

CHAIRPERSON'S MESSAGE

Initiatives and Challenges During 1997-1998 and Beyond

Greetings to all the members of the International Accounting Section (IAS) from Ahmed Abdel Karim in Manama, Bahrain to Dwight Zulauf in Tacoma, Washington. Let me start my first message in *Forum* by thanking the nominations committee for nominating me and the members for electing me to chair the International Accounting Section during 1997-98. This is a tremendous honor which I greatly appreciate.

Since being elected in Chicago a year ago, I have given a great deal of thought to the kind of programs that the Section might launch during the year. A review of the Section membership list indicated that we have over 1,500 members from 60 countries. Almost half our members (46 percent) are based outside the United States. Given the composition of our membership, it is my view that we ought to be engaging in more programs that also involve and serve Section members based outside the U.S. During my term as IAS chairperson, there are a number of initiatives that I have launched which are aimed at better serving our members as well as other academic accounting colleagues all over the world. I will briefly discuss these initiatives for the benefit of IAS members who were not present at the Section's lunch in Dallas.

First, I would like to offer our services to help facilitate the formation of an academic accounting association in Asia. Over the years, I have been impressed by the level of interest dis-



Shahrokh Saudagaran

played by colleagues from Asian universities in the accounting research and teaching programs of the Section. While Asia has professional accounting associations, it lacks a formal Asia-wide academic accounting association. Colleagues from several Asian countries have expressed their desire for such an association. Those Section members that have attended the European Accounting Association's (EAA) Annual Congresses have experienced the diversity of research in terms of methodology and geography that the EAA offers. The tolerance and mutual respect among the various research interests and the various nationalities represented at the EAA Congresses is re-

markable. The pioneers who helped establish the EAA can be justifiably proud as the EAA prepares to hold its 21st Congress in Antwerp next April. A similarly productive academic accounting association in Asia would certainly be welcome by accounting academics in Asia and elsewhere. I have initiated contact with Section members and leaders of the academic accounting communities in a number of Asian countries and have met with several of them in Dallas and on recent visits to Asia. Based on the overwhelmingly enthusiastic response to this idea, I have requested the IAS International Relations Committee to consider this as their main charge during 1997-98.

My second initiative is one whereby members from the 60 countries currently represented in the IAS would help in identifying universities outside the U.S. that have an interest in and a need for AAA journals but who currently do not have the resources to subscribe to them. Accounting departments at such universities would receive gift memberships to the AAA and to the IAS. This program would be funded entirely by voluntary contributions by members and friends of the IAS. An announcement and donor form

(Continued on page 2)

Chairperson's Message...(Continued from page 1)

related to this program appeared in the Program of the Dallas meeting and also appears in this issue of the *Forum*. I hope that through your generosity we will be able to provide gift memberships to many academic accounting departments in universities all over the world.

The other significant project that we will undertake as a Section during 1997-1998 is to thoroughly research and lay the groundwork for electronic dissemination of the *Forum* and other Section publications in the very near future. Other sections in the AAA are moving forward along similar lines. Given the high proportion of our members that are based outside the U.S., we need to be particularly aggressive on this matter because we have more to gain from electronic dissemination than most other AAA regions and sections. Let me explain. Presently about half of our unencumbered membership fees are spent on delivering the *Forum* by conventional mail. In addition to the higher cost of mailing, there are the delays that certain members experience in receiving their copy of the *Forum* depending on their geographic location. It appears that at present the further one is from Sarasota the longer it takes to receive the *Forum*. For instance, I received my Summer 1997 issue of *Forum* several weeks after I started receiving members' Committee Preference Forms which appeared in the same issue of *Forum*—a clear indication that they had received their *Forum* several weeks earlier. I have requested the Technology, Membership and Publications Committees to work on various aspects of this project.

There is another important matter that needs to be addressed during the current year and that relates to the finances of the recently approved Section journal. As most of you are aware, the majority of members attending the IAS business meeting at the AAA's 1995 Conference in Orlando voted to have a Section journal. At that time, the Section also voted to raise annual Section dues from \$10 to \$20 with the increase to be dedicated for costs associated with the journal. Many Section members have expressed serious doubts about our ability to produce and disseminate

a Section journal for \$10 per member per year. I have requested Tim Douppnik, Section Treasurer, to research the likely effects of the journal on Section finances. Specifically, Tim will examine the data provided by Sarasota on other AAA Section journals along with the level of financial support promised to Haim Falk, the journal editor, by his university. I expect Tim's report to help us determine whether we can afford a journal at the present level of dues. I consider it extremely important that the Section members know the financial consequences of having a journal before we start work on the inaugural issue. Naturally, we would all like to be able to receive the Section journal without a further increase in Section dues. However, if the research suggests that that is not possible, then I strongly believe that members ought to know this **before** rather than **after** the fact since the membership at large will need to approve a further increase in Section dues to pay for the journal.

I have highlighted above the new initiatives and challenges during the year. In addition to these we also have our ongoing activities which are an important aspect of the Section's business including the awards for Outstanding Educator and Outstanding Dissertation, the planning and organization of the Section's Midyear Meeting in Chicago in April, the CPE and concurrent sessions at regional meetings, the AAA meeting in New Orleans in August, and of course the timely production and dissemination of *Forum*. As I indicated at the Section lunch in Dallas, I hope to hear from Section members throughout the year on any and all Section matters and particularly on how the Section can better serve its constituents. Please note that my new Email address is:

ssaudagaran@mailier.scu.edu.

I look forward to working with all of you to ensure that the Section has a productive and exciting 1997-98 and to laying the groundwork for fostering greater interaction between IAS members all over the world.

Shahrokh Saudagaran

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CALL FOR NOMINATIONS OUTSTANDING INTERNATIONAL ACCOUNTING EDUCATOR AWARD

The International Accounting Section of the American Accounting Association invites nominations for its Outstanding International 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 publication, 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, *Forum*.

Deadline for Nominations: February 28, 1998.

