

MID-YEAR MEETING

of the American Accounting Association International Accounting Section

The Teaching of International Accounting

March 3-5, 1995 • Hyatt Regency • Houston
1200 Louisiana Street, Houston, Texas 77002

Friday, March 3, 1995

7:00 p.m. – 8:00 p.m.

Early Bird Reception (Arboretum V)

Stephen Salter, Texas A&M University

Carol Houston, San Diego State University

Gary Meek, Oklahoma State University

Saturday, March 4, 1995

10:15 a.m. – 11:45 a.m.

Plenary Session (Window box)

Welcome and Introductions

James Schweikart, Chairperson, International Accounting Section

Panel: "Preparing Accounting Students to Compete Globally" moderated by James Schweikart

Panelists:

Steven Berlin, CITGO

Irene Herremans, University of Calgary

Steven Mintz, Southwest Texas State University

D. Gerald Searfoss, University of Utah

W. Jeffrey Hoover, Business Assurance Partner, Coopers & Lybrand L.L.P.

12:00 p.m. – 1:45 p.m.

Luncheon "Internationalizing the Curriculum" (Dogwood A & B)

Robert May, University of Texas at Austin/
AACSB

2:00 p.m. – 3:15 p.m.

Concurrent Session 1

Session A: Combined Session (Arboretum II)

"Barnaga Game: Developing Cultural Sensitivity for International Business and International Accounting"

Sara Kenny, University of Utah

"A Multimedia Approach to Teaching International Accounting"

Juan Rivera, University of Notre Dame

Session B: Combined Session (Arboretum IV)

"Role Play/Case Teaching"

Yezdi Bhada, Georgia State University

"Cooperative Education"

Robert Okopny, Eastern Michigan University

Session C: "Lessons From the Trenches—Approaches to Teaching an International Accounting Course—Cases/Readings/Experiential Approaches—Who is Doing What?" (Arboretum V)

Panelists:

Edward Shoenthal, Moderator, Brooklyn College,
City University of New York

3:15 p.m. – 3:30 p.m.

Refreshment Break

3:30 p.m. – 4:45 p.m.

Concurrent Session 2

Session A: "Using Comparative Annual Reports in Intermediate Financial and International Accounting Courses" (Arboretum II)

Ajay Adhikari, American University

Cheryl Fulkerson, University of Texas at
San AntonioRasoul Tondkar, Virginia Commonwealth
University

Session B: Combined Session (Arboretum IV)

"Using Computer Spreadsheets to Teach Foreign Currency Translation"

James Schweikart, University of Richmond

"Distinction Between International Accounting and Comparative International Accounting"

David Alexander, University of Hull

"Teaching International Accounting in Europe"

Peter Walton, University of Geneva

Session C: "Three Roundtable Discussion of Specific Issues in Teaching International Auditing, Managerial Accounting, and Taxation" (Arboretum V)

Auditing Table:

Robert Okopny, Eastern Michigan University

Hans Dykxhoorn, Western Michigan University

Managerial Accounting Table:

Lee Radebaugh, Brigham Young University

Taxation Table:

Kathleen Sinning, Western Michigan University

6:00 p.m. – 7:00 p.m.

Reception: All Attendees Welcome (Regency Foyer)

Sunday, March 5, 1995

9:30 a.m. – 10:45 a.m.

"Available International Accounting Resource Materials" (Mesquite Room)

Presentations by Authors and Publishers and Questions and Answers

11:00 a.m. – 12:30 p.m.

