



FORUM

INTERNATIONAL ACCOUNTING

INTERNATIONAL ACCOUNTING SECTION OF THE AMERICAN ACCOUNTING ASSOCIATION

NO. 61

SUMMER 1997

EDITOR: Mike Kennelley
University of Tulsa

CHAIRPERSON'S MESSAGE

As my year as Section Chair draws to a close, I would like to call the Section membership's attention to the hard work of the various Committees and Committee Chairs over the past several months. David Sharp, who organized this year's Midyear Meeting, deserves special thanks for a very successful meeting in New Orleans. Approximately seventy people attended, including members from the U.K., Ireland, The Netherlands, France, New Zealand and Hong Kong among other overseas countries. The emphasis was on international accounting research, and the papers and panels were of very high quality. Congratulations to Shahrokh Saudagaran and Gary Meek for winning the CGA-Canada Best Paper Award - and to Segun Wallace for winning \$9,000 at the New Orleans Hilton's Flamingo Casino! A special thanks to Agnes Cheng as well. Agnes chaired the Outreach Committee this year (which the Executive Committee voted to rename the International Relations Committee at its meeting in New Orleans) and, despite several bureaucratic setbacks, has organized a Section joint conference with the AAA's Globalization Initiatives Committee and the Chinese Accounting Professors Association at Tsinghua University in Beijing in July (see the announcement in this newsletter). Among those representing the Section at the conference will be, in addition to Agnes and myself, Joe Schultz and Judy Tsui. The Chinese government has limited the number who may participate, so if you wish to attend please contact Agnes at your earliest convenience.

The Research Committee under Jenice Prather has been active in several directions. Committee member Marilyn Zarzeski organized a panel/workshop on "Enhancing International Research Capabilities" for the Midyear Meeting, and member Carol Frost has organized an "International Accounting Research Panel" for the AAA Annual Meeting in Dallas. The Committee has worked on a faculty exchange and research collaboration listing that is

now linked to the Sections' Homepage. A subcommittee under Bruce Behn also worked with the Membership Committee and the Information Technology Committee to obtain member Email addresses for the membership listing that is also now linked to the Section's Homepage. Teri Conover's Information Technology Committee has continued to develop the Homepage, furthermore, incorporating, among other things, the Section By-Laws, a listing of upcoming meetings and conferences, and the introduction to Konrad Kubin's forthcoming "International Accounting Bibliography." Please visit the Section's Homepage for a wealth of up-to-date information courtesy of Teri's committee (<http://www-lan.unt.edu/cobabak/www/acct/faculty/conovert/iasweb/index.htm>).



O. Finley Graves

The Membership Committee under Donna Street has blanketed much of Europe and Australia with invitations to join the Section. They also contacted a number of AAA members active in the international accounting area who are not currently members of the Section and invited them to join. In addition, the Committee undertook the herculean task of preparing the membership listing mentioned above for Section Homepage linkage. Many thanks for that Committee's efforts. Steve Salter, as Chair of the Annual Program Committee, has secured four slots for Section technical sessions and two for Section panels. In addition to the panel on international accounting research, the Section will once again sponsor an "International Accounting Standards Update" panel consisting of standards setters from the ASB-U.K., the ASB-Canada, the AARF, the

(Continued on page 2)

all
to
visit
+
fish
of
Pant

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

FASB and the IASC. Steve has arranged for Mr. Lyle Handfield, Vice President of Education and Professional Services, CGA-Canada, to speak at our annual luncheon. CGA-Canada has been most supportive of the Section. Last year that organization underwrote the Midyear Meeting in Vancouver, and this year it sponsored the Best Paper Award at the Midyear Meeting in New Orleans. We very much appreciate CGA-Canada's participation in the Section's activities, and we certainly look forward to hearing Mr. Handfield's address. Thanks, too, to our regional coordinators, all of whom have made sure that the Section was involved in organizing the programs at the AAA regional meetings. The Committee was chaired by Manny Tipgos, and the coordinators included Parveen Gupta, Marilyn Zarzeski, Mehmet Kocakulah, Cheryl Fulkerson, Moshe Hagigi, Gyan Chandra and Michele Wingate.

Since the AAA's Globalization Initiatives Committee has assumed the responsibility of responding to IASC exposure drafts on behalf of the Association, Ed Swanson's External Relations Committee volunteered to undertake research for that committee. In particular, Ed's Committee worked on the IASC's exposure draft on pension accounting. Jack Kramer, who is in his third year as Chair of the Publications Committee, has overseen the selection of the nominee for editor of the Section's new journal. Five of last year's applicants reapplied, and the Committee received 34 nominations. All 39 were mailed packets containing information about the journal and were asked to submit statements of editorial philosophy and institutional support along with

other information. All voting members of the Committee received copies of each application received. The members then voted using a point system. One applicant received a clear majority of points, and his name has been forwarded to the Nominations Committee. Jack has also overseen the publication of Konrad Kubin's "International Accounting Bibliography," which Konrad has worked on for a number of years. Jack has devoted a tremendous amount of time to these two projects this year—and to the proposal for the new journal during the two preceding years. We are indebted to Jack and his committee members for truly major accomplishments.