Please direct your nominations to:

Mohamed E. Hussein
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Email: mo@sbaserv.sba.uconn.edu

FACULTY EXCHANGE AND RESEARCH COLLABORATION HOME PAGE

The faculty exchange and research collaboration homepage has been created by the Faculty Exchange subcommittee of the Research committee of the IAS. This homepage is essentially an interactive web database of institutions and researchers. Its development was based on survey instruments distributed by the section. The homepage allows institutions to "advertise" their interest in bringing in foreign scholars. The institution is able to specify the type of individual that they are seeking through indicating the type of teaching that is expected, the countries from which they would like to invite scholars, as well as other information.

The research collaboration database allows individuals to register. Individuals are able to indicate research interests, countries with which they are interested in collaborating, projects on which they would like to collaborate, and the contributions that they feel that they could make.

Each database is searchable on any field. Thus, one could search for institutions that would like to invite a person from X country with Y interests for Z semester. Section members are encouraged to add their institutions as well as themselves to the database.

The address of the homepage is:

<http://tiger.bpa.missouri.edu/cgi-win/start.exe>

CONFERENCE REMINDER THE EIGHTH WORLD CONGRESS OF ACCOUNTING EDUCATORS

The Changing World of Accounting: Global and Regional Issues

October 23–25, 1997, Paris, France

The 8th World Congress of Accounting Educators will be held jointly by the International Association for Accounting Education and Research and the Association Francaise de Comptabilite. The convention will take place immediately before the XVth World Congress of the International Federation of Accountants, October 26–29, in Paris. The theme of the congress is "The Changing World of Accounting: Global and Regional Issues." Given the rapid social, political, technological and economic changes occurring in all parts of the world, it is important that accounting educators come together to share their views on how accounting education in their country and/or part of the world is or should be responding to change.

The contact address for information and registration is:

IAAER Congress 153, rue de Courcelles, 75817 Paris Cedex 17 - FRANCE
Phone: 33 147638100, Fax: 33 147638110, Email: mikol@excp.ccp.fr

AMERICAN ACCOUNTING ASSOCIATION AND INTERNATIONAL ACCOUNTING SECTION 1998 MIDYEAR MEETING

Downtown Chicago in Springtime! Friday afternoon, April 3–Saturday, April 4, 1998

The 1998 IAS Midyear Meeting will be held in cooperation with the Center for International Education and Research Accounting–University of Illinois, in honor of Vernon K. Zimmerman's contributions to international accounting. The meeting will provide an exciting and stimulating forum for teachers and researchers with interests in international accounting to exchange information, to network and to discuss emerging issues.

Call for Papers

Papers on any area on international accounting, including international auditing, tax, financial reporting and managerial accounting are most welcome. Papers using all research approaches, including analytical, experimental, field study and archival-empirical approaches will be considered. Two nights' hotel room accommodation will be reimbursed for one author of each accepted paper.

Submissions and Deadlines

Please submit three copies of papers. Papers should follow the style guidelines of *The Accounting Review*. Papers should be submitted no later than **December 31, 1997** to:

Professor Ajay Adhikari
Kogod College of Business Administration, American University
4400 Massachusetts Avenue, NW, Washington, D.C. 20016 USA
Phone: (202) 885-1993, Fax: (202) 885-1131, Email: aadhika@american.edu

INTERNATIONAL ACCOUNTING SECTION

STATEMENT OF CASH FLOWS September 1, 1996–June 30, 1997

	96/97 IAS Cash Flow Totals
Cash Inflow	
Deferred Dues Rev.	\$(7,836.75)
Deferred Dues Rev.-Restr	4,003.00
Dues-Full Members	13,239.75
Dues-Full Members-Restr.	9,999.00
Dues-Associates	482.00
Sale of Publications	41.00
IAS Meeting Registration	6,830.00
CPE Courses	
Contributions	<u>6,000.00</u>
Total Cash Inflow	<u>\$32,758.00</u>
Cash Outflow	
Newsletter	
Postage	160.49
Mailing	3,286.35
Printing	2,807.08
AAA Staff	<u>308.00</u>
Total Newsletter	\$ 6,561.92
Publication Expenses	737.84
IAS Meeting	
Hotel/food	\$ 4,931.50
Speakers	519.74
Travel	2,258.22
Postage	292.55
Printing	350.60
Misc.	<u>93.00</u>
Total Meeting	8,445.61
Awards	\$ 192.60
Misc. Postage	184.23
Miscellaneous	
Committee	131.11
China Conference	<u>2,000.00</u>
	<u>2,507.94</u>
Total Cash Outflow	<u>\$18,253.31</u>
NET CHANGE	\$14,504.69
Beginning balance (9-1-96)	<u>16,289.77</u>
Ending Balance (6-30-97)	<u>\$ 30,794.46</u>
Restricted balance (Section's Journal)	\$14,002.00
Unrestricted balance	<u><u>\$16,792.46</u></u>

1998 BUDGET

Revenues			
Dues			\$15,000*
Sale of Publications			500
Contributions			<u>500</u>
Subtotal			\$16,000
Expenses			
Midyear Meeting:			
Revenues:			
Registration			
(80 registrants at \$75.00 each)		\$ 6,000	
Expenses:			
Hotel, Audio/Visual, Food	\$6,000		
Postage/Printing		500	
Coordinators' Travel	1,500	<u>(8,000)</u>	2,000
Newsletter			7,000
Committees			
Outstanding Educator (Plaque)		100	
Outstanding Dissertation (plaque, check)		600	
Section Service (co-sponsored meeting; included \$1,500 for officer travel)			3,500
AAA Annual Meeting			
Luncheon Speaker expense		175	
Luncheon Speaker Gift		150	
Other Luncheon guests		200	
Plaque for outgoing chair		100	
Officer Travel			2,000
Miscellaneous		<u>175</u>	<u>7,000</u>
			\$ 0

* Membership dues in 1998, will be \$20 per member (a total of \$30,000—1,500 members at \$20 each); however, \$10.00 per member will be restricted for the publication of the Section's journal.

CALL FOR NOMINATIONS

The Nominations Committee of the International Accounting Section is soliciting nominations for the positions of Academic Vice-Chairperson, Practice Vice-Chairperson and Treasurer for 1997-98. Nominations for the Advisor Board, Nominations Committee and Publications Committee are also being solicited.

