

INTERNATIONAL  
ACCOUNTING SECTION  
of the



American  
Accounting  
Association

# FORUM

INTERNATIONAL ACCOUNTING

NO. 95

Fall 2008

EDITOR: Jeannie J. Harrington  
Middle Tennessee State University

## PRESIDENT'S MESSAGE

Greetings! It is an honor to represent you this coming year. We have important work to do this year, and each of you can play a part in the success of the section and of AAA.

Special thanks to Jenice Prather Kinsey for her leadership over this past year. Jenice moved the section forward, leading with a joyful spirit and strong sense of service.

Thanks to Mary Tokar, KPMG International Financial Reporting Group, London, for her energetic and insightful work on behalf of the section. Mary's contributions were significant during her two years of service, and include organizing and leading CPE sessions, speaking at the Doctoral Consortium and other AAA meetings. We are sad to see Mary depart her executive post, but pleased that Steven Krohn of KPMG's International Capital Markets Group, New York, will serve in the coming years. Already active in the section, Steve co-led an IFRS CPE in Anaheim, along with Paul Munter, KPMG Department of Professional Practice, and Ian Hague of the Canadian Accounting Standards Board.

Speaking of the August annual meeting, thanks to Greg Burton, chair, and Gary Braun, co-chair. They, along with their committee, arranged the many panels, research sessions and workshops of the meeting. I deeply appreciate the work of the presenters, reviewers, discussants and moderators who helped to make the meeting a success.

Looking ahead, our 2009 midyear meeting is scheduled for February 12-14<sup>th</sup>, St. Petersburg Beach, Florida. The meeting will be held at a beachside resort, where you are invited to join members of the section in presenting your research, learning about others research, attending an IFRS CPE (built in to the conference) and taking part in social events. Betsy Gordon and her committee co-chairs are working hard to make this meeting one of the best ever, and Carolyn Callahan is organizing the doctoral consortium that leads up to the meeting.

I encourage you to peruse the list of section committees and chairs, and to contact the chair of any committee for which you have a nomination (e.g., outstanding dissertation, service, educator awards) or for a committee for which you have a suggestion, or would like to provide service. Service is a big part of what we do, and service pays us back in the form of contribution, satisfaction and networking with our colleagues.

Cheryl Linthicum



*Cheryl Linthicum*

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**President's Message** *(continued from page 1)*

***Plan now to attend the 2009 Midyear Meeting – St. Petersburg Beach, Florida – February 12 - 14!***



***Outgoing President Jenice Prather-Kinsey receiving a plaque from Incoming President Cheryl Linthicum for her outstanding service during 2007-2008.***

**AAA Regional Meetings, 2009**

Please support your regional meetings. Present a paper or volunteer to serve on a panel. Remember you may present the same paper at two different AAA meetings. Regional meetings are great venues for Doctoral Student papers; please encourage your doctoral students to take advantage of these opportunities. For further information, please contact Gia Chevis at [Gia\\_Chevis@Baylor.edu](mailto:Gia_Chevis@Baylor.edu) or the appropriate IAS Regional Meeting Coordinator. (listed on page 10).

**Mid-Atlantic** – Long Beach, New Jersey (April 23-25, 2009), Deadline: January 15, 2009

**Midwest** – St. Louis, Missouri (April 16-18, 2009)

**Northeast** – Cambridge, Massachusetts (November 5-7, 2009)

**Ohio** – Geneva-on-the-Lake, Ohio (May 7-9, 2009), Deadline: March 1, 2009

**Southeast** – University, Mississippi (April 30-May 2, 2009), Deadline: February 1, 2009

**Southwest** – Oklahoma City, Oklahoma (February 24-28, 2009)

**Western** – San Diego, California (April 23-25, 2009), Deadline: February 2, 2009

# The Structure of Chinese Accounting Standards System

Liu Yuting

Director-General, Accounting Regulatory Department, Ministry of Finance, P.R.China

China has built up the system of accounting standards for business enterprises (CASs) through arduous efforts made from the beginning of 2005 to the end of 2006, which is not only in conformity with the development process of Chinese market economy, but also in convergence with the International Financial Reporting Standards (IFRSs). The CASs was issued by Ministry of Finance of the People's Republic of China (MOF) on 15 February, 2006, which was effective as from 1 January, 2007 for all listed companies. The promulgation and implementation of CASs has attracted wide attention both in and outside China, and has also been recognized by international organizations such as the International Accounting Standards Board (IASB). The CASs is comprised of one Basic Standard, 38 Specific Standards and related Implementation Guidance and Interpretations. To be specific, the hierarchy of CASs is as follows:

**Level one is the Basic Standards.** The Basic Standard of CASs is similar to the *Framework for the Preparation and Presentation of Financial Statements* (IASB Framework), and plays a leading role in CASs. It is the basis of for Specific Standards, and mainly regulates financial reporting objectives, accounting basis, basic accounting assumptions, accounting information quality characteristics, accounting elements and its recognition, measurement and financial reporting principles, etc. The function of the Basic Standards is to guide the formulation of the Specific Standards and to provide principles for accounting practices uncovered by Specific Standards.

**Level two is the Specific Standards and Implementation Guidance.** The main body of Chinese Specific Standards covers the accounting treatment of major transactions or events, in various types of enterprises, which is similar to the internal structure of the IFRSs. The Specific Standards fall into general business standards, special business standards for specific industries and reporting standards, which are mainly used to regulate the recognition, measurement and reporting of specific transactions and events. The Implementation Guidance offers more detailed stipulations on related provisions of the Specific Standards as well as handling rules on key and difficult contents. The Implementation Guidance mainly includes the interpretation of Specific Standards, accounts used and accounting treatment, and providing operational regulations for business enterprises to implement the accounting standards.

**Level three is the Interpretations.** After the implementation of CASs, solutions to problems emerged in practice will be released in Interpretations as regulatory documents by MOF, which is similar to the IFRIC Interpretations issued by IASB.

It should be pointed out that, according to the Chinese legal framework, CASs belong to regulations, while the Basic Standard is a departmental regulation that was signed and issued by the Minister of Finance, and the Specific Standards and the Implementation Guidance and the Interpretations were released as regulatory documents by MOF. As part of the law, CASs has a strong binding power in practice. Besides, it emphasizes on the conformity with Chinese language usage and expression so as to ensure effective implementation.

In 2007, the CASs had been effectively implemented in 1570 listed companies. As a result, the quality and transparency of accounting information have been further improved, thereby the demands of investors, creditors, relevant government departments and management for information can be satisfied, the accounting behavior and the accounting work of the enterprises can be regulated and interests of general public can be protected at the maximum, and safeguard China's market-oriented economic reform.

**International Accounting Section**  
**Forum Deadlines, Suggestions, Comments for 2009**  
**Spring 2009 Issue – February 15, 2009**  
**Summer 2009 Issue - May 31, 2009**  
**Fall 2009 Issue - September 30, 2009**

Any comments and suggestions you have to make the *Forum* more informative and enjoyable are appreciated. Please submit comments and items for publishing via email using a Microsoft Word Times New Roman 12 font format file as an attachment. Submit to Jeannie Harrington at [jharrington@mtsu.edu](mailto:jharrington@mtsu.edu). If sending materials please send to:

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*Forum Editor Jeannie  
Harrington at Disneyland*

**SEC Academic Fellowships for 2009/2010**

The Securities and Exchange Commission will shortly be posting a notice seeking applicants for the position of visiting academic fellow for the academic year 2009/2010. These fellowships offer an exciting opportunity for an accounting professor to be directly involved in the work of the SEC and to gain insight into the SEC's oversight and regulatory processes. These fellowships are typically available in the Office of Chief Accountant, the Division of Corporate Finance, and the Office of Economic Analysis. To find out more about the experiences of previous academic fellows, see articles by Thomas J. Linsmeier in *Accounting Horizons* (September 1996); Bjorn N. Jorgensen, Cheryl L. Linthicum, Andrew J. McLelland, Mark H. Taylor, and Teri Lombardi Yohn in *Accounting Horizons* (September 2007); Steve Kolenda and Patricia Fairfield in the *Financial Reporting Journal* (Summer 2000).

