



FORUM

INTERNATIONAL ACCOUNTING

INTERNATIONAL ACCOUNTING SECTION OF THE AMERICAN ACCOUNTING ASSOCIATION

NO. 51

SPRING 1994

EDITOR: Ross Tondkar
Virginia Commonwealth University

CHAIRPERSON'S MESSAGE

Greetings from the Big Apple! Please accept my best wishes for a happy and healthy 1994.

Let me start the new year by reiterating the twin objectives I have set for the International Accounting Section during my brief administration. The first objective is to assist the larger AAA membership in introducing their students to the international dimensions of accounting. The second is to assist researchers both within and outside our Section by identifying topical areas, and specific issues within those areas, that are in need of systematic inquiry. These are worthy targets, goals that if pursued vigorously and rigorously, should enable us to make a lasting contribution to accounting education in this country and beyond.

To this end I have enlisted the help of colleagues whom I feel are amply qualified to accomplish the tasks that lie ahead. In the area of curriculum and pedagogy, Alvin Carley (Wharton), Patricia McQueen (Baruch), Robert Sack (Darden), Timothy Sale (Cincinnati), Stephen Salter (Texas A&M), Grace Pownall (Emory) and Shirley Daniel (Hawaii) have agreed to personally conduct faculty workshops at their respective regional AAA meetings in which they will (a) identify what the important international accounting issues are and why they are important, (b) identify teaching resources that are available, and (c) offer examples of how to effectively convey the material to students. Needless to say, their role is of critical importance to the Section and its objectives. Complementing their effort is the work of our Educational Resources Committee, headed by Edward Shoenthal (Brooklyn College). Ed and his committee members are working very hard to put together a compendium of teaching resources that will be made available to the AAA membership. These resources will include course syllabi reflecting various approaches to the subject of international accounting, textual references, case references and others.

On the research front, Cheryl Fulkerson (Texas at San Antonio), is chairing a committee whose charge is to iden-

tify a set of research priorities for the balance of the 1990s and beyond. The finished product will take the form of a research monograph that will identify a broad cross-section of topics (e.g., auditing, managerial, financial, tax and information systems) and specify, within each topic area, specific research questions dealing with international themes that need to be addressed. It is our intention that this monograph also be made available to AAA members and doctoral students. To provide a practice check on the efforts of the Research Committee, I have also enlisted the help of the Section's Advisory Committee, chaired by Kathleen Bindon (Alabama) and whose membership includes individuals from the profession, to assist in identifying major developments on the horizon that are likely to have a significant impact on international accounting research and education. Their findings will be shared with the Research Committee prior to the preparation of the latter's formal monograph.



Frederick D. S. Choi

Other committees that are consistent with this year's dual objectives are (names of committee chairs in parentheses):

- Annual Program Committee (Mark Lang, Stanford)
- Dissertation Awards Committee (Carol Frost, Washington U.)
- Outstanding International Accounting Educator Award Committee (Chee Chow, San Diego)
- Publications Committee (Shahrokh Saudagaran, Santa Clara)
- Membership Committee (David Yang, Hawaii)
- Outreach Investigative Committee (Finley Graves, Mississippi)

A theme that must permeate all of the Section's activities, if we are to be an effective force in our educational endeavors, is quality. Accordingly, technical sessions will be held only if submitted manuscripts meet acceptable

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CALL FOR PAPERS

Advances in International Accounting (AIIA) is a research annual that publishes the results of basic or applied research in international accounting. It also publishes conceptual or theoretical contributions that augment knowledge in the field or those articles that advance educational methodology. *AIIA* welcomes thoughtful, well-developed manuscripts dealing with the international dimensions of financial reporting, managerial accounting, taxation, auditing, or accounting education. To be publishable, manuscripts must be relevant, reliable, and readable. Although its principal audience consists largely of scholars, researchers, and teachers of international accounting, *AIIA* also strives to publish articles that will be useful to executives of international enterprises as well as officials in government and international organizations.

Manuscripts are blind-refereed by two reviewers. The result of initial reviews normally are reported to authors within eight weeks from the date the manuscript is received. Authors are expected to work with the Editor and/or Associate Editor to resolve areas of concern expressed by the reviewers.

Journal of International Accounting, Auditing & Taxation

The journal invites articles in all areas of international accounting including auditing, taxation, management advisory services, and international reporting. The journal attempts to bridge the gap between academic researchers and practitioners by publishing readable papers with a practical emphasis that are relevant to the development of the field of international accounting.

Critiques of current practices, measurement and reporting of effects of current practices on business decisions, general purpose solutions to problems through simple tax models or methods, essays on new trade agreements and effects on practice, and applied research findings of interest to both academics and practitioners are all within the scope of this journal. In addition, cases used in teaching which may be of interest for professional continuing education and training are within the scope of the journal. Controversy, critique and stimulating opinion are ideal types of essays. This journal is a forum for debate, position papers and interpretation of new developments.

