

INTERNATIONAL
ACCOUNTING SECTION
of the



American
Accounting
Association

NO. 105

FORUM

INTERNATIONAL ACCOUNTING



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International
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Fall/Winter 2012

Editor: Gia Chevis
Baylor University

President's Letter

In his recent presentation as a Reith Lecturer, Niall Ferguson, the Harvard historian and business economist, discusses the importance of voluntary associations of persons coming together for a common goal. While the AAAIAS does not come together to cure cancer or bring world peace, it does serve an important role as a voluntary organization in which persons concerned with increasing accounting knowledge, meet and communicate.

The first stop on this train of knowledge is often the most intimate of our meetings - the mid-year meeting. In 2013 we will meet from February 21-23 in the historic trading port of Savannah, Georgia. While I enjoy the many receptions and variety of papers at the annual meetings, I have found that the mid-year meetings help me to define who I am, sharpen and expand my thoughts, and share new knowledge with colleagues from many countries. This year we have tried to enhance the cross national communication by inviting Chris Chapman, a leading academic in Europe and Editor of *Accounting Organisations and Society*, to be our plenary speaker. I have heard Chris speak before, and his thoughts on the role of theory will, I believe, both awaken and enrich our own research process.

A second role and responsibility we have is to replace ourselves and continue the knowledge building process through doctoral students. I am particularly proud that this sec-

(continued on page 2)



IAS President Stephen Salter

Table of Contents

President's Letter.....	1
Awards.....	4
Memorials.....	8
You Must Try This.....	10
Have You Seen?.....	11
Pictures from DC.....	26
Budget information.....	28

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

tion has approximately 120 doctoral student members, or about 25% of all students actively engaged in doctoral programs. I find the strong presence at our mid-year meetings, of doctoral students from some of the world's top universities, allows us to pass on the knowledge we have learned and to pick up on some of the bright new minds that are collected for the Doctoral Consortium. This year we again have Ole-Kristian Hope organizing that program, which will reflect the collective wisdom of:

Ole-Kristian Hope - Chair (University of Toronto)

Agnes Cheng (Hong Kong Polytechnic)

Chris Chapman (Imperial College, London)

Hans Christensen (University of Chicago)

Robert Knechel (University of Florida)

I think it is important that we share our knowledge with others in our community. While I certainly congratulate those who publish in top journals such as AOS, for our community the designated source of publishing is our section journal, *The Journal of International Accounting Research*. This year, JIAR celebrates its tenth year of publishing. For just over a year we have had the editorial leadership of Mike Welker, an exceptional publisher and former Associate Editor of CAR. Mike's patience and developmental attitude to papers are a joy to work with. However, the number of manuscripts received is still not what either of us would like. Further, if we are not able to increase the number of issues to 3 issues a year, we will lose out in the ranking race. Perhaps this does not matter to you, but in many of our institutions the ranking of a journal is crucial to the perks of life such as travel funds, summer research money, promotion and tenure. The next time you are preparing an article for submission, please think of JIAR as your first destination.

In summary, I think our organization is strong but we need to continue to work on the development and sharing of knowledge across borders and generations. I urge you and your doctoral students to join us at the mid-year meeting and to submit to the journal. I look forward to hearing from you, seeing you in Savannah, and wish you a productive semester.



ANAHEIM 2013

BRILLIANTLY DISGUISED OPPORTUNITIES

American Accounting Association Annual Meeting
and Conference on Teaching and Learning in Accounting

Call for Papers Deadline: January 9th

19th Annual International Accounting Section Midyear Meeting 9th Annual Doctoral/New Faculty Consortium

February 21–23, 2013
Savannah Georgia

Early registration deadline: January 21, 2013

<http://aaahq.org/international/midyearmeetings/2013/registration.cfm>



CPE Workshop February 22nd (3 hours credit):
Overview of the FASB/IASB Convergence Projects

Program info:

<http://aaahq.org/international/midyearmeetings/2013/program.cfm>

Hotel: Hyatt Regency Savannah



We hope to see you there!

[Click here to learn more about Savannah](#)

Call for Submissions

Journal of International Accounting Research (JIAR)

Second International Conference

July 3–6, IHET in Tunis, Tunisia

Submission Deadline: February 15, 2013

(early submission is encouraged)

Theme: Expanding the Horizons of International Accounting Research

The goal of this conference is to deepen understanding and raise awareness of the challenges and opportunities of international accounting through the sharing of original and rigorous research work that will provide practitioners and regulators with deeper insights into international accounting issues. While the journal continues to welcome innovative and high quality research that examines how accounting data affects capital market participants, one of the goals of the 2nd *Journal of International Accounting Research (JIAR)* conference is to expand the horizons of international accounting research. Papers that address interesting and innovative research questions in all areas are welcomed.

Plenary Session Submission:

Accepted Plenary Session papers will be published in the *Journal of International Accounting Research* (conditional on satisfactory responses to reviewers' and discussant's comments).

Additionally, the conference will waive the registration fee and pay for airfare (up to \$1,400 US) and three nights' stay in the conference hotel for one presenter. Please follow the regular submission procedure for *JIAR* outlined at: <http://aaahq.org/international/publications.cfm>.

Please indicate in your email or cover letter if you wish to have your submission considered for a concurrent session in the event it is not accepted as a plenary session paper.

Concurrent Session Submission:

Papers submitted to the Concurrent Session will be considered for presentation at the conference but not for publication in the *Journal of International Accounting Research*. Please submit your paper as either a PDF file or a Word file to JIAR2013@gmail.com.

Program Organizer: American Accounting Association, International Accounting Section

Local Organizer and Financial Sponsors: IHET, Tunis, Tunisia; Brock University, Ontario, Canada; PwC Tunisia.

See the complete call for papers at http://aaahq.org/calls/JIAR_Call2013.htm

For questions and suggestions, please email

to jiar@business.queensu.ca, JIAR2013@gmail.com, or contact any of the planning committee members: C.S. Agnes Cheng and Samir Trabelsi (co-chair), Ervin Black, Greg Burton, Tony Kang, Michael Welker, Eddie Riedl and Thorsten Sellhorn.



**American
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2012 Outstanding Educator Award

DR. GORDIAN NDUBIZU



Excerpted from the nomination submission:

Dr. Gordian A. Ndubizu joined the American Accounting Association and International Accounting Section in 1982. He received his Ph.D in the field of accounting and international business in 1985 from Temple University. For over 28 years, he has made a substantial contribution to international accounting education through outstanding research, teaching, mentoring Ph.D students, service to professional and academic organizations, and service to humanity. He is one of the pioneers and leaders that introduced empirical research technology to international accounting studies. These contributions make Dr. Ndubizu an exemplary international accounting educator.

Dr. Ndubizu's distinguished record of scholarly publications has earned him the Ernst and Young Scholar Award (1993), the Lubin Outstanding Scholarly Productivity Award (1993), the Drexel Accounting Research Fellow Award (2000), the Research Fellow for Safeguard Scientific in E-Commerce Award (2000), and the LeBow Distinguished Research Fellow Award (2004).

Dr. Ndubizu has supervised about 20 PhD dissertations and has taught accounting and international accounting at all levels, including the development of several courses in international accounting at his home institution, the LeBow College of Business at Drexel University. Through his mentorship, several of his students have pursued PhDs in accounting.

In addition to his research and teaching, Dr. Ndubizu has an extensive record of service. He has served the Association and Section for over 28 years in various capacities. He has received the LeBow College Excellence in Service Award (2003). He has served on numerous boards and has established the Ndubizu Charitable Foundation to provide small business grants and scholarships in Africa.