If you are interested in applying for a fellowship for the 2009/2010 academic year, you should initially contact one or more current academic fellows in the Office of the Chief Accountant (Susan Krische [krisches@sec.gov](mailto:krisches@sec.gov) (accounting); Roger Martin [rdm3h@virginia.edu](mailto:rdm3h@virginia.edu) (audit); Donal Byard [byardd@sec.gov](mailto:byardd@sec.gov) (international accounting)), or the Division of Corporation Finance (Greg Burton [burtong@sec.gov](mailto:burtong@sec.gov)).

Donal Byard  
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*(continued from page 6)*

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Judi Hora (term 07-09)  
Ann Tarca (term 08-10)  
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# CALL FOR MEMBERS TO SERVE ON IAS COMMITTEES FOR 2009-2010

Below is a list of IAS committees for the period August 2009 to August 2010. Section members interested in serving on a committee should complete the form and send it to the address below:

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To increase your chances of serving on a committee, please mark three choices and indicate your preference (1 = first choice; 2 = second choice; 3 = third choice).

\_\_\_ Annual Program

### Regional Programs

\_\_\_ Midyear Meeting

\_\_\_ Mid-Atlantic Region

\_\_\_ Continuing Education

\_\_\_ Midwest Region

\_\_\_ Research

\_\_\_ Northeast Region

\_\_\_ Teaching Resources

\_\_\_ Ohio Region

\_\_\_ International Relations

\_\_\_ Southeast Region

\_\_\_ Information Technology

\_\_\_ Southwest Region

\_\_\_ Outstanding Dissertation Award

\_\_\_ Western Region

\_\_\_ Outstanding Educator Award

\_\_\_ Outstanding Service Award

\_\_\_ Publications

\_\_\_ Strategic Planning

Name \_\_\_\_\_

Affiliation \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

**AAA International Accounting Section Executive Board Meeting**  
**Meeting Minutes**  
**Hilton Anaheim, Anaheim, California**  
**Sunday, August 3, 2008, 12:15-1:15 pm**

Present: Paquita Davis-Friday, Ken Ferris, Ian Hague, Steve Krohn (KPMG), Rob Larson, Cheryl Linthicum, Jenice Prather-Kinsey, Mary Tokar



*Disneyland Entrance*

1. *JAR* – Ken Ferris:

- The number of submissions has remained constant and there is a question about whether the number can sustain two issues of the journal. Rather than publish a second issue, the funds could be used to host a bi-annual conference. Accounting in Europe publishes two electronic issues per year but only one hard copy containing all of the year's accepted papers.
- One suggestion is to sponsor a meeting outside of the U.S. jointly with a university. C.S. Agnes-Cheng has suggested that Xiamen, China might be one possibility. One model might be to rotate the location of the mid-year meeting in and outside of the U.S.
- Another suggestion is to have themed issues of the journal.
- For the first time, submissions to the 2008 midyear meeting were fast-tracked. Approximately five of the six papers have been submitted for publication consideration.
- The AAA is testing journal submission software that would make accepted publications available earlier than the publication date of the journal. The status of the software is unknown.
- Ken and the publications committee have made efforts to promote the journal by distributing and circulating flyers.

*(continued on page 13)*

## **Minutes—Executive Board Committee** *(continued from page 12)*

2. Strategic Planning: Cheryl Linthicum
  - Meeting on Tuesday, August 5
  - The purpose is to discuss the Section's long-term goals
3. Web Page: Jenice Prather-Kinsey
  - New design will be unveiled at the business meeting
  - The cost is \$5000 and we are still accepting input
4. Treasury: Ian Hague
  - The largest variance from budget was the mid-year meeting which was co-sponsored with the IAAER.
  - Next year's budget is more in line with previous year
5. Annual Meeting: Jenice Prather-Kinsey
  - There was a record number of submissions this year, 158 (about 46 more than last year)
  - Several reviewers failed to complete their reviews and several moderator/discussant volunteers failed to accept an assignment. Additionally, 11 authors declined to present their accepted papers. We will investigate
6. Country Directors: Stella Fearnley
  - There is a concern about the role and performance of country directors.
  - New appointments will be delayed until we can discern how to make the role more effective; Appointments will be made in the next few months after the role are redesigned•
7. Plans for next year – Cheryl Linthicum (president-elect): The midyear meeting is February 13-14, 2009 in St. Petersburg, FL; Betsy Gordon is conference coordinator; Carolyn Callahan is Consortium coordinator

Adjourned at 1:09 pm.

### **Wanted Paper Reviewers for Annual Meeting**

The International Accounting Section is seeking reviewers for papers submitted for possible presentation at the AAA's Annual Meeting to be held in August 2009 in New York, New York. Each reviewer will be asked to review no more than two papers. The turnaround is fairly tight. Papers will be sent out to reviewers as soon as possible after the early-January submission deadline. If you are willing to serve as a reviewer, please contact Tony Kang at [tkang@fau.edu](mailto:tkang@fau.edu).

**AAA International Accounting General Business Meeting  
Marriott Anaheim, Anaheim, California  
Monday, August 4, 2008, 2:00 - 3:30 pm**

Present: 30 members

Slate of Officers: Elizabeth Gordon for Donna Street

- Nominations Committee: Greg Burton, Jeannie Harrington, Gary Meek
- Publications Committee: Gary Entwistle and Ann Tarca
- Secretary: Paquita Davis-Friday
- Vice-President Academic: Erv Black

By-Laws: Rob Larson

- Section From Section Chair to President
- Section IV, E, 2: Voting member and observer at AAA Council Meeting
- Section IV, E, 3: Secretary
- Section IV, E, 4: Treasurer
- Section IV, E, 5: Duties of the past president
- Section IX, B, 1: Publications, newsletter editor term
- Section IV, E, 2: Vice-President Academic to President-Elect

Web Page: Andrew Lymer

- New design will go live in as soon as possible, but we are still accepting input
- Kim Church (Oklahoma State) will be the new web master

Treasurer: Ian Hague

- As of May 31, we are in good financial health
- The results from year-to-date are in line with last year except for the mid-year meeting which was co-sponsored with the IAAER.
- The gift membership program contributions exceeded budget because of the special plea made at last year's annual meeting
- Next year's budget is more in line with previous years since the midyear meeting will not be as large or jointly sponsored. There is some additional revenue generated from CPE sessions at the midyear and annual meetings. There will also be an extra expense for the midyear meeting related to SSRN. There is also an expense related to the strategic planning process.



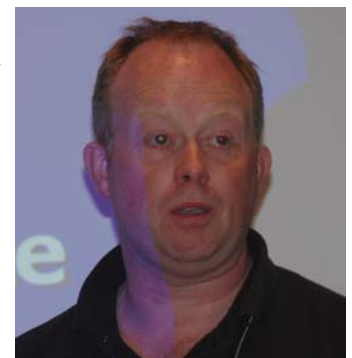
***President Jenice Prather-Kinsey***



***Elizabeth Gordon***



***Rob Larson***



***Andy Lymer***

*(continued on page 15)*

## Minutes—Business Meeting *(continued from page 15)*

- The budget was approved (motion by Ken Ferris and seconded by Pat Poli)

### Committee Reports

#### Annual Meeting: Greg Burton

- Six panel presentations versus three from last year
- There was a record number of submissions this year, 158 (43 more than last year)
- There was an increase in the number of volunteers, except for discussants

#### Continuing Professional Education: Eva Jermakowicz

- There were 4 sessions, two of which were fully subscribed

#### Membership

- Email solicitation of faculty indicating an interest in international accounting in Hasselback

#### Midyear Meeting

- 24 concurrent sessions (18 paper and 2 posters, and 2 panels)
- Fast-track option for *JJAR*

#### Publications Committee:

##### Tim Douplik

- *JJAR* Outstanding Manuscript Award presented at the midyear meeting
- Entertained ideas for promoting the section journal including having a conference known as the *JJAR* conference to be held outside of the US (possibly China in summer 2010)

##### Ken Ferris

- The second volume of 2008 should be arriving in a couple of months
- The AAA is changing the publications platform; one of the main results is that accepted manuscripts will be available before they appear in the printed journal
- One suggestion is to publish two issues electronically with one combined hard copy issue



***Ian Hague***



***Greg Burton***



***Eva Jermakowicz***



***Mahendra Gujarathi***

*(continued on page 16)*

## Minutes—Business Meeting *(continued from page 16)*

Jeannie Harrington

- The *Forum* was broken into separate sections that can be printed separately
- Chris Hodgdon will take over as editor next year

Strategic Planning Committee: Patricia Poli

- The meeting will be held on Tuesday, August 5.