Manuscripts should be double spaced with numbered footnotes appearing at the end of the text. Manuscripts will be double-blind refereed. Accordingly, the author's name should appear only on a separate title page. Three copies of the manuscript should be sent with three copies of a separate abstract page of no more than 100 words and a \$15 submission fee payable to JIAAT to:

Kathleen E. Sinning and Hans J. Dykxhoorn, Editors
Journal of International Accounting,
Auditing & Taxation
3182 Haworth College of Business
Western Michigan University
Kalamazoo, MI 49008

Manuscripts should be double spaced with a cover page indicating the author's name and address, and should be accompanied by a separate abstract of 100 words or less. Accepted manuscripts ultimately must be submitted on an IBM compatible disk in an ASCII file. Four copies of the manuscript and abstract, as well as a \$15 submission fee payable to *AIIA* should be sent to:

Timothy S. Douppnik, Editor
Advances in International Accounting
College of Business Administration
University of South Carolina
Columbia, SC 29208 USA

Subscription inquiries should be made directly to:

JAI Press, Inc.
55 Old Post Rd., No. 2
Box 1678
Greenwich, Connecticut 06836-1678 USA

Second Swedish Accounting Research Colloquium February 24th & 25th 1995 Umeå, Sweden

Papers may be on any topical area of accounting, including international accounting and auditing. All papers will be blind reviewed. Completed papers and/or abstracts should be submitted on or before September 12, 1994. Preference will be given to completed papers. Notification of acceptance will be mailed by December 1, 1994. The author(s) name(s) should not appear on the paper itself. Completed papers should include an abstract and be accompanied by a cover sheet which contains the following information for each author:

Name(s) [as it/they should appear in the program]
Position/Title/Affiliation
Mailing Address
Phone Numbers (office, fax, home)
E-mail Address (if available)

Jointly authored papers should identify the contact author. Abstract submissions should include a cover sheet as well.

Please mail three copies of the completed paper or abstract, according to the form above to:

Professor Ashley Burrowes
Department of Business Administration
Umeå University
901 87 Umeå
SWEDEN
Phone: 46-90-166839
Fax: 46-90-166674
E-mail: Burrowes@HH.UMU.SE

CALL FOR PAPERS

Conference on Historical Perspective and Analysis: An Integral Component of Accounting Education in the 21st Century

Accounting History Research Center
at Georgia State University
Atlanta, Georgia
December 9-10, 1994

Sponsored by the Academy of Accounting Historians

Statement of Purpose: Historical analysis and comparisons in developmental context provide insight into accounting evolution and change in response to changes in the economic, political, and social environment. Such insight can assist decision makers in recognizing broad patterns of risk which could lead to better decisions. A historical perspective about events and people affecting the profession promotes a better understanding of the deep-rooted traditions of accounting, a foundation for evaluating current accounting practices, and a base for life-long learning. Several well publicized recent reports¹ of the American Accounting Association, (then) Big Eight Chief Executives, and the Accounting Education Change Commission have recommended that accounting education include an accounting history component. The objective of the conference is to assist accounting educators with integrating historical material into existing courses.

Conference Structure: Accounting history can be integrated into accounting courses in various ways such as using articles, cases, vignettes, videotapes, and audiotapes. The idea of the conference is to provide educators with suggestions and materials so that history can easily be incorporated into existing courses in a time efficient manner. Keep in mind, the objective is to add historical perspective and analysis to selected topics within courses without reducing significantly the coverage time allocated to traditional topics. The goal is to make topics more relevant (a broad-based understanding) rather than just adding history for history's sake. Therefore, the focus should be on "what" material to add, "why" the material is relevant to the topic, "when" to add the material, and "how" to incorporate the material in a time efficient manner. **Papers, case materials, vignettes, videotape and audiotape demonstrations, etc. related to all accounting courses (financial, auditing, cost, tax, systems, interna-**

tional, governmental) at both the undergraduate and graduate level are welcome.

Submission Instructions: Authors should submit eight copies of their submission following (when possible) the style guidelines of *The Accounting Historians Journal*. The deadline for submission (abstracts will be considered) is July 15, 1994. Selections will be made by September 1. Final revisions must be received by October 15, 1994. Proceedings will be published and distributed. Inquiries and submissions should be directed to:

Edward N. Coffman
Department of Accounting
School of Business
Virginia Commonwealth University
Richmond, VA 23284-4000
Phone: (804) 367-7193
Fax: (804) 367-8884

Selection Panel: The panel will include:

Marilynn Collins, John Carroll University
Eugene H. Flegm, General Motors Corporation
Gary J. Previts, Case Western Reserve University
Alfred R. Roberts, Georgia State University
Katheleen E. Sinning, Western Michigan University

¹The American Accounting Association, *Report of the Committee on the Future Structure, Content, and Scope of Accounting Education—1986*; (then) Big Eight document, *Perspectives on Education: Capabilities for Success in the Accounting Profession—1989*; The Accounting Education Change Commission, *Objectives of Education for Accountants: Position Statement Number One—1990*.

Chairperson's Message (Continued from page 1)

standards of academic rigor, dissertation awards presented only if the dissertations are truly outstanding, and so on.

I want to thank all of the Section members that volunteered to serve on this year's committees in keeping with the spirit I have just described. Our accomplishments are in your hands. I am confident that we will have an excellent year.

Enough talk. Let's work.

Frederick D. S. Choi

EDITOR'S NOTE

The deadlines for future issues of *International Accounting Forum* are:

1994 Summer Issue - May 1, 1994
1994 Fall Issue - September 1, 1994

Send news items to:

Ross Tondkar
Editor, *International Accounting Forum*
School of Business
Virginia Commonwealth University
Richmond, VA 23284-4000

Ph: (804) 367-7156
Fax: (804) 367-8884

NEWS FROM AROUND THE WORLD

AUSTRALIA AND NEW ZEALAND

Competency Standards for Professional Accountants in Australia and New Zealand

A discussion paper on the outcomes of phase one of this project has recently been published and is available through the ASCPA, ICAA and NZSA.