2012 Outstanding Dissertation Award **DR. CLARE WANG**



Accounting Standards Harmonization and Financial Statement Comparability: Evidence from Transnational Information Transfer

Abstract

This paper investigates whether accounting standards harmonization enhances the comparability of financial information across countries. I hypothesize that a firm yet to announce earnings reacts more strongly to the earnings announcement of a foreign firm when both report under the same rather than different accounting standards. My analysis of abnormal price and volume reactions for a global sample of firms supports the prediction. Next, in an attempt to control for the underlying economic comparability and the effects of changes in reporting quality, I use a difference-in-differences design around the mandatory introduction of International Financial Reporting Standards (IFRS). I find that mandatory adopters experience a significant increase in market reactions to the release of earnings by voluntary adopters compared to pre-mandatory adoption. This increase is not observed for non-adopters. Taken together, the results show that accounting standards harmonization facilitates transnational information transfer, and suggest financial statement comparability as a direct mechanism.

Dr. Wang completed her dissertation at the Wharton School, University of Pennsylvania. She was supervised by committee members Brian Bushee, Luzi Hail, Catherine Schrand (Chair) and Robert Verrecchia. She is now an Assistant Professor at the Kellogg School of Management, Northwestern University.



2012 Outstanding Service Award **DR. JEANNIE HARRINGTON**

Jeannie Johnson Harrington, IFRS-Certified, CMA, Inactive CPA is the HCA Professor of Accounting at Middle Tennessee State University. She received her B.S. degree from Murray State University, her M.B.A. from Middle Tennessee State University, and her Ph.D. from the University of Kentucky. Prior to academia, Dr. Harrington worked for a local CPA firm in Nashville, Tennessee.

Dr. Harrington's research interests include foreign financial reporting, outsourcing, corporate social reporting and IFRS applications. She received the 1999 and 2006 awards from the Tennessee Society of CPAs for her articles on the Eurodollar and outsourcing of tax returns.

Jeannie has been active in the International Accounting Section of the American Accounting Association for many years, having served as the Southeast Region Liaison, Secretary, and newsletter editor. Dr. Harrington was the main photographer and transitioned the newsletter to a self-published document from an AAA publication. She also served as co-chair of the Southeast Regional Meeting.

At MTSU, Dr. Harrington is the faculty advisor for the Student Institute of Management Accountants, the Chair of two CPE Seminars, Program Chair for the Tennessee Society of Accounting Educators, and the Secretary of the Students Committee for the College of Business. She also serves on the Nashville IMA and Millview Swim Club Board of Directors and is co-leader of her daughter's girl scout troop.

Jeannie is CEO of the Harrington household consisting of her husband Paul, and middle schoolers Natalie, 13 and Hank, 11, and dogs Jack and Jill. She is an avid masters swimmer, and loves boating and hiking.





**American
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2012 PhD Travel Grant Award Recipients



This year's recipients of the travel grant awards to the AAA Annual Meeting were: Mark Ma (Oklahoma), Youli Zhou (Toronto), Michael Wolfe (Oklahoma State), Ankita Singvi (Texas – El Paso), and Linda Quick (South Carolina).

American Accounting Association International Accounting Section 2013 PhD Student Travel Grant Program Call for Applications

The Section will provide up to five \$750 travel support awards to PhD students to attend the AAA annual meeting in Anaheim, CA. An application with a support letter from a faculty advisor should be submitted to the chair of the PhD Student Travel Grant Program Committee Chair (Professor C.S. Agnes Cheng). Selection will be based on the applicant's interest and potential in international accounting research (paper acceptance in a conference will be viewed positively), potential future contribution to the section and AAA, and the advisor's recommendation. The winners will be encouraged to participate in the conference in various capacities (e.g., as a discussant or a session moderator).

Please ask your faculty advisor to submit your application through email to Professor C.S. Agnes Cheng (afagnes@inet.polyu.edu.hk, andacheng@lsu.edu) by January 31, 2013. On the application, please provide your name, your affiliation, your area of research and teaching interest, your expected date of graduation, titles of your working papers (if any), along with the reference letter.



LEE H. RADEBAUGH NOTABLE CONTRIBUTION TO INTERNATIONAL RESEARCH AWARD



In Fall 2002, the first issue of the Journal of International Accounting Research appeared. After ten years, eighteen issues and five editors, the International Section feels this is something to celebrate. Further, one of those editors, Lee Radebaugh, will be retiring from BYU at the end of 2013 after over 40 years of service to the International Accounting Community.

Therefore, the International Section of the American Accounting Association is pleased to announce the Lee H. Radebaugh Notable Contribution to International Research Award in recognition of the paper published in the Journal of International Accounting Research in the past decade that has made the greatest contribution to the field. The assessment of what constitutes a notable contribution to international research will be based upon the following criteria: (1) a demonstrable impact on international research; (2) the importance of the issue(s) addressed; (3) the creativity of the research; (4) the appropriateness of the theoretical development, research method, and analysis; and (5) the number and quality of citations. Nominations for the award will be accepted from members of the International Section. Self-nominations will also be considered.

The winning paper will be selected by the JIAR Notable Contribution Award Committee. The committee will include the current editor of JIAR, at least one past editor, and three other members chosen by the President of the International Section who have a long term perspective on international research. The author(s) of the winning paper will be recognized with a plaque and monetary award presented at the Section's Mid-year Meeting in Savannah Georgia in February 2013. For 2013, the first year of the award, papers appearing in print in JIAR in volumes 01 (2002) through 9(2) (2010) are eligible. Papers authored or co-authored by members of the selection committee are not eligible.

Nominations should include a brief statement (2-3 paragraphs) indicating the perceived contribution or potential contribution of the paper. **Nominations should be forwarded to Stephen Salter 2012-13 Section President at saltersb@utep.edu by November 30, 2012 to be eligible for consideration.**



**American
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2013 OUTSTANDING DISSERTATION AWARD CALL FOR NOMINATIONS

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 Anaheim, CA, during August 2013.

All doctoral dissertations successfully defended during the 2012 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, 2013:

- * Summary of their dissertation not exceeding 20 pages including tables, or a working paper based on their dissertation, and
- * 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:

Sudipta Basu
Fox School of Business
Temple University
Sudipta.Basu@temple.edu

The DEADLINE for nominations is February 28, 2013.

Recent Winners of the Outstanding International Accounting Dissertation Award are:

- 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
- 2009 Hans Christensen, University of Manchester
- 2010 Gwen Yu, University of Michigan
- 2011 Clare Wang, University of Pennsylvania



2012 Award of Distinction **DR. NORLIN RUESCHHOFF**



Sandra Ruddick accepts the award on behalf of her father, Norlin Rueschhoff, pictured at right.

Norlin G. Rueschhoff, accountancy professor emeritus at the University of Notre Dame, was named posthumously for the Executive Committee’s Award of Distinction. The following tribute is from the Notre Dame Newswire.

“Rueschhoff joined the University in 1969 and retired in 2006. Recognized as an expert in international accounting, financial accounting, and accounting for not-for-profit organizations, Rueschhoff was the author of numerous research articles, as well as the accountancy text published in 1998, “Accounting Within a Decision-Making Framework.”

He served as chair of the accountancy department from 1979 to 1983. Notre Dame awarded him the prestigious Kaneb Teaching Award in 2002, which recognizes excellence in teaching.