Teaching and Curriculum Committee: George Gamble

- The web page contains several international accounting syllabi

Regional Programs Committee: Myungsun Kim

- 49 international accounting papers were presented at regional meetings

13. Cheryl Linthicum (President-Elect):

- Her plans include a mix of short and long-term goals
- In addition to maintaining a balanced budget
- Keep in mind that sections were created to maintain a sense of community within the AAA
- In the short-run we will take a leading role in CPE, especially with regard to IFRS
- Our section will continue to balance teaching and research
- With respect to outreach and country directors, Stella Fearnley and Steve Salter are working to revive the program and finalize the roles of the directors
- Question: With which sections do we overlap? Very few people are only members of the IAS. However, many non-US members use the section as an entrée to the AAA

The meeting adjourned at 3:05 pm.



***Tim Doupnik***



***Ken Ferris***



***President-Elect Cheryl Linthicum***





# SCENES FROM THE AAA NATIONAL MEETING LUNCHEON



*2007-08 President Jenice Prather-Kinsey*



*Luncheon Speaker IASB Member Mary Barth*



*Head Table (left to right): Steven Krohn, Paquita Davis-Friday, Cheryl Linthicum, Jenice Prather-Kinsey, and Mary Barth*



*Head Table (left to right): Greg Burton, Ian Hague, Paul Herz, Sid Gray, and Steven Zeff*



## ADDITIONAL SCENES FROM THE NATIONAL MEETING LUNCHEON



*Annual Meeting Chair Greg Burton*



*Incoming IAS President Cheryl Linthicum*

# ADDITIONAL SCENES FROM THE NATIONAL MEETING LUNCHEON



## SCENES FROM THE ANNUAL MEETING PANELS



*Moderator Jenice Prather-Kinsey*



*Panelist Robert Herz, FASB*



*Panelist Julie Erhardt, SEC*



*Panelist Paul Munter, KPMG*



*Discussant Cheryl Linthicum, SEC Fellow*



*Left:  
Panelist  
Paul Cherry,  
Canadian  
Accounting  
Standards  
Board*



*Right:  
Panelist  
Tom  
Linsmeier,  
FASB*



*Left: Panelist Mary  
Barth, IASB*



*Right: Panelist James  
Kroeker, SEC*

# International Accounting Section

## Annual Budget

		2008-2009
		Annual Budget
<b>UNRESTRICTED FUND</b>		
<b>Cash Inflows</b>		
Dues-Full Members - (\$15 per member)*	\$14,000.00	
Dues-Associate Members	450.00	
Journal Submission Fees (\$25 per submission)	1,000.00	
Journal Subscriptions	3,200.00	
Midyear Meeting Registration	13,000.00	
CPE-Mid-year meeting	500.00	
CPE-Annual Meeting	500.00	
Interest Income	2,800.00	
Royalties	0.00	
Contributions - Midyear Meeting**	20,000.00	
<b>Total Cash Inflow - Unrestricted Fund</b>		<b>\$55,450.00</b>
<b>Cash Outflows</b>		
<b>Newsletter</b>		
Printing	\$0.00	
Mailing	100.00	
AAA Staff Support/New Software	500.00	
<b>Total Newsletter</b>		<b>\$600.00</b>
<b>Annual Meeting</b>		
Luncheon Speaker Expenses	\$1,000.00	
Plaques and Awards	300.00	
Officer Meeting room and refreshments	600.00	
Program Chair: Admin Expenses	400.00	
<b>Total Annual Meeting</b>		<b>\$2,300.00</b>
<b>Midyear Meeting</b>		
AAA Staff Support	\$1,500.00	
Hotel-Rooms/Food/Beverage - Doctoral Consortium	14,500.00	
Hotel-Rooms/Food/Beverage - Midyear Meeting	14,500.00	
Speakers - Doctoral Consortium	2,000.00	
Speakers - Midyear Meeting	2,500.00	
Meeting Coordinator Expenses	750.00	
SSRN - submissions and promotion	1,950.00	
Printing and Postage	750.00	
Awards (Conf Paper)	500.00	
<b>Total Midyear Meeting</b>		<b>\$38,950.00</b>
<b>General/Administrative</b>		
Postage & Printing	\$300.00	
Website Development	500.00	
Awards - Dissertation, Educator, Service	2,250.00	
Strategic Planning	1,000.00	
Council Fee	0.00	
President Travel and Administration Expense	1,000.00	
Officer Travel - Council	3,750.00	
Miscellaneous (credit card fees)	1,500.00	
<b>Total General/Administrative</b>		<b>\$10,300.00</b>
<b>Total Cash Outflow - Unrestricted Fund</b>		<b>\$52,150.00</b>
Contributions - Gift Membership	\$1,000.00	
Gift Memberships awarded	1,000.00	
<b>Gift memberships - net***</b>		<b>\$0.00</b>
<b>UNRESTRICTED FUND - Net Change in Cash</b>		<b>\$3,300.00</b>
<b>RESTRICTED FUND (JOURNAL)</b>		
<b>Cash Inflows</b>		
Dues-Full Members (\$20 per member)*	\$20,000.00	
<b>Total Cash Inflow - Restricted Fund</b>		<b>\$20,000.00</b>
<b>Cash Outflows</b>		
Editor Expenses	\$1,000.00	
Journal Promotion	1,000.00	
JLAR Paper Award	1,000.00	
Copying, Printing, Mailing	12,000.00	
AAA Staff Support	8,500.00	
<b>Total Cash Outflow - Restricted Fund</b>		<b>\$23,500.00</b>
<b>RESTRICTED FUND - Net Change in Cash</b>		<b>(\$3,500.00)</b>
<b>TOTAL CHANGE IN CASH - Unrestricted &amp; Restricted Funds</b>		<b>(\$200.00)</b>
**\$35 membership dues include \$15 for section operations and \$20 restricted for publication of the Section's journal.		
*** \$20,000 contribution from KPMG for Midyear Meeting (\$10,000) and Doctoral/New Faculty Consortium (\$10,000).		
**** Gift membership is managed as a separate fund.		

## 2008 OUTSTANDING IAS INTERNATIONAL ACCOUNTING DISSERTATION AWARD

Devan Mescall was named the recipient of the 2008 Outstanding International Accounting Dissertation Award. Dr. Mescall is an Assistant Professor of Accounting at the University of Hawaii at Manoa. He completed his dissertation while at the University of Waterloo. His dissertation committee, to which he is very grateful, included Ken Klassen (Chair), Patricia O'Brien, Phelim Boyle and Tony Wirjanto. His external examiner was John Robinson from the University of Texas.

Devin's research focuses on investigating issues in tax and financial reporting using archival methods. He currently has working papers looking at topics including transfer pricing, implicit taxes, IFRS, the role of tax authorities in international markets, and corporate tax aggressiveness.