**The deadline for submitting nominations is
February 1, 1998.**

Nominations should be sent to:
Professor Walter F. O'Connor
School of Business
Fordham University
113 West 60th Street
New York, NY 10023
Phone: (212) 636-6122
Fax: (212) 765-5573
Email: woconnor@bschool.bnet.fordham.edu

INTERNATIONAL ACCOUNTING SECTION MINUTES OF THE 1997 ANNUAL BUSINESS MEETING



Dr. Shahrokh M. Saudagaran (right) presents a plaque to Dr. O. Finley Graves (left) in recognition of outstanding service as president of the International Accounting Section for 1996–1997.

10:30–11:30, August 18, 1997
Manchester Room, The Wyndham, Dallas, Texas.

Chairperson Finley Graves called the meeting to order. He noted the minutes of last year's annual meeting were published in the *Forum*.

The following reports were presented:

Treasurer's report, Ross Tondkar
Annual Program Committee,
Finley Graves for Stephen Salter
Continuing Education, Hans Dykxhoorn

Publication Committee, Jack Kramer. The Committee nominated Haim Falk to be the first editor of the Section journal. Haim Falk answered questions regarding the editorial policy of the journal.

External Relations Committee, Ed Swanson
Technology Committee, Teri Conover
International Relations, Agnes Cheng

Membership Committee, Donna Street
Outstanding Dissertation Committee, Shahrokh Saudagaran. Winner to be announced at the IAS luncheon.

Outstanding Educator Committee, Carol Frost. Winner to be announced at the IAS luncheon.

Research Committee, Jenice Prather
Midyear Meeting Committee, Finley Graves for David Sharp.

Gary Meek reported on the proposed by-law changes previously published in the *Forum*. A motion (Meek / Tondkar) to adopt these changes to the by-laws, passed.

Nominations Committee, Grace Pownall. The following slate was presented to the membership for 1997–1998:

Vice-Chairperson—Academic: Hans Dykxhoorn
Vice-Chairperson—Practice: Patricia McQueen
Secretary: Stephen Salter

Treasurer: Timothy Douppnik
Nominations Committee: Ed Shoenthal

Hector Perera, Helen Gernon
Advisory Board: Juan Rivera, Dennis Beresford
Publications Committee: Cheryl Fulkerson,
Clare Roberts

Section Journal Editor: Haim Falk

A motion (Graves / Pownall) to accept the slate by acclamation passed unanimously.

Finley Graves closing comments included his appreciation for the opportunity for serving the Section and the hard work of the various committee chairs and members. He introduced the incoming chair, Shahrokh Saudagaran.

Shahrokh Saudagaran noted that the coming midyear meeting will be held during the first week of April in Chicago. Further details will be published in the *Forum*. He noted that he would talk about his plans for the coming year during the IAS luncheon.

Meeting adjourned at 11:30.

Hans Dykxhoorn, Secretary, 1996–1997.

THE FRENCH PLAN COMPTABLE

By Professor Peter Standish

Elsevier Science Publishers announce publication of *The French Plan Comptable* by Professor Peter Standish. Professor Standish is an Australian accounting academic, lately based in the U.K. and France. He has served as a member of the French national accounting council, the Conseil National de la Comptabilite. *The French Plan Comptable* is not a textbook but is intended to

provide an exhaustive and authoritative treatment of the nature, history, operation and effects of the French national accounting code. It also includes an edited translation of the PCG into English. This book would be an excellent reference for English readers interested in accounting in France. Contact Elsevier Science Publishers for information on ordering *The French Plan Comptable*.

INTERNATIONAL ACCOUNTING SECTION
**MINUTES OF THE 1997 MEETING OF THE EXECUTIVE
COMMITTEE AND COMMITTEE CHAIRS**

4:00-5:00, August 17, 1997

Amethyst Room, Wyndham Hotel, Dallas, Texas.

Members present: Jenice Prather, Jack Kramer, Hans Dykxhoorn, Gary Meek, Carol Houston, Teri Conover, Shahrokh Saudagaran, Finley Graves, Donna Street, Edward Swanson, Agnes Cheng.

Finley Graves presided over the meeting. He noted that the minutes of the previously held meeting by this committee in New Orleans were sent to all members of the Executive Committee and Committee Chairs prior to its publication in the *Forum*.

Finley Graves presented the Treasurer's report for Ross Tondkar. He noted that the unrestricted balance as of June 30, 1997 was \$16,792.46.

Finley Graves also reported on the annual program for Stephen Salter, noting that there are four paper sessions and two panel sessions.

Hans Dykxhoorn reported for the Continuing Education Committee noting that the committee organized a CPE session at the annual meeting, conducted by Carol Frost and Grace Pownall.

Edward Swanson reported on the activities of the External Relations committee.

Teri Conover reported for the Technology Committee.

Agnes Cheng reported for the International Relations Committee, noting that the co-sponsored conference in China was a big success.

Donna Street reported on the activities of the Membership Committee. The Committee was extremely active in recruiting new members by distributing flyers and contacting potential IAS members in the United States and abroad.

Finley Graves reported for David Sharp on the Mid-year meeting, noting that it was very successful. He also reported for Lee Radebaugh on the activities of the Nominations Committee.

Shahrokh Saudagaran reported that the Outstanding Dissertation Committee selected Paquita Friday as the recipient of the award.

Carol Houston reported that the Outstanding Educator Award will go to Gary Meek this year. Since Gary Meek was present at the meeting, all members in attendance congratulated him.

Jack Kramer reported that the Publication Committee selected Haim Falk to be the best candidate as the Section's journal editor.

Jenice Prather reported on the activities of the Research Committee, noting that the International Faculty Exchange Home page is linked to the Section's Home page. Every one interested in international accounting can register and use the home page to find researchers with similar interests.

Gary Meek reported on the Advisory Board's activities. Work has begun on the strategic plan for the Section.

Meeting adjourned at 5:00.

Hans Dykxhoorn, Secretary, 1996-97

INTERNATIONAL ACCOUNTING SECTION
**MINUTES OF THE 1997-1998 PLANNING MEETING
OF THE EXECUTIVE COMMITTEE
AND COMMITTEE CHAIRS**

5:30, August 17, 1997

Amethyst Room, Wyndham Hotel, Dallas, Texas.