Since 1971, Rueschhoff played an active role as director and other executive positions with the Family First Center, F.I.R.E. Inc., a South Bend-based organization that assists families in crisis.

Rueschhoff earned a bachelor of science degree from Creighton University and his doctoral degree from the University of Nebraska. He also was a CPA in the state of Nebraska.

He is survived by his daughter, Sandra (Michael) Ruddick; grandchildren, Alex, Krista and Rachel; sisters, Mary Ann Thege, Wyona Smith and Janelle Kleffner and brothers, Dennis Rueschhoff and Ivan Rueschhoff.”



In Memoriam **DR. FRED CHOI**



We are deeply saddened that Frederick Choi our dear friend, colleague died on October 2 following a long illness.

Fred's professional career spanned 40 years beginning at the University of Hawaii and including more than 30 years at the New York University Stern School of Business. From 1995-2004, he served as Dean of the Undergraduate College, implementing numerous programs and curriculum changes that remain hallmarks of the Undergraduate College today.

Fred was a prolific and widely respected scholar. He authored numerous books, including his award-winning *International Accounting* with Gary Meek, more than 50 academic articles in many journals, and dozens of other book

chapters, essays, and reviews.

In addition, Fred was a stellar teacher. He was a recipient of the Citibank Excellence in Teaching Award and a recipient of the American Accounting Association's Outstanding International Accounting Educator Award. Fred was also an elected Fellow of the Academy of International Business in recognition of his outstanding contributions to the scholarly development of the field of international business.

We will miss his enthusiasm, his dedication to academic research in the field of international financial management and accounting, but most of all his friendship.

Sidney J. Gray
Richard M. Levich

International Accounting Section *Forum* Deadlines

Spring 2013 Issue - January 31, 2013

Summer 2013 Issue—May 31, 2013

Fall/Winter 2013 Issue – September 30, 2013

Please submit any memorials, calls for papers, articles, suggestions, etc. by the above dates for inclusion in future editions of the Forum to

gia_chevis@baylor.edu.

You Must Try This

In this issue of the Forum we launch a new section called “You Must Try This.” Each column presents three pedagogical resources—cases, books, technology tools, podcasts, videos, articles, etc.—that the column author has found helpful in the classroom. If you would like to submit a “Try This” column for inclusion in a future issue, please [e-mail it](#) to the Forum editor.

Yinguangxia: An Epitome of Corporate Governance Flaws in China

Amy Lau and Claudia H. L. Woo, published 2007

Available from Harvard Business School Publishing, product number HKU687-PDF-ENG

The case authors refer to Yinguangxia as “China’s Enron,” though they also point out that, as the YGX scandal erupted first, the Chinese media referred to Enron as “America’s YGX.” YGX had many of the same reporting and governance issues as Enron but happened in an environment with a much less-established auditing profession and with a different set of investor protections. Like Enron, the investigation into YGX’s meteoric stock price rise began with questioning from the popular press (*Caijing* in this case) but quickly snowballed into a much larger, regulatory investigation. It’s an interesting complement to the now-standard discussion of Enron included in the American curriculum.

International Subsidiary Performance Evaluation: The Case of the Ameripill Company

Susan Haka, Barbara Lamberton, and Harold Sollenberger, published 1994

Available from *Issues in Accounting Education* v9 no. 1

This case is based on real life but the precise details are fictionalized. The US-based headquarters of a multinational pharmaceutical company needs to make strategic decisions about product mix. The process is complicated by the decentralized operation structure and the treatment of all subsidiaries as profit centers for performance evaluation and compensation purposes. The case provides enough details to facilitate a rich discussion with graduate students but is tractable enough to use with undergraduates.

FIJI Water and Corporate Social Responsibility: Green Makeover or “Greenwashing”?

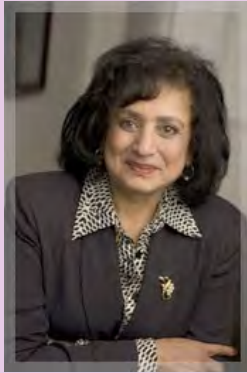
James McMaster; Jan Nowak

Available from Harvard Business School Publishing, product number 909A08-PDF-ENG

Bottled water is a product to which all students can relate. Though it is nominally more of a strategy and marketing case, there are rich avenues to explore in risk and cost structure management, transfer pricing and taxation (for which students can find supplemental readings), and the ethics of purchased offsets. It is especially useful as a springboard to discussions about an expanded role for auditors in a world where more than financial information is demanded and must be credible.

HAVE YOU SEEN?

Kamala Raghavan
Texas Southern University



Bowe Hansen
Virginia Tech



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 Kamala Raghavan at raghavank@tsu.edu or Bowe Hansen at bhansen1@vt.edu.

Alles, Michael, and Maciej Piechocki. 2012. Will XBRL improve corporate governance? : A framework for enhancing governance decision making using interactive data. *International Journal of Accounting Information Systems*, (Volume 13, Issue 2): 91-108

In this paper we first develop a framework for understanding how tagged data can be used to change the way in which decisions affecting governance are made. Ultimately data, however it is formatted, is simply a means towards an end and it provides no value added unless different decisions are made as a result of its availability. We use Elliott's (1998) model of decision making and apply it to the governance area to serve as a framework for an investigation of precisely how XBRL will provide value added. We then analyze the current specifications of XBRL, both its taxonomies and the way in which tagged data is rendered, to answer the question of whether XBRL—as opposed to the generic concept of tagged data—takes full advantage of its potential to improve governance decision making. XBRL has the potential to improve governance. That can only happen if XBRL impacts governance decision making. XBRL can be used to democratize data and make it user driven. XBRL enables data to be viewed from multiple perspectives which leads to new knowledge creation.

American Institute of Certified Public Accountants. 2012. Strategic performance management in the public sector: *CGMA Report*, September.

The report starts with an overview of some issues which make performance management in the public sector more difficult than it is in the private sector. There some features which simplify operations (public sector organizations tend to operate only in their home country) or which contribute positively to performance

(continued on page 12)

Have you Seen (continued from page 11)

(arguably, a more inherently motivated workforce – for example, teachers, social workers, police or health workers who can be considered to have a vocation). The report also considers some of the cultural challenges involved in improving performance management, and the specific role of the finance function. Importing finance professionals from the private sector to demonstrate the full range of support which is available is not the sole solution, as without a corresponding culture change from the organization to expect and come to rely on such support – incoming finance staff will become disillusioned and return to the private sector. Different types of finance professionals make different contributions to an organization, yet these differences and the optimum mix of different types within a finance function are often imperfectly understood by management. The choice of the appropriate type of finance professional is particularly important when it comes to performance management. Performance management requires a thorough understanding of the context, diagnosis of the issues, assessment of different options and creation or adaptation of an appropriate performance management solution. This is a more creative, innovative and challenging process than merely importing a solution which has proved effective elsewhere; and this process should be entrusted to those (such as Chartered Global Management Accountants) who combine analytical skills, problem diagnosis and creativity in designing solutions

Ammer, John, Sara B. Holland, David C. Smith, and Francis E. Warnock, 2012. U.S. international equity investment. *Journal of Accounting Research*, Forthcoming.