Executive Committee Meeting (Holly Room)

RECOMMENDATIONS OF THE OUTREACH TASK FORCE OF THE INTERNATIONAL ACCOUNTING SECTION

During 1993-94, a special *ad hoc* Outreach Task Force was formed to consider ways in which the International Accounting Section might better serve its non-U.S. members. Members of the Task Force included Finley Graves, University of Mississippi, Chair; Tan Teck Meng, Nanyang Technological University; Manuel Tipgos, University of Indiana-Southeast; and R.S.O. Wallace, University of Middlesex. The following recommendations are those which the Committee deemed practicable financially as well as operationally. The Committee invites comments from both U.S. and non-U.S. members on the recommendations. Please address your comments to Finley Graves, School of Accountancy, University, MS 38677, Fax: 1-601-232-7483, E-mail: ACGRAVES@CC.VM.OLEMISS.EDU

1. The Task Force recommends that a list of IAS members at U.S. universities (and at universities in other developed countries) willing to serve as external readers on non-U.S. dissertations be developed and circulated at universities in less developed countries. While a motivation for this recommendation is to make available research expertise where such expertise is often in short supply, the Task Force wishes to note that such participation might well prove mutually beneficial.
2. The Task Force recommends that regional "reporters" (or "vice-presidents") be appointed for the various regions of the world. The duties of these reporters or vice-presidents would include gathering and reviewing news items and short articles on accounting developments in their regions for the *Forum* (see 3 below), organizing conferences and pre-conference workshops on international accounting in their regions (see 4 and 5 below), and serving as regional liaisons with the Executive Committee of the Section.
3. The Task Force recommends that news items and short articles on accounting developments in the various countries or regions of the world by IAS members in those countries and regions be included on a regular basis in the *Forum*. (Note: The Task Force believes it might be useful to send copies of the *Forum* to accounting departments at major universities throughout the world, especially in less developed countries.)
4. The Task Force recommends that the Section sponsor pre-conference workshops on research methods and international accounting education at accounting conferences outside the United States, especially in less developed countries.
5. The Task Force recommends that the Section sponsor (including some financial support) at least one conference annually on international accounting outside the United States. Regional reporters or vice-presidents (see 2 above) would assume primary responsibility for organizing such conferences, but would work closely with the Chair and Executive Committee of the Section. As

alternatives to sponsoring free-standing conferences, the Section might "piggyback" on other conferences or co-sponsor conferences already taking place outside the United States.

6. The Task Force recommends that all committees of the Section include non-U.S. members and that committee chairs be open to such members as well. (The Task Force recognizes that non-U.S. members of the Section management must be able to travel to Executive Committee meetings at their own expense.)
7. The Task Force recommends that the *Forum* include a register of members seeking research collaboration with members in other countries.
8. The Task Force recommends that the *Forum* include a section devoted to reports on and news items about accounting research centers (such as the new International Accounting Research Center at the University Hull), international accounting data banks, and other resources that might be of interest to researchers worldwide.
9. The Task Force recommends that the *Forum* include a section on academic exchange programs worldwide.

PAPERS TO BE PRESENTED AT THE SOUTHEAST REGIONAL MEETING

1:15 p.m. - 2:45 p.m. March 4, 1995

Session B: International Accounting: Selected Papers

Chairperson:

O. Finley Graves, University of Mississippi

Discussants:

Cheryl L. Fulkerson, University of Texas at San Antonio

Joseph Z. Szendi, Texas A&M University-Corpus Christi

Stephen B. Salter, Texas A&M University

"Recent Accounting Developments in China"

Anthony Mung Yin CHAN, City Polytechnic of Hong Kong

13-2

"Information Technology and Multinational Business Firms"

Sharon K. Hurley, Texas A&M University

L. Murphy Smith, Texas A&M University

13-3

"Information Content of Foreign Earnings Data"

Catherine G. Gaharan, Nicholls State University

John Lajaunie, Nicholls State University

Benny R. Zachry, Nicholls State University

13-4

HAVE YOU SEEN...?

by Mike Kennelley, Florida State University

"A Comparison of the Stock Price Response to Earnings Disclosures in the United States and the United Kingdom," by C. A. Frost and G. Pownall, *Contemporary Accounting Research* [Vol. 11, No. 1, 1994]: 59-83.

