Report of the President

Roger Martin

I want to thank everyone who made the Midyear Conference in New Orleans such a success. If you have not already done so, I hope you will let Jackie Hammersley and Linda Myers (photo below with myself, Jackie and Linda from left to right) know how much you appreciate the fantastic job they did in organizing the conference.

There are many ways to measure “success” for the conference, but here are some that I offer:

- We had another record year of attendance. I know each of us has to choose how to spend our time and travel resources, and another year of record-breaking attendance means we continue to provide value that makes it worth your investment in time and money.
- Young scholars from our doctoral programs continue to contribute in significant ways. The numbers grow each year, and doctoral students were active presenters, discussants and participants throughout the conference. It is exciting to see the energy and enthusiasm from this next generation of scholars!

- The Doctoral Consortium added a new element this year with a reception hosted by the Freeman School of Business at Tulane University. Dean Ira Solomon was behind that innovation and hosted a terrific event.
- The Center for Audit Quality organized the Excellence in...
Auditing Education Workshop, and provided two workshop leaders to introduce a new fraud teaching case and provide guidance on case teaching methods.

- The Center for Audit Quality and the Auditing Section also used the gathering to announce the new CAQ/AAA Access to Audit Personnel program and Request for Proposal. This RFP is the first experience with what we hope will be a continuing and growing program to benefit young scholars.
- We announced that the KPMG Foundation has committed to supporting the Auditing Section Midyear Conference for the next three years. The KPMG Foundation has been a steadfast supporter of the section through the years, and we are thrilled they continue to support our mission and membership in this significant way.
- Because of the marked increase in attendance in recent years, we added an additional paper session in each concurrent session for the conference. That allowed more exposure of papers for everyone and made the choice of which sessions to attend even more difficult!
- We organized the business meeting to provide those who attended a quick overview of Section activities. We don’t keep track of attendance numbers for the Business Meeting, but this year was higher than any of us can remember. We hope we can extend this success in future years with continued value-added information at the meeting and appropriate incentives for those who attend!
- We presented a variety of awards to some of our Section’s members. From the recognition of the best doctoral student paper at the Conference to the standing ovations given to a few of our most appreciated long-time Section members who were recognized for their years of committed service, we were able to say “thank you” and “well done” for their achievements.

I have always thought the Midyear Conference was a great event, and I’m glad that continues to be true. I’m also glad to have the chance each year to catch up with friends and acquaintances, and to see that happening with new and older scholars alike. Thank you to all who attended this year’s conference to help make it so successful.

Good luck wrapping up the academic year!
2013 Auditing Section Midyear Conference Awards

Distinguished Service in Auditing Award

Robert H. Colson
2013 Auditing Section Midyear Conference Awards

Innovation in Auditing and Assurance Education Award

Auditor Independence Education Materials by Catherine Armfield Mojumdar (in photo), Mark M. Chain, Philip Hueber and Mark E. Peecher
2013 Auditing Section Midyear Conference Awards

Notable Contributions to the Auditing Literature Award

Hollis A. Skaife, Ryan LaFond, and Brian W. Mayhew (in photo)
"Do Nonaudit Services Compromise Auditor Independence? Further Evidence."
2013 Auditing Section Midyear Conference Awards

Outstanding Auditing Dissertation Award
& Related Dissertation Chair Award

Regan Neil Schmidt
"Are Auditors Conservative or Diagnostic?
An Examination of Auditor Hypothesis Testing Strategies and
Decision Aid Support in "Tone at the Top" Evaluations."

Dissertation Chair: Steven E. Salterio
2013 Auditing Section Midyear Conference Awards

Outstanding Accounting Educator Award
(two awards given this year)

E. Michael Bamber and Philip Reckers
(flanking former AAA Auditing Section President Scott Showalter)
2013 Auditing Section Midyear Conference Awards

Auditing Journal's Inaugural Best Paper Award

Mark W. Nelson
(to the right of AJPT Editor Robert Knechel)
"A Model and Literature Review of Professional Skepticism in Auditing."
2013 Auditing Section Midyear Conference Awards

Best PhD Student Paper
Submitted to the Auditing Midyear Conference

Tammie Schaefer
"The Effects of Social Costs and Internal Quality Reviews on Auditor Consultation Strategies."
2013 Auditing Section Midyear Conference Awards

Best Paper Submitted to the Auditing Midyear Conference

Matthew Beck, Jere Francis and Joshua Gunn
"City-Level Human Capital and Audit Markets."
2013 Auditing Section Midyear Conference Awards

Outstanding Service to *Auditing: A Journal of Practice & Theory*

Ed O'Donnell
Jeff Payne
Vic Naider

Back to Contents Page
If you aren't sure what is meant by the term "business acumen", read on. At the 2013 AAA Auditing Section Midyear Meeting, a panel discussed the importance of business acumen to the audit process and the need for auditing educators to develop students in this important area. The panel included Eileen Walsh of KPMG, Clay Plaisance of Ernst & Young, Patrick Brandau of Deloitte, and Robert Knechel of the University of Florida.