Devin grew up on a family farm near Rosetown, Saskatchewan, Canada. After high school, he attended the University of Saskatchewan where he received his Bachelors of Commerce in 2000 and his Masters of Professional Accounting degree in 2001. He then worked at a mid-sized accounting firm for 3 years and completed his designation as a Chartered Accountant. During this time he got involved with teaching night classes at the University of Saskatchewan and decided to leave his position at the firm to pursue a PhD. This proved to be one of his best decisions, because while working on his PhD at the University of Waterloo in Waterloo, Ontario, Canada, he met and married his wife Krista. In 2007, he completed his PhD and took a position at the University of Hawaii. However, more excitement was in store that year as shortly after beginning his position at the University of Hawaii, he and Krista were blessed with the arrival of their first child, Liam. Although family and



*2008 Outstanding IAS International Accounting Dissertation Award Winner  
Devan Mescall*

work take up the vast majority of his time, he does enjoy the outdoors, staying active and playing most any sport, from hockey to flag football. Currently, he and his wife are loving the new activities available to them since moving to Hawaii and have both taken up kayaking, snorkeling and, of course, surfing. If he ever has free time and can not be outside, he enjoys playing his fiddle and collecting ancient roman coins.



*Sid Gray announces the 2008 Outstanding IAS International Accounting Dissertation Award.*

### Abstract

#### **How Do Tax and Financial Reporting Policies Affect Cross-Border Mergers and Acquisitions?**

Using a large sample of mergers and acquisitions from 27 countries over a 16-year period, I investigate how differences in tax and financial reporting policies affect the premium and structure of cross-border mergers and acquisitions. Specifically, I investigate how differences in transfer pricing rules and the related tax risks and tax planning opportunities affect premium and secondly I investigate how shareholder level capital

*(continued on page 23)*

## 2008 Outstanding International Dissertation Award *(continued from page 22)*

gains taxes, information asymmetry and the quality of a country's financial reporting standards affect the use of share-for-share exchanges.

A cross-border merger or acquisition raises potential tax issues relating not only to the transaction at hand but also to the uncertain taxes of future operations. Pricing of inter-company transfers across different tax regimes can provide either tax planning opportunities or risks in the future due to variance in regulation and enforcement of transfer pricing across regimes. I develop a measure of transfer pricing strictness based on 16 criteria collected annually for each of the 27 countries over my sample period. I find that decision makers are asymmetric in their treatment of potential tax benefits and risks relating to transfer pricing. The evidence suggests that firms on average, regardless of industry, will pay a premium for the potential tax planning benefits of operating in a less strict regime while only acquirers in highly scrutinized industries with high levels of intangibles, such as pharmaceuticals, will demand a discount for transactions which *increase* transfer pricing risk. Further analysis segments acquisitions into those expected to have less inter-company transactions and those expected to have more, specifically those that are strictly financial acquisitions versus those that are non-financial. Financial acquisitions are acquisitions where the acquirer is making the purchase for investment purposes rather than strategic reasons. These financial transactions generally lead to less integration between the companies and therefore less inter-company transactions involving transfer pricing. Evidence based on this segmentation suggests that only in non-financial acquisitions are differences in transfer pricing risk priced.

In tests of acquisition structure, I find that the use of share-for-share exchanges is positively correlated with the shareholder level capital gains tax rate of the target's country only when the country allows this structure to defer shareholder's capital gains tax. Although these findings are contrary to earlier studies in the domestic setting such as Erickson (1998), and Auerbach and Reishus (1988), they support the results of Ayers, Lefanowitz and Robinson (2004).

The cross-border setting allows further investigation into not only *do* shareholder level taxes affect acquisition structure but *when* do shareholder level taxes matter. Brown and Ryngaert (1991) provide a model which suggests that information asymmetry may mitigate the affect of shareholder levels taxes on acquisition structure. Using multiple measures of information asymmetry, I find the use of share-for-share exchanges, to reduce shareholder level taxes, is decreased by the presence of information asymmetry concerning the acquirer's stock value. However, the presence of higher quality financial reporting standards in the acquirer's country reduces information asymmetry and improves the tax efficiency of acquisition structure providing tangible economic benefit to shareholders.



***Sid Gray awards Devan Mescall with the 2008 Outstanding IAS International Dissertation Award***

## 2008 OUTSTANDING IAS INTERNATIONAL ACCOUNTING EDUCATOR AWARD



***2008 Outstanding IAS International Accounting Educator Award Winner Mary Barth***



***2008 Outstanding IAS International Accounting Educator Award Winner Tim Doupnik***



***Steven Zeff announces both Mary Barth and Tim Doupnik as the award winners.***

Mary E. Barth is the Joan E. Horngren Professor of Accounting and Senior Associate Dean for Academic Affairs at the Stanford University, Graduate School of Business (GSB). She also is a member of the International Accounting Standards Board (IASB). Professor Barth's research focuses on financial accounting and reporting issues, particularly topics of interest to accounting standard setters. Her research is published in a variety of journals and has won several awards, including the Wildman Medal Award, the Competitive Manuscript Award and, on two occasions, the Best Paper Award of the Financial Accounting and Reporting Section of the American Accounting Association (AAA). She has been an Associate Editor of *The Accounting Review* and is on the Editorial Boards of several other academic journals. Professor Barth is a recipient of the GSB's MBA Distinguished Teaching Award and PhD Faculty Distinguished Service Award. Professor Barth is active in the AAA, having served

*(continued on page 25)*



## **International Accounting Educator Award** *(continued from page 24)*

as Vice President and as Chair of several committees. Prior to joining the IASB, Professor Barth's accounting standard setting activities included serving as a member of the Accounting Standards Executive Committee of the American Institute of CPAs and the Financial Accounting Standards Advisory Council of the Financial Accounting Standards Board. Prior to joining the faculty at Stanford in 1995, she was an Associate Professor at Harvard Business School and an audit partner in Arthur Andersen & Co. Professor Barth holds an AB from Cornell University, an MBA from Boston University, and a PhD from Stanford University.

In Mary's "spare" time, she likes to spend time with her husband, their son, and close friends. Their son is now 27 and just completed his PhD in Computer Science from Stanford. Suffice it to say that mom is beyond incredibly proud. She revels more in her son's accomplishments than in her own!! Mary also likes to ride bicycles and enjoys cooking and traveling. Her family recently traveled to Beijing, China, to observe the Olympics. Mary stated, "You would think I would get enough of travel, but I truly enjoy experiencing new places and cultures and getting to know new people."

Tim Douppnik earned his Bachelor's degree at California State University, Fullerton and received a Master of Accounting Science and Ph.D. in Accounting from the University of Illinois. Tim is a Professor and the Cramer Fellow in International Accounting at the University of South Carolina, where he has been a member of the faculty since 1982. He has served as department chair since 2003.

Dr. Douppnik's teaching interests are in the areas of financial accounting and international accounting. He has taught international accounting courses at the University of South Carolina and as a guest professor at the Helsinki School of Economics, Finland; at Marburg University and Potsdam University, Germany; and for the IBM Corporation. In Fall 1989, he participated in the National Science Foundation's Chinese University Development Project at Xiamen University, China by teaching a course in International Accounting and providing consultation to accounting professors from across China. Each summer since 1989, Tim has taught in the University of South Carolina's Faculty Development in Business program, in which he has taught a week-long seminar on international accounting to professors from other universities. In 2007, he taught a similar seminar in Mexico City for the accounting faculty within the "Tec de Monterrey" (ITESM) system. Dr. Douppnik has received a number of teaching awards at the University of South Carolina.