In this study, the authors measure and compare the stock price response to annual and interim earnings disclosures released in United States and United Kingdom capital markets. The sample consists of 110 firms from the United States, the United Kingdom, and 12 other countries that were listed in both the United States and the United Kingdom (cross-listed) during January 1988 to December 1990. The authors find that the stock price response to earnings disclosures is significantly greater in the United States than in the United Kingdom. Also examined is the effect of market microstructure factors that vary across firms and between jurisdictions. The results are consistent with the expectation that liquidity is positively correlated with the stock price response to earnings disclosures and that liquidity is greater in the United States than in the United Kingdom.

"Unregulated Segment Reporting: Australian Evidence," by G. J. Kelly, *British Accounting Review* [Vol. 26, No. 3, 1994]: 217-234.

Segment performance disclosures are analyzed in conjunction with consolidated financial information, enhance investment and credit decision analysis. Given the benefits of a finer (disaggregated) information set, this paper addresses the need to investigate and model the cost aspects associated with unregulated segment reporting. More specifically, this study provides empirical evidence about the structure of proprietary costs and agency costs arising from discretionary segment disclosures and non-disclosures. It is hypothesized that proprietary costs associated with disclosure and agency costs arising from non-disclosure are related to the reporting decision of a multi-segment corporation's management. Specifically, the results show a positive correlation between return on investment (ROI) and voluntary segment disclosure which may be the result of proprietary cost considerations. These findings have important policy implications regarding the formulation and subsequent refinement of accounting standards.

"Professional Accounting Body Ethics: In Search of the Private Interest," by D. Parker, *Accounting, Organizations and Society* [Vol. 19, No. 6, 1994]: 507-525.

This paper expounds the hypothesis that protection of the accounting profession's self-interest is a primary latent rationale for its promulgation and maintenance of ethics codes. The sociological literature on professional body ethics provides the basis for a private interest model of the

accounting profession's ethical claims. The model is subject to amplification via an exploratory examination of published Australian accounting body disciplinary cases. Finally, it is hypothesized that the private and public interest rationales of professional accounting body ethics may be to a degree interrelated.

"Actions Speak Louder Than Words: An Institutional Perspective On The Securities And Exchange Commission," by W. E. Bealing, Jr., *Accounting, Organizations and Society* [Vol. 19, No. 7, 1994]: 555-567.

This paper employs an institutional perspective and quantitative methods to examine Securities and Exchange Commission (SEC) funding patterns. It is hypothesized that the institutional perspective will provide insights into the funding process not provided by more traditional modes of thought. The results suggest that SEC funding and enforcement actions are related. They also suggest that the economic health of the nation influences the amount of resources received by the SEC. Finally, there appears to be a link between political party affiliation and the predisposition to allocate funds to the SEC. The study suggests that SEC enforcement activities may not be totally random.

"A Knowledge-Engineering Approach to Accounting Education," by J. C. Taylor and N. R. Thomas, *Accounting Education* [Vol. 3, No. 3, 1994]: 237-248.

In the context of the massive expansion of the knowledge base facing all fields of professional activity, instructional science (which embraces the use of a knowledge-engineering approach to curriculum design) could well help to unravel the complexity of important pedagogical issues confronting accounting educationalists. The delineation and use of an expert knowledge base within the framework of the 'dimensions of processing model' of human information processing provides a valuable focus for making decisions about the breadth, depth and nature of specific educational objectives. Knowledge engineering, which is fundamental to this process, appears to provide an appropriate framework for the systematic planning, development, delivery and evaluation of high-quality education and training programmes. Such an approach would enable accounting practitioners and teachers to keep pace with their rapidly changing knowledge base while ensuring that students acquire and become competent in the use of the cognitive skills they need in order to work effectively in their chosen profession.

"An Empirical Investigation Of The Audit Expectation Gap: Australian Evidence," by G. S. Monroe and D. R. Woodliff, *Accounting and Finance* [Vol. 34, No. 1, 1994]: 47-74.