Both Shahrokh Saudagaran's Outstanding Dissertation Committee and Carol Olson Houston's Outstanding International Accounting Educator Committee have selected award recipients whose names will be announced at the Section luncheon in Dallas. The Nominations Committee under Lee Radebaugh has also developed a slate for the various elected positions for presentation at the Section Business Meeting. The Advisory Committee under Gary Meek reviewed the Section's By-Laws during the past year, which, after a thoroughgoing revision in 1995, have been in place two full years in their present form. The Committee will bring forward two suggested changes to the By-Laws for Section vote at the Section Business Meeting. The Committee also served as a sounding board for a number of ideas and proposals that came my way during the year, and I am grateful for the Committee's advice. Congratulations also to Gary for a very successful AAA/KPMG Peat Marwick International Account-

ing Research Conference in Montvale, New Jersey, this past March. Gary called on the Section for reviewers, moderators and discussants, so that the Section was very much involved.

Ross Tondkar and Hans Dykxhoorn, who have served as Section Treasurer and Section Secretary, respectively, have been true "right hand men." Ross is completing his second year as Treasurer and has performed his duties scrupulously and meticulously. Hans, of course, has made sure that the minutes of the meetings of the Executive Committee and Committee Chairs were recorded accurately and duly published in the *Forum*—all while serving as Chair of the Continuing Education Committee (Hans has organized a CPE workshop for the Dallas meeting on conducting international accounting research with Carol Frost and Grace Pownall as presenters). And speaking of the *Forum*, Mike Kennelley deserves praise not only for three fine issues this year, but for finding ways of cutting costs as well. Thank you Ross, Hans and Mike.

All of these people have helped make my tenure as Chair a very smooth and enjoyable one. I have been able to depend on each and every one of them to perform his or her respective duties conscientiously and on a timely basis. I would also like to thank the Section membership for giving me the opportunity to serve. I hope you will have found the year's activities relevant and helpful. I look forward to seeing you at the Section Business Meeting in Dallas at 10:30 AM in the Monet Room of the Wyndham Anatole Hotel.

O. Finley Graves

**INTERNATIONAL ACTIVITIES
AT THE AAA ANNUAL MEETING**

Monday, August 18

- ✕ 10:30 AM-12:00 NOON *Manchester*
International Accounting Section Business Meeting
- Ⓢ 12:00 NOON-1:45 PM
International Accounting Lunch
- 2:00 PM-3:30 PM
- 5. Management Accounting and Control in a Global Environment (International Accounting)
Moderator: Tim Sale, University of Cincinnati
Performance Measure & Resource Expenditure Choices in a Teamwork Environment: The Effects of National Culture
by Vidya Awasthi, Seattle University
Chee Chow, San Diego State University
Anne Wu, National Chengchi University
Discussant: Karen Cravens, University of Tulsa
- Performance Evaluation & Compensation Systems: Multinational Considerations
by Pamela Church, Rhodes College
Jessica G. Nicholson, University of Toronto
Carolyn R. George, North Carolina Central University
Discussant: Donna Street, James Madison University
- The Effect of Private Information & Potential for Personal Gain on Managers' Project Evaluation Decisions: A Cross-Cultural Investigation
by Paul Harrison, University of South Carolina
Chee Chow, San Diego State University
Anne Wu, National Chengchi University
Discussant: Sandra Vera-Munoz, University of Notre Dame
- ★ 6. International Accounting Research Panel (International Accounting)
Participants: Carol Frost, Washington University
Gary Meek, Oklahoma State University
Douglas Shackelford, University of North Carolina
Shirley Daniel, University of Hawaii at Manoa
Dan Simunic, University of British Columbia

*All Disclosure Disc/Soc
Earnings Management*

4:00 PM-5:30 PM

- ✕ 9. Cross National Disclosure and Markets (International Accounting)
Moderator: Teresa Conover, University of North Texas
Voluntary Disclosures of GAAP Differences by Crosslisted Firms: The Case of Canadian SEC Registrants
by S. Bandyopadhyay, Sati P. Bandyopadhyay, both at University of Waterloo
Douglas C. Dover, Edmonton, Alberta
Discussant: Rob K. Larson, Pennsylvania State University
- International Differences in Going-Concern Uncertainty Disclosures
by Roger Martin, Michigan State University
Discussant: Obeua S. Persons, Ryder University
- Market Microstructure Effects of US-Canada Differences Relating to Reserve-Based Accounting Disclosures
by K. K. Raman, University of North Texas
Jeff P. Boone, Mississippi State University
Robert G. Luther, University of Exeter
Discussant: Wayne Thomas, University of Utah

Tuesday, August 19

10:30 AM-12:00 NOON

- 7. Coping with Inflation in International Financial Reporting (International Accounting)
Moderator: Mitch McGhee, Texas A & M International
A Cross-National Test of Determinants of Inflation Accounting Practices
by Jeff Archambault and Marie Archambault both at Emporia State University
Discussant: Veijo O. Riistama, Helsinki School of Economics
- Accounting Valuation & Current Cost Disclosures: The Case of Mexico
by Paquita D. Friday, University of Notre Dame
Discussant: Frederick Niswander, East Carolina University

(Continued on page 4)

International Activities...(Continued from page 3)

An Examination of the Value-Relevance of Historical Cost, Prices Level and Replacement Cost Accounting Using Firms Listed on the Mexican Stock Exchange
by Elizabeth Gordon, Columbia University

Discussant: Abdel Agami,
Old Dominion University

- ★ 9. Panel on International Accounting Standards
(Financial Accounting & Reporting)

2:00 PM-3:00 PM

- ★ 7. International Accounting Standards Update
(International Accounting)

Moderators: Edward Swanson,
Texas A & M University
James Leisenring, Financial
Accounting Standards Board

Participants will be senior members of the following standard-setting bodies: 1. ASB [UK]; 2. ASB Canada; 3. IASC; and 4. AARF.

