerreiro, Marta Silva, Lúcia Lima Rodrigues, and Russell Craig, "The preparedness of companies to adopt International Financial Reporting Standards: Portuguese evidence," *Accounting Forum* (Volume 32, Issue 1, 2008): 75-88.

This paper uses ordinal regression, structural equation modeling, and multivariate analysis techniques to investigate the preparedness to adopt IFRS that was exhibited by listed Portuguese companies in August 2003. We find the level of preparedness was significantly associated with company size, commercial internationalization, audit by a 'Big 4' accounting firm, and profitability. Our findings will help to indicate the preconditions that are likely to spur lagging companies (and countries) to prepare to implement IFRS.

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Jaafar, Aziz, and Stuart McLeay, "Country Effects and Sector Effects on the Harmonization of Accounting Policy Choice," *Abacus* (Volume 43, Issue 2, 2007): 156-189.

This study assesses the extent of accounting harmony in Europe prior to the recent switch to IFRS, by presuming that accounting is harmonized when 'all firms operating in similar circumstances adopt the same accounting treatment for similar transactions regardless of their domicile'. The policies studied concern inventory, depreciation and goodwill, and the odds of using alternative accounting methods are predicted by logistic regression. The empirical results suggest that, while international exposure and firm size are significant factors, country effects are considerably greater than sector effects, which is inconsistent with harmonized accounting.

Lee, Ho-Young, Vivek Mande, and Myungsoo Son, "A Comparison of Reporting Lags of Multinational and Domestic Firms," *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 28–56.

This study examines whether multinational firms report earnings sooner than domestic firms. When compared with domestic firms, the reporting environment and business operations of multinational firms are significantly more complex. There is a greater amount of information asymmetry between managers and shareholders of multinational firms. Therefore, multinational firms potentially face higher monitoring and external financing costs. To reduce these costs, we conjecture that managers of multinational firms take steps to reduce the information asymmetry between shareholders and management by increasing the timeliness (a proxy for relevance) of their earnings reports. Specifically, we expect multinational firms to announce earnings earlier than domestic firms. We separate earnings reporting delay into auditor-related delay and management's discretionary delay. While test results weakly support the hypothesis that auditors take longer to audit multinational firms, there is strong evidence that managers of multinational firms release their earnings reports sooner than domestic firms.

Liu, Jianwei, and Chunjiao Liu, "Value Relevance of Accounting Information in Different Stock Market Segments: The Case of Chinese A-, B-, and H-Shares," *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 55-81.

This study provides empirical evidence on the value relevance of accounting information in different stock market segments of China. Using the available data of listed A-, B-, and H-shares from 1999 to 2003, and based on the modified Ohlson model, the value relevance of accounting information is compared among different Chinese stock market segments. Further, important factors that might influence the value relevance of accounting information in the Chinese stock market (e.g., the percentage of total tradable shares [PTS] and the B-share opening event of 2001) are studied in this paper. Four primary results are drawn from this study. First, the accounting information is value-relevant in all the A-, B-, and H-share markets, and the accounting information in the B- and H-share markets is more value-relevant than that of the A-share market. Second, within the A-share market, the value relevance of accounting information does not differ between firms issuing both AB- and AH-shares and firms issuing only A-shares. Within the A-share market, firms with higher PTS do not enjoy higher value-relevant accounting information than the firms with lower PTS. Last, our results indicate that the opening event of B-shares to domestic investors in 2001 did indeed lower the value relevance of accounting information for B-shares.

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Nabar, Sandeep, and K. K. Boonlert-U-Thai, "Earnings Management, Investor Protection, and National Culture," *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 35-54.

This paper examines the impact of investor protection and national culture on earnings management for a sample of 30 countries. The results indicate that earnings management is negatively associated with outside investor rights, consistent with Leuz et al. (2003). We also find that earnings management is relatively high in countries with high uncertainty avoidance scores and relatively low in countries where the primary language is English. Supplementary analysis of earnings management components indicates that uncertainty avoidance and masculinity are associated with earnings discretion but not with earnings smoothing. We conclude that culture is an important determinant of accounting choice and should be considered by standard setters enacting and enforcing international financial reporting rules.

Raab, Raymond L., and Ehsan Habib Feroz, "A productivity growth accounting approach to the ranking of developing and developed nations," *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 396-415.

Productivity growth accounting studies generally focus on productivity growth or decline in more developed countries such as the Organization of Economic Cooperation and Development (OECD) members. In this paper, we develop a generalized efficiency index for a much larger set of 57 national governments (NGs), both developing and developed, by employing four components of gross national product and five resource-availability indicators. Using a Data Envelopment Analysis (DEA) linear-programming approach, we maximize the components of Gross National Product (GNP), subject to minimizing specific resource-input measures. If used with appropriate precautions, the DEA-based comparative production-efficiency measures developed here can be used by individual NGs and international organizations like the World Bank and the International Monetary Fund to make equitable and sustainable lending-allocation decisions in the public and private sectors of the increasingly interdependent global economy.

Rahman, Asheq Razaur, Teck Meng Tay, Beng Teck Ong and Shiyun Cai, "Quarterly reporting in a voluntary disclosure environment: Its benefits, drawbacks and determinants," *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 416-442.

We primarily examine three issues pertaining to quarterly reporting; its benefits, drawbacks and determinants. This study is conducted in a voluntary-disclosure environment with respect to reporting quarterly earnings. On the benefits side, we find that quarterly reporting is associated with higher analyst following, and on the drawbacks side we find it is associated with high price volatility. If left to its own discretion, we find that a firm with high growth prospects, large size and a technology orientation is likely to disclose earnings on a quarterly basis.