Business acumen can be described as the ability to understand a business situation and act on it in such a way that the action produces a good outcome. This murky description shows that business acumen is difficult to define; but it is easy to understand what business acumen does and why it is important to auditing. Business acumen enables an auditor to identify and extract relevant information from a barrage of data, allowing a linkage of the crucial risk factors in a particular environment with those of a particular client. Business acumen allows the auditor to understand and ask enough of the right questions to be professionally skeptical. Business acumen is critical to auditors’ understanding of the external environment, and to proper risk assessment in an audit. Thus, all auditors need to stay current on business world issues, and even new associates can do this by following sources of information like Bloomberg and Squawk Box on a regular basis.

Auditors need to know the information that financial-report users focus on. Some of that information is typically industry specific. In the risk assessment process, auditors may spend hours on the front end of the audit focusing on success drivers and the information that banks, Wall Street, and regulators want to know about the client, as well as understanding the company’s business template. For example, in the oil and gas industry important information may be estimates of reserves; in construction, it may include estimates of what the company expects to make on construction-in-process. In the utility industry, difficulties in relicensing of a nuclear plant may trigger an asset impairment. Auditors must be familiar with industry-wide key estimates in order to exercise professional skepticism and be able to stand "toe-to-toe" with client management on its estimates. Possessing business acumen requires staying up with the industry daily. The insight not only increases audit quality, it is imperative to client service.

So, how does a firm teach its staff auditors to develop business acumen? Many firm training and development activities incorporate business acumen—professional judgment requirements built into firm curricula and cases, industry-specific training, web-based courses, and internal courses such as "how to whiteboard." Learning to translate data into risk assessment often relies on a firm's apprenticeship model through which staff auditors learn to flowchart process flows, risks, assertions, controls, interfaces, and procedures.

Intellectual curiosity is critical to the development of business acumen and,
consequently, universities also can contribute to its development in future auditors. For example, a "big case" approach can devote multiple class sessions to introducing students to processes associated with understanding an industry and client, and analyzing risks. A specialized industry-practices course can allow students to drill down into business acumen issues in ways that might not be possible in a broader, more general course. Important background courses can be drawn from other areas of the university catalog including logic courses typically taught in philosophy departments and process management courses taught in engineering. Some schools are even adding engineering courses to their business curricula. Acting classes can help students develop the needed confidence and "personal presence" to use business acumen with clients when they begin work in an audit setting.

In addition to comments from the expert panel, Midyear meeting attendees also provided business acumen teaching approaches and insights. At one university, students are assigned real companies and asked to identify key risks and key controls. Students present their conclusions to that client's audit firm engagement partner at the end of the semester. Another approach includes drawing on analyst and blogger information to broaden students' knowledge, including having students listen to analyst calls. Many resources are available on companies' web sites, including presentations for Wall Street, earnings calls, and earnings releases.

Universities can contribute significantly to the development of business acumen prior to their graduates entering the accounting profession through class activities and by guiding students to readily available resources. Greater emphasis in the university environment has the potential to change the baseline business acumen of entrants to the profession.
GAO Update

Steve Sebastian, Director, GAO
Maxine Hattery, Director, GAO


GAO could not render an opinion on the 2012 consolidated financial statements of the federal government because of widespread material internal control weaknesses, significant uncertainties, and other limitations.

As was the case in 2011, the main obstacles to a GAO opinion on the accrual-based consolidated financial statements were

- serious financial management problems at the Department of Defense (DOD) that made its financial statements unauditable,
- the federal government’s inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies, and
- the federal government’s ineffective process for preparing the consolidated financial statements.

Comptroller General Gene L. Dodaro said that GAO has “seen significant improvements in federal financial management and accountability over the years,” but that the report “underscores that further progress is urgently needed.” Dodaro noted that the need for reliable financial and performance information is especially critical today, both for federal managers, who likely face increasingly tight budgets and need to operate as efficiently and effectively as possible, and for policymakers dealing with the federal government’s broader fiscal challenges.