4:00 PM-5:30 PM

- ★ 9. Research in International Capital Markets
(International Accounting)

Moderator: Cheryl Fulkerson,
University of Texas at San Antonio

The Value Relevance of Earnings Figures Based on IAS, EC-Directives and Swiss GAAP: An Empirical Analysis

by Kurt Auer, University of Innsbruck
Discussant: Teresa Trepani, Norwegian
School of Economics

- ★ Return-Earnings Associations Over Long Windows:
A Comparison between the United States and Japan

by Joseph Cheung, Jeong-Bon Kim
and Jason Lee
all at Hong Kong Polytechnic University
Discussant: David Senteney,
Ohio University

- ★ The Usefulness to Individual and Institutional Investors of Annual Earnings Announcements and SEC Filings by Non-US Companies

by Edwin Etter, Syracuse University
Lynn Rees, Washington State University
James M. Lukawitz, University of Memphis
Discussant: Carol Houston,
San Diego State University

- ★ 11. International Capital Markets & The Cost of Capital
(Financial Accounting & Reporting)

Presenters: Trevor Harris, Columbia University
Gary Schienerman, Merrill Lynch,
International Analysis
Art Wyatt, University of Illinois
James Cochrane, New York Stock Exchange,
Vice President

PROPOSED BYLAW CHANGES

The Advisory Board has recommended two bylaw changes, which were approved at the March 15, 1997 Executive Committee Meeting. The changes will be voted on by the membership at the August 18, 1997 IAS Business Meeting. The Advisory Board recommendations are as follows:

(1) There is no mechanism for replacing lost Advisory Board members. Therefore, the Board recommends that the following be added to Section V.A.:

5. The Section Chair person may appoint an otherwise qualified Section member on an interim basis until the next general election to fill a vacancy created by the departure of any Section Officer, Advisory Board member, or other elected official during his/her term of office.

(2) The responsibility for the Section's service record now rests with the Academic Vice-Chairperson (Section IV.E.2.a.4.). The Board recommends that this responsibility be moved to the Chairperson. The current arrangement has proved cumbersome. It should be straightforward for the Chairperson to assume this responsibility since it merely means he/she adds his/her own committee assignments. Therefore, the Board recommends that the following be added as Item IV.E.1.e. (responsibility of the Chairperson):

- e. To maintain the section's service record of the committee activities of members;

Current Items IV.E.1.e., f. and g. will be re-numbered IV.E.1.,g. and h. respectively. Current Item IV.E.2.a.4. (responsibility of the Academic Vice-Chairperson) will be deleted and Items IV.E.2.a.5. and 6. will be re-numbered IV.E.2.a.4. and 5., respectively. Further, Section VII.C. will be amended so that the Nominations Committee will request a copy of the Section's service record from the Chairperson, instead of the Academic Vice-Chairperson.

HAVE YOU SEEN...?

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

Ahmed, Kamran, "Disclosure Policy Choice and Corporate Characteristics: A Study of Bangladesh," *Asian-Pacific Journal of Accounting* (June 1996): 183-203.

This paper investigates the extent of disclosures in the 1987-88 and 1992-93 annual reports of 118 non-financial publicly quoted companies in Bangladesh, and association between company size, total amount of debt, relationship with parent companies, qualifications of the principal accounting officer and size of the company's audit firm with disclosure level. While the majority of the companies disclosed much information of a statutory nature, the level of voluntary disclosure was very low. It is found that subsidiaries of multinational enterprises and companies audited by large audit firms disclose significantly more information in their annual reports.

Altman, Edward I., Young Ho Eom, and Dong Won Kim, "Failure Prediction: Evidence from Korea," *Journal of International Financial Management and Accounting* (Winter 1995): 230-249.

This study attempts to construct and test two distress classification models for Korean companies. Both models utilize measures of firm size, asset turnover, solvency and leverage with one model available for testing only on publicly traded companies and one model applicable to all public and private entities. There is excellent classification accuracy based on data from the first two years prior to distress. And, although the accuracy drops off after t-2, the models still provide effective early warnings of distress in many cases.

Auer, Kurt V., "Capital Market Reactions to Earnings Announcements: Empirical Evidence on the Difference in the Information Content of IAS-Based Earnings and EC-Directives-Based Earnings," *The European Accounting Review*, (Vol. 5 No. 4, 1996): 587-623.