Six sets of Competency Standards have been developed for the following fields of practice—auditing, external reporting, insolvency and reconstructions, management accounting, taxation and treasury.

The standards define competent practice in each field, both in terms of performance outcomes and the skills (competencies) likely to be drawn on in producing these outcomes.

Relationships between competent practice and three career levels of competent practitioners are defined by reference to three categories of work roles involved in constituting competence practice. Thus, the performance outcomes and skills associated with Competent Practitioners, Proficient Practitioners, and Expert Practitioners are established also.

The Standards serve as a point of reference for benchmarking practice, as well as a resource for reorienting or developing it.

Feedback on the Standards is welcomed, and should be addressed to the Director of Education of the ASCPA or ICAA, or the Education Manager of the NZSA.

Phase two of the Project will seek to establish assessment methodologies and strategies relevant to the Competency Standards.

1993 CPA Research Grants

The ASCPA offers research awards annually for Australian accounting academics who are Society members and who have not developed a research profile sufficient to attract substantial research funding from other sources. A maximum of \$5,000 is provided to each successful applicant.

Wendy Green of the University of New South Wales is one of the recipients of the 1993 CPA Research Grants.

NEW AUDITING ACTS IN SCANDINAVIA

Finland, Norway and Sweden are revising their Auditing Acts (partly) due to potential membership in the European Union. Finland has already reached the stage where the New Act is ready to be adopted by the parliament. This would mean that the Act would come into effect sometime in 1994. One major aspect of the Finnish Act is the accommodation to the "true and fair view" convention. The Finnish Accounting Act has already been changed in this respect. In accordance with the proposed Auditing Act, the audit report should contain an opinion stating whether the financial statements have been prepared in accordance with the Accounting Act and other rules regulating their preparation, and whether the financial statements give "true and fair

information." In the Accounting Act, the former is given priority over the latter, that is, the legalistic approach is emphasized in the same way as in Germany. Furthermore, the term *view* has been exchanged for *information*, which is likely to lead to that "true and fair" is taken care of by additional disclosures, but not by modifications of the financial statements themselves, even if needed. One could argue that this Act is not in the spirit of the "true and fair view" nor "substance over form" conventions.

With respect to educational matters of auditors, the preparatory work for new acts in all the three Nordic countries use the EC 8th Directive as a basis. As a result of the European harmonization efforts, one major feature is that an auditor authorized within one membership country has the right to practice his/her profession in another membership country. Both Sweden and Finland have retained or are going to retain the right, like other Community countries, to require some type of "entry" exam for other nationals in order to verify their knowledge of local business laws and tax laws.

TAIWAN

The American Accounting Association, the National Taiwan University and the National Federation of CPAs Associations of the Republic of China co-hosted the AAA Academic Accounting Conference in Taipei, Taiwan, on November 13, 1993, at the Grand Hotel. Many distinguished academics and professionals from the Pacific Rim, North America and Europe were invited. The program was designed to create a common understanding about the international implications of accounting, particularly as they relate to the Pacific Rim countries. This was a chance for CPAs to gain a better understanding of the international issues related to accounting research, teaching, and practices.

The Taiwan National University and the National Federation of Certified Public Accountants Associations of the Republic of China presented the Fifth Accounting Theory & Practice Conference on November 16-18, 1993. Many outstanding academic papers were presented by scholars in Taiwan. The first day of the Accounting Theory & Practice Conference was conducted in English; the second and third days were conducted in Chinese. Dr. Andrew D. Bailey, Jr., President of the American Accounting Association, made a keynote speech in the conference.

The first International Conference on Contemporary Accounting Issues was held from January 6-9, 1994, in Taipei. This conference was organized by the National Chengchi University. The conference executive secretary was Professor Ting-Wong Cheng. The major purpose for this conference was to promote the exchange of academic ideas and practical experience among academicians, professionals, and practitioners from different countries.

Professor Rashad Abdel-khalik, University of Florida at Gainesville, delivered a keynote speech. Professor Frederic

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News from Around the World (Continued from page 4)
Choi, New York University; Professor Chee W. Chow, San Diego State University; and Professor Thomas Lin, University of Southern California, participated in a panel discussion on "The Accounting Education after the Year 2000." In addition, Professor Rajiv D. Banker, University of Minnesota at Minneapolis, conducted a workshop on "Some New Directions in Management Accounting Research."

CZECH REPUBLIC

Teach MBA Business Courses in Prague

The Czechoslovak Management Center (CMC), located 20 minutes outside Prague in the Czech Republic, has short-term (8 weeks) visiting faculty positions in its MBA program for 1994-95. This program is offered in conjunction with the Katz Graduate School of Business at the University of Pittsburgh. Positions are available in all standard MBA core subjects. For more information contact:

Dean William R. Pendergast
Czechoslovak Management Center
nam. 5. kvetna 2, 25088
Celakovice, Czech Republic
Fax: 001-42-202-91997
E-mail: CMC@EARN.CVUT.CZ

SWEDEN

Professor Ashley Burrowes of Umeå Universitet, Sweden, has been awarded a research grant by HSFR, Swedish Social Science Council, to develop a conceptual framework for external financial reporting in Sweden. The first meeting of the Advisory Board was held in November, with representatives from the Swedish Accounting Profession in attendance. Guest speaker at the meeting was Professor Emeritus David Solomons, Wharton School, University of Pennsylvania.