Dr. Douppnik's research has focused primarily on international issues. His dissertation research involved a study of the Brazilian system of monetary correction, for which he taught himself Portuguese and spent nine months at the University of São Paulo as a visiting



***Steven Zeff awards Mary Barth with the 2008 Outstanding IAS International Accounting Educator Award.***



***Mary Barth accepts her award.***

*(continued on page 26)*

## International Accounting Educator Award *(continued from page 25)*

researcher. Since then he has published more than 30 papers on international accounting topics such as foreign currency translation, geographic segment reporting, classification of accounting systems, international taxation, impact of culture on financial reporting, and inflation accounting in Brazil. His articles have appeared in journals including *Abacus; Accounting, Organizations, and Society; Advances in Accounting; Advances in International Accounting; Die Betriebswirtschaft; International Journal of Accounting; International*

*Tax Journal; Journal of Accounting Literature; Journal of International Accounting, Auditing, and Taxation; Journal of International Accounting Research; Journal of International Business Studies; Management International Review; and Multinational Business Review.* In an article published in the *International Journal of Accounting* in 1999, he ranked first in authorship of international accounting research in U.S journals over the period 1980-1996. Tim is the co-author of two FASB Research Reports on FASB Statement 52 *Foreign Currency Translation*. He is the lead author on an international accounting textbook and the co-author of an advanced financial accounting textbook published by McGraw-Hill, and he recently wrote a chapter on “Multinational Operations” for the CFA Institute’s *International Financial Statement Analysis*.

Tim has served as an ad hoc reviewer for a number of journals in accounting and international business. He is a past editor of *Advances in International Accounting* and associate editor of *Journal of International Accounting Research*, and he currently serves on the editorial boards of *International Journal of Accounting, Journal of International Accounting, Auditing, and Taxation*, and *Journal of International Accounting Research*. Tim also has been active in the International Accounting Section of the AAA serving on numerous committees and holding a variety of executive positions. He served as the Section’s president in 1999-2000.

Tim has taught extensively and has been very involved in the development of the international MBA programs at the University of South Carolina. He has taught in the Master of International Business Studies (MIBS) and its successor International MBA (IMBA) programs since 1984. He developed and was the initial academic director of the Moore School’s IMBA program in Vienna, Austria, and he served on the development task force and faculty executive committee for the Executive IMBA program in Guadalajara, Mexico.

Tim’s is married with two children. His wife Birgit was born and raised in Berlin, Germany. She manages the international operations for a privately-held manufacturing firm in South Carolina. Their daughter Stephanie is a second year medical student and their son Alexander is completing his undergraduate degree in mechanical engineering. Tim enjoys playing golf, but does so poorly, and he and his wife enjoy traveling and hiking.



***Steven Zeff awards Tim Doupnik with the 2008 Outstanding IAS International Accounting Educator Award.***



***Tim Doupnik accepts his award.***

## 2008 OUTSTANDING IAS INTERNATIONAL ACCOUNTING SERVICE AWARD

Bruce K. Behn, Ph.D., CPA is the Ergen Professor of Business and CBER faculty fellow at The University of Tennessee (UT). He joined the faculty in 1994 after completing his doctorate at Arizona State University. Dr. Behn has an MBA from Arizona State University and a bachelor's degree from the University of Wisconsin-Madison. Prior to obtaining his Ph.D., he worked for Rockwell International in Uithoorn, The Netherlands as the international financial coordinator for Allen-Bradley Europa B.V., Allen-Bradley Company as controller and financial analyst, and KPMG Peat Marwick as senior auditor. He has published articles in *The Accounting Review*, *Journal of Accounting Research*, *Contemporary Accounting Research*, *Accounting Horizons*, *Journal of Accounting, Auditing, and Finance* and a number of other journals and has served as the co-editor for the *Journal of International Accounting Research* and the associate editor of *Issues in Accounting Education*. He is past President of the International Accounting



**2008 Outstanding IAS International Accounting Service Award Winner  
Bruce Behn**



**Paul Herz announces Bruce Behn as the award winner.**

Section of the American Accounting Association and the Federation of Schools of Accountancy. Dr. Behn has also been the recipient of a number of teaching awards including the American Accounting Association's Innovation in Accounting Education award, UT's Alumni Outstanding Teaching award, and the Tennessee Society of CPAs Outstanding Educator of the Year.

As for hobbies, he and his wife (Julianne) love travelling. Bruce loves hunting and fishing. Their daughter is a freshman at the University of Texas-Austin and their son Landyn plays football, wrestles, and is involved in Boy Scouts.

**Paul Herz awards Bruce Behn with the 2008 Outstanding IAS International Accounting Service Award**



# CALL FOR NOMINATIONS

## 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 York City, during August 2009.

All doctoral dissertations successfully defended during the 2008 calendar year in *all areas of international accounting* – including topics in financial, managerial, auditing, taxation, and information systems – are eligible for this award. Eligible individuals should submit via e-mail the following materials no later than (and preferably earlier than) **February 28, 2009**:

1. Summary of their dissertation not exceeding 20 pages including tables, or a working paper based on their dissertation, and
2. A letter of support from his/her dissertation committee chairperson.

Upon reviewing these initial submission materials, the Outstanding Dissertation Award Committee will select finalists for the award. Finalists will be requested to submit copies of the complete dissertation to the committee.

Please note that the committee will be grateful to receive suggestions from section members for suitable candidates for this award. Thus we would be very happy if you could ensure that all faculty and PhD students at your school are aware of the award.

Please send submissions via email to:

Ole-Kristian Hope  
Rotman School of Management  
University of Toronto  
[okhope@rotman.utoronto.ca](mailto:okhope@rotman.utoronto.ca)

**The DEADLINE for nominations is February 28, 2009.**

### Winners of the Outstanding International Accounting Dissertation Award to date are:

1984 Trevor J. Harris, University of Washington  
1985 (none awarded)  
1986 Betty C. Brown, University of Louisville  
1987 Shahrokh M. Saudagaran, University of Washington  
1988 David Sharp, Massachusetts Institute of Technology  
1989 Teresa L. Conover, University of North Texas  
1990 F. Norman Shiue, George Washington University  
1991 Ajay Adhikari, Virginia Commonwealth University  
1992 Stephen B. Salter, University of South Carolina  
1993 Patricia McQueen, New York University  
1994 Keith R. Duncan, Bond University  
1995 Mary A. Flanigan, Virginia Commonwealth University  
1996 Wayne Thomas, Oklahoma State University  
1997 Paquita Y. Davis-Friday, University of Michigan  
1998 Karl Albert Muller III, University of Illinois Urbana-Champaign  
1999 Jan Marton, Göteborg University  
2000 Tracy Manly, University of Arkansas  
2001 Takashi Yaekura, University of Illinois Urbana-Champaign  
2002 Ole-Kristian Hope, Northwestern University  
2003 Thomas A. Matthews, University of Waterloo  
2004 Steven Francis Orpurt, University of Chicago  
2005 Christopher Hodgdon, Virginia Commonwealth University  
2006 Ety Retno Wulandari, Nanyang Business School  
2007 Annelies Renders, Katholieke Universiteit  
2008 Devan Mescall, University of Waterloo

# **CALL FOR NOMINATIONS**

## **Outstanding International Accounting Educator Award**

The International Accounting Section of the American Accounting Association invites nominations for its Outstanding International Accounting Educator Award. The general selection criteria are as follows.

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

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

Please submit nomination materials and documents, along with the *curriculum vitae* of your nominee to:

F. Greg Burton  
School of Accountancy  
Brigham Young University  
540 TNRB  
Provo, UT 84602  
Phone: 202 551-3741  
Fax: 801 422-0621  
Email: fgb@byu.edu

**The DEADLINE for nomination is February 28, 2009.**

### **Winners of the Outstanding International Accounting Educator Award to date are:**

1990 Paul Garner  
1991 Gerhard Mueller  
1992 Vernon Zimmerman  
1993 Fred Choi  
1994 Sidney Gray  
1995 Murray Wells  
1996 Belverd Needles  
1997 Gary Meek  
1998 Lee Radebaugh  
1999 Steve Zeff  
2000 Ahmed Riahi-Belkaoui  
2001 Helen Gernon  
2002 Christopher Nobes  
2003 Robert Parker  
2004 Shahrokh Saudagaran  
2005 Kazuo-Hiramatsu  
2006 Chee Chow  
2007 Donna Street  
2008 Mary Barth and Timothy S. Douppnik

## **CALL FOR NOMINATIONS**

### **International Accounting Section Outstanding Service Award**

The International Accounting Section of the American Accounting Association invites nominations for its Outstanding Service Award. The purpose of this award is to recognize an International Accounting Section member who has provided outstanding service to the section. Active and retired (or deceased) academics are eligible. The former must be a current section member and the latter must have been an active section member during his/her academic career.