This study examines the information content of earnings announcements for a sample of Swiss quoted companies that have changed the accounting standard used for presenting Swiss GAAP consolidated financial statements to either EC-Directives or IAS and can therefore contribute to this discussion. The results of the study suggest that IAS-based earnings announcements convey a more statistically significant higher information content than earnings announcements based on the Swiss GAAP if a variance approach is used. For investors in the Swiss capital market, the switch from Swiss GAAP to IAS has therefore in-

creased the information content of financial statements. But comparing IAS-based and EC-Directives-based earnings announcements, the results suggest that for investors IAS-based earnings do not possess a statistically significant higher information content than the EC-Directives-based earnings.

Bazaz, Mohammad S., and David L. Senteney, "The Impact of Accounting Regulatory Events Upon Earnings Response Coefficients: The Case of SFAS No. 8 and SFAS No. 14," *Asian-Pacific Journal of Accounting* (December 1996): 219-238.

This paper tests the theoretical framework developed by Houlthausen and Verrecchia (1988) for investigating the association between U.S.-based MNEs' earnings and security returns through the use of SFAS Nos. 8 and 14. The results provide convincing evidence that a significant reduction in the association between magnitudes of unexpected earnings and magnitudes of risk-adjusted price changes occurred subsequent to the implementation of SFAS No. 8. No significant change in the association between magnitudes of unexpected earnings and magnitudes of risk-adjusted price changes is observed for non-multinational firms during the same time period. The SFAS No. 14 geographic segment disclosures appear to have had no significant incremental impact upon the earnings response coefficient of U.S.-based MNEs.

Gould, John D., John P. McAllister, and Larry L. Orsini, "Raising Capital Overseas," *Journal of Accountancy* (February 1997): 33-37.

A survey was conducted of stock exchanges and regulatory authorities in 13 countries that, along with the United States, represent over 90 percent of the turnover and market value of the worldwide equity markets. Apart from Canada, Japan and Hong Kong, financial statements prepared in accordance with U.S. GAAP are accepted for inclusion in listing documents either as a normal rule or with reservations relating to possible supplemental disclosures. The high degree of acceptability in foreign listing documents of financial statements prepared in accordance with U.S. GAAP suggests that they achieve a more than adequate level of relevancy and reliability.

(Continued on page 10)

INTERNATIONAL ACCOUNTING SECTION

Minutes of the 1997 Midyear Meeting of the Executive Committee and Committee Chairs

International Accounting Section
1997 Midyear Meeting of the Executive
Committee and Committee
Chairs 1:30 PM–3:30 PM, March 15, 1997
Norwich Room, Hilton, New Orleans

Members Present: Hans
Dykhooorn, Finley Graves, Manny
Tipgos, Jenice Prather, J. Timothy Sale,
David Sharp, Edward P. Swanson,
Gary Meek, Mike Kennelley, Teri
Conover, Donna Street, Ross Tondkar,
Shahrokh Saudagaran, Judy Tsui,
Carol Houston.

Finley Graves presided over the
meeting. David Sharp who orga-
nized the Midyear Meeting, ex-
pressed his appreciation of the
many people who helped in mak-
ing the meeting a success.

Ross Tondkar presented the
Treasurer's report.

Gary Meek reported on the ac-
tivities of the Advisory Board. The
Advisory Board recommends the fol-
lowing bylaw changes to be added to
Section V.A.: 5. **The Section Chair-
person may appoint an otherwise
qualified Section member on an in-
terim basis until the next general
election to fill a vacancy created by
the departure of any Section Officer,
Advisory Board member, or other
elected official during his/her term
of office.** The Advisory Board also
recommends to add the following as
Item IV. E.1.e. (responsibility of the
Chairperson): e. **To maintain the
Section's service record of the com-
mittee activities of members,** and
the deletion of Section IV.E.2.a.4. A
motion to approve these changes
passed (Meek/Kennelley).

Judy Tsui reported for Agnes
Chang on the activities of the Out-
reach Committee. The Committee
received 12 manuscripts for presen-
tation at the conference to be held in
Beijing on July 12. The conference is
cosponsored by the Section and
Tsinghua University in Beijing. The
name of the Committee was changed
to the International Relations Com-
mittee to better reflect its mission.

Finley Graves presented Steve
Salter's report on the annual program.
Forty manuscripts were received and
the Annual Program Committee is
currently finishing the review pro-
cess. There will be five sessions avail-
able for paper presentations and panel
discussions. Progress is being made
in securing the luncheon speaker.

Manny Tipgos reported on the
Regional meetings. He noted that
submissions of papers seem to be
down over past years.

Hans Dykhooorn reported on the
activities of the Continuing Educa-
tion Committee. He noted that a one-
half day workshop titled, "Current
Trends in and Approaches to Inter-
national Accounting Research," has
been approved by the AAA for pre-
sentation at the Annual Meeting in
Dallas. Carol Frost and Grace Pownall
will be presenting the workshop.

Carol Houston (Outstanding
Educator Committee) reported that
her committee has received six
nominees.

Shahrokh Saudagaran (Out-
standing Dissertation Committee)
noted that his committee has received
six submissions, of which two were
from outside the United States.

Finley Graves reported for Lee
Radebaugh on the activities of the
Nomination Committee. No selec-
tions have been made yet.