Salter, Stephen B., Axel K.-D. Schulz, Philip A. Lewis, and Juan Claudio López V., "Otra Empanada en la Parilla: Examining the Role of Culture and Information Sharing in Chile and Australia," *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 57–72.

One of the biggest assets of a firm is its information base. Included in this information base is a knowledge of prior errors and failures. Extant research suggests that while the propensity to share "bad news" (i.e. a prior error) is dependent on the cost of sharing, the perceived value of that cost may be culturally dependent. One area of interest that has received substantial attention in the prior literature has been cross-cultural differences in negative information sharing in general, as well as the particular context in which the individual's superior is either present or absent during the information-sharing process. Our study examines the role of the two cultural values (individualism/collectivism and to a lesser extent power distance) in explaining national differences in information sharing. By focusing on a sample from *(continued on page 47)*

Chile and Australia, we were able to remove the regional cultural dimension of face, which has been inherent in prior studies that used Greater China as the representative of a collectivist society. Results from our quasi experiment show that when a supervisor is present during information sharing, collectivist Chilean decision-makers are more willing to share negative information with their colleagues than their counterpart and individualist Australian decision-makers. Our results also show that when a supervisor is absent, both Australian and Chilean decision-makers are willing to share more negative information but the increase in the Australian propensity is significantly greater than that of the Chileans.

Sami, Heibatollah, and Haiyan Zhou, "The Economic Consequences of Increased Disclosure: Evidence from Cross-Listings of Chinese Firms," *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 1–27.

In this paper, we investigate the impact of cross-listings on information asymmetry risk, the cost of capital and firm value of a group of cross-listed Chinese companies. Our paper is the first to examine the effect of cross-listing on information asymmetry risk. Because cross-listed firms are subject to increased disclosure requirements, increased regulatory scrutiny and increased legal liability, we propose that Chinese cross-listed firms have lower information asymmetry risk, lower cost of capital and higher firm value than their non-cross-listed counterparts. We find in both univariate and multivariate tests that cross-listed firms enjoyed lower information asymmetry risk in the domestic market compared with the non-cross-listed firms. We also find that cross-listed firms have lower cost of capital in the cross-listing market than non-cross-listed firms in the domestic markets. Finally, we find that cross-listed firms are associated with higher firm value as measured by Tobin's Q. These results have implications for international investors and companies seeking cross-listing opportunities.

Siougle, Georgia, "Accounting information and the valuation of Seasoned Equity Offerings (SEOs)," *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 380-395.

This study investigates the association between publicly available information disclosed in the SEO prospectus and offer prices of SEOs, as well as the association between this type of publicly available information and stock returns subsequent to an SEO after controlling for self-selection bias. The empirical evidence shows that disclosure of the planned uses of the SEO proceeds reveals value-relevant information which has been incorporated by the underwriters in setting the offer prices. Control for self-selection bias appears necessary to obtain unbiased estimates in the regression model explaining the determinants of offer price in SEOs.

Soderstrom, Naomi S., and Kevin Jialin Sun, "IFRS Adoption and Accounting Quality: A Review," *European Accounting Review* (Volume 16, Issue 4, 2007): 675–702.

In 2002, the European Union (EU) Parliament passed a regulation that requires consolidated and simple accounts for all companies listed in the EU to use International Financial Reporting Standards (IFRS) for fiscal years starting after 1 January 2005. This change in accounting systems will have a large impact on the information environment for EU companies. This paper provides a review of the literature on adoption of different Generally Accepted Accounting Principles (GAAP). We thus provide background and guidance for researchers studying the change in accounting quality following widespread IFRS adoption in the EU. We argue that cross-country differences in accounting quality are likely to remain following IFRS adoption because accounting quality is a function of the firm's overall institutional setting, including the legal and political system of the country in which the firm resides.

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Tsakumis, George T., "The influence of culture on accountants' application of financial reporting rules," *Abacus* (Volume 43, Issue 1, 2007): 27-48.

The objective of this study is to examine the influence of national culture on accountants' application of accounting rules. Based on a refinement of Gray's (1988) framework, this study hypothesizes Greek accountants will be more likely (less likely) to recognize contingent liabilities (assets) than U.S. accountants (H1). It also hypothesizes that Greek accountants will be less likely to disclose the existence of both contingent assets and liabilities than U.S. accountants (H2). The results do not support H1. No significant differences are found between Greek and U.S. accountants' recognition decisions involving both contingent assets and liabilities. However, supplemental analyses show that U.S. accountants consistently exhibited more conservatism than Greek accountants. In line with expectations, Greek accountants are less likely to disclose information (i.e., were more secretive) than U.S. accountants, providing strong support for H2. Implications for both research and practice also are discussed.

Tutticci, Irene, Gopal Krishnan, and Majella Percy, "The Role of External Monitoring in Firm Valuation: The Case of R&D Capitalization," *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 83-107.

We investigate whether the use of a high-quality auditor and increased regulatory monitoring of R&D reporting influence both the level of R&D expenditure capitalized by Australian companies from 1992 to 2002 and the market's perception of the reliability of these figures. The results indicate that firms with a higher quality auditor capitalize lower levels of R&D costs, and that in the period following increased regulatory monitoring, firms capitalize fewer R&D costs. Analysis of the value relevance of R&D expenditure indicates that the market positively values R&D costs when expensed as incurred. These results are consistent using both price and returns models. Results are less persistent for capitalized R&D amounts. The finding from the returns model indicates that the quality of the auditor appears to enhance the reliability of capitalized R&D costs, while the price model suggests that the cumulative R&D asset is less relevant in the period following ASC monitoring.

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