The written nomination should contain supporting documentation including, but not necessarily limited to:  
Letters of recommendation from current or former section members.  
Record of service on committees, as an officer, as editor of a section publication, etc.  
Evaluations from committee chairs and/or members regarding the nominees's committee service.

Please mail, fax or email nominations to:

Lee Radebaugh  
360 Tanner Building  
Brigham Young University  
Provo, Utah 84602-3068  
Office: (801) 422-4368  
Fax: (801) 422-0503  
E-mail: radebaugh@byu.edu

**The DEADLINE for nomination is February 28, 2009.**

Winners of the Outstanding International Accounting Service Award to date are:

2004 Donna Street  
2005 Norlin Rueschhoff  
2006 Hanns-Martin Schoenfeld  
2007 Lee Radebaugh  
2008 Bruce Behn

### ***JJAR* SUBMISSION FEE REDUCTION FOR IAS MEMBERS**

The executive committee unanimously supported the following journal submission fee structure:

- Members of the International Accounting Section have their submission fees **WAIVED**.
- Nonmembers pay a *JJAR* manuscript submission fee of \$35 (equal to the Section membership fee).

# CALL FOR NOMINATIONS

## Section Officers and Other Positions

The 2008-2009 Nominations Committee of the American Accounting Association's International Accounting Section solicits nominations for the following positions for 2009-2010:

1. President-Elect

Minimum qualifications: Must have served as secretary, treasurer, or chair of at least two Section committees in the past five years.

2. Secretary

Minimum qualifications: Must have served the Section in a significant capacity during at least two of the last five years. The two years of service may be obtained while performing the following roles within the section: secretary, treasurer, journal editor, *Forum* editor, a committee chair, a regional coordinator, or an advisory board member.

3. Treasurer

Minimum qualifications: Must have served the Section in a significant capacity during at least two of the last five years. The two years of service may be obtained while performing the following roles within the section: secretary, treasurer, journal editor, *Forum* editor, a committee chair, a regional coordinator, or an advisory board member.

4. Advisory Board members (two openings)

Minimum qualifications: Must be qualified to serve in an oversight and advisory capacity, based on prior, senior level appropriate experience. At a minimum, this shall include Section leadership experience, such as a past officer, committee chair, or head of an ad hoc project.

5. Publication Committee members (two openings)

6. Nominations Committee members (three openings)

Minimum qualifications: Must have served the Section in a significant capacity during at least two of the last five years. The two years of service may be obtained while performing the following roles within the Section: secretary, treasurer, journal editor, *Forum* editor, a committee chair, a regional coordinator, an advisory board member, a member of the nominating committee, a member of the publications committee, or a country director.

Full details about the duties and required qualifications for these positions are available in the By-Laws available on the Section's website: <http://aaahq.org/international/index.html>. Please specify the position for which you are nominating the individual(s). Self-nominations are acceptable.

Nominations must be received by the Nominations Committee Chair no later than **January 1, 2009**.

**Please send nominations to:**

Don Herrmann  
Spears School of Business  
412 Business Building  
Oklahoma State University  
Stillwater, OK 74078-4011  
Phone: 405-744-8602  
Fax: 405-744-1680  
Email: [don@okstate.edu](mailto:don@okstate.edu)

## HAVE YOU SEEN? .....

**Christopher D. Hodgdon**  
**University of Vermont**



Editorial Note: If you have an abstract or know of an abstract that would be of interest to the members of the AAA International Accounting Section, please email the reference information and abstract to Chris Hodgdon at [chodgdon@bsad.uvm.edu](mailto:chodgdon@bsad.uvm.edu)

Anagnostopoulou, Seraina C., and Mario Levis, "R&D and performance persistence: Evidence from the United Kingdom," *The International Journal of Accounting* (Volume 43, Issue 3, 2008): 293-320.

There is compelling evidence from both the United States and United Kingdom suggesting that R&D investment is positively related to operating and/or market performance. This study extends prior research on R&D and valuation by further examining the sustainability or persistence of operating growth and market performance as a result of R&D investments. We use a large dataset of U.K. companies during the period 1990–2003 and our findings confirm the relation between R&D intensity and consistent growth in Sales and Gross Income, but only in the cases when a firm needs to engage in R&D activity because of the industry in which it operates. Moreover, our evidence indicates not only a positive relation between R&D intensity and subsequent risk-adjusted excess returns among firms that engage in R&D as testified by prior literature, but we also show that R&D intensity improves persistence in excess stock returns: the highest R&D-intensity firms are found to earn higher risk-adjusted excess returns more consistently than the sample median return, compared to lower R&D-intensity firms, as well as firms with no R&D. We interpret this finding as consistent with at least some form of market mispricing.

Barth, Mary E., "Global Financial Reporting: Implications for U.S. Academics," *The Accounting Review* (Volume 83, Issue 5, 2008): 1159-1179.

This paper identifies challenges and opportunities created by global financial reporting for the education and research activities of U.S. academics. Relating to education, after overviewing the relation between global financial reporting and U.S. GAAP, it offers suggestions for topics to be covered in global financial reporting curricula and clarifies common misunderstandings about the concepts underlying financial reporting. Relating to research, it explains how and why research can provide meaningful input into standard-setting, and identifies questions that can motivate research related to topics on the International Accounting Standards Board's technical agenda and to the globalization of financial reporting.

Cahan, Steven F., Guoping Liu, and Jerry Sun, "Investor Protection, Income Smoothing, and Earnings Informativeness," *Journal of International Accounting Research* (Volume 7, Issue 1, 2008): 1-24.

This study investigates whether investor protection affects the efficient communication of private information about future prospects through income smoothing. While prior research suggests that the level of earnings management differs between high and low investor protection countries, we examine whether the underlying motive for earnings management differs between high and low investor protection countries. Using firm-level data from 44 countries for 1993 to 2002 and Tucker and Zarowin's (2006) method to measure earnings informativeness, we find that earnings informativeness is more positively associated with income smoothing in countries with strong investor protection than it is in countries with weak investor protection. Our findings suggest that managers in weak investor protection countries are more likely to use

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income smoothing for opportunistic reasons while managers in strong investor protection countries are more likely to use income smoothing to convey their private information about future earnings. The results are robust through various additional analyses. More broadly, our results suggest that the role of accounting discretion is affected by a country's institutional infrastructure, specifically, its ability to provide protection for outside shareholders.

Choi, Bobae, and Kooyul Jung, "Analyst Following, Institutional Investors and Pricing of Future Earnings: Evidence from Korea," *Journal of International Financial Management & Accounting* (Volume 19, Issue 3, 2008): 261-286.

This paper examines the role of sophisticated investors in pricing future earnings in Korea. Using the future earnings response coefficient (FERC) model, we test the effect of analyst following and institutional ownership on the informativeness of stock returns for future earnings. We find that the informativeness of stock returns for future earnings, measured as the FERC, increases with the analyst following and institutional ownership. We also investigate how the recently introduced Regulation Fair Disclosure in Korea affects the informativeness of stock returns for future earnings and its relation with analyst following and institutional ownership. The results show that the regulation decreases the FERC in general and its relation with analyst following, suggesting that analysts' superior ability is impaired after the regulation.