Ed Swanson (External Relations)
reported on the activities of his com-
mittee. He noted that the AAA has
taken over the role of responding to
Exposure Drafts of IASC via its Glo-
bal Initiative Committee. Ed volun-
teered to work with a subcommittee
of the AAA to respond to exposure
drafts in the pension area. He also
suggested that the role of his commit-
tee be changed because of the re-
duced impact it now has in the area of
responding to Exposure Drafts.

Donna Street reported on the ac-
tivities of the membership commit-
tee. She noted that brochures were or

will be distributed at many meetings
in the U.S. and abroad, and to doc-
toral granting institutions for distri-
bution to doctoral students. She also
noted that a current membership list-
ing is now accessible on the Section's
Homepage on the Internet.

Jenice Prather reported on the ac-
tivities of the Research Committee. The
Committee developed a data base of
all IAS section members that includes
also Email addresses of all members,
where available. The data base can be
accessed at [http://www.tiger.
bpa.missouri.edu/cgi-win/start.exe](http://www.tiger.bpa.missouri.edu/cgi-win/start.exe).
The Research Panel Subcommittee for
the Annual AAA Meeting submitted
a proposal for a panel for the Annual
AAA Meeting in Dallas. The Midyear
subcommittee planned and organized
the Midyear meeting. Another sub-
committee planned and implemented
the "International Accounting Re-
search Workshop" at the Midyear
meeting.

Finley Graves presented the re-
port for Jack Kramer of the Publica-
tion Committee. The Committee re-
ceived 31 new nominations for the
editorship of the Section journal.
Konrad Kubin's bibliography is ready
to be put on the Homepage of the
Section in the near future.

Teri Conover reported for the In-
formation Technology Committee.
The list server is up and running. The
committee also has been working with
the AAA to develop international ac-
counting research information for the
Web page.

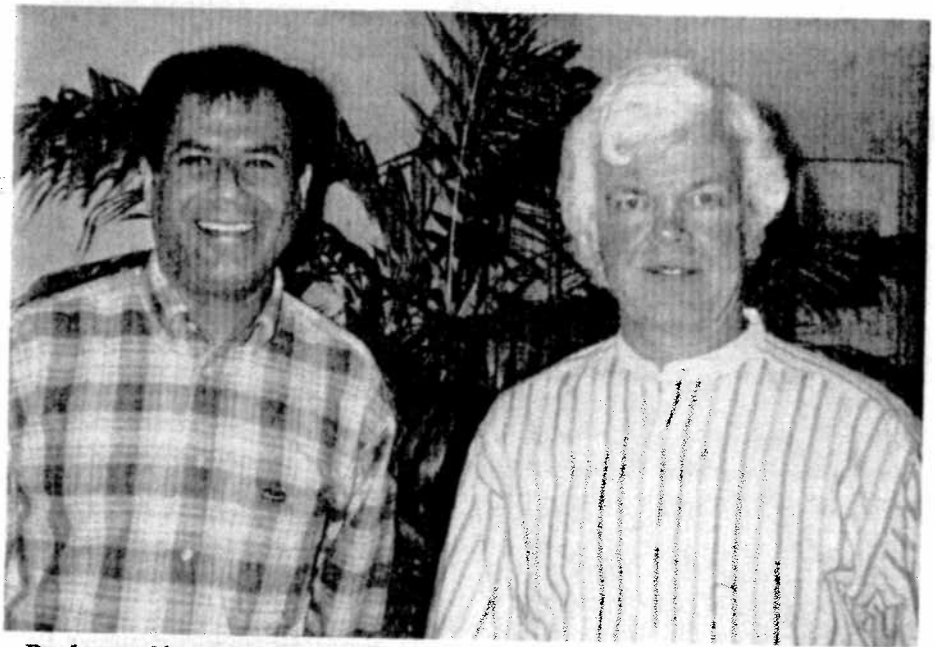
The possibility of having a joint
meeting with ABO in 1999 was dis-
cussed. A motion (Sharp/Tipgos) not
to have the meeting passed.

The members of the Executive
Committee reflected on the death of
three valued members: Ken Austin,
Vern Zimmerman and Paul Garner.

Meeting adjourned at 3:30.
Hans J. Dykhooorn, Secretary, 1996-
1998

MIDYEAR MEETING OUTSTANDING PAPER AWARD

Professor Shahrokh Saudagaran of Santa Clara University and Professor Gary Meek of Oklahoma State University co-authored the paper entitled "A Review of Research on Financial Reporting in International Capital Markets" that was selected as the outstanding paper presented at the International Accounting Section's Midyear meeting. Professor Saudagaran is the Vice Chairperson-Academic and Chair of the Outstanding Dissertation Award Committee of the International Accounting Section. Professor Meek is a past president of the section and is currently serving as Chair of the Advisory Board. An abstract of the paper follows:



Professor Shahrokh Saudagaran (left) and Professor Gary Meek (right) were coauthors of the outstanding paper presented at the Section's Midyear Meeting in New Orleans

ABSTRACT

A Review of Research on Financial Reporting in International Capital Markets

The past decade has seen a number of significant developments in transnational financial reporting including measurable progress toward harmonizing financial reporting and a change in users' information needs based on the greater globalization of capital markets. In this paper, the authors extend their earlier survey [Meek and Saudagaran 1990] on research in transnational financial reporting by providing a review and synthesis of relevant recent research

that addresses the major changes in financial reporting in the international capital markets. They identify the main themes of this literature, discuss selected papers that have advanced it, and provide a framework for tying the literature together. Their discussion encompasses the causes and effects of accounting diversity, the pressures for and obstacles to harmonization, the measures of harmonization and the extent to which harmonization has been achieved. Re-

lated to the continuing increase in foreign listings, they review the research on disclosures by internationally listed firms and the value relevance of financial statements that are restated to respond to foreign constituents' needs. They also review research and current standard-setting activity on disclosures disaggregated by geographic segments. The paper concludes with some observations on likely developments in transnational financial reporting and research opportunities in the area.