Members present: Ron Barniv, Ed Swanson, Hans Dykxhoorn, Carol Houston, Teri Conover, Mike Kennelley, Mahendra Gujarathi, Jeannie Johnson Harrington, Patricia McQueen, Grace Pownall, R. S. O. Wallace, Jeanne Yamamura, Jenice Prather, Donna Street, Shahrokh Saudagaran, Samuel Tung.

Shahrokh Saudagaran called the meeting to order. He discussed his plans for the Section for the coming year and the 1997/98 budget prepared by Ross Tondkar. Among new initiatives included an emphasis on the needs of international members of the Section, such as assisting our Asian colleagues in planning the feasibility of establishing an Asian Accounting Association, similar to the European Accounting Association, and facilitating access to AAA publications for institutions of higher learning in emerging countries. An advertisement soliciting donations for gift memberships in the AAA were placed in the program brochure of the AAA Annual Meeting in Dallas. The International Relations Committee will work on these initiatives.

Shahrokh Saudagaran also discussed the possibility of making the *Forum* available electronically as soon as it is feasible.

The financial implications of publishing the Section journal were also discussed. Tim Doupnik and the Research Committee will work on this issue.

The next Midyear meeting is scheduled for Chicago during the first week of April, 1998. Details will be published in the *Forum*.

The various standing committees' charges were discussed. Mike Kennelley, *Forum* editor, asked for news items of members that could be published in the *Forum*.

The regional program coordinators were advised to offer their assistance to the appropriate Regional Program Chairs.

Patricia McQueen, Vice Chair-Practice, offered to write a periodic column in the *Forum* about practice matters that are of interest to Section members.

The meeting was adjourned at 6:45.

Hans Dykxhoorn
(for Stephen Salter, Secretary 1997-98)

IMPORTANT ANNOUNCEMENT!!

The International Accounting Section home page is being transferred to the University of Cincinnati. Dr. Tim Sale will be the new "webmaster." The URL for the International Section home page is: <http://www.cba.uc.edu/cbainfo/ias>.

Please note that located at this one address is a wealth of information regarding items of interest for our section members. **We are trying something new this year! A text-only version of the International Accounting Forum will be posted on the IAS home page!** Please take the time to visit the IAS home page and consider the benefits of accessing the *Forum* electronically. One major benefit is the timeliness of access to the newsletter. Many members (especially those outside of the U.S.) have difficulty receiving the *Forum* in a timely manner. Receiving announcements about submission deadlines two days after the deadline is quite frustrating. Access via the Internet would remedy this problem. Another major benefit to the electronic dissemination of the newsletter is the cost savings that would accrue to the section. If one examines the cash flow statement reported elsewhere in this *Forum*, one will note that publication of the *Forum* costs just over \$6,500 during the past year. Every dollar saved in hard-copy publication costs would be available to assist in achieving other goals of the section. The spring and summer issues of the *Forum* will contain information about how to (1) have your name put on an email list to receive notification of the electronic posting of the new issue of the newsletter, and (2) have your name removed from the hard-copy mailing list, if desired.

OUTSTANDING INTERNATIONAL EDUCATOR AWARD



Dr. Carol Olson Houston (right) presents a plaque for the Outstanding International Accounting Educator to Professor Gary K. Meek (left).

The 1997 recipient of the Outstanding International Educator Award is Professor Gary K. Meek, Oscar S. Gellein/Deloitte & Touche Professor, at Oklahoma State University.

Professor Meek presently serves on the Advisory Board of the International Accounting Section of the American Accounting Association, and has been active internationally in the accounting profession since 1980. Among many contributions to the world of international accounting, he served as chair of the International Accounting Section of the AAA in 1990-1991, Vice President of the American Accounting Association 1992-1994, and chaired the

AAA International Accounting Research Conference Committee in 1996-1997.

His co-authored text *Accounting: An International Perspective* (with Mueller and Gernon) is currently in its fourth edition, and has been translated into Japanese, Russian and Korean. Professor Meek is currently working on an international accounting text with Professors Choi and Frost. He is also the author of numerous scholarly papers and other publications. Among his reviewing activities, he serves on the editorial boards of the *International Journal of Accounting* and the *Journal of International Financial Management and Accounting*.

AAA DISTINGUISHED INTERNATIONAL LECTURER

Professor Ting-Wong Cheng from Taiwan is the 1998 AAA Distinguished Lecturer. Schools interested in hosting his visit should contact Craig Polhemus at the AAA office in Sarasota.

OUTSTANDING INTERNATIONAL ACCOUNTING DISSERTATION AWARD



Dr. Shahrokh Saudagaran (right) presents a plaque for the Outstanding International Accounting Dissertation Award to Dr. Paquita Davis Friday (left).

Paquita Davis Friday was named the recipient of the 1997 Outstanding International Accounting Dissertation Award.

Paquita Davis Friday is an Assistant Professor of Accountancy at the University of Notre Dame. She is a 1996 graduate of the Ph.D. program in accounting at the University of Michigan, Ann Arbor. She also graduated with distinction from the Master of Accounting program, earned an M.A. in applied economics, and received a B.B.A. in accounting and finance, all at the University of Michigan. Before entering the Ph.D. program, Paquita worked as an auditor for Deloitte & Touche in Detroit and was certified in 1992 by the State of Michigan as a public accountant. While in the master's program, she worked as a tax accountant for Deloitte & Touche in Ann Arbor and taught financial and managerial accounting at the University of Michigan for which she was awarded the Gerald and Lillian Dykstra Teaching Award. Paquita's primary research interests are the relation between international fi-

nancial reporting and firm valuation and the role of accounting disclosures in security valuation. Paquita's teaching interests include financial and international accounting and financial statement analysis.

Dr. Victor L. Bernard and Dr. Eugene A. Imhoff, Jr. co-chaired Dr. Friday's dissertation. An abstract of her dissertation follows:

ABSTRACT: An Inflation Specification of an Accounting-Based Valuation Model with Empirical Evidence from Mexican Accounting Disclosures

This research investigates the role of financial statement data in valuing the firm in an inflationary economy. Specifically, the study investigates the relation between general price level-adjusted and current cost accounting disclosures in Mexican financial statements and the market value of publicly traded firms. The evidence suggests that these disclosures are relevant to the Mexican stock market over a wide range of inflation rates. The Mexican market is chosen as the focus of the

investigation because of Mexico's inflationary economy, its growing significance in U.S. international transactions, and because of the importance of the U.S. to Mexico's fragile economy.