Using a comprehensive data set of all U.S. investment in foreign equities, we find that the single most important determinant of the amount of U.S. investment a foreign firm receives is whether the firm cross-lists on a U.S. exchange. Correcting for selection biases, cross-listing leads to a doubling (or more) in U.S. investment, an impact greater than all other factors combined. Much of this increased U.S. investment is purchased in the foreign market, implying that the cross-listing effect reflects something more fundamental about a firm than easier acquisition of its securities. We also demonstrate that cross-listing is an important determinant of U.S. international investment at the country level and describe easy-to-implement methods for including a cross-listing variable as an endogenous control.

Arnold, Patricia J., 2012. The political economy of financial harmonization: The East Asian financial crisis and the rise of international accounting standards. *Accounting, Organizations and Society*, (Volume 37 Issue 6), 361 – 381.

In the aftermath of the East Asian financial crisis, western nations established a new international financial architecture that relied upon enhanced financial transparency and international financial standards, including international financial reporting and auditing standards, to govern an expanding and crisis-prone international financial system. This paper examines the West's response to financial crisis in the late 1990s and its implications for the rise and diffusion of international accounting standards from a theoretical perspective that blends institutional analysis and political economy. The aim is to understand how the history of accounting has both shaped and been shaped by transformations in the late 20th century international political economy where financial capital and the power of the financial

(continued on page 13)

Have you Seen *(continued from page 12)*

sector play an increasingly central role in the process of accumulation.

Beaudoin, Cathy A., et al. 2012. The agency problem and the moderating role of culturally based management style on Chinese managers' discretionary accruals, *Journal of International Accounting, Auditing, and Taxation*, (Vol. 21, Issue 2): 145-155.

Upon completion of overseas acquisitions, Western firms typically hire Chinese locals or expatriates to run their Chinese operations. This action is an important consideration because a Western executive's managerial style may impact Chinese employee behavior differently than a Chinese executive's managerial style. Utilizing an experiment with Chinese managers as participants, we examine the effect of the agency problem (when both an incentive and opportunity to act in line with one's self-interest are present) on Chinese managers' discretionary accrual decisions, as well as the role that their executives' culturally based management style (Eastern versus Western) plays in affecting their propensity to manage earnings. We find that Chinese managers tend to override corporate concerns and recommend higher discretionary expense accruals in an effort to maximize their two-year bonus potential when the agency problem is present. Conversely, they tend to recommend lower discretionary expense accrual figures to help achieve corporate goals when the agency problem is not present. Interestingly, we also find that an executive's culturally based management style moderates the impact of the agency problem in that Chinese managers' willingness to manage earnings across agency problem conditions is significantly more pronounced in the presence of a Western (U.S.) executive than in the presence of an Eastern (Chinese) executive.

Bolívar, Manuel P. R., and Andrés N. Galera. 2012. The Role of Fair Value Accounting in Promoting Government Accountability. *Abacus* (Volume 48, Issue 3): 348–386.

A key factor to improve the financial accountability of governments is the existence of a set of generally accepted financial reporting standards, such as IPSAS issued by the IFAC, which seek to enhance information transparency. This paper examines the capability of fair value accounting to improve through financial transparency, government accountability, analyzing the possible effect of the implementation of this measurement basis on understandability, comparability and timeliness—three qualitative characteristics linked to the relevance of financial reporting. This paper further considers whether the difficulties involved in achieving FV estimations could affect government financial accountability. The findings indicate that FVA implementation could enhance accountability by improving understandability, comparability and timeliness in governmental financial reporting, although the use of objective measures to estimate the FV of assets is fundamental. In addition, the type of assets and the existence of an active market are crucial to improving the comparability of financial statements under FVA, whereas improving timeliness could be limited by the possibility of estimating FV measures in-house.

(continued on page 14)

Have you Seen (continued from page 13)

Bova, Francesco, and Raynolde Pereira. The determinants and consequences of heterogeneous IFRS compliance levels following mandatory IFRS adoption: evidence from a developing country. *Journal of International Accounting Research*, (Volume 11 Issue 1), 83 – 111.

The adoption of international accounting standards, namely the IFRS, at the country level has sparked two contrasting, but not mutually exclusive, viewpoints. One view is that IFRS engenders better reporting standards, and uniform adoption allows for greater comparability. The upshot is that IFRS adoption will improve a firm's information environment and hence contribute toward a lower cost of capital. The alternative view is that disclosure quality is shaped by political and economic forces, and hence higher-quality accounting standards will not necessarily translate into higher-quality reporting. We empirically evaluate these arguments on IFRS adoption using both private and public-traded firm observations from Kenya, a developing country with relatively open capital markets but limited enforcement resources. Our analysis takes advantage of a unique dataset involving firm-specific measurements of IFRS compliance. We find that while both private and public firms are required to adhere to IFRS, public, rather than private firms, exhibit greater IFRS compliance. Highlighting the influence of capital market openness, we find that foreign ownership is positively and significantly correlated with IFRS compliance. Probing the underlying causal relationship, additional analysis suggests that greater foreign ownership leads to greater IFRS compliance. Examining the effects of IFRS compliance, higher compliance is positively associated with share turnover. Overall, our evidence illustrates both the importance of economic incentives in shaping IFRS compliance and the capital market benefits to being compliant with IFRS in a low enforcement country.

Byrne, Marann et al. 2012. Motivations, expectations and preparedness for higher education: A study of accounting students in Ireland, the UK, Spain and Greece. *Accounting Forum*, (Volume 36, Issue 2): 134-144.

This paper compares the motives, expectations and preparedness of a sample of students commencing the study of accounting in higher education in four European countries. The findings reveal that whilst all students are motivated to progress to higher education for career-oriented reasons and to seek intellectual growth, considerable variation is observed between the students in the four settings with regard to motives, confidence and perceptions of preparedness for higher education. The implications of these findings, both in the context of the alignment objectives of the Bologna process and the ongoing accounting education change debate, are considered. The study explores motives, expectations and preparedness for higher education in four countries. The Bologna process and the accounting education change debate provide the background to the study. The key motives found are career-oriented factors and a desire for intellectual growth. Variation in confidence and preparedness for higher education were found.

(continued on page 15)

Have you Seen *(continued from page 14)*

Christensen, Hans Bonde, Luzi Hail, and Christian Leuz. Mandatory IFRS reporting and changes in enforcement. February 29, 2012 Working Paper. Available at SSRN: <http://ssrn.com/abstract=2017160>.

In recent years, a large number of countries have made reporting under International Financial Reporting Standards (IFRS) mandatory. The capital-market effects of this change have been extensively studied, but their sources are not yet well understood and still heavily debated. This paper presents new evidence that aims to distinguish between several potential explanations for these capital-market effects. We show that, across all countries, mandatory IFRS reporting had little impact on liquidity and, in line with prior work, the liquidity effects are concentrated in the European Union (EU). This finding is not driven by the fact that the EU consists of many countries with strong legal systems and a proven track record of implementing regulation. It is also not driven by concurrent changes in other financial market regulation in the EU. Instead, we show that five countries started to proactively review financial statements concurrent with IFRS reporting, and the liquidity effects are limited to those countries with enforcement changes. Liquidity does not increase in the other EU member states even if they have strong regulatory quality or legal systems. We also show that concurrent enforcement changes can explain the liquidity effects for voluntary IFRS adopters around the IFRS mandate. Thus, our results indicate that concurrent changes in reporting enforcement play an important, if not dominant, role for the documented liquidity benefits around mandatory IFRS adoption.

Curtis, Mary B., Teresa L. Conover, and Lawrence C. Chui, 2012. A Cross-cultural study of the influence of country of origin, justice, power distance, and gender on ethical decision making. *Journal of International Accounting Research*, (Volume 11 Issue 1), 5 – 34.