USA

DSI Conference

Papers presented at the recent Decision Science National Meeting in Washington, D.C. in the International Accounting area were:

- * "Gordon's Valuation Theory Revisited: An Inter-Paradigmatic and Inter-National Investigation" by Surendra P. Agrawal, Ariff Mohamed & Raza Monem.
- * "Japanese and American Cost Management Practices" by Rudolph A. Jacob and Lee G. Tagliaferri.
- * "Some Theoretical Aspects of Swedish Depreciation Rules" by Stellan Nilsson.
- * "Governmental Accounting, A New Model from Sweden" by Stan Sipple and Ashley Burrowes.
- * "A Pluralist Theory of Public Sector Accounting with Evidence from New Zealand" by David Hay.

MEXICO

Fifth Asian-Pacific Conference on International Accounting Issues Mexico City, Mexico, November 3-6, 1993

The Fifth Asian-Pacific Conference on International Accounting Issues was held in Mexico City, Mexico, November 3-6, 1993. The Conference was jointly sponsored by California State University, Fresno, and Instituto Politecnico Nacional (IPN). The main theme of the conference was "International Accounting Standards and Regional Economic Integration." The conference provided an important forum for the interaction of different ideas and information between academics and practitioners of different countries in order to enhance the understanding of international accounting issues in various Asian-Pacific countries.

CALL FOR NOMINATIONS

Outstanding International Accounting Educator Award

The International Accounting Section of the American Accounting Association invites nominations for its Outstanding International Accounting Educator Award. The general selection criteria are as follows (nominees need not have excelled in all general criteria areas):

The award is made to an individual who has made substantial contributions to international accounting education through scholarly endeavors in research and teaching over a sustained period of time—through publications, educational innovation, research guidance to students, active involvement in the activities of international professional and academic organizations, and serving as an example to others in promoting international accounting education.

The awardee will be honored with a plaque at the Section's annual meeting luncheon. A sketch of his or her accomplishments also will be included in the Section's newsletter, *The Forum*.

Committee Members: Chee W. Chow (Chair)
Haim Falk
Gary Meek
Kenneth Merchant
Stephen Zeff

Please direct your nominations to:

Professor Chee W. Chow
School of Accountancy
San Diego State University
San Diego, CA 92182-0092 USA
Ph: (619) 594-5331
Fax: (619) 594-1573

Please include a statement concerning the nominee's contributions to international accounting education, and selected, organized supporting documentation gathered from students, alumni, colleagues, and professional organizations, as well as other objective data.

Deadline for nominations: March 31, 1994.

CALL FOR PAPERS

JOINT CONFERENCE

Sixth Asian-Pacific Conference on International Accounting Issues and Accounting Theory and Practice Conference

November 20-23, 1994
Taipei, Taiwan

1. Background

The Sixth Asian-Pacific Conference on International Accounting Issues will be held jointly with the Sixth Accounting Theory and Practice Conference from November 20-23, 1994, in Taipei, Taiwan. The main theme of the conference is "Accounting and its Significance for Privatization and Capital Formation in the Asian-Pacific and Other Regions." The Conference will provide an important forum for the interaction of different ideas and information between academics and practitioners, in order to enhance the understanding of international accounting issues in various Asian-Pacific countries.

Research paper presentations and special workshops will be held by well-known international accounting scholars and practitioners to discuss issues on international accounting research, education, and practice, impact of advanced technology in international accounting, comparative ethics in international auditing and business, and related international accounting topics. Prominent scholars and practitioners from many countries around the world are expected to attend the conference.

2. Topics

Paper presentation, panel discussion, and workshops on international accounting and other related international business topics are invited. Major topics of interest include, but are not limited to:

- * International accounting research, education, and practice
- * Accounting standards, auditing standards, and taxation issues among the North American Free Trade Agreement (NAFTA) countries
- * Comparative analysis of financial accounting, managerial accounting, public sector accounting, auditing and taxation among Asian-Pacific countries
- * Contemporary issues of advanced technology in international accounting
- * Information and control systems for multinational corporations
- * Interrelationship between accounting and other disciplines (such as management, marketing, finance, economics, human resource management and information management)
- * Accounting in specific countries or economies
- * Comparative ethics in international auditing and business
- * Cross cultural studies in international accounting
- * Accounting history in Asian-Pacific countries

- * Impact of international mergers and acquisitions on accounting practice
- * Comparative study of banking and financial markets among Asian-Pacific countries
- * Changes in accountancy education for privatization aspects and capital markets
- * Accounting and auditing standards and regulations for privatization and capital markets
- * Other related international business topics

3. Conference Registration Fee

Registration fees of US\$200 per delegate includes a reception, 2 breakfasts, 2 luncheons, 1 dinner (Banquet and Entertainment), a copy of conference proceedings and a one-day tour.

Best Paper Award — The best four papers will each be awarded US\$500, to be selected by a panel of distinguished reviewers.

4. Deadline for Paper Submission

All submissions must be received by May 15, 1994. Notification about the decision will be made by June 30, 1994.