FACULTY EXCHANGE AND RESEARCH COLLABORATION HOMEPAGE

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>.

**JOURNAL
ANNOUNCEMENTS**
Announcement of Editorial
Transition

Professor J. Timothy Sale of the University of Cincinnati will be the new editor of *Advances in International Accounting* beginning with Volume 11. The Associate Editors will be Professor Stephen Salter of the University of Cincinnati and Professor David Sharp of the University of Western Ontario. The transition of the editorial process took place on April 1, 1997.

On April 1, 1997, all active and incomplete files which have not completed one round of editorial review were transferred to Professor Sale for further consideration. All submissions after April 1, 1997 should be sent to Professor Sale.

Your understanding and support are appreciated and will contribute toward a smooth editorial transition.

After April 1, 1997, authors should send new papers to the following address:

Professor J. Timothy Sale
Department of Accounting
and Information Systems
Mail Location 211
University of Cincinnati
Cincinnati, OH 45221-0211
Phone: (513) 556-7062
Fax: (513) 556-4891
Email: tim.sale@uc.edu

**ADVANCES IN TAXATION
EDITORIAL POLICY
AND CALL FOR PAPERS**

Advances in Taxation (AIT) is a refereed academic tax journal published annually by JAI Press Inc. Academic articles on any aspect of federal, state, local or international taxation will be considered. These include, but are not limited to, compliance, computer usage, education, law, planning, and policy. Interdisciplinary research involving economics, finance or other areas also is encouraged. Acceptable research methods include any analytical, behavioral, descriptive, legal, quantitative, survey or theoretical approach appropriate to the project.

Manuscripts should be readable, relevant and reliable. To be readable, manuscripts must be understandable and concise. To be relevant, manuscripts must be directly related to problems inherent in the system of taxation. To be reliable, conclusions must follow logically from the evidence and arguments presented. Sound research design and execution are critical for empirical studies. Reasonable assumptions and logical development are essential for theoretical manuscripts.

AIT welcomes comments from readers.

Editorial correspondence pertaining to manuscripts should be forwarded to:

Professor Thomas M. Porcano
Department of Accountancy
Richard T. Farmer School of Business Administration
Miami University
Oxford, OH 45056
Phone: (513) 529-6221
Fax: (513) 529-4740
Email: porcantm@muohio.edu

Three copies of the manuscript along with copies of any instruments (e.g., surveys) and a \$30 check made payable to *Advances in Taxation* should be submitted. See Editorial Policy and Manuscript Form Guidelines in a recent *AIT* volume for additional information regarding manuscript submissions.

**FORUM DEADLINES
INTERNATIONAL ACCOUNTING SECTION**

Fall 1997 Issue September 1
Spring 1998 Issue January 1
Summer 1998 Issue May 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.

CONFERENCE ANNOUNCEMENTS

1996-97 AAAIAS BEIJING CONFERENCE July 9-13 Beijing, China

The AAAIAS International Relations Committee (previously named Section Outreach Committee) is sponsoring a conference in Beijing, China between July 9 to July 13. This conference is co-organized by the AAA Globalization Committee, the AAAIAS International Relational Relations Committee, Tsinghua University and University of Shanghai Finance and Economics. The conference consists of three parts: the first part focuses on Accounting Education, the second part focuses on the interaction between education, research and practices, the last part contains research workshops and paper presentations. Ten papers have been selected for presentation at this conference. The titles, authors and affiliations are listed below. For additional information, please contact

C. S. Agnes Cheng
University of Houston
Phone: (713) 743-4851
Fax: (713) 743-4828
Email: acheng@uh.edu

Papers selected for presentation

- Financial Control of the Chinese State-Owned Enterprise and the Search for a New Strategy: Lessons from European Countries
by Naim A. Hassan, University of Birmingham
- The Use of Capital Expenditures to Smooth Income and Reduce Taxes
by Mark L. DeFond, HKUST, and Chul W. Park, University of Southern California
- Environmental Factors Influencing China's Accounting Reforms and Standard Setting
by Bing Xiang, HKUST
- Role of Accounting Numbers in the Korean Stock Market Open to Foreign Investors
by In-Man Song, University of Korea, and Sung Kyun Kwan, University of Korea
- An Analysis of Variables in Whistleblowing Behavior and its Relationship with Corruption: An International Perspective
by Marinilka Barros-Carrero, University of Maryland
- The Views of Individual Stockholders on Corporate Annual Reports: An International Comparison
by Ray A. Anderson, Victoria University of Technology
- The Post-Acquisition Relation Between Goodwill and Market Values: New Evidence from U.S. and U.K. Domestic Listed Firms
by Burch T. Kealy, City University
- Does Interperiod Income Tax Allocation Enhance Prediction of Cash Flows?
by Joseph K. Cheung, HKPU, and Chung-Ki Min, Hankook University of Foreign Studies Korea
- Financial Analysts' Earnings Forecasts: A Comparison of Forecast Accuracy of U.S. and Non-U.S. Firms
by Huong N. Higgins, Georgia State University
- Fixed Cost Allocation and Experimental Markets
by William S. Waller, University of Arizona