This study examines the impact of national culture on ethical decision making. We theorize and test a mediation model where country of origin influences perceptions of justice and power distance, which in turn influence behavioral intentions in regard to ethical dilemmas. Our sample includes accounting students from four countries: China, Japan, Mexico, and the U.S. We find that country of origin, justice perceptions, power distance perception, and gender are all related to ethical decision making. We investigate these relationships with two different ethical scenarios, and find that these relationships differ between the two contexts. Additionally, power distance and justice partially mediate the relationship between country of origin and ethical decision making. We find that gender is significantly related to ethical decision making in one of the two scenarios, and explore gender differences in all of the measured constructs across countries. Finally, we contrast the various measures of justice, power distance, and agreement with behavioral intentions in the two ethical scenarios between countries. We find that the two eastern countries (China and Japan) and the two western countries (U.S. and Mexico) demonstrate expected East-West patterns in power distance. However, this East-versus-West pattern is not supported when considering between-country differences in justice, agreement with the layoff decision, and agreement with whistleblowing.

(continued on page 16)

Have you Seen (continued from page 15)

Cuthbert, J.R, and M. Cuthbert. 2012. Why IRR is an inadequate indicator of costs and returns in relation to PFI schemes. *Critical Perspectives on Accounting*, (Vol. 23, Issue 6):.420-433.

The Internal Rate of Return (IRR) is a commonly used indicator of the performance of Private Finance Initiative (PFI), schemes in the UK. Treasury guidance recognizes, however, that IRR is potentially misleading, unless the relevant payment streams are of a flat, annuity, type. This paper uses data on a number of actual PFI schemes to examine whether the payment streams involved are sufficiently flat for IRR to be a reliable indicator. There is clear evidence that the assumption of flat payment profiles in PFI schemes is violated. As a result, quoting IRR alone in the PFI context is liable to understate both the true opportunity cost of PFI finance to the public sector, and the potential scale of private sector profit. Our analysis also indicates that a statistic based on average outstanding debt is a reliable indicator of the extent of departures of the relevant payment profiles from annuity type. The Internal Rate of Return is an inadequate indicator of the performance of PFI projects. In assessing PFI projects, the public sector in the UK has put too much weight on internal rates of return. Internal rates of return should only be quoted in conjunction with a supporting indicator such as the average debt on which the Internal Rate of Return is earned.

Danbolt, Jo, and Gillian Maciver, 2012. Cross-border versus domestic acquisitions and the impact on shareholder wealth. *Journal of Business Finance & Accounting*, Forthcoming.

We analyse the impact on targets and bidders from cross-border acquisitions into and out of the UK, in comparison to companies involved in similar domestic acquisitions. We find *both* targets *and* bidders to gain more in cross-border than in comparable domestic acquisitions, with target and bidder cross-border effects of 10.1 and 1.5 percentage points, respectively. The cross-border effect is significantly higher for targets acquired by companies from countries with superior governance systems to their own. There is weak evidence to suggest bidders gain from entering new markets but for targets to gain more where the bidder already operates in the target country.

De Waegenaere, Anja, Richard C. Sansing, and Jacco L. Wielhouwer, 2012. Multinational taxation and R&D investments. *The Accounting Review*, (Volume 87 Issue 4), 1197 – 1217.

This study examines the effects of taxation on the incentives of multinational firms to develop and use intellectual property. We model optimal investment and production decisions by firms that engage in a patent race by making R&D investments. We investigate how taxes affect the level and efficiency of R&D investments, and how these effects depend on whether the winner of the patent race uses it by either producing in the country in which the patent was developed (the domestic country) or in a foreign country. A higher domestic tax rate decreases investment in R&D if production occurs in the domestic country, but increases investment in R&D if production occurs in the foreign country. The present value of domestic tax revenues is strictly positive if production occurs in the domestic country, but is weakly negative if production occurs in the foreign country.

(continued on page 17)

Have you Seen *(continued from page 16)*

Detzen, Dominic, and Henning Zulch, 2012. Executive compensation and goodwill recognition under IFRS: evidence from European mergers. *Journal of International Accounting, Auditing, and Taxation*, Forthcoming.

Based on principal agent theory we posit that managers account for a business combination opportunistically by recognizing goodwill in excess of its economic determinants. We examine the relationship between CEOs' short-term cash bonuses and the amount of goodwill recognized in IFRS acquisitions. We find that with increasing cash bonus intensity managers recognize more goodwill. More detailed analysis indicates that this relationship is not a linear one. Instead, there seems to be a corridor in which CEOs are susceptible to the incentive given by bonus payments. In particular, the relationship seems to be fulfilled only for CEOs whose cash bonus is between 150% and 200% of their base salary prior to the acquisition. Our findings have an implication for companies that bonus caps should be introduced to limit CEOs' bonuses to a given percentage of their base salary. By doing so, they may re-align shareholders' and managers' interests and avoid an increased impairment risk in the future.

Ewert, R., and A. Wagenhoffer. 2012. Using Academic Research for the Post-Implementation Review of Accounting Standards: A Note. *Abacus*, (Volume 48, Issue 2): 278–291.

The IASB and the FASB discuss formal processes for a post-implementation review (PIR). This note contributes to this discussion in three ways. First, we argue that academics can, and should, play a significant role in a PIR. Second, we suggest a framework for empirical studies that are useful in a PIR, which enhances understandability of accounting research by standard setters. And third, we propose a process by which standard setters can take advantage of and embed academic research in a PIR.

Francis, Jere R., Shawn X. Huang, and Inder K. Khurana, The role of international GAAP in cross-border mergers and acquisitions. May 4, 2012 Working Paper. Available at SSRN: <http://ssrn.com/abstract=2131472>.

Using the frequency and dollar magnitude of cross-border mergers and acquisitions (M&A) from 32 countries over the period 1998-2004, we investigate whether differences in accounting standards across countries will inhibit investors' ability to exploit growth opportunities in foreign markets. As expected, we find that the volume of M&A activity across country pairs is larger for pairs of countries with similar Generally Accepted Accounting Principles (GAAP). Moreover, we find the full sample results to be driven by accounting standards of target countries with strong enforcement regimes. We also find that the 2005 mandatory adoption of IFRS attracted more cross-border M&As among IFRS adopting countries and that this increase in M&A activity within the IFRS countries is more pronounced for country pairs with low degree of similarity in GAAP in the pre-IFRS adoption period. Overall, our results highlight the role of accounting standards in shaping cross-border M&A activity.

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Have you Seen *(continued from page 17)*

Funnell, Warwick, and Margaret Wade. 2012. Negotiating the credibility of performance auditing. *Critical Perspectives on Accounting*, (Volume. 23, Issue 6): 434-450.

This paper reports the results of a longitudinal field study of a performance audit which used in-depth interviews and observation to examine the process by which auditees and auditors in the Australian National Audit Office (ANAO) negotiated their relationship. The findings enhance understanding of auditee reactions to both the practice of performance auditing and the auditors themselves and the impact that these have on the credibility of performance auditing. Using the lens of Oliver's typology of strategic responses, the study confirmed the prevalence of auditee responses to performance auditing by the ANAO which ranged from co-operative acquiescence and co-operation to confrontational defiance. The paper addresses recent and ongoing calls for more studies of public sector auditing in action to deepen our understanding of the responses or maneuvering of auditors and auditees during the process of performance auditing. A key contribution of the paper is confirmation that performance auditing continues to be a contested activity and its credibility in practice remains uncertain. The empirical (and historical) evidence suggests that audits that are perceived as especially politically sensitive can provoke active forms of resistance, including avoidance and defiance. The paper addresses recent calls for more studies of public sector auditing in action. Examination of the maneuvering of auditors and auditees deepens our understanding of performance auditing. Performance auditing continues to be a contested activity and its credibility in practice remains uncertain.