Mail all papers, panel discussion, and workshop proposals to:

Professor Ali Peyvandi or Professor Benjamin Tai
Asian-Pacific Conference on International
Accounting Issues
The Sid Craig School of Business
California State University, Fresno
5245 North Backer Avenue
Fresno, CA 93740-0007 USA

BOOK REVIEWERS NEEDED

The *International Journal of Accounting* seeks individuals who are interested in serving as book reviewers. Academics from inside and outside the United States should indicate their interest to the Book Review Editor, Belverd E. Needles, Jr., Arthur Andersen & Co. Alumni Distinguished Professor of Accountancy, DePaul University, 1 E. Jackson Blvd., Chicago, IL 60604-2287 USA. FAX (312) 362-6208.

IASC UPDATE

Board Meeting Highlights

The IASC Board met in Oslo, Norway, on 2-5 November 1993, and took the following actions:

- approved the following revised International Accounting Standards which formed the Comparability/Improvements project:
 - IAS 2, Inventories
 - IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
 - IAS 9, Research and Development Costs
 - IAS 11, Construction Contracts
 - IAS 16, Property, Plant and Equipment
 - IAS 18, Revenue
 - IAS 19, Retirement Benefit Costs
 - IAS 21, The Effects of Changes in Foreign Exchange Rates
 - IAS 22, Business Combinations
 - IAS 23, Borrowing Costs
- tentatively approved the substance of an Exposure Draft of a revised International Accounting Standard on Income Taxes to replace IAS 12, Accounting for Taxes on Income. The Board requested the Taxes Steering Committee to prepare a revised draft for consideration by the Board in 1994;
- approved a revised Exposure Draft, E48, Financial Instruments. E48 will be published on 1 January 1994; comments are due by 31 July 1994; and
- agreed to proceed with the proposed revision of IAS 14, Reporting Financial Information by Segment, and the proposed timetable for the revisions.

The Board and the IASC Consultative Group discussed IASC's projects on Segment Information, Income Taxes, Earnings per Share, and Intangible Assets.

IOSCO Endorsement of IAS 7

The International Organization of Securities Commissions (IOSCO) has endorsed International Accounting Standard IAS 7, Cash Flow Statements, for use in cross border offerings and listings. As a result, IOSCO Members should accept Cash Flow Statements prepared in accordance with IAS 7.

IOSCO has now agreed to the necessary components of a reasonably complete set of accounting standards (core standards) that will comprise a comprehensive body of principles for cross border offerings and listings. The Standard on Cash Flow Statements is one of the key components.

IASC has been asked to comment on both the list itself and the feasibility of completing most of its contents by the end of 1994. IOSCO is also evaluating other current International Accounting Standards in order to determine whether it can endorse some or all of these Standards.

Further information about this development will be included in the December 1993 issue of *IASC Insight*.

Comparability/Improvements Project

The Board has approved the ten revised Standards which formed the Comparability/Improvements project. The revised Standards will be published in December 1993. The effective date of all ten revised Standards will be accounting periods beginning on or after 1 January 1995.

The Comparability/Improvements project was started in March 1987. The Board issued E32, Comparability of Financial Statements, in January 1989, and the Statement of Intent on the Comparability of Statements in July 1990. Over the last two years, the Board has issued Exposure Drafts of the ten revised Standards.

The Board has not made any substantive changes to the draft-revised Standards published in the December 1992 and September 1993 issues of *IASC Insight*. A number of drafting changes have been made to these Standards in order to conform them with the later revised Standards.

The Board has added explanatory material on legal mergers to IAS 22, Business Combinations. The Board has confirmed that legal mergers should be dealt with as an acquisition or as a uniting of interests in accordance with IAS 22. However, the revised Standard acknowledges that many legal mergers arise as part of the restructuring or reorganisation of a group and are not dealt with in the Standard because they are transactions among enterprises under common control.

The Board has decided that hedge accounting for foreign currency items (other than those items that hedge a net investment in a foreign entity) should be dealt with in the Proposed International Accounting Standard on Financial Instruments rather than in IAS 21.



ANNOUNCEMENTS

Advances in International Accounting

JAI Press announces that effective December 1, 1993 there will be a change in editors at *Advances in International Accounting*. After seven years of service, Dr. Kenneth S. Most, the inaugural editor, is retiring and Dr. Timothy S. Douppnik will take up the reins as editor. Dr. Douppnik is Professor of Accounting and Director of the International MBA Program at the University of South Carolina. He is a graduate of the University of Illinois and has published widely in the field of international accounting in journals such as *The International Journal of Accounting Education and Research*, *Journal of International Business Studies*, and *Advances in International Accounting*.

In addition, Dr. Stephen B. Salter, Assistant Professor of Accounting at Texas A&M University, has been named associate editor. Dr. Salter is a graduate of the University of South Carolina and was the recipient of the 1992 International Accounting Section Outstanding Dissertation Award. He has published articles on international accounting issues in a number of journals including *Journal of International Business Studies* and *Advances in International Accounting*. Dr. Salter was a partner with Ernst and Young Management Consultants prior to earning his Ph.D.

Centre for International Business Studies

The Centre for International Business Studies (CIBS), Lingnan College, Hong Kong and Macau University, are organising the First South China International Symposium between March 31 to April 2, 1994, in Taipa, Macau. The Symposium will aim to consolidate the current knowledge of multinational business and provide an important forum for the interaction of different ideas and information among academics and business practitioners in order to enhance the understanding of strategic business issues applicable to South China business.