While the vast majority of the 24 agencies required by the CFO Act to undergo an audit received an unqualified opinion, two major exceptions are DOD and the Department of Homeland Security (DHS). DHS, for the first time, attained a qualified audit opinion on its complete set of financial statements and has set as its goal an unqualified opinion on its fiscal year 2013 financial statements.

While some component agencies within DOD have become auditable, years of financial improvement efforts have not been successful departmentwide. DOD has developed and is now implementing a strategic plan for resolving internal control weaknesses and achieving auditability. GAO is monitoring DOD’s progress and, along with the DOD Inspector General, is making recommendations to help DOD component agencies meet their short- and long-term financial improvement goals.

The Department of the Treasury, which is responsible for preparing the financial statements that GAO audits, is working with federal agencies to help resolve and eliminate material differences in intragovernmental activity and balances. In addition, Treasury has taken steps to address certain deficiencies in preparing the consolidated financial statements.

GAO was unable to render an opinion on the 2012 Statement of Social Insurance and the 2012 Statement of Changes in Social Insurance Amounts because of significant
uncertainties, primarily related to the achievement of projected reductions in Medicare cost growth. The consolidated financial statements discuss these uncertainties, which relate to reductions in Medicare payment rates for physician services and productivity improvements for most other categories of Medicare providers. These statements provide an alternative projection to illustrate the uncertainties.

Dodaro also cited material weaknesses involving an estimated $107.7 billion in improper payments, information security across government, tax collection activities, and loans receivable and loan guarantee liabilities.

"While Congress and the administration have taken steps recently to improve the near-term outlook," Dodaro said, "the comprehensive fiscal projections in the 2012 financial report make it clear that our federal government's long-term fiscal path remains unsustainable without further policy changes." He pointed out that the oldest members of the baby-boom generation are already eligible for Social Security and Medicare benefits and that spending for these programs is projected to rise dramatically in the coming decades.

Dodaro cited the Inspectors General across government, who are responsible for auditing the annual financial statements of individual federal entities each year, for their commitment and professionalism.

Financial Audit: U.S. Government's Fiscal Years 2012 and 2011 Consolidated Financial Statements,


Two Areas Added, Two Removed from GAO's High Risk List

GAO has added two areas to the agency’s High Risk List: (1) limiting the federal government’s fiscal exposure by better managing climate change risks and (2) mitigating gaps in weather satellite data. Two other areas—management of interagency contracting and Internal Revenue Service (IRS) business systems modernization—were removed from the list because of sufficient progress in addressing past vulnerabilities.

Comptroller General Dodaro said he was “pleased that the High Risk List continues to bring about progress in addressing problem areas across government, as was evident in the two areas dropped from our 2013 list,” adding that actions taken by Congress, the Office of Management and Budget, and federal agencies have achieved “notable progress in the vast majority of areas.”

The changes to GAO’s High Risk List were part of the agency's biennial update to its list of federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or needing broad-based transformation. A total of 30 programs and operations are currently on the list.

Noting the addition of the two new areas to this year’s list, Dodaro reiterated GAO’s commitment to work with Congress and agency officials to help sustain progress going forward. Since the 2011 update, sufficient progress has also been made to narrow the scope of three areas—management of federal oil and gas resources, strengthening Department of Homeland Security management functions, and the Department of Energy’s contract management for the National Nuclear Security Administration and Office of Environmental Management.

The Comptroller General released the 2013 list at a bipartisan briefing on Capitol Hill with leaders of the Senate Homeland Security and Governmental Affairs Committee and the House Oversight and Government Reform Committee. He also testified on the new list and released a separate report on GAO’s evaluation of the national cybersecurity strategy, which addresses the governmentwide high risk area of protecting the federal government's systems
and the nation's cyber critical infrastructures.

The High Risk List is updated every two years and released at the start of each new Congress to help in setting oversight agendas. Recent congresses and administrations have been particularly alert to GAO’s High Risk List, using its findings to help tailor agency-specific solutions as well as develop broader, governmentwide initiatives.

Here is more information on the 2013 additions:

**Limiting the federal government’s fiscal exposure by better managing climate change risks.**

Climate change poses significant financial risks to the federal government, which owns extensive infrastructure, such as defense installations; insures property through the National Flood Insurance Program; and provides emergency aid in response to natural disasters. GAO added this area because the federal government is not well positioned to address the fiscal exposure presented by climate change and needs a governmentwide strategic approach with strong leadership to manage related risks.