Gordon, Lawrence A., Martin P. Loeb, and Wenjie Zhu, 2012. The impact of IFRS adoption on foreign direct investment. *Journal of Accounting and Public Policy*, (Volume 31 Issue 4), 374 – 398.

By analyzing a panel data set of over 1300 observations covering 124 countries, for the period from 1996 through 2009, this paper tests the basic argument that the adoption of International Foreign Reporting Standards (IFRSs) by a country results in increased foreign direct investment (FDI) inflows. Analysis of the data using an ordinary least squares (OLSs) approach provides evidence that adoption of IFRS leads to increased FDI inflows. The analysis indicates, however, that the overall increase in FDI inflows from IFRS adoption is due to the increase in FDI inflows by countries with developing, as opposed to developed, economies. A difference-in-difference test confirms these findings. A key potential driver for IFRS adoption by countries with developing economies is the desire to receive financial aid from the World Bank. This factor is explicitly taken into account using a two-stage instrumental variable (IV) model. The results using the IV model provide strong confirmation of the OLS results.

(continued on page 19)

Have you Seen (continued from page 18)

Gulamhussen, Mohamed A., Carlos Pinheiro, and Rui Sousa. 2012. The Influence of Managerial Ownership on Bank Market Value, Performance, and Risk: Evidence from Banks Listed on the Stoxx Global Index. *Journal of International Financial Management & Accounting*, (Volume 23, Issue 2): 121–153.

We follow agency theory to assess the influence of managerial ownership on the market value, performance, and risk of 123 listed banks in 23 countries included in the STOXX Global Index in 2007 and 2010. After controlling for bank characteristics, regulatory restrictions, and macro-economic conditions, our findings show a positive relation between managerial ownership and both market value (Tobin's Q) and performance (ROA and ROE). Moreover, we find a negative relation between managerial ownership and risk (EDF, NPL/L, and Z-SCORE). Bank market value and performance is a non-linear, inverse U-shaped function of managerial ownership. The negative relation between managerial ownership and bank risk is also non-linear and U-shaped. Our results remain robust to reverse causality. In their effort to immunize the global financial system from systemic risks, central banks and practitioners should find our results relevant for regulation purposes.

Houqe, Muhammad Nurul, Tony van Zijl, Keitha Dunstan, and A.K.M. Waresul Karim, 2012. The effect of IFRS adoption and investor protection on earnings quality around the world. *The International Journal of Accounting*, (Volume 47 Issue 3), 333 – 355.

This study examines the effects of mandatory IFRS adoption and investor protection on the quality of accounting earnings in forty-six countries around the globe. The results suggest that earnings quality increases for mandatory IFRS adoption when a country's investor protection regime provides stronger protection. This study extends the current literature that shows that accounting practices are influenced by country-level macro settings. The results highlight the importance of investor protection for financial reporting quality and the need for regulators to design mechanisms that limit managers' earnings management practices.

Hurley, Richard and Tim Harvey. 2012. Global fraud focus: Rogue trader intrigue: why do they continue to gamble? *Fraud Magazine*, (Volume 27, Issue 2): 16-17.

What do rogue traders Nick Leeson (Barings Bank), Kewhu Adobli (UBS AG), and Jerome Kerviel (Societe Generale) have in common? When faced with financial losses, these traders would gamble with additional losses if there was a chance to bring in big money similar to the “loss aversion” behavior of yellow-eyed sparrows, and the “prospect theory” reported by Daniel Kahneman and Amos Tversky in *Econometrica* (1979). All three traders had another trait in common- their employers unintentionally made it possible for them to commit fraud.

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Have you Seen *(continued from page 19)*

Jaggi, Bikki, Ferdinand A. Gul, and Thomas S. Chiu Lau. 2012. Auditor Industry Specialization, Political Economy and Earnings Quality: Some Cross-Country Evidence. *Journal of International Financial Management & Accounting*, (Volume 23, Issue 1): 23–61.

Using cross-country data, we evaluate the impact of investor protection on the association between earnings quality and audits by industry specialists. Our findings show that the positive association between industry specialist auditors and earnings quality as documented in the literature is affected by the political electoral system, which reflects investor protection rights in a country. We document that audits by industry specialists are associated with higher earnings quality in countries with the proportional electoral system, reflecting weak investor protection. Our results also confirm Kwon et al.'s findings that overall there is a positive association between earnings quality and audits by industry specialists in countries with weak legal enforcement. Our findings, however, indicate that Kwon et al.'s results are valid only for countries with weak investor protection reflected by the proportional electoral system and not for countries with strong investor protection reflected by the majoritarian electoral system. These findings thus suggest that higher earnings quality of firms audited by industry specialists across countries can especially be expected when investor protection is low and legal enforcement is also weak. In addition, our research suggests that future cross-country studies could explicitly consider the role of the political electoral system of a country in evaluating corporate governance, management and accounting issues.

Jayaraman, Sudarshan, and S.P. Kothari. The effect of corporate transparency on bank risk-taking and banking system fragility. August 29, 2012 Working Paper. Available at SSRN: <http://ssrn.com/abstract=2138156>.

We show real effects of financial reporting transparency on the domestic banking sector. Transparent financial reporting facilitates non-financial firms' access to arm's-length financing from external capital markets and foreign banks. This diminishes non-financial firms' reliance on domestic banks for their financial services. Domestic banks thus face increased competition from the alternate providers of financing and are expected to react as follows. First, domestic banks take on more risk and reduce their cost structure. Second, corporate transparency enhances bank development by forcing banks to research and identify profitable ventures. Third, the overall effect of these activities is to lower the likelihood of a banking crisis in countries with greater corporate transparency. Additional tests suggest that risk-taking is channeled more through non-lending than lending activities, pointing to the beneficial role of diversification in reducing bank fragility. Tests using the mandatory adoption of International Financial Reporting Standards (IFRS) as a shock to corporate transparency indicate that endogeneity is unlikely to be driving our findings. A difference-in-differences design shows that bank risk-taking, cost efficiency and bank development in IFRS adopting countries are more salient than those in non-adopting countries. Overall, the evidence suggests corporate transparency promotes vibrancy and stability in the domestic banking sector.

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Have you Seen *(continued from page 20)*

Miranda-Lopez, Jose E, and Linda M. Nichols. 2012. The use of earnings and cash flows in investment decisions in the U.S. and Mexico: Experimental evidence. *Journal of International Accounting, Auditing, and Taxation*, (Vol. 21, Issue 2): 198-208.

In this study, we investigate which of two accounting performance measures, earnings or cash flows, is used more in valuation decisions by non-professional investors in the United States and in Mexico. This issue is relevant for the Mexican Stock Market (Bolsa Mexicana de Valores) because the Bolsa's growth has stagnated compared with markets of other Latin American countries. Results of the study reveal that the majority of participants in the U.S. rely on earnings while the majority of participants in Mexico rely on cash flows. Results also suggest that the users' predisposition can be dysfunctional to the extent that they do not consider using the other accounting measure, even when doing so made it easier to arrive at the correct valuation result (i.e. they did not choose to use the more persistent and therefore easier to forecast accounting measure). However, results are mixed for participants using earnings, since we document a higher chance of forecasting errors for participants in both countries when using earnings rather than cash flows in their calculations for the failure of these participants to adjust earnings for depreciation. This study extends the existing international literature by documenting a country-specific predisposition to use cash flows or earnings as a valuation tool by non-professional investors. Moreover, this study also shows that this predisposition can be dysfunctional, leading participants to make incorrect valuation decisions as a result of their failure to consider the differential persistence of the two accounting measures presented in the experiment.