Doupnik, Timothy S. "Influence of Culture on Earnings Management: A Note," *Abacus* (Volume 44, Issue 3, 2008): 317-340.

This article examines the influence of national culture on earnings management across a broad cross-section of countries. In addition to examining the relation between culture and earnings management in general, two different types of earnings management are examined, namely, earnings smoothing and earnings discretion. Regression results indicate that, as expected, the cultural dimensions of uncertainty avoidance and individualism are significantly related to earnings management, even after controlling for investor protection and other legal institutional factors. Culture has a stronger relation with earnings smoothing than with earnings discretion, and cultural dimensions explain a greater percentage of the variation in aggregate earnings management and earnings smoothing than do investor protection variables. These findings suggest that there is a significant link between culture and cross-national differences in earnings management, especially in the form of earnings smoothing.

Francis, Jere R., Inder K. Khurana, Xiumin Martin, and Raynolde Pereira, "The Role of Firm-Specific Incentives and Country Factors in Explaining Voluntary IAS Adoptions: Evidence from Private Firms," *European Accounting Review* (Volume 17, Issue 2, 2008): 331-360.

This paper investigates voluntary adoptions of International Accounting Standards (IAS) by private enterprises, and builds on prior research which posits that higher quality financial reports through IAS adoption can reduce information asymmetry and facilitate contracting with external parties. Specifically, we pursue the following questions. First, do firm-specific incentives matter in the IAS adoption decision after controlling for country-level institutional factors? Second, does the relative importance of firm vs. country factors vary across institutional settings? Using a sample of 3,722 small and medium-sized private enterprises from 56 countries, we report two primary findings. First, both firm and country factors matter in the voluntary IAS adoption decision. Second, when we focus on sub-samples of countries partitioned by the level of economic development, we find that firm factors dominate country factors in more developed countries, while in less developed countries, country factors dominate firm factors in explaining IAS adoptions. This result is consistent with the argument in Doidge et al. (*Journal of Financial Economics*, 86(1), pp. 1-39, 2007) that firm incentives are more important in explaining governance choices (including accounting) in more developed countries where the benefits from better governance are more likely to

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exceed the attendant costs. Collectively, our results suggest that less developed countries can enhance the benefits from IAS adoptions by developing institutions which facilitate private contracting.

Herrmann, Donald R., Ole-Kristian Hope, and Wayne B. Thomas, "International Diversification and Forecast Optimism: The Effects of Reg FD," *Accounting Horizons* (Volume 22, Issue 2, 2008): 179-197.

Research shows that analysts following companies with a higher portion of foreign operations provide more optimistic forecasts, presumably to maintain favorable relations with management and thereby obtain improved access to information. We examine the effect of the introduction of Regulation Fair Disclosure (Reg FD) on analyst forecast bias for internationally diversified firms. We hypothesize that analysts' incentives to issue optimistic forecasts for such firms should be reduced in the post-Reg FD era, because Reg FD prohibits firms from selectively disclosing management information to analysts. First, we demonstrate that average forecast bias decreases for our full sample of multinational firms. Second, we show that the positive relation between forecast optimism and international diversification significantly declines (and even disappears) in the post-Reg FD period. Reg FD appears to have been successful in reducing analysts' optimistic bias and in reducing the effect of forecasting complexity on forecast bias for our sample of multinational firms. In a sensitivity test, we also find that the relation between international operations and forecast accuracy improves in the post-Reg FD period.

Jermias, Johnny, and Trisnawati Setiawan, "The moderating effects of hierarchy and control systems on the relationship between budgetary participation and performance," *The International Journal of Accounting* (Volume 43, Issue 3, 2008): 268-292.

This study investigates the moderating effects that an organizational unit's hierarchical level and control systems have on the relationship between budgetary participation and performance. Using moderated regression analyses, we find a three-way interactive effect on performance between hierarchical levels, types of control systems, and budgetary participation. Further analyses reveal that at the high level of a hierarchy, budgetary participation has a positive relationship with performance and this relationship is stronger for organizational units that use output control than for those that use behavior control. By contrast, at the low level of a hierarchy, budgetary participation has a negative relationship with performance and this relationship is stronger for organizational units that use output control than for those that use behavior control.

Kumar, Gaurav, W. Mark Wilder, and Morris H. Stocks, "Voluntary Accounting Disclosures by U.S.-Listed Asian Companies," *Journal of International Accounting Research* (Volume 7, Issue 1, 2008): 25-50.

The current study examines the voluntary disclosures (provided in the U.S.) by U.S.-listed Asian companies. Our findings indicate that significantly fewer (greater) voluntary disclosures are provided by U.S.-listed Asian companies from countries which have a strict (less strict) mandatory disclosure regime in their home country. This finding is contrary to the model developed in Einhorn 2005. In addition, this study documents that over 80 percent of U.S.-listed Asian companies are voluntarily using "international" standards for their financial statements and thus contributing towards international accounting convergence. However, their choice to use "international" standards is not affected by their proportion of foreign sales or size. An important contribution of this study is the development of a measure for strictness of mandatory disclosure regimes of Asian countries by using expert rankings.

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Makar, Stephen D., and Stephen P. Huffman, "UK Multinationals' Effective Use of Financial Currency-Hedge Techniques: Estimating and Explaining Foreign Exchange Exposure Using Bilateral Exchange Rates," *Journal of International Financial Management & Accounting* (Volume 19, Issue 3, 2008): 219-235.

Using a unique dataset of recently available accounting disclosures, this study examines the relationship between UK multinationals' stock returns and changes in the principal exchange rate to which each firm is most exposed. We find more firms with significant foreign exchange exposure estimates using this firm-specific principal currency data, compared with those exposure estimates using the broad exchange rate index data prevalent in prior studies. The cross-sectional variations in such principal-currency exposure estimates are explained in relation to the financial currency-hedge techniques that each firm specifically identifies as being used to manage its currency risk. In particular, we provide evidence that firms effectively use foreign currency derivatives and foreign-denominated debt to reduce the currency risk associated with the bilateral exchange rate to which they are most exposed. This study is important to both the academic and the practitioner communities because it represents the first use of publicly available UK disclosures to improve the estimation and explanation of foreign exchange exposure.

Markarian, Garen, Lorenzo Pozza, and Annalisa Prencipe, "Capitalization of R&D costs and earnings management: Evidence from Italian listed companies," *The International Journal of Accounting* (Volume 43, Issue 3, 2008): 246-267.

The capitalization of research and development (R&D) costs is a controversial accounting issue because of the contention that such capitalization is motivated by incentives to manipulate earnings. Based on a sample of Italian listed companies, this study examines whether companies' decisions to capitalize R&D costs are affected by earnings-management motivations. Italy provides a natural context for testing our hypothesized relationships because Italian GAAP allows for the capitalization of R&D costs. Using a Tobit regression model to test our hypotheses, we show that companies tend to use cost capitalization for earnings-smoothing purposes. The hypothesis that firms capitalize R&D costs to reduce the risk of violating debt covenants is not supported.

Pae, Jinhan, Daniel B. Thornton, and Michael Welker, "Agency Cost Reduction Associated with EU Financial Reporting Reform," *Journal of International Accounting Research* (Volume 7, Issue 1, 2008): 51-76.

We predict and find that regulations expected to harmonize and strengthen firms' financial reporting in the European Union (EU) in the early 2000s increase Tobin's Q ratios of firms with high agency costs due to (1) concentration of control (entrenchment) and (2) an excess of the largest shareholder's voting rights over cash flow rights. These results are consistent with stronger reporting standards enhancing firm value by mitigating incentives for controlling shareholders to expropriate minority shareholders. Increases in Tobin's Q associated with financial reporting reform are concentrated in EU firms that (1) are not cross-listed in the U.S., (2) have families as their largest shareholders, or (3) have a largest shareholder who holds 20 percent or more of the firm's cash flow rights. These results suggest that minority shareholders of firms with the most severe perceived information asymmetries are among the major beneficiaries of EU financial reporting reform.