**Mitigating gaps in weather satellite data.**

Potential gaps in environmental satellite data beginning as early as 2014 and lasting as long as 53 months have raised concerns that future weather forecasts and warnings, including those for hurricanes, storm surges, and floods, will be less accurate and timely. GAO added this area because a number of decisions are needed to ensure that contingency and continuity plans will be implemented effectively.

Here is more information on the 2013 removals:

**Management of interagency contracting.**

GAO removed this area because of continued progress by agencies in addressing identified deficiencies, the establishment of additional management controls, the creation of a policy framework for setting up new interagency contracts, and steps taken to address the need for better data on these contracts.

**Internal Revenue Service business systems modernization.**

GAO removed this area because of IRS’ progress in addressing significant weaknesses in information technology and financial management capabilities. IRS delivered the initial phase of its cornerstone tax processing project and began the daily processing and posting of individual taxpayer accounts in January 2012, enhancing tax administration and improving service. In addition, IRS has put in place nearly 80 percent of the practices needed for an effective investment management process, including all of the processes needed for effective project oversight.

**GAO’s 2013 High-Risk Series: An Update.**

GAO-13-359T, February 14, 2013, is available online at http://www.gao.gov/highrisk. For more information, contact Chuck Young, Managing Director of Public Affairs, at (202) 512-4800.

**GAO Launches Key Issues Website to Assist New Congress and the Public**

GAO has mounted a new online resource available on its GAO.gov website. The “Key Issues” pages provide incoming members of the 113th Congress, and the public, with quick and easy access to bodies of GAO work on important policy issues facing the nation.
The new site contains more than 60 specific issue areas, each devoted to topics such as food safety; medical product oversight; disaster management; cybersecurity; realigning and regulatory closing of military bases; stabilizing and reforming the U.S. financial system; and collaboration across governments, nonprofits, and the private sector.

Each area highlights significant GAO reports and other relevant content, including podcasts and videos, along with contact information for GAO subject experts.

Users can browse GAO’s Key Issue pages by topic or federal agency. Regular updates will ensure that the website remains current and responsive to user needs and feedback.

The Key Issues website is a collaborative effort of GAO teams based on analysis of feedback provided by users of GAO.gov and data acquired though Google Analytics and can be accessed at http://www.gao.gov/key_issues.
Introduction

This Update addresses selected PCAOB developments since the Fall 2012 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments discussed include:

- Announcement of Standing Advisory Group (SAG) Members and 2013 SAG Meetings;
- Staff Audit Practice Alert No. 10, Maintaining and Applying Professional Skepticism in Audits;
- Report on Inspection Observations Related to Audits of Internal Control over Financial Reporting;
- Approval by the SEC of Auditing Standard No. 16, Communications with Audit Committees;
- Cooperative Agreement with French and Finnish Regulators;

November 2012

Announcement of SAG Members and 2013 SAG Meetings: On November 30, 2012, the PCAOB announced 12 new and re-appointed members to its SAG who will serve three-year terms beginning in January 2013. The SAG also includes 28 continuing members.

The Board also announced that it has scheduled the following SAG meetings for 2013: May 15-16 and November 13-14 in Washington, D.C.

A list of SAG members, including their biographies, is available on the PCAOB website at: http://pcaobus.org/Standards/SAG/Pages/Current.aspx.

December 2012

Staff Audit Practice Alert

On December 4, 2012, the PCAOB published Staff Audit Practice Alert No. 10, Maintaining and Applying Professional Skepticism in Audits (Practice Alert No. 10), to remind auditors of their requirement to exercise professional skepticism throughout their audits.

Practice Alert No. 10 focuses on the importance of professional skepticism, the appropriate application of professional skepticism in audits, and certain important considerations for audit firms’ quality control systems. PCAOB standards define professional skepticism as an attitude that includes a questioning mind and a critical assessment of audit evidence, and it is essential to the performance of effective audits under Board standards.

Report on Inspection Observations Related to Audits of Internal Control over Financial Reporting

On December 10, 2012, the PCAOB released a report summarizing inspection observations related to deficiencies in registered public accounting firms’ audits of the internal control over financial reporting (ICFR) at public companies.

The report provides information about the nature and frequency of deficiencies in firms’ audits of ICFR detected during the PCAOB’s 2010 inspections of eight domestic registered firms that have been inspected every year since the PCAOB inspection program began. The report is based on PCAOB inspections that examined portions of approximately 300 such audits. It describes the most pervasive deficiencies identified in those audits and also includes information on the potential root causes of the deficiencies.