Nichols, Nancy B., Donna L. Street, and Sandra J. Cereola. 2012. An analysis of the impact of adopting IFRS 8 on the segment disclosures of European blue chip companies. *Journal of International Accounting, Auditing, and Taxation*, (Vol. 21, Issue 2): 79-105.

Amidst the IASB's post-implementation review of IFRS 8, we examine how the standard's adoption changed the reporting of segments by European blue chips (i.e. companies comprising the top tier index of 14 European stock exchanges). We focus on anticipated benefits articulated in the IASB's Basis for Conclusions and concerns expressed by IFRS 8 opponents. In addition to convergence with U.S. GAAP, IFRS 8 results in the reporting of significantly more operating segments on average. However, most companies report the same number or fewer segments. Refuting claims regarding the loss of geographic data at the entity-wide level, we identify an improvement in the fineness of disclosures and a significant increase in the disclosure of geographic groupings. We do not identify an improvement in consistency of segment disclosures with other sections of the annual report, which is due to the consistency already achieved under IAS 14R. IFRS 8 results in a significant decline in the number of reportable segment information items (notably liabilities) and a significant decline in the reporting of capital expenditures at the entity-wide level. Furthermore, adoption of the standard produces a lack of comparability in segment profitability measures and extensive reporting of non-IFRS measures. However, almost all companies report a measure of segment profitability tied to a number on the consolidated income statement or reconciled to the income statement.

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Have you Seen *(continued from page 21)*

Ozkan, Neslihan, Zvi Singer, and Haifeng You, 2012. Mandatory IFRS adoption and the contractual usefulness of accounting information in executive compensation. *Journal of Accounting Research*, (Volume 50 Issue 4), 1077 – 1107.

We examine how the mandatory adoption of International Financial Reporting Standards (IFRS) in continental Europe affects the contractual usefulness of accounting information in executive compensation, as reflected in pay-performance sensitivity (PPS) and relative performance evaluation (RPE). The empirical evidence indicates a weak increase in accounting-based PPS in the post-adoption period, primarily driven by countries with large differences between IFRS and their previously adopted local accounting standards. We also document a significant increase in accounting-based RPE using foreign peers after the adoption. Additional analysis shows that the increase in RPE is greater for firms with more foreign sales, and for those with lower availability of domestic peers of comparable size. The overall results are consistent with the compensation committees in those countries perceiving earnings after IFRS adoption to be of higher quality and comparability. Our paper highlights an important benefit of IFRS largely ignored by the literature, that is, the higher earnings quality and comparability brought by the adoption of IFRS facilitate executive compensation contracting.

Pan, Peipei and Hector Perera, 2012. Market relevance of university accounting programs: Evidence from Australia. *Accounting Forum*, (Volume.36, Issue 2): 91-108.

The quality of university accounting programs has been the subject of discussion and debate among researchers, practicing arms of the accounting profession and international accounting bodies for a long time. More recently, the International Accounting Education Standards Board (IAESB) stated in its Strategic and Operational Plan, 2007–2009 that the development and enhancement of accounting education could largely help strengthen the accounting profession (IFAC, 2007a). This comment was no doubt aimed at the need to regain some of the lost confidence in the accounting profession in recent years. The current study focuses on the issue of whether Australian universities produce accounting graduates with market expected knowledge, skills and competencies. Market expectations were identified by surveying employers of accounting graduates in a major metropolitan area in Australia. Focusing on an analysis of the undergraduate accounting program of a prominent university in Australia, the study provides evidence that the existing university accounting programs may not always be in line with the market expectations due to some inconsistencies of program structure and emphasis. The findings of this study have implications for professional accounting bodies, accounting educators and students, and researchers.

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Pridgen, Annette, and Karl J. Wang. 2012. Audit Committees and Internal Control Quality: Evidence from Nonprofit Hospitals Subject to the Single Audit Act. *International Journal of Auditing*, (Volume 16, Issue 2): 165–183.

This study examines the impact of audit committees on the internal control quality of nonprofit organizations. Based on resource dependency theory that stresses an entity's economic needs for internal control over administering federal funding, we select a sample of nonprofit hospitals subject to the Single Audit Act in the United States, from 2001 to 2008. Our results show that hospitals that had audit committees and also employed Big 4 auditors were associated with better internal control quality. In addition, we find that Big 4 auditors were negatively associated with reported deficiencies of internal control over administering major federal programs in the early years (2001–2004), but positively associated with reported deficiencies of the same kind in the later years (2005–2008), suggesting a possible effect of the Sarbanes-Oxley Act.

Ratnatunga, Janek, Michael S.C. Tse, and Kashi R. Balachandran, Cost management in Sri Lanka: A case study on volume, activity and time as cost drivers. *The International Journal of Accounting*, (Volume 47 Issue 3) 281 – 301.

Despite its theoretical superiority, the activity-based costing (ABC) model has had only moderate success in replacing the traditional volume-based absorption costing models in complex organizations worldwide. Even in organizations that have launched ABC projects, the implementations often do not sustain. In response to this general lack of enthusiasm worldwide for ABC, accountants developed the time-driven activity-based costing (TDABC) model as an alternative cost allocation model. This paper presents a comparison of the TDABC model with ABC, and considers if this alternative cost allocation model (1) is easier to implement from an international perspective and (2) provides comparable cost information for decision making. We use a case study in a country outside the model's country of origin to understand the similarities and differences in absorption costing systems that use 'volume,' 'activities,' and 'time' as the drivers of indirect cost allocations. We also use the case study to ascertain if any country-specific factors impede ABC implementation. We conclude the following: the TDABC model has similar implementation complexities to ABC if modelling conditions are strictly adhered to; these complexities are independent of country-specific factors; and in its simplest form, the model generates the same decision information errors of traditional costing.

Shireenjit, Johl, Nava Subramaniam, and Mazlina M. Zain. 2012. Audit Committee and CEO Ethnicity and Audit fees: Some Malaysian evidence. *The International Journal of Accounting*, (Volume 47, Issue 3): 302-332.

This study extends the literature on audit pricing by examining the relationship between ethnicity (bumiputra vs. non-bumiputra), corporate governance attributes, and audit fees using data from 559 publicly-listed companies in Malaysia in 2005. Drawing from theories of ethnicity and political economy, we discuss our two hypotheses that predict positive associations between audit fees and (1) the proportion of bumiputra members on audit committees, and (2) the presence of a bumiputra CEO. The results support the hypothesis that firms with bumiputra CEOs incur higher audit

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fees, but we do not find an association for firms with bumiputra-dominant audit committees. In additional analysis, we find that the audit premium paid by firms with a bumiputra CEO is higher for the smaller client firms. Further, we find that firms managed by a bumiputra CEO with a fully bumiputra-composed audit committee tend to pay higher audit fees than the other firms, indicating that there is a combined ethnicity effect on audit fees.