Ricketts, Robert C., and Brett R. Wilkinson, "The Effects of Shareholder Dividend Taxes: Evidence from the Australian Tax Integration Environment," *Journal of International Accounting Research* (Volume 7, Issue 1, 2008): 77-96.

In this paper we empirically test the Harris et al. (2001) model in the unique setting of the Australian stock market. In 1987, Australia changed from a traditional tax system (two levels of taxation) to an integrated tax system (one level of taxation). We estimate the parameters of the Harris et al. (2001) model for a sample of Australian firms across the change in the tax regime. We also refine (continued on page 36)

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our analysis to allow for differences between firms with regard to tax credit position (that is, the extent to which they shield shareholders from individual-level taxes) in the post-integration period. Our results are consistent with the model predictions with respect to the change in tax regime and between high- and low-credit firms in the post-integration period.

Webb, Kimberley A., Steven F. Cahan, and Jerry Sun, "The effect of globalization and legal environment on voluntary disclosure," *The International Journal of Accounting* (Volume 43, Issue 3, 2008): 219-245.

We examine how interactions with foreign capital, product, and labor markets affect the disclosure practices of non-U.S. multinational firms. Drawing on literature related to multinationals, country-level legal institutions, and accounting disclosures, we expect that the relation between globalization and voluntary disclosure will be conditioned by the legal environment in a firm's home country. Specifically, while firms from countries with a strong legal environment (e.g., common-law countries) already face pressure for good disclosure, globalization can increase the benefits associated with good disclosure to firms from weak legal environments (e.g., civil-law countries). We use a self-constructed voluntary disclosure index and hand-collected disclosure and foreign activity data for 643 non-U.S. firms from 30 countries for 2003. We find a significant interaction between globalization and the legal environment. This indicates that for the same level of globalization, there is more voluntary disclosure for firms based in weak legal environments. Our results suggest that globalization is an important variable that has been overlooked in much of the previous cross-country research.

Weber, Joseph, Michael Willenborg, and Jieying Zhang, "Does Auditor Reputation Matter? The Case of KPMG Germany and ComROAD AG," *Journal of Accounting Research* (Volume 46, Issue 4, 2008): 941-972.

We study the stock and audit market effects associated with a widely publicized accounting scandal involving a public company (ComROAD AG) and a large, reputable audit firm (KPMG) in a country (Germany) that has long provided auditors with substantial protection from shareholder legal liability. We use this event to study whether an auditor's reputation helps to ensure audit quality, a rationale for which recent literature and events provide scant support. Given the absence of a strong insurance rationale for audit quality, Germany permits a relatively clean test of whether auditor reputation matters. We find that KPMG's clients sustain negative abnormal returns of 3% at events pertaining to ComROAD, and that these returns are more negative for companies that are likely to have higher demands for audit quality. We also find an increase in the number of clients that drop KPMG in the year of the ComROAD scandal (mostly smaller, recently public companies that are similar to ComROAD). Overall, our results provide support for the reputation rationale for audit quality.

Zhao, Ronald, and Yihong He, "International Variation in Bank Accounting Information Content," *Journal of International Financial Management & Accounting* (Volume 19, Issue 3, 2008): 236-260.

This study explores the cross-country impact of financial system and banking regulations on the information content of bank earnings and book value. Test results provide empirical evidence that financial system and banking regulations have a joint effect on the association of equity price with earnings and book value components in Germany, France, the United Kingdom and United States. This effect is explainable by the objective bank function, which shows that earnings of the period determine the terminal book value, thus consistent with the clean surplus accounting approach. Cross-country variation in bank accounting information content calls for caution in interpreting international bank financial and operating ratios.

# American Accounting Association International Accounting Section

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We are pleased to announce that the 2009 Midyear Meeting of the International Accounting Section (IAS) will be held in St. Petersburg Beach, Florida, on Friday and Saturday, February 13-14, 2009, at the Tradewinds Island Resorts, 5600 Gulf Boulevard, St. Pete Beach, Florida, 33706; Phone: (727) 363-2215.

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# NINE OF EUROPE'S PREMIER ACCOUNTANCY BODIES TAKE SIGNIFICANT STEP TOWARDS THE HARMONISATION OF THEIR QUALIFICATIONS

David Cairns, Common Content Project Director

Nine of Europe's premier accountancy Institutes have taken a significant further step towards harmonising their qualifications for membership while ensuring that those qualifications remain high quality and meet changing public expectations and the demands of clients and employers. A rigorous self-assessment process by each Institute and a detailed review by teams from other Institutes have confirmed that the Institutes' qualifications have reached a high degree of consistency required by the Common Content project and that each Institute has met the requirements for its continued membership of the project.

Announcing the results, Dominique Ledouble, Chairman of the Common Content Steering Group, said: "The incorporation of Common Content requirements into nine of Europe's premier professional accountancy qualifications will benefit the public, the users of accountancy services, those who train and employ professional accountants and the accountants themselves. It results in a new generation of accountants whose international knowledge and professional experience have been assessed using a common high-quality syllabus. These accountants will enjoy improved cross-border career opportunities. It will be easier for them to become members of participating institutes in other countries."

Common Content qualifications focus on the five service areas of professional accountants: assurance and related services; performance measurement and reporting; strategic and business management; financial management; taxation and legal services.

Common Content qualifications include a very significant common content, which is common to all the qualifications and which meets or exceeds relevant international, European Union and national requirements. The national content in each qualification is limited to tax rules and other country-specific requirements. The qualifications and Institutes currently within the Common Content project are:

## Qualification Institute(s)

Expert-comptable Wirtschaftsprüfer	Conseil Supérieur de l'Ordre des Experts-Comptables (France) Wirtschaftsprüferkammer and Institut der Wirtschaftsprüfer (Germany)
Chartered Accountant	Institute of Chartered Accountants in Ireland
Dottori Commercialisti Esperto contabile Ragioniere Commercialista	Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (Italy)
Registeraccountant	Koninklijk Nederlands Instituut van Registeraccountants (Netherlands)
Associate Chartered Accountant Chartered Accountant	Institute of Chartered Accountants in England and Wales Institute of Chartered Accountants of Scotland

Dominique Ledouble explained: "This achievements of the Project are a direct result of six years collaboration between the nine Institutes. The efforts have engendered a spirit of mutual trust that forms the basis for the continuation of the Institutes' cooperative efforts on the project. We now want to extend the Project to other national Institutes which share the same philosophy and whose qualifications meet Common Content requirements. We will look to expand first in other EU Member States that are currently not represented in the project as well as in countries outside the EU."

The nine Institutes intend to agree a shared work programme for the next three years for the Project. As well as the extension of the Project to other countries, the programme will include the continuing evolution of Common Content requirements.

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## **Nine of Europe's Premier Accountancy Bodies** *(continued from page 39)*

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### **Notes to Editors:**

#### **Common Content Project**

The Common Content project was set up in 2001 by premier accountancy bodies in seven countries to unify, as far as possible, their national professional entry-level qualifications, while ensuring that those qualifications remain high quality and meet changing public expectations and the demands of clients and employers. The following institutes are currently participating in the Common Content project:

France	Compagnie Nationale des Commissaires aux Comptes (CNCC) Conseil Supérieur de l'Ordre des Experts-Comptables (OEC)
Germany	Institut der Wirtschaftsprüfer (IDW) Wirtschaftsprüferkammer (WPK)
Ireland	Institute of Chartered Accountants in Ireland (ICAI)
Italy	Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (CNDCEC)
The Netherlands	Koninklijk Nederlands Instituut van Registeraccountants (NIVRA)
United Kingdom	Institute of Chartered Accountants in England and Wales (ICAEW) Institute of Chartered Accountants of Scotland (ICAS)

Further information about the project is available at [www.commoncontent.com](http://www.commoncontent.com).

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