THE CHANGING WORLD OF ACCOUNTING: GLOBAL AND REGIONAL ISSUES

The Eighth World Congress of
Accounting Educators
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.ccip.fr

Have You Seen...(Continued from page 5)

Hoogendoorn, Martin N., "Accounting and Taxation in Europe—A Comparative Overview," *The European Accounting Review*, (Vol. 5, Supp., 1996): 783–794.

This overview article describes the relationship between accounting and taxation in 13 European countries that are included in this volume. A basic distinction is made between the six countries where accounting and taxation are dependent and the seven countries where they are independent. Even within these two groups, distinctions can be made on the basis of the different influences of taxation on individual and group accounts, the development from a dependence to an independence structure, and the existence and contents of regulation on deferred taxation. The current lack of harmonization is surprising. Only two countries, the Netherlands and Norway, are very similar to IASC E49.

Kasanen, Eero, Juha Kinnunen, and Jyrki Nishkanen, "Dividend-Based Earnings Management: Empirical Evidence from Finland," *Journal of Accounting & Economics*, (Vol. 22, 1996):283–312.

In this paper, the institutional setting is a debt-dominated capital market. On one hand, the implicit contract driving the earnings management behavior for the (keiretsu-type) financial environment in Finland is the smoother dividend stream expected by the large institutional equity holders. This creates a need for companies to report earnings high enough to pay out dividends. On the other hand, managing earnings upwards is costly because of tax consequences. The authors find that the predicted and actual earnings management are in the same direction, and the reported earnings depend on the dividend-based target earnings in Finland during 1970–89. The results provide new testable hypotheses for earnings management in companies that have owners with a preference for stable dividends.

Larson, Robert K., and Sara York Kenny, "An Empirical Analysis of International Accounting Standards, Equity Markets, and Economic Growth in Developing Countries," *Journal of International Financial Management and Accounting* (Summer 1995): 130–156.

This paper reports the results of an exploratory study empirically examining the relationships between the adoption of IASs, equity market development and economic growth in developing countries with equity markets. Twenty-seven developing countries are analyzed by means of a cross-national sociological research design and partial least squares. The results indicate no major association between developing countries' equity market development and economic growth due to adoption of IASs.

Pragasam, John, and John Stephen Sands, "Audit Opinions and Auditor Switching: Some Recent Australian Evidence," *Asian-Pacific Journal of Accounting* (December 1996): 239–255.

From an analysis of audit reports issued between 1988 and 1991 for companies listed on the Australian Stock Exchange, it was found that the receipt of an audit qualification is a factor that influences companies to change auditors for the subsequent period. The "subject to" "going concern" qualification had a greater impact than a limited scope or an uncertainty "subject to" qualification in influencing an auditor switch which suggests "subject to" qualification types should not be considered as a homogeneous group.

Rees, Lynn, and Pieter Elgers, "The Market's Valuation of Nonreported Accounting Measures: Retrospective of Non-U.S. and U.S. GAAP," *Journal of Accounting Research* (Spring 1997): 115–127.

This paper analyzes the income and shareholders' equity reconciliations in initial registration statements of non-U.S. registrants. These initial filings provide a unique setting in which to examine the informativeness of the SEC-mandated disclosures since the filing firms have not previously provided U.S. GAAP data. The results indicate that market-to-book ratios in periods predating the initial SEC filing by at least three months are significantly associated with the shareholders' equity reconciliations disclosed in the registration statements. Furthermore, there does not appear to be an association between reconciliations and current returns. These results suggest that much of the information in reconciliations is available to the market from other sources, which does not support the SEC's position of requiring non-U.S. companies to provide U.S. GAAP disclosures.

Schilder, Arnold, "Research Opportunities in Auditing in the European Union," *Accounting Horizons*, (Vol. 10 No. 4, 1996): 98–108.

This paper discusses developments in the European Union (EU) that are relevant for audit research. First, it provides background information about national differences among EU Member States that influence the auditor's client environment and business risk. Second, it gives an overview of audit market issues in Europe, and illustrates topics that will be prominent in future discussions about the auditing profession in Europe. The paper concludes with suggestions for international accounting research. In particular, cross-border audit research is promising.

(Continued on page 11)

Have You Seen...(Continued from page 10)

Selva, Mohan, "The Association Between Accounting Determined Risk Measures and Analysts' Risk Perceptions in a Medium-Sized Stock Market," *Journal of International Financial Management and Accounting* (Winter 1995): 207-229.

This paper investigates the association between financial analysts' risk perceptions and accounting and market determined risk measures in Hong Kong. Analyses from a survey of risk perceptions among analysts reveal that: (1) Accounting determined risk measures, together with a contextual variable, explain 0.77 of the variation in perceptions, (2) analysts perceive higher risk in companies expected to exhibit a decline in earnings, (3) correlation between perceptions and p-e ratios is -0.74, and (4) correlation between market beta and p-e ratios/perceptions is not significant. The results suggest that earnings expectations play a substantial role in the formation of risk perceptions and that risk perceptions may be a superior surrogate for ex ante market risk than beta.