The issue of firm valuation in an inflationary economy is addressed here by using the framework introduced in the accounting-based valuation literature. Ohlson (1995) re-examines the accounting-based valuation model that appeared earlier in Edwards and Bell (1961). The Ohlson study, and subsequent empirical studies which draw upon Ohlson's accounting-based valuation theory, do not address the issue of accounting for changing prices as suggested by Edwards and Bell. The effects on asset valuation of accounting for changing prices are investigated here using a modification of the accounting-based valuation model to relate basic accounting data and other financial statement information with firm value. The additional information employed here consists of constant peso and current cost disclosures found in Mexican financial statements.

The volatile macroeconomic environment in Mexico provides an ideal setting for testing the importance of accounting data that have been adjusted for price changes. This study exploits that environment by estimating an accounting-based valuation model on a sample of publicly traded Mexican companies during a four-year period when inflation rates in Mexico were initially extremely high (130 percent), and later relatively low (20 percent).

The results indicate that accounting data adjusted for changing prices explain a significant portion of the cross-sectional variation in the market value of equity and price/book ratios of Mexican firms. The results also indicate that the significant explanatory power of holding gains does not weaken with decreases in the general level of inflation. These results suggest that current cost and constant peso disclosures are relevant for determining firm value over a wide range of inflation rates.

PREPARING FOREIGN STUDENTS FOR GRADUATE SCHOOL AT THE ECONOMICS INSTITUTE

Recognizing the difficulties that foreign students face upon entering U.S. graduate schools of business and economics, the American Economics Association created the Economics Institute (EI) in 1958. Located in Boulder, CO adjacent to the University of Colorado campus, it has facilitated the placement and transition of international students from 150 countries into U.S. graduate schools of business and economics for over 39 years. Currently the EI serves approximately 750 students annually in both Boulder and in overseas locations such as Belarus, Indonesia, South Korea and Vietnam.

The EI maintains a 32-person permanent full-time economics, business and English faculty. This group is augmented by 18 additional part-time faculty, mostly from the University of Colorado system but also from Baylor, Duke, Michigan State, University of Michigan, Northwestern and Ohio State. The EI's non-profit status and its role as the national training program of the American Economic Association also allow it to draw on top academics and executives from organizations around the world, including the World Bank, International Monetary Fund, Federal Reserve System and the Office of the Controller of the Currency, among others.

The Institute conducts nine five-week terms annually. Typically students study for one to three terms prior to entering their graduate programs. In addition to TOEFL, GMAT and GRE preparation the Institute offers a wide range of courses in accounting, economics, English and business English, finance, management, marketing, mathematics, statistics and computer skills. There is an extensive offering in accounting that prepares foreign students for the CPA exam. The accounting program is directed by EI faculty member Bobbe Barnes (who is also Editor-in-Chief of the *Convser Duffy CPA Review* series). Students

attending the EI have been well prepared for masters' degree programs in accounting. Courses emphasizing negotiation, teamwork and presentation skills are also offered.

A period of study at the EI is highly desirable for foreign students entering U.S. graduate schools, and is especially beneficial for those who could use some additional intensive language preparation and basic knowledge of U.S. business practices. This background allows them to more readily compete in the classroom with their American colleagues. We have found that when foreign students receive preparation, many of the assimilation problems that can affect the rigor and pace of class lectures are greatly reduced.

Dedicated to international education, the Institute welcomes the opportunity to work with individual universities to internationalize their programs. For example, the EI currently participates with the University of Arkansas (UA) and the government of Indonesia in an MBA program for managers of state-owned enterprises. In the latter, program courses are taught by UA/EI faculty in Jakarta, Boulder and Fayetteville, with students receiving an MBA from the UA. Because the EI's reputation is well known around the world, it has a considerable advantage in facilitating such joint programs.

If you would like more information about how the Economics Institute may work with your graduate program you can contact them at the following:

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The Economics Institute
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Email: econinst@colorado.edu

CALL FOR SUBMISSIONS

Outstanding International Accounting Dissertation Award

The International Accounting Section of the American Accounting Association invites submissions for its Outstanding International Accounting Dissertation Award to be presented at the Annual Meeting of the American Accounting Association in New Orleans, LA, in August 1998.

All doctoral dissertations completed during the 1997 calendar year in the areas of international accounting, auditing, taxation and information systems are eligible for this award. Eligible individuals should submit no later than February 15, 1998:

- 1) six copies of a summary of their dissertation not exceeding ten pages, and
- 2) a letter of support from his/her dissertation committee chairperson.

The Outstanding Dissertation Award Committee, upon reviewing the dissertation summaries will select finalists for the award. Finalists will be requested to submit copies of the complete dissertation to the committee. Please send submissions (*Do Not Fax or Email*) to:

Professor Carol Olson Houston
School of Accountancy MC 8221
San Diego State University
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Phone: (619) 594-2698

CALL FOR PAPERS AND ANNOUNCEMENTS

Internationalising International Accounting Research

A Conference sponsored by Accounting, Organizations & Society and the City University of Hong Kong in Hong Kong, 1998.

Accounting research is not keeping pace with the growing internationalisation of the world of accounting practice. While accounting in action is now embedded in multi-national enterprises and multi-national audit firms, and subject to emerging forms of supranational regulation, accounting research still tends to focus on national contexts and thereby remains largely influenced by national traditions and schools of thought. One result is that we still have rather crude notions of accounting diversity and the reasons for it, and rather minimal understandings of the nature and forms of international pressures for change.

The proposed research conference aims to stimulate an alternative research agenda, one that is explicitly internationalist in orientation, probing in intent and interdisciplinary in outlook. The conference aims both to argue for the importance of more internationally oriented forms of accounting research and to produce thought provoking exemplars of what good research of this type might look like.