Approval by the SEC of Auditing Standard No. 16, Communications with Audit Committees: On December 17, 2012 the U.S. Securities and Exchange Commission (SEC) approved Auditing Standard No. 16, Communications with Audit Committees, and amendments to other PCAOB standards.

The standard establishes requirements that enhance the relevance and timeliness of the communications between the auditor and the audit committee, and is intended to foster constructive dialogue between the two on significant audit and financial statement matters. The standard supersedes the Board's interim auditing standards AU sec. 310, Appointment of the Independent Auditor, and AU sec. 380, Communication with Audit Committees, and amends other PCAOB standards.

The new standard and related amendments are effective for public company audits of fiscal periods beginning on or after December 15, 2012. Additionally, the SEC determined that the standard and related amendments will apply to audits of "emerging growth companies" under the Jumpstart Our Business Startups Act of 2012.

Auditing Standard No. 16 is available on the PCAOB web site at: http://pcaobus.org/Standards/Auditing/Pages/Auditing_Standard_16.aspx.

February 2013

Cooperative Agreements with French and Finnish Regulators

On February 4, 2013, the PCAOB announced cooperative agreements with the French High Council for Statutory Auditors and the Auditing Board of the Central Chamber of Commerce of Finland relating to the oversight of audit firms subject to the jurisdictions of these foreign regulators and the PCAOB. In addition to providing a framework for conducting joint inspections, the arrangements include provisions governing the exchange of confidential information between the foreign regulators and the PCAOB, consistent with certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
Current Issues in Auditing

Rich Houston, Professor, University of Alabama

Current Issues in Auditing, published by the Auditing Section of the American Accounting Association (http://aaapubs.org/loi/ciia/), contains articles, commentaries, and practitioner summaries of interest to both the academic and practitioner community. Articles are published online very soon after they are accepted, so please check the website often to view newly published articles.

Also, please consider submitting your work to Current Issues in Auditing (website for authors: http://ciia.allentrack.net/cgi-bin/main.plex). We invite regular articles and commentaries (including those related to the various projects currently being considered by the PCAOB) as well as practitioner summaries and educational resources.

We also invite you to access recently accepted articles not yet online in the journal at: http://aaapubs.org/toc/ciia/0/0.

Published and recently accepted articles include:


We have several articles in the review process, and some may be available on the website fairly soon. Submissions have been up thus far this year—please continue to submit your work to CIIA.

Commentaries. We also have recently accepted for publication commentaries from the Section’s Auditing Standards Committee. We refer you to http://aaapubs.org/doi/pdf/10.2308/ciia-50389 and http://aaapubs.org/doi/pdf/10.2308/ciia-50336.

Practitioner Summaries of Academic Research. We have published and recently accepted several such summaries, which we believe will be of great interest to academics, practitioners, and regulators. The most recent are included at http://aaapubs.org/toc/ciia/6/2 and http://aaapubs.org/toc/ciia/7/1.

Educational Resources. Finally, we have introduced another section of the journal that will include brief audit cases. Our intention is to consider cases and other materials that are perhaps not as detailed as those published in other journals, and our intention is to process them quickly in order to disseminate them to educators and practitioners on a timely basis. To give you an idea of the intended content of the section (we have not yet accepted any articles for this section), we provide the following summary:

Instructional Resources will include cases derived from actual or simulated business activity that are in line with the objectives of CIIA and are designed to provide timely instructional resources to auditing.
instructors. The instructional resources also include specific classroom exercises that are designed to enhance student understanding of current auditing issues. Thus, the resources should address current issues facing the auditing practice community (e.g., new opportunities and challenges, emerging areas, global developments, effects of new regulations or pronouncements, and effects of technological or market developments on audit processes). We define “auditing practice” broadly to include practice-related issues in external auditing, internal auditing, government auditing, IT auditing, assurance services, and related fields. Instructional resources, inclusive of implementation guidance, should follow the editorial guidelines of CIIA and should be a maximum of 2,500 words. The resources should be designed for immediate use by accounting faculty and should have two self-contained parts: the resource material itself (denoted “Instructional Resource”), and a separate instructor’s implementation guide (denoted “Instructional Resource Implementation Guide”). Each section should be submitted in a separate file and should have its own references and footnotes.

We have several articles, commentaries, and practitioner summaries that soon will be available. Thanks for your continued support of Current Issues in Auditing and, again, we invite you to submit your work.
Have You Seen?