Szpiro, Daniel A. and Tony Dimnik, "Capital Budgeting in Multinational Organizations: Exploring the Strategic Context," *Managerial Finance*, (Vol. 22 No. 1, 1996): 58-74.

This paper reports on a field study of capital budgeting and strategy in 23 firms. The objectives of the study were twofold: first, to develop a classification scheme for overall capital budgeting processes and second, to relate the different types of capital budgeting to extant models of strategy. The authors find three different types of capital budgeting processes: centralized, decentralized and integrated. They find these three types of capital budgeting to have a contingent relationship with Bartlett's (1986) typology of multinational strategy: global, multinational and transnational. Furthermore, they find that global firms are more likely to have centralized capital budgeting, multinational firms to have decentralized capital budgeting and transnational firms to have integrated capital budgeting.

Van Huffel, Gert, Philip Joos, and Hubert Ooghe, "Semi-Annual Earnings Announcements and Market Reaction: Some Recent Findings for a Small Capital Market," *The European Accounting Review*, (Vol. 5 No. 4, 1996): 693-713.

This paper tries, first, to document the returns response of stocks to unexpected semiannual earnings after the announcement of these earnings in a small capital market, i.e. the Brussels Stock Exchange (BSE), and second, to assess the explanations and empirical problems found in the literature concerning the post-earnings announcement drift. The motivation for this research relates to the

introduction of new Belgian legislation initiating the reporting of the semiannual results for the firms listed on the BSE. The results show that systematic post-earnings announcement drift is found neither for the market model, nor for the size-adjusted returns model. The results also suggest that the market model is not a descriptively valid pricing model for the BSE or that its parameters are misspecified. When a distinguishment is made between large and small firms, a CAR pattern for the large firms is found consistent with the results reported in the literature. However, the small firms show a puzzling pattern.

Wood, Rahn A., "Global Audit Characteristics Across Cultures and Environments: An Empirical Examination," *Journal of International Accounting, Auditing & Taxation*, (Vol. 5 No. 2, 1996): 215-229.

Efforts to harmonize auditing globally have met with limited success. If cultural and environmental factors, endemic to each nation, represent the underlying barrier to global audit harmonization, then a relationship between these factors and audit characteristics should be expected. This study clarifies the linkages among cultural and environmental factors and auditing while empirically testing these relationships using canonical correlation. The results suggest that globally, audit characteristics are associated with cultural and environmental factors. Further, the legal system, literacy level and economic wealth of the country appear to be the most influential determinants of a country's auditing environment.

Yamamura, Jeanne H., Albert H. Frakes, Debra L. Sanders, and Sung K. Ahn, "A Comparison of Japanese and U.S. Auditor Decision-Making Behavior," *The International Journal of Accounting* (Vol. 31 No. 3, 1996): 347-364.

Audit decisions by Japanese and U.S. auditors were compared in areas expected to be affected by cultural differences. Hofstede's measures of national characteristics, specifically, rank consciousness and group orientation, were used to predict the effects of cultural differences. In an audit setting, these differences were expected to result in differences in the acceptance of senior management judgment. Results of hypothesis testing provided evidence of the existence of national differences. The difference, however, appeared to be due to environmental factors rather than the theorized effect of cultural differences.



COMMITTEE PREFERENCE FORM

Below is a list of IAS committees and a brief statement of their charges. Section members interested in serving on one of these committees during 1997-1998 should complete the form and return it to:

Shahrokh Saudagaran
Santa Clara University
1267 Oakglen Way
San Jose, CA 95120

Members interested in more than one committee should indicate order of preference (1 = first choice, 2 = second choice, etc.).

- _____ Annual Program. To organize technical sessions and panels relating to international accounting at the 1998 Annual Meeting.
- _____ Continuing Education. To organize CPE sessions on international accounting at 1998 regional meetings.
- _____ Information Technology. To promote and assist in the use of electronic media in accomplishing the objectives of the section.
- _____ International Relations. To promote involvement in Section activities among non-U.S. members.
- _____ Membership. To promote membership in the IAS.
- _____ Midyear Meeting. To organize the program for the 1998 Midyear meeting.
- _____ Outstanding Dissertation. To select the recipient of the Section's Outstanding Dissertation Award for 1998.
- _____ Outstanding Educator. To select the recipient of the Section's Outstanding International Accounting Educator Award for 1998.
- _____ Publications. To develop editorial policies for the Section's newsletter and journal and to make recommendations concerning other Section publications.
- _____ Research. To promote high-quality international accounting research.

Name: _____

Affiliation: _____

American Accounting Association
5717 Bessie Drive
Sarasota, Florida 34233
Printed in the USA

Non-Profit Org.
U.S. Postage

PAID

PERMIT NO. 169
Sarasota, Florida

1042
DON HERRMANN
COLLEGE OF BUSINESS
OREGON STATE UNIVERSITY
BEXALL HALL 200A
CORVALLIS, OR 97331-2603