Within its internationalist remit, the conference should have a broad agenda covering all significant aspects of the subject. Among the topics desirable to include are the following:

1. Historical insights into the internationalisation of accounting practices, discourses and institutions.
2. Contemporary influences on the internationalisation of accounting.
3. An international domain of accounting practice and policy making.

For more information about the conference contact:

Professor Anthony G. Hopwood
School of Management Studies
University of Oxford
The Radcliffe Infirmary
Oxford OX2 6HE UK

Or: Professor Judy Tsui
Department of Accounting
City University of Hong Kong
Tat Chee Avenue
Kowloon HONG KONG

SECOND ASIAN PACIFIC INTERDISCIPLINARY RESEARCH IN ACCOUNTING CONFERENCE

Osaka City University, Japan 4-6 August 1998

In Association With *Accounting, Auditing & Accountability Journal*

The second Asian Pacific Interdisciplinary Research in Accounting Conference is the first such conference to be held in Japan, and will attempt to attract national and international participants from a variety of academic areas and from accounting practice.

This interdisciplinary accounting conference will be dedicated to the advancement of accounting knowledge and practice and provide a forum for discussion on high quality papers concerning the interaction between accounting/auditing and their social, economic, institutional and political environments. Papers are encouraged in a wide range of topics and from wide range of perspectives. Analysis in the papers could provide new perspectives for understanding and change in the accounting discipline.

People interested in contributing to the conference should send papers for review and selection no later than 31 December, 1997. Please post three "hard" copies to the address below. Earlier enquires are welcome. Priority will be given to completed papers.

General Enquires and Registration

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Forum DEADLINES

INTERNATIONAL ACCOUNTING SECTION

Spring 1998 Issue—January 1

Summer 1998 Issue—May 1

Fall 1998 Issue—September 1

Please submit items via email using a Word format file as an attachment. Submit to:

kennellemic@centum.utulsa.edu

I would like to encourage section members from around the world to consider placing important news announcements in the "News from Around the World" section of the *Forum*. Please consider sharing important and interesting news items with your colleagues from the International Accounting Section.

HAVE YOU SEEN...?

Don Herrmann, Oregon State University and Wayne B. Thomas, University of Utah

Adams, Mike, Mike Sherris, and Mahmud Hossain, "The Determinants of External Audit Costs in the New Zealand Life Insurance Industry," *Journal of International Financial Management & Accounting* (Vol. 8 No. 1, 1997): 69-86.

The contracting theory literature suggests that auditors' pricing decisions reflect the efficacy of contracting arrangements in firms. Drawing a framework from this literature, this study empirically tests the simultaneous effect of six firm-specific variables on external audit costs using 1988-1993 data drawn from New Zealand's life insurance industry. These variables are: assets-in-place, reinsurance, internal governance, firm size, product-mix and organizational form. Consistent with expectations, the results indicate that audit fees are influenced by product-mix and firm size. However, the other variables are found not to be statistically significant. The empirical results provide mixed support for contracting theory.

Baber, William, Yuji Ijiri, and Sok-Hyon Kang, "Profit-Volume-Exchange-Rate Analysis for Planning International Operations," *Journal of International Financial Management & Accounting* (Vol. 7 No. 2, 1996): 85-101.

This paper extends the conventional Profit-Volume analysis to develop a new model of Profit-Exchange-Rate analysis to evaluate how exchange rate fluctuations impact profit. First, costs are classified as either "global cost" or "local cost" according to whether or not input prices are exchange-rate sensitive. This classification is analogous to the familiar variable/fixed cost classification based on the cost sensitivity to volume change. Data for the U.S. and Japanese steel industries are used to illustrate the approach. The paper then combine the conventional Profit-Volume analysis with the Profit-Exchange-Rate analysis to form a composite model called Profit-Volume-Exchange-Rate analysis, where both volume and exchange rate vary. The authors show that this composite approach suggests the use of a single rate-volume variable, similar to "person-hours," as the key planning-control variable for international operations.

Cairns, David, "Are IASs and US GAAP Compatible?" *Accountancy* (February, 1997): 60-61.

This paper provides a very brief outline of the objectives and findings of the FASB's comparability project in which the FASB found 255 variations between International Accounting Standards and U.S. GAAP. The paper discusses the implications of the differences in IASs and U.S. GAAP in allowing foreign issuers to list in the U.S. with IAS financial statements.

Chan, K. Hung, and Lynne Chow, "An Empirical Study of Tax Audits in China on International Transfer Pricing," *Journal of Accounting & Economics* (Vol. 23, 1997): 83-112.

This research studies how Chinese tax authorities implement international transfer pricing legislation. The

analysis indicates that tax audits on transfer pricing are confined mainly to medium and small-sized foreign investments, lower technology companies and transfer of tangible goods, and tend to focus on certain nationality and forms of foreign investment. Persistent losses, low profitability and lack of local partners in joint venture management most often trigger tax audits. The authorities focus on profit results rather than prices, and often use comparable profit methods to adjust income. Tax differentials do not appear to be the most important inducement to transfer pricing manipulations.

Cheng, Agnes, K. Hung Chan, and Woody Liao, "An Investigation of Market Response to Earnings Announcements: Multinational Firms versus Domestic Firms," *The International Journal of Accounting*, (Vol. 32 No. 2, 1997): 125-138.

This study investigates the effect of multinational operations as a proxy for operating and informational complexity on market responses to earnings announcements. The results show that multinational operations provide significant explanatory power for market responses to earnings announcements after controlling the factors of firm size and analyst following.

Choi, Frederick D. S., and Ronald R. Gunn, "Hyperinflation Reporting and Performance Assessment," *The Journal of Financial Statement Analysis*, (Vol. 2 No. 4, 1997): 30-38.

Generally accepted accounting principles are poorly adapted to describe economic reality for companies operating in hyperinflationary environments. Traditional reporting systems report large exchange gains or losses that are difficult to interpret, mismatch revenues and expenses, greatly overstate interest income and expenses, and do not resolve the implicit interest problem. Financial statement users are thus provided an unreliable basis for evaluating the business. The transaction-based reporting model described in this paper overcomes many of these deficiencies. Examination of reported numbers in disaggregated fashion is central to the model presented, showing that with a little additional effort conventional accounting data can be transformed into information useful to a range of financial statement users.