Tamara Lambert
Assistant Professor, University of Massachusetts-Amherst

Benjamin Luippold
Assistant Professor, Georgia State University

James Whitworth
Assistant Professor, University of North Carolina-Wilmington


Using a sample of Taiwanese firms that includes both listed and unlisted firms, this study examines the impact of client importance on the audit partner's independence. The authors find no evidence that client importance impacts Big 4 audit partners' independence, regardless of whether the client is listed or unlisted. In contrast, the study finds considerable evidence that partners of smaller audit firms treat their most economically important clients differently from their less important clients with regards to abnormal accruals, modified audit reports, and meeting/beating earnings benchmarks.


The authors empirically test the certification hypothesis by studying the roles of reputable auditors and bank underwriters in the design of bond contracts. The certification hypothesis suggests that reputable capital market intermediaries can credibly communicate inside information to outside investors, thereby helping improve financing terms for firms that raise external funding. Consistent with this hypothesis, the authors provide evidence that reputable auditors and underwriters help corporate bond issuers obtain lower bond yields. The effect of reputable auditors on the yields is greater than that of reputable underwriters in terms of economic magnitude and significance, consistent with auditors' multiple roles as information intermediaries, monitors, and insurance providers. The authors also find that the presence of reputable auditors and underwriters affects bonds' nonpricing terms. Firms that hire reputable auditors obtain longer term bonds, whereas those that engage reputable underwriters can issue larger bonds. Taken together, the results suggest that reputable auditors and underwriters have integral, but different, roles in the bond-issuing process.

This study examines how agency conflicts in private firms arise through ownership structures and family relationships. The authors analyze auditors’ increase of effort and firms’ choice of auditors in situations with higher level of agency conflicts. For a large sample of private firms, the paper measures direct and ultimate ownership for each shareholder as well as extended family relationships (based on marriage and blood lines, going back four generations and extending out to fourth cousin) among all shareholders, board members, and CEOs. The study documents that audit fees (a proxy for audit effort) vary as hypothesized with firm-level characteristics related to ownership structures and family relationships. The paper also finds evidence that firms in higher agency cost settings respond by having their financial statements audited by a higher-quality auditor (i.e., a Big 4 firm). However, for CEO family-related settings (i.e., where the CEO is related to the major shareholder or as the number of board members related to the CEO increases), we find no evidence of a greater demand for a Big 4 auditor.


Motivated by gradual shifts in the market for audit services, the authors hypothesize that financially stressed public companies to be increasingly audited by regional firms, who, in turn, will be increasingly likely to issue going concern reports to their financially stressed public companies. The study examines the 22 years between 1989 and 2010, which are classified into four ERAs (e.g., 1989–1994, 1995–2001, 2002–2005, and 2006–2010). The paper initially documents that over time, financially stressed public companies are shifting to regional audit firms, partly due to the actions of larger audit firms shedding these clients, which represent ex-ante conservatism. The paper also documents that over time, for their financially stressed public clients, regional audit firms are increasingly more likely to issue going concern reports, and BigN audit firms are increasingly less likely to issue going concern reports. The authors also show that in more recent ERAs, regional audit firms have been more likely than BigN and national audit firms to issue a going concern report to their financially stressed public clients. Overall, the evidence suggests that more recently, larger audit firms, relative to regional audit firms, acted more proactively to lessen their litigation risks through increasing centralization of client selection and acceptance processes. The evidence also suggests that more recently, to lessen their litigation risks, regional audit firms, relative to BigN and national audit firms, acted more conservatively by issuing more going concern reports to their financially stressed public clients.


The study tests the reliability framework for the auditing profession (Taylor et al. 2003) as an alternative to the model centered on auditor independence. According to the model, auditor reliability consists of four formative ethical constructs: integrity, independence, expertise and objectivity. Results from an experiment involving commercial lenders confirm the reliability framework. In particular, authors find that perceptions of expertise, integrity and independence are each positively associated with objectivity, and perceived objectivity is associated with perceived reliability. Furthermore, increased perception of auditor reliability is positively associated with perceived financial reporting reliability, and perceived financial reporting reliability is negatively associated with perceived default risk of the borrower. These results still hold when independence is low (i.e., when the auditor provides non-audit services in addition to audit services).

Historically public accounting careers have been "up or out" with progression from staff though senior, manager, senior manager, and ultimately, partner. Recent AICPA data suggests senior managers are increasingly promoted to non-equity "director/principal" positions rather than to partner. Further, this career path appears to be disproportionately occurring for women. This survey of the membership of the American Women's Society of Certified Public Accountants (AWSCPA) provides the first descriptive data on the nature and impact of the post-senior manager position from the perspective of senior women accountants and reflects on the gender implications of these findings. Of concern is the early indication that firms may be using such positions to create a 'reserve force of [partnership-level] labour'. If women are disproportionately appointed to such positions, they may be forming a new source of vertical segregation for women accountants.