(Continued on page 12)

Have You Seen...? (Continued from page 11)

This paper examines the existence and nature of the expectation gap in Australia and whether recent changes to the wording of audit reports have affected that gap. A mail questionnaire was completed by auditors, accountants, directors, creditors, shareholders and undergraduate students. There was a gap between auditors and the various user groups under old report wording prior to the issuance of the revised AUP 3. The modified wording in the revised AUP 3 had a significant impact on beliefs about the nature of an audit and the relative responsibilities of auditors and management. The modified wording eliminated some of the differences, but also created some new differences in beliefs about the messages communicated through audit reports. The auditing profession's fears about an expectation gap appear to be justified.

"Respondent Lobbying in the Australian Accounting Standard-Setting Process: ED49—A Case Study," by I. Tutticci, K. Dunstan and S. Holmes, *Accounting, Auditing & Accountability Journal* [Vol. 7, No. 2, 1994]: 86-104.

This paper aims to contribute to the understanding of the Australian standard-setting due process. The authors analyse submissions made on Exposure Draft 49 *Accounting for Identifiable Intangible Assets* (ED49) as a case study of the strategies employed by lobbyists in their attempt to influence the accounting standard setters. Previous studies on respondents' submissions have ignored the possibility that, in responding to exposure drafts, lobbyists are provided with a means of persuasion in excess of casting votes. The paper employs a form of content analysis to study the political process of standard setting. The results suggest that respondents on ED49 attempted to weight their lobby positions with the use of supporting arguments that utilized conceptual and/or economic consequences rationale and presented positions of differing strengths.

"Stock Market Interdependencies: Evidence from the Asian NIEs," by A. R. Chowdhury, *Journal of Macroeconomics* [Vol. 16, No. 4, 1994]: 629-651.

National asset markets have become more integrated in recent years. This paper investigates the interrelationship, if any, among the stock markets in four newly industrialized economies (NIEs) in Asia. The results indicate that a significant link exists between the stock markets of Hong Kong and Singapore and those of Japan and the United States. On the other hand, the markets with severe restrictions on cross-country investing, that is, Korea and Taiwan, are not responsive to innovations in foreign markets. Finally, the United States stock market influences, but is not influenced by, the four Asian markets.

"Accounting Education In New Zealand: A Model For Reforming The American System?" by K. B. Walker and L. A. McClelland, *Journal of Accounting Education* [Vol. 12, No. 4, 1994]: 343-357.

In response to repeated calls for changes in accounting education, the Accounting Education Change Commis-

sion was formed and several universities have embarked on a variety of programs to improve accounting education in the U.S. Overseas accounting education models exist that may assist in the reform process. This paper reports on accounting education in New Zealand, and specifically at the University of Otago, which embraces many of the attributes sought in the United States. The authors assess the influence of the accounting profession on education in New Zealand and describe important features of the accounting degree program. Finally, experience in New Zealand suggests U.S. reformers should examine overseas models of accounting education and that important changes may be required by the accounting profession and employers for significant reforms to occur in accounting education in the U.S.

"The Effect of Changes in the Dollar Foreign Exchange Rate on Stock Returns of Multinational Corporations," by F. AlDiab, M. M. Zoubi, and P. W. Thornton, *Journal of Applied Business Research* [Vol. 10, No. 4]: 142-146.

Exchange rate movements are considered to be one of the key factors affecting the operating results of multinational corporations (MNC). Several studies have examined the effect of changes in dollar exchange rates on the stock prices of MNC. The results of these studies have been inconclusive about the affects of changes in the dollar exchange rate on the stock prices of companies with significant overseas operations. This study extends previous research by testing the impact of changes in the dollar exchange rate on security returns of MNC using an event study methodology. The results suggest that changes in dollar exchange rates have little or no impact on the stock returns of MNC.