Epps, Ruth W., and Joon-Whan Oh, "Market Perception of Foreign Financial Reports: Differential Earnings Response Coefficients Between U.S. and Foreign GAAP," *Journal of International Accounting, Auditing & Taxation* (Vol. 6 No. 1, 1997): 49-74.

This study investigates the relative informativeness of foreign GAAP earnings compared to U.S. GAAP earnings by modeling the degree of market response associated

(Continued on page 13)

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

with foreign firms' financial reports as a function of the quality of the earnings signal. U.S. stock markets perceive the quality of foreign GAAP earnings to be different from U.S. GAAP earnings. The results of the study indicate that foreign macro GAAP produces lower quality earnings signals than U.S. GAAP, while foreign micro GAAP produces higher quality earnings signals than U.S. GAAP.

Gaumnitz, Carol Bothamley "Instructional Case: Foreign Subsidiary: Conversion to U.S. GAAP, Translation to U.S. Dollars and Consolidation," *Issues in Accounting Education* (Vol. 12, No. 1, 1997): 141-160.

The purpose of this case is to help the student integrate the process of translating foreign currency financial statements with the consolidation process. The financial statements of a British subsidiary are adjusted to U.S. GAAP, and the current-rate method is used to translate them into U.S. dollars. The subsidiary's adjusted, translated financial statements are then used to compute the parent's investment income and translation adjustment for the year under the equity method. Finally, consolidated financial statements are prepared for the U.S. parent and its British subsidiary. A basic ratio analysis and discussion of foreign currency exposure are also included.

Walker, Kenton B., and Eric N. Johnson, "A Review and Synthesis of Research on Supplier Concentration, Quality and Fee Structure in Non-U.S. Markets for Auditor Services," *The International Journal of Accounting* (Vol. 31 No. 1, 1996): 1-18.

This paper reviews and summarizes extant research into auditor concentration, audit quality and the determinants of audit fees in audit markets outside the United States. Similarities and differences between studies, including methodologies and findings, are discussed. The review identifies some structural differences in audit markets between studies that are traceable to divergences in economic, cultural and social norms across developed and developing nations. The paper concludes with the identification of areas where future research may be most helpful in identifying other differences and similarities in international markets for audit services.

Gosselin, Maurice, "The Effect of Strategy and Organizational Structure on the Adoption and Implementation of Activity-based Costing," *Accounting, Organizations and Society* (Vol. 22 No. 2, 1997): 105-122.

This study examines the effect of strategic posture and organizational structure on the adoption and implementation of general forms of activity management (AM) approaches. To explain the decision to adopt and implement AM, theories of strategy and of innovation in organizations are drawn upon. Employing a survey methodology, a questionnaire was used to collect data on the organization determinants and business strategies of a sample of strategic business units (SBUs) in Canadian manufacturing firms. The results show that strategy influences the

extent to which SBUs adopt an AM approach. As expected, organizations with high vertical differentiation are positively associated with the adoption of activity-based costing (ABC) over other forms of AM. Furthermore, centralization and formalization are associated with organizations that actually implement ABC after adopting it.

Hussain, Simon, "The Impact of Segment Definition on the Accuracy of Analysts' Earnings Forecasts," *Accounting and Business Research* (Vol. 27 No. 2, 1997): 145-156.

This study investigates forecast error determinants for a set of forecasts of annual corporate earnings, generated by U.K. analysts 22 months prior to the announcements dates. This study is particularly concerned with the impact of segmental data on forecast errors; the hypothesis under test is whether finer segment definitions provide market participants with improved insight. The results of this study provide evidence of predictive gains to both line-of-business data and geographic data, although these gains appear to be concentrated within a sub-sample of firms for which analysts appear to have specific difficulty in forecasting earnings, i.e., those experiencing negative changes in earnings. The results also indicate that forecast error are: negatively related to firm size; positively related to the magnitude of the change in earnings which the analyst must predict; and not significantly affected by the number of reported segments.

Karmon, David J., and Christopher W. K. Lubwama, "An Events-Study Approach to Detecting Income-Smoothing Activities: Some Evidence from Multinational Corporations," *Journal of International Accounting, Auditing & Taxation* (Vol. 6 No. 1, 1997): 75-95.

This study expands the income-smoothing literature by employing an events-study methodology to detect smoothing activities. The focus of the investigation is insider trading volume activity of companies that elected early adoption of SFAS No. 52. This methodology avoids design problems found in other income-smoothing research. It does not rely upon an arbitrarily selected "normal level" for the object of smoothing. Rather, it links smoothing activities with managerial incentives and detects smoothing by observing managerial behavior. Results show that insiders were significant net buyers of their firm's stock around the announcement date of the revised exposure draft for SFAS No. 52. These stock purchases provide an observable effect of the smoothing activity. Further cross-sectional regression analysis shows positive correlations between abnormal insider trading volume and firm leverage and control-type variables. Explanations are presented in the paper to show that these results are consistent with the income-smoothing hypothesis.

Lal, Mohan, Alan S. Dunk, and Gregory D. Smith, "The Propensity of Managers to Create Budgetary Slack: A Cross-National Re-examination using Random Sampling," *The International Journal of Accounting* (Vol. 31 No. 4, 1996): 483-496.

(Continued on page 14)

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

The objectives of this paper are first to extend Merchant's (1985) study using the same measures but employing random sampling in a cross-national setting to enhance result generalizability. Second to assess whether the ability of superiors to detect slack interacts with budgetary participation to affect a subordinate manager's propensity to create slack. The results provide support for the cross-national generalizability of all hypotheses.

Li, Shu-Hsing, and Kashi R. Balachandran, "Effects of Differential Tax Rates on Transfer Pricing," *Journal of Accounting, Auditing and Finance* (Spring 1996): 183-196.

The purpose of this paper is to study transfer pricing under asymmetric information and taxation. In accordance with the empirical evidence documented in accounting literature, this paper assumes that the firm uses one pricing system instead of two pricing systems—one for tax purposes and the other for internal control. The authors provide a closed-form solution for the optimal mechanism under a dual-price system, which allows for the price credited to the manufacturing division to not equal the price charged to the distribution division. Under a dual-price system, both divisional accounting profits at equilibrium change in the same direction with respect to the change of tax rate. However, the direct effect is larger than the indirect effect. Under a dual-price system, the division with the lower tax rate should be credited more profits than the division with the higher tax rate, but it would not fully bear all the profits.