Recent regulatory initiatives in Europe stress that an independent oversight board, rather than the management board, should assume the role of auditors' client. In an experiment, the study examines whether the type of client affects auditors' independence. Unique features of the German institutional setting enable the authors to realistically vary the type of auditors' client as the treatment variable. The study portrays the client either as the management preferring aggressive accounting or the oversight board preferring conservative accounting. Next, the paper measures auditors' perceived client retention incentives and accountability pressure in a post-experiment questionnaire to capture potential threats to independence. The authors document that the type of auditors' client affects auditors' behavior contingent on the degree of the perceived threats to independence. The evidence suggests that both client retention incentives and accountability pressure represent distinctive threats to auditors' independence and that the effectiveness of an oversight board in enhancing auditors' independence depends on the underlying threat.
Call for Papers

28th Contemporary Accounting Research Conference

Holiday Inn Kingston Waterfront Hotel
Kingston, Ontario, Canada
October 25-26, 2013
(plus Doctoral/Junior Faculty Consortium on October 24)

Celebrating a Decade of Diversity

A little over a decade ago, Contemporary Accounting Research (CAR) made explicit a commitment that had long been implicit, to celebrate the diverse traditions that make up accounting research and to expand them to new vistas. Hence, this 28th CAR Conference to be held in Kingston, Ontario, will celebrate diversity and hopefully will feature some new vistas that have yet to be properly explored. We invite you to come and celebrate the diversity of accounting research that is CAR's tradition. From financial markets to societal implications; from analytical modeling to case studies; from economics through to sociology; all researchers and formats of research are welcomed to this conference. While others talk about the need to create “more innovative” accounting research and researchers, CAR does it!

Contemporary Accounting Research is the premiere research journal of the Canadian Academic Accounting Association, which publishes leading-edge research that contributes to our understanding of all aspects of accounting’s role within organizations, markets or society. Canadian-based, increasingly global in scope, CAR seeks to reflect the geographical and intellectual diversity in accounting research. To accomplish this, CAR will continue to publish in its traditional areas of excellence, while seeking to more fully represent other research streams in its pages, so as to continue and expand its tradition of excellence. Therefore, CAR welcomes interesting and intellectually rigorous work in all areas of accounting (including audit, financial, government and nonprofit, information systems, managerial and tax) using relevant methods (including but not limited to analytical, archival, case study, empirical, experimental, or field); based in economics, finance, history, psychology, sociology, or any cognate disciplines that help illuminate the role of accounting within organizations, markets or society.

Submission Process

As submissions to the conference also constitute submissions to CAR, submissions should follow CAR’s editorial guidelines. Manuscripts must be submitted electronically using CAR’s online submission and peer review system at https://www.editorialmanager.com/car/. Authors should submit the appropriate submission fee using the online fee payment form at http://www.caaa.ca/CAR/SubFees/index.php. Payment may be made by VISA, MasterCard, or cheque. Submission fees are $125 for CAAA members and $200 for non-members (dollar amounts are in Canadian funds in Canada and in U.S. funds elsewhere). Submission fees are non-refundable.;
Submissions must arrive at the CAR EM system no later than May 1, 2013.

Papers not accepted for the conference (and submissions that come in after the deadline) will be treated the same as non-conference 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 late July 2013 and of the outcome of the editorial process for publication in CAR in the normal course.

Submissions should be directed to:

Interim Editor-in-Chief
Contemporary Accounting Research

Via the CAR EM system

Questions about the submission process should be addressed to Mary Lui at car@caaa.ca or by phone at (+1) 416-486-5361 or via fax at (+1) 416-486-6158.
SEC Academic Fellowships

The U.S. Securities and Exchange Commission (SEC) invites qualified accounting professors and new PhDs to express their interest in possible fellowship opportunities at its headquarters next to Union Station in the heart of Washington, DC for the 2013–2014 academic year. An Academic Fellowship at the SEC provides an unparalleled opportunity for accounting academics to be directly involved in the work of the SEC and to gain insight into the SEC's oversight and regulatory processes. An SEC fellowship is a remarkable way to spend a sabbatical year or a leave of absence and provides experiences that will greatly enhance subsequent teaching and publication activities.