"Financial Reporting by Four UK Clearing Banks: A CashFlow-Exit Price (CaFE) Approach," by R.T. Wearing, *Journal of Business Finance & Accounting* [Vol. 21, No. 7, 1994]: 917-943.

This paper examines the published accounts of the four main U.K. clearing banks during the 1980s and investigates some of the economic factors with which the banks had to contend. A particular focus concerns less developed
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MEMBERS SERVICES LISTING UPDATE

Members wishing to update their service listing should send a note with their updated committee services to:

Professor Olga Quintana
Department of Accounting
School of Business
University of Miami
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FAX: 305-284-5737

Have You Seen...? (Continued from page 12)

country (LDC) debt, provisions against losses on the clearing banks' LDC debt portfolios and factors which might influence the timing of provisions. The author finds a significant and positive association between share returns and future changes in cash flow plus adjustment for exit price changes, and suggests that this measure may be more closely associated with market expectations than changes in reported profit.

"The Adoption of Partial Deferral in the UK, 1977-78: Evidence on an Accounting Choice," by A.J. Arnold, *Journal of Business Finance & Accounting* [Vol. 21, No. 6, 1994]: 875-888.

This study uses logit analysis to test the relationship between the UK deferred tax accounting decision in 1977-78, when SSAP 11 had been withdrawn and not yet replaced by SSAP 15, and a number of variables or corporate characteristics drawn from the largely American accounting policy choice and the more specific U.K. deferred tax literatures. The findings, of a significant association between several of these variables and the U.K. deferred tax accounting decision of 1977-78, suggest that further tests of the determinants of accounting policy choice in the U.K. should include variables that reflect direct, indirect and neutral managerial interests.

"Option Expiration Day Effects in Small Markets: Evidence from the Oslo Stock Exchange," by S. Swidler, L. Schwartz and R. Kristiansen, *The Journal of Financial Engineering* [Vol. 3, No. 2]: 177-195.

This study examines the effects of option expiration on the underlying securities traded on the Oslo Stock Exchange (OSE). The primary motivation for the analysis is concern among investors and regulators about market manipulation around the time of option expiration in small markets such as the OSE. Similar to studies of U.S. and U.K. markets, the results find some evidence of downward price pressure on the underlying stocks on expiration day with a rebound of prices the following day. The analysis gives little support for the conjecture that either arbitrage or offsetting activity related to option exercise is the cause for the increase in trading volume and ultimately abnormal price effects. Finally, examination of hourly returns at expiration suggests that market manipulation is not a pervasive problem.

"Further Evidence on the Impact of SFAS 52 on Analysts' Earnings Forecasts," by F. L. Ayres and J. L. Rodgers, *Journal of International Financial Management and Accounting* [Vol. 5, No. 2, 1994]: 120-141.

This study examines the impact of Statement of Financial Accounting Standards Number 52 (SFAS 52) on analysts' earnings forecasts. Value-Line forecasts of multinational firms' earnings were examined for the years 1979-1984. Forecast errors did not exhibit a significant linear trend. However, the results show a decline in signed forecast errors from the pre-SFAS 52 to the post-SFAS 52

period reflecting a change from an overstatement bias to relatively unbiased forecasts. Overall, the results suggest that (1) overstatement errors were greater in the pre-SFAS 52 period than in the post SFAS 52 period, and (2) overstatement errors in the year that SFAS 52 was adopted were greater than surrounding years. In addition, a strong negative relation was found between 1981 signed forecast errors and both revisions in forecasts and the income effect of the accounting change.

"A Global Survey Of International Business Education In The 1990s," by C. Y. Kwok, J. Arpan and W. R. Folks, Jr., *Journal of International Business Studies* [Vol. 25, No. 3, 1994]: 605-623.