Roush, Melvin L., and G. Stevenson Smith, "Consultative Teaching: International Examples," *Issues in Accounting Education* (Vol. 12, No. 1, 1997): 199-213.

Learning environments in accounting need to reflect the skills demanded in the workplace. Recognizing this need, many suggested reforms in accounting education emphasize a shift from content knowledge to higher-order thinking skills. Teaching strategies for addressing improvements in abstract thinking skills are the focus of this paper. It is suggested that accounting education reformers consider adopting more conceptually oriented accounting programs that include such strategies as segment teaching assignments and tutorial systems. Examples of these and other teaching strategies described as the consultative method are presented from accounting programs in New Zealand and Australia.

Nichols, Dave, Larry Tunnell, and Bob Waldrup, "An Exploratory Study of the Effect on Forecast Accuracy of using Different Geographic Segment Data Sources," *Journal of International Financial Management & Accounting* (Vol. 7 No. 2, 1996): 125-136.

This research investigates whether or not model-based earnings forecasts utilizing COMPUSTAT's country specific geographic segment data produce more accurate earnings forecasts than model-based forecasts utilizing data from actual geographic segment footnotes. Evidence col-

lected in this study indicates that geographic segment data provided in the COMPUSTAT business segment data base appears to make it possible to more accurately predict sales than does the geographic segment data provided in the same companies' actual geographic segment footnote.

Saudagaran, Shahrokh M., and Joselito G. Diga, "Financial Reporting in Emerging Capital Markets: Characteristics and Policy Issues," *Accounting Horizons* (Vol. 11 No. 2, 1997): 41-64.

This study analyzes the characteristics of financial reporting in "Emerging Capital Markets" (ECMs). ECMs refer to markets for long-term corporate securities in less-developed and transitional economies. Financial reporting has been increasingly viewed as a vital infrastructure for the growth of emerging markets. As such, increasing attention must be devoted to how the quality of financial reporting in these markets could be enhanced. Information availability, reliability and comparability are used as criteria for evaluating and comparing the state of financial reporting in ECMs. Analysis revealed significant financial reporting diversity in ECMs with respect to these three criteria. The paper concludes by identifying areas of policy research in regard to financial reporting in ECMs. These research issues include the merits of alternative approaches to accounting regulation and the value of achieving international comparability of financial reporting in those markets.

Sharp, David J., and Stephen B. Salter, "Project Escalation and Sunk Costs: A Test of the International Generalizability of Agency and Prospect Theories," *Journal of International Business Studies* (Vol. 28 No. 1, 1997): 101-121.

Previous North American research suggests that aspects of agency theory and prospect theory may explain decisions to escalate commitment to failing projects. This study explores the universality of these theories in this context. The willingness of North American and Asian managers to escalate commitment to losing projects was measured using four go/no-go decision cases. The authors hypothesized that Asian managers would be less willing to act in their self-interest (a lower agency effect), and would be more willing to escalate a decision in the face of negative framing (a stronger framing effect). The study found that agency theory had strong explanatory power for project escalation decisions in North America, but no explanatory power in the Asian sample. Framing effects were significant in both samples, but they were not significantly different.

Siegel, Philip H., Khondkar E. Karim, and John T. Rigsby, "International Diversification and Security Price Behavior," *Advances in International Accounting* (Vol. 10, 1997): 27-44.

This paper examines the marginal benefits accruing to U.S.-based multinational corporations through international diversification. The study seeks to determine if

(Continued on page 15)

Have You Seen... (Continued from page 14)

increased international diversification produced any marginal benefit for the multinational firms in terms of excess returns and/or reduced risk. The results indicate that during the period studied the degree of international diversification did not have any significant influence on the return and risk performance of the sample firms. The advantages enjoyed by multinational corporations may be disappearing.

Wallace, R. S. Olusegun, Mohammed S. I. Choudhury, and Maurice Pendlebury, "Cash Flow Statements: An International Comparison of Regulatory Positions." *The International Journal of Accounting* (Vol. 32 No. 1, 1997): 1-22.

This paper compares the standard documents on cash flow statements from five nations and the IASC. The authors report on substantial differences among the standard setting bodies from the five nations and the IASC. The authors also report on differences among the constituents of these different standard setting organizations. There are variations in regulatory postures on almost every aspect of the cash flow statement. The authors identify different ways of categorizing cash flows, alternative formats for presenting cash flows from operating activities, and other differences.

NOW THERE ARE EVEN MORE REASONS...

To Join the International Accounting Section of the American Accounting Association!

The IAS is the voice of the AAA for those interested in international accounting issues. IAS members receive the *Forum*, the section newsletter. Future issues will include:

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- Announcements about International Accounting Conferences.
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The IAS is committed to sponsoring activities which *facilitate interaction between U.S. and non-U.S. members*. The IAS acts to *facilitate faculty exchanges* between universities in different countries. It encourages collaborative research among faculty from different regions of the world by *cosponsoring conferences outside the U.S.*

To join the IAS, simply photocopy and complete the attached form, and mail it with \$20 (U.S.) to the AAA office in Sarasota, Florida (Phone: (941) 921-7747; Fax: (941) 923-4093). *You must be a member of the AAA to join the IAS.*

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Almost half the AAA's International Accounting Section's 1,600 members live outside the United States, representing 60 countries. The IAS announces the Gift Membership Program to provide sponsored gift AAA memberships to department chairs in universities outside the United States to be selected by the IAS's International Relations Committee or by individual contributors. The gift membership will provide accounting at these Universities much-needed access to *The Accounting Review*, *Accounting Horizons*, *Issues in Accounting Education* and *Accounting Education News*.

The Gift Membership Program will be funded entirely by contributions from AAA members. We urge all AAA members, including those who are not (yet) IAS members, to contribute. Individuals contributing \$100 or more may designate a specific non-U.S. university as the beneficiary of their contribution.

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