For more information contact:

Centre for International Business Studies
Lingnan College
15 Stubbs Road, Hong Kong
Telephone No: (852) 572-2226 Ext. 310
Fax No: (852) 572-4171
Cable: REDGREY

AAA MANAGEMENT ACCOUNTING RESEARCH CONFERENCE

The Fourth Management Accounting Research Conference will be held in San Diego, CA, April 8-9, 1994 (8:30 a.m. to 5:30 p.m. both days). The program consists of seven formal paper presentations, representing a cross-section of research methods and topics, plus a research forum to exhibit other high quality papers. Leading scholars discuss the seven main papers. Paper presenters (and discussants) are Shannon Anderson (Jim Patell), Ramji Balakrishnan (Linda Bamber), Robin Cooper (James Reeve), John H. Evans III (David Larcker), Dale Gieger (Michael Shields), Mahendra Gupta (Joan Luft), and Sri Sridhar (James Noel).

In addition to the presentations and discussions, a distinguished panel will deliberate the direction of management accounting research over the foreseeable future. Panel members are Jacob Birnberg, Chee Chow, Robert Kaplan, Robert Magee, and Jerold Zimmerman.

The conference hotel is the San Diego Marriott Mission Valley Hotel (1-800-842-5329); identify yourself as an attendee of the AAA Management Accounting Research Conference. Room rates are \$79, and the reservation deadline is March 17, 1994. Registration forms will be sent to Management Accounting Section members directly; non-members may obtain registration forms from Linda Safford at the American Accounting Association. The registration fee is \$175 before March 1, 1994, and \$200 thereafter.

INTERNATIONAL SECTION NOTABLE DOCTORAL DISSERTATION AWARD

The International Section of the American Accounting Association solicits nominations for the Notable Doctoral Dissertation Award. Candidates for the award must submit a dissertation summary not to exceed 35 pages (including references, endnotes, tables and appendices) no later than March 1, 1994. In choosing the winning international accounting dissertation, the selection committee will evaluate the timeliness and importance of the topic, all aspects of the research design, and the quality of exposition.

To be eligible, a nominee must have defended the dissertation between January 1, 1993, and January 1, 1994. Each candidate should submit three copies of the dissertation summary and a letter from the dissertation committee chair affirming that the conditions set forth in this solicitation have been met.

The award winner will be honored at the International Accounting Section's luncheon at the American Accounting Association's Annual Meeting in August, 1994. A plaque and cash award of up to US \$1,000 will be presented. Please send submissions to:

Professor Carol Frost
Olin School of Business
Campus Box 1133
Washington University
One Brookings Drive
St. Louis, MO 63130
Ph: (314) 935-6336 Fax: (314) 935-6359



"HAVE YOU SEEN...?"

by
Mike Kennelley, Florida State University

"Culture-Based Ethical Conflicts Confronting Multinational Accounting Firms," by J. R. Cohen, L. W. Pant, and D. J. Sharp, *Accounting Horizons* [September 1993]: 1-13

The mergers and the international expansion of the Big Six firms have created a new class of problems for their management. Local partners must not only continue to meet the diverse needs of local clients with improved service levels in response to the higher level of competition; but they also must now, in common with managers of other multinational businesses, address the problem of global coordination. This is not just a matter of providing a seamless, high-quality international audit service to their global clients. It includes the worldwide management of the standardization of activities such as the audit process, hiring and promotion criteria, and implementation of the firm's code of professional conduct at the local level in a wide diversity of cultures.

This paper uses Hofstede's (1980, 1991) measures of national culture to provide a framework for identifying ethical problems arising from cultural differences in international audit practice. A wealth of anecdotal evidence supports the view that auditors in different countries have different ethical perceptions and standards. To help ensure optimal audit quality as well as the highest possible ethical behavior, multinational accounting firms need to manage a diversity of standards and practices. The purpose of this paper is to integrate cross-cultural issues and ethics by using Hofstede's (1980, 1991) widely accepted measures of cultural differences (Harrison 1992, Frucot and Shearon 1991, Lee and Green 1991) to identify cross-national problems in auditor ethical decision-making.

"Is there Long-term Memory in U.K. Stock Returns?" by T. C. Mills, *Applied Financial Economics* [December 1993]: 303-306.

Long-range dependence in monthly U.K. stock returns is investigated using Lo's (1991) extension of the "rescaled range" (R/S) statistic and fractional ARIMA models. Although some evidence is uncovered in favour of long-range dependence, it is not convincing, particularly given the lack of such dependence in other U.K. macroeconomic series.

"Share-price-changes-volume Relation on the Singapore Equity Market," by M. Ariff and D. K. C. Lee, *Applied Financial Economics* [December 1993]: 339-348.

A critical review of the literature on security-price-changes-volume research suggests that the published studies in the United States and one each in Hong Kong and Japan have largely ignored the impacts on the results from autocorrelation, non-normality of distributions, heteroscedasticity and non-linear functional forms. Therefore, the reported findings are not robust. In testing for this

relation from a small sample of continuously traded shares in the Singapore share market, we find that consistent results may not be obtained because of violations of basic test conditions. A task that remains is an application of alternative test models with data transformation using a larger sample.

"Cultural Determinants of Economic Performance," by M. Casson, *Journal of Comparative Economics* [June 1993]: 418-442.

Business culture operates at both the national and the corporate level. The paper considers the impact of national culture on both interfirm relations, such as competition and cooperation, and intrafirm relations, such as organizational behavior. In its moral aspect, culture acts as an enforcement mechanism, replacing external supervision with internal self-supervision and external legal sanctions such as fines with internal emotional sanctions such as guilt and shame. Different cultures are appropriate to different environments. The paper identifies some of the geographical, industrial, and historical characteristics that affect the relative performance of different national cultures. It is argued that in a changing environment, internal diversity within a culture is necessary to sustain long-run competitiveness, provided that there is also sufficient commonality of culture to prevent factionalisation of the society.