This article presents the major findings of the fifth global curriculum survey of the Academy of International Business (AIB)—an examination of the status and trends in international business education around the world as of the early 1990s. The survey's findings, based on responses from more than 500 business schools, encompass different goals and methods of internationalization, international linkages and experiential activities, organizational issues, amounts of internationalization progress achieved, and degrees of administrative satisfaction with progress achieved. The overall conclusion is that considerable progress has been made, but much more remains to be accomplished.

"Kaizen Budgeting: Toyota's Cost-Control System Under TQC," by T. Tanaka, *Journal of Cost Management* [Vol. 8, No. 3, Fall 1994]: 56-62.

This article explains Toyota's control structure and budgeting system. The central idea of Toyota's budget system is attainment of *kaizen* (or continuous improvement) value, which is achieved through day-to-day *kaizen* activities. Toyota's budget-control system can be considered the complement of Toyota's across-the-board control system centered on total quality control (TQC). Toyota's budgeting system is completely independent of (and clearly distinguished from) the company's financial accounting system. The management accounting system emphasizes variable costs—in particular, variable manufacturing costs.

"Accounting Education and Practice: The Singapore Experience," by T. T. Meng, P. Y. Hoong and F. S. Liang, *The International Journal of Accounting* [Vol. 29, No. 2, 1994]: 161-183.

The rapid economic growth in Singapore over the last three decades has created a significant demand for accounting education and a need for a responsive professional accounting body to serve business and industry. This article provides a historical background of the development of accounting education and profession in Singapore. More importantly, it describes the relationship between accounting education and practice to provide a better appreciation of the important role accounting plays in the economic growth and success of a nation.

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Have You Seen...? (Continued from page 13)

* "Economic Consequences of the International Harmonization of Accounting Standards: Theory and its Chinese Application," by Q. Tang, *The International Journal of Accounting* [Vol. 29, No. 2, 1994]: 146-160.

There has been a lack of explicit theory or framework for the harmonization of accounting standards in the literature. A theoretical model is proposed here. The model evaluates the interests of both foreign users of financial statements and local groups and emphasizes the economic consequences of a suggested harmonization of accounting standards on local affected groups. While the total benefits of the harmonization need to exceed the costs incurred, the benefits and costs should be fairly distributed among affected groups.

"Voluntary Disclosures and the SEC: Rule 144A Private Debt Placements," by V. E. Johnson and I. Khurana, *The International Journal of Accounting* [Vol. 29, No. 2, 1994]: 136-145.

In response to the increasing globalization of financial markets, the Securities and Exchange Commission (SEC) adopted Rule 144A, which facilitates the resale of both foreign and domestic securities that are initially sold in a private placement and are therefore exempt from registration requirements under the Securities Act of 1933. This study provides preliminary evidence on the extent of

voluntary disclosures made under Rule 144A. The results indicate that nearly 50 percent of the debt privately placed under Rule 144 A between April 1990 and August 1991 was made by issuers/guarantors that were subject to the periodic reporting requirements of the Securities Exchange Act of 1934. Seventy-five percent of the remaining issuers of Rule 144A debt voluntarily chose to disclose information to ratings agencies though they were not required to do so by the SEC. The voluntary disclosures of issuers in the Rule 144A market are consistent with the view that issuers attempt to lower the cost of funds and to increase the chances of a successful offering.

"The Setting of Accounting Standards: Canada, the United Kingdom, and the United States," by G. Gorelik, *The International Journal of Accounting* [Vol. 29, No. 2, 1994]: 95-122.

The paper is a comparative study of the quest for viability by the Accounting Standards Committee in Canada, the Accounting Standards Committee in the United Kingdom, and the Financial Accounting Standards Board in the United States. It also attempts to identify some of the major factors that have contributed to a recent restructuring of Accounting Standards Committees as Accounting Standards Boards in Canada and the United Kingdom. Hopefully, comprehensive conceptual foundations supporting the study and its general findings will be relevant to the standard-setting agencies worldwide.

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