Fellowship Descriptions

Academic fellowships may be available in two areas within the SEC:

Office of the Chief Accountant
The Office of the Chief Accountant (OCA) functions as the primary advisor to the Securities and Exchange Commission on accounting and auditing matters. The OCA is interested in candidates with credentials in the area of auditing. The Academic Fellow serves as a research resource for OCA, participates in OCA projects which frequently involve the SEC's oversight of auditing standard-setting, and assists in auditor and registrant matters. The fellowships, which have been in existence for over twenty years, are for research-oriented professors with an interest in working closely with OCA leadership and staff on registrant and auditor issues. Requirements include a Ph.D., a strong research background in auditing and financial reporting and a CPA or equivalent technical expertise.

Division of Risk, Strategy, and Financial Innovation
The Division of Risk, Strategy, and Financial Innovation (RSFI) is chiefly responsible for risk and economic analysis, strategic research, and financial innovation in its roles of providing economic analyses of proposed Commission actions and providing expertise in analytical approaches and methods in support of the Commission’s enforcement and examinations program. RSFI is also responsible for leading the policies and standards to advance the use of interactive data (including XBRL, XML and other structured data formats) in Commission filings and supporting the analytic programs to use the resulting data from public companies and others.

At RSFI, Academic Fellows participate in research and analysis as members of the Division and provide economic guidance and research expertise to the Commission with respect to policy, enforcement, and regulatory initiatives. Opportunities exist to focus on specific policy/research areas or in litigation support. The Division is seeking candidates who have experience in areas including, but not limited to: financial accounting, disclosure policy, corporate governance, credit ratings and credit risk, financial intermediaries, securities issuance, financial derivatives, and litigation support. We are interested in tenured and tenure-track faculty, as well as recent Ph.D. graduates. The staff is expected to conduct high-quality research that both benefits the Commission and is publishable in academic journals.

Compensation, Benefits and Timing
Faculty members at U.S. universities are hired as Academic Fellows positions under the Intergovernmental Personnel Act (IPA), which allows the professor to continue as an employee of the university in that the employee continues to be paid by the university and receive its benefits package. The SEC, in turn, reimburses the university for the professor's salary and benefits. Under an IPA contract, relocation expenses to and from the Washington, DC area are generally reimbursed in accordance with Federal Travel Regulations and standard SEC policies which apply to IPA assignments. IPA appointments generally involve a 12-month period beginning August 1 each year. Compensation for SEC Academic Fellows is typically 12/9s of the professor's academic-year salary, up to a maximum of pay grade SK-16 (for 2012–2013 that amount was $207,154) plus related benefits. Academic Fellows on an IPA contract do not have a citizenship requirement other than possessing a valid work visa to be legally employed by the university.

For recent Ph.D.s who are not faculty members at a university or those wishing to become SEC employees can be hired by the SEC directly for a two-year term appointment that is renewable up to a maximum of four years in total. Relocation expenses are not reimbursable. In order to qualify for a term SEC appointment, the candidate must be a permanent resident or U.S. citizen to qualify. For information on employment eligibility for non-U.S. citizens, see http://www.usajobs.gov/ResourceCenter/Index/Interactive/NonCitizensEmployment#icc.

All positions are contingent upon all candidates passing a background check.

Application Information and Procedures
To apply, you must electronically submit a vita and a cover letter that summarizes your qualifications and indicates the specific fellowship(s) in which you are primarily interested. Applications for fellowships in all areas must be made electronically to Marshall Geiger at GeigerM@sec.gov. Applicants should provide a copy of one or two relevant working papers or recently published articles. For positions at RSFI, please include three letters of recommendation as well as research sample(s). Application reviews for the 2013–2014 Academic Fellowships will begin as received and continue until March 30, 2013 or as needed. Interviews would be conducted at the SEC headquarters in Washington, DC. Candidates' interview travel expenses may not be reimbursed by the SEC.

To find out more about the experiences of previous Academic Fellows, see articles by Thomas J. Linsmeier in Accounting Horizons (September 1996); Bjorn N. Jorgensen, Cheryl L. Linthicum, Andrew J. McLelland, Mark H. Taylor, and Teri Lombardi Yohn in Accounting Horizons (September 2007); and Steve Kolenda and Patricia Fairfield in the Financial Reporting Journal (Summer 2000). Please consider applying for these outstanding professional development opportunities.

To discuss the nature of the fellowships, you may contact the current Academic Fellow in the Office of the Chief Accountant: Marshall Geiger at GeigerM@sec.gov, or for the positions in the Division of Risk, Strategy, and Financial Innovation: Scott Bauguess at BauguessS@sec.gov.

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