"The Overnight and Daily Transmission of Stock Index Futures Prices Between Major International Markets," by K. G. Becker, J. E. Finnerty and A. L. Tucker, *Journal of Business Finance & Accounting* [September 1993]: 699-710.

Stock index futures prices for the world's major equity markets, Japan, the U.K. and the U.S., are used to examine the interaction of international equity markets. By using stock index futures prices, the authors avoid the nonsynchronous data problem inherent with opening and closing market averages. They find that the U.S. is the dominant world market; overnight returns in Japan and the U.K. are greatly influenced by the U.S. daily returns. In contrast, the Japanese market has no impact on the overnight or daily returns in the U.K., while the U.K. daily performance has a small influence on Japanese overnight returns. Slight evidence of over-reaction at the opening of Japanese futures exists as the daily Nikkei returns are negatively related to the U.S. returns.

"An Empirical Investigation into the Impact of Profit Sharing Schemes of Executives on the Content of Corporate Submissions on Proposed Accounting Standards," by J. B. MacArthur and R. E. V. Groves, *Journal of Business Finance & Accounting* [September 1993]: 623-638.

This paper examines the comments submitted by UK companies on 20 proposed accounting standards to test the

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hypotheses that executives favor standards that increase, or dampen the variance of, accounting profit numbers on which their incentive remuneration is based. Test results were generally as hypothesized but only the profit variance outcomes were statistically significant. Allowing for political environment changes affected only the profit variance results. There was no evidence that the relative monetary size of bonus payments was a significant lobbying factor. No significant differences were found between the lobbying preferences of companies with or without executive incentive schemes.

"International Listings, the Security Market Line and Capital Market Integration: The Case of U.S. Listings on the London Stock Exchange," by O. Varela and S. H. Lee, *Journal of Business Finance & Accounting* [November 1993]: 843-863.

This paper examines for international capital market segmentation by testing for changes (both inter-temporally and inter-beta) in the parameters of the risk-return pricing relationship caused by the listing of U.S. stocks on the London Stock Exchange (LSE) between 1965 and 1987. It is hypothesized that international listings reduce the negative effects associated with barriers to international investments, help integrate world markets and therefore decrease internationally listed stock's required returns. Significant negative deviations from the Sharpe-Lintner (SL) pre-listing pricing relationship during the post-listing period are therefore expected, primarily caused by decreases in the intercept parameter. The authors find, in support of the hypothesis, significant negative deviations from the predictions of SL for our sample, although they do not appear to have an intertemporal dimension. These deviations are largely associated both with decreases in the value of the SL model's intercept parameter and with low beta firms, and point toward some integration benefits from U.S. listings on the LSE.

"Determinants of Audit Fees for Quoted U.K. Companies," by P. Chan, M. Ezzamel, and D. Gwilliam, *Journal of Business Finance & Accounting* [November 1993]: 765-786.

This study reports further evidence as to the determinants of the audit fees paid by quoted companies in the U.K. It outlines a framework based on the findings from semi-structured interviews with partners in four large audit firms and the results of previous research, and tests this framework by means of multivariate analysis using 1987 data for a large sample of quoted U.K. companies. A model explaining 87 percent of the variation in audit fees is constructed. The principal explanatory variables are found to be auditee size, return on shareholders equity, the number of subsidiaries, the lag between the year end and the date of the audit report, the size of the auditor, a measure of auditee diversification, the ownership structure of the auditee, and whether the auditor was based in London, with the last three being new variables introduced in this study.

"A Note on the Association between Audit Firm Size and Audit Quality," by R. A. Davidson and D. Neu, *Contemporary Accounting Research* [Spring 1993]: 479-488.

This study proposes that comparison of management earnings forecasts with audited, reported earnings provides an approach to the measurement of audit quality. Assuming that managers have incentives to minimize the difference between forecasted and reported income, higher-quality audit firms will tend to be associated with larger forecast errors. Therefore if, as previous literature suggests, larger auditing firms provide higher-quality audits than do smaller auditing firms, larger auditing firms will tend to be associated with larger forecast errors, all else being equal. Data from the Toronto Stock Exchange are used to examine this proposition. After controlling for client characteristics such as risk, the results indicate that larger auditing firms tend to be associated with larger forecast errors consistent with the proposition that, other things being equal, larger auditing firms provide higher-quality audits than do small auditing firms.

"Contracting Cost Determinants of GAAP for Joint Ventures in an Unregulated Environment," by G. Whittred and I. Zimmer, *Journal of Accounting and Economics* [January 1994]: 95-111.

As in other countries, Australian accounting for unincorporated joint ventures varies systematically between firms in different phases in the extractive industries (explorer vs. producer). We argue that these differences in accounting methods can be explained by differences in the type of assets and the manner in which they are owned and financed. We hypothesize that when unincorporated joint ventures are financed on a with-recourse basis, they will be proportionately consolidated. When they are financed on a non-recourse basis one-line reporting is expected. Empirical results are consistent with this hypothesis and appear to generalize to the real estate industry.

"Decision Making, Cognitive Science and Accounting: An Overview of the Intersection," by J. M. Peters, *Accounting Organizations and Society* [July 1993]: 383-405.

Cognitive accounting research is intended to improve the quality of accounting and auditing decisions by developing theories, which are represented as models and validated with statistical and sufficiency tests. Most of the extant cognitive accounting research is based on experiments that test simple models of accounting cognition. Recently, a few accounting researchers have used computational models to represent more complex theories of accounting decision making. Although these models provide a more complete representation of accounting cognition, they have been difficult to test statistically owing to their complexity. The theme of this paper is that cognitive accounting research can benefit from a partnership between experimental methods, which provide statistical testing, and non-experimental methods, which provide more complete theories and models.

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"The Appraisal of Ordinary Shares by Investment Analysts in the U.K. and Germany," by R. Pike, J. Meerjanssen, and L. Chadwick, *Accounting and Business Research* [Autumn 1993]: 489-499.

This paper reports the findings of a two-country survey of the approaches to and information used by investment analysts. It examines the changes in the ordinary share appraisal approaches adopted by U.K. analysts over the past decade, and investigates the differences between British and German analysts in share appraisal methods, goals and information sources. The principal findings are the (i) deregulation and the introduction of new technology to the U.K. market has had little impact on the equity appraisal approach employed by analysts other than the greater reliance placed on personal contact with companies, and (ii) U.K. analysts are no more "short-termist" than their German counterparts in assessing ordinary shares.

"The Impact of Accounting Principles on Profits: The U.S. Versus Japan," by T. E. Cooke, *Accounting and Business Research* [Autumn 1993]: 460-476.

Weetman and Gray (1991) sought to add quantitative information to the extant qualitative literature on differences in profits reported under U.S. GAAP with those in the Netherlands, Sweden and the U.K. This paper introduces Japanese companies to such analysis and seeks to add to both the qualitative and quantitative literature on profit comparisons. In attempting to undertake such work, the paper serves to highlight the difficulties of trying to compare financial statements in Japan with those published in the U.S. and, as a consequence, the problem of undertaking quantitative analysis. On the basis of a case-study approach, there is some evidence that the profits of companies prepared in accordance with Japanese GAAP are considerably more prudent than if prepared in accordance with US GAAP for companies operating in the financial sector. Such differences may not be so pronounced in the non-financial sector.

"Religion: A Confounding Cultural Element in the International Harmonization of Accounting?" by S. Hamid, R. Craig, and F. Clarke, *Abacus* [September 1993]: 131-148.

Discussion of the influence of culture on the international development and harmonization of accounting has focused primarily upon indigenous characteristics which are confined within national boundaries. But cultural inputs, such as religion, that transcend national boundaries, should not be overlooked. Islam is a particular case in point. Its principles commit Muslims to a definitive code of ethical commercial and personal behaviour affecting both the structuring and financing of business affairs between the faithful, and between Muslims and non-Muslims. Islam has the potential for influencing the structure, underlying concepts and the mechanisms of accounting in the Islamic world. Its potential for influencing accounting policy is illustrative of religion as a *confounding element* in the analysis of national idiosyncrasies

in accounting practice and in deconstructing the impediments to international harmonization.

"From Financial Control to Strategic Management: The Changing Faces of Accountability in British Local Government," by A. Cochrane, *Accounting Auditing & Accountability Journal* [Vol. 6, No. 3 1993]: 30-51.

In recent decades British local government has been the subject of dramatic financial and political pressures. This article explores the apparently inexorable rise of approaches dominated by demands for tight financial control and the discourse of "value for money," before going on to consider some of the ways in which these approaches have themselves been challenged with the rise of different forms of managerialism. The author argues that the finance-led changes of the 1980s helped to undermine the position of traditional welfare professionals but were themselves overtaken by new sets of arrangements for the 1990s. The end result has been the creation of a system of complex and often confusing channels of political and financial accountability.

"Corporate Governance and Financial Accountability: Recent Reforms in the U.K. Public Sector," by M. Ezzamel and H. Willmott, *Accounting Auditing & Accountability Journal* [Vol. 6, No. 3 1993]: 109-132.

During the last decade, several financial initiatives aimed at "reforming" the public sector in the U.K. have been produced by the government. These initiatives seek to supplant historically established bureaucratic modes of governance, underpinned by a public service ethic, by market-based principles. This article reflects on these developments and provides a critical evaluation of the markets and hierarchies literature by focusing specifically on recent developments in the governance of health and community care. The authors argue that the discourse and practices of economic rationalism are not "given" or "natural" but arise within, and serve to secure and legitimize, particular (historical) power/knowledge relations. It is only by developing more substantially democratic forms of governance that there is any prospect of removing the irrational consequences attributed to markets and hierarchies.

"Advance Pricing Agreements and Other Alternatives for Multinational Corporations," by S. C. Borkowski, *The International Tax Journal* [Fall 1993]: 1-11.

In an effort to reduce Tax Court litigation of transfer pricing disputes, the advance pricing agreement (APA) was developed. In an APA, the IRS pre-approves an MNC's transfer-pricing methodology, which generally precludes a Section 482 audit during the APA term. APAs cover outbound and inbound transactions, and tangible goods and intangible property.

This article reports the results of a recent study of U.S.-based MNCs. The deterrents to seeking an APA from the viewpoint of an MNC are discussed, as well as alternative methods to solving transfer-pricing disputes with the IRS. Finally, the arm's length standard preferred by the IRS is compared to other pricing approaches that are preferred by MNCs in practice.

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