Stecher, Jack, and Jeroen Suijs, 2012. Hail Procrustes! Harmonized accounting standards as a Procrustean bed. *Journal of Accounting and Public Policy*, (Volume 31 Issue 4), 341 – 355.

This article finds that the use of a harmonized accounting standard, such as the International Financial Reporting Standards, increases the information available to markets only if institutional differences across countries using the harmonized standard are insignificant.

In all other cases, harmonization of reporting standards destroys information rather than increasing it. This article also contributes to methodology, introducing techniques for studying nonpartitional information structures.

Steinbart, Paul John., et al. 2012. The relationship between internal audit and information security: An exploratory investigation, *International Journal of Accounting Information Systems*. (Volume 13, Issue 3): 228-243.

The internal audit and information security functions should work together synergistically: the information security staff designs, implements, and operates various procedures and technologies to protect the organization's information resources, and internal audit provides periodic feedback concerning effectiveness of those activities along with suggestions for improvement. Anecdotal reports in the professional literature, however, suggest that the two functions do not always have a harmonious relationship. This paper presents the first stage of a research program designed to investigate the nature of the relationship between the information security and internal audit functions. It reports the results of a series of semi-structured interviews with both internal auditors and information systems professionals. We develop an exploratory model of the factors that influence the nature of the relationship between the internal audit and information security functions, describe the potential benefits organizations can derive from that relationship, and present propositions to guide future research.

Tie, Robert. 2012. Money laundering, 21st century style: Far from washed up. *Fraud Magazine*, (Volume 37, Issue 3): 18-23.

Companies are realizing that good anti-money laundering programs can do more than satisfy regulators- they can boost the bottom line by reducing major business risks. Trans-national organized crime is more profitable than ever, and money launderers are devising new methods to hide the true source of illicit gains. Here are the U.S. federal gov-

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ernment's latest anti money laundering efforts plus ways CFEs can help businesses cope with schemes and payment technology risks.

Vasarhelyi, Miklos A. , et al. 2012. The acceptance and adoption of continuous auditing by internal auditors: A micro analysis. *International Journal of Accounting Information Systems*, (Volume 13, Issue 3): 267-281.

The umbrella of “advanced technology” covers a range of techniques widely used in the U.S. to provide strategic advantage in a very competitive business environment. There is an enormous amount of information contained within current-generation information systems, some of which is processed on a real-time basis. More importantly, the same holds true for actual business transactions. Having accurate and reliable information is vital and advantageous to businesses, especially in the wake of the recent recession. Therefore, the need for ongoing, timely assurance of information utilizing continuous auditing (CA) and continuous control monitoring (CM) methodologies is becoming more apparent. To that end, we have conducted interviews with 22 internal audit managers and 16 internal audit staff members at 9 leading internal audit organizations to examine the status of technology adoption, to evaluate the development of continuous auditing, and to assess the use of continuous control monitoring. We found that several companies in our study were already involved in some form of continuous auditing or control monitoring while others are attempting to adopt more advanced audit technologies. We also made a large number of surprising observations on managerial, technology training and absorption, and other issues. According to our audit maturity model, all of the companies were classified between the “traditional audit” stage and the “emerging stage,” not having yet reached the “continuous audit” stage. This paper, to our knowledge, is the first to study CA technology adoption in a micro level by an interview approach.

Yip, Rita W. Y., and Danqing Xu Young. Does mandatory IFRS adoption improve information comparability? *The Accounting Review*, Forthcoming. Available at SSRN: <http://ssrn.com/abstract=2044295>.

This study examines whether the mandatory adoption of International Financial Reporting Standards (IFRS) in the European Union significantly improves information comparability in 17 European countries. We employ three proxies – the similarity of accounting functions, the degree of information transfer, and the similarity of the information content of earnings and of the book value of equity – to measure information comparability. Our results suggest that mandatory IFRS adoption improves cross-country information comparability by making similar things look more alike without making different things look less different. Our results also suggest that both accounting convergence and higher quality information under IFRS are the likely drivers of the comparability improvement. In addition, we find some evidence that cross-country comparability improvement is affected by firms' institutional environment.



Outgoing Section President Tony Kang receives a token of appreciation from incoming Section President Stephen Salter.

Thanks, Tony, for all you've done and continue to do for the Section. We appreciate all your efforts!



Scenes from the Annual Meeting in Washington, DC





International Accounting Section
Budget to Actual
October 1, 2011 - May 31, 2012

FUND	Actual Sept. - May	Annual Budget	Difference	Percent Difference	Five Year Actual Sept. - May	Difference	Percent Difference
Members - (\$15 per member)*	\$6,036.41	\$1,000.00	\$5,036.41	503.64%	\$1,150.28	(\$1,150.28)	-115.03%
Members	344.00	500.00	(156.00)	-31.20%	570.00	(\$226.00)	-45.20%
Conventions	1,200.00	1,000.00	200.00	20.00%	1,200.00	(\$200.00)	-16.67%
Registration	3,547.66	3,500.00	47.66	1.36%	3,782.87	(\$235.21)	-6.22%
Meeting	25,170.00	23,500.00	1,670.00	7.11%	26,000.00	(\$830.00)	-3.19%
Meeting	1,700.00	750.00	950.00	126.67%	1,600.00	100.00	13.33%
Meeting	0.00	2,500.00	(2,500.00)	-100.00%	0.00	2,500.00	100.00%
Meeting	333.29	500.00	(166.71)	-33.34%	500.00	166.71	33.34%
Meeting	250.00	100.00	150.00	150.00%	250.00	0.00	0.00%
Meeting	20,000.00	20,000.00	0.00	0.00%	20,000.00	0.00	0.00%
Meeting	285.00	1,200.00	(915.00)	-76.25%	285.00	915.00	76.25%
Total Inflow - Unrestricted Fund	\$8,188.36	\$6,500.00	\$1,688.36	25.97%	\$8,188.36	0.00	0.00%
Outflow	(2,120.00)	(2,500.00)	380.00	15.20%	(2,120.00)	380.00	15.20%
Outflow	0.00	6,500.00	(6,500.00)	-100.00%	0.00	6,500.00	100.00%
Outflow	0.00	1,000.00	(1,000.00)	-100.00%	0.00	1,000.00	100.00%
Outflow	315.55	300.00	15.55	5.18%	315.55	0.00	0.00%
Outflow	495.50	600.00	(104.50)	-17.42%	495.50	104.50	17.42%
Outflow	0.00	750.00	(750.00)	-100.00%	0.00	750.00	100.00%
Outflow	0.00	1,700.00	(1,700.00)	-100.00%	0.00	1,700.00	100.00%
Outflow	(977.93)	5,400.00	(6,377.93)	-117.99%	(977.93)	5,400.00	554.21%



**TREASURER'S REPORT
DELIVERED AT ANNUAL MEETING
BUSINESS MEETING
AUGUST 2012**

International Accounting Section
Proposed Budget 2012 -2013 Budget and Comparison to Prior Year

	2012-2013	2011-2012	Change \$	Change %
	Annual	Annual		
	<u>Budget</u>	<u>Budget</u>		
UNRESTRICTED FUND				
Cash Inflows				
Dues-Full Members - (\$15 per member)*	\$12,000.00	\$14,000.00	(2,000.00)	-14.29%
Dues-Associate Members	500.00	500.00	0.00	0.00%
Journal Submission Fees (\$25 per submission)	1,000.00	1,000.00	0.00	0.00%
Journal Subscriptions	3,500.00	3,500.00	0.00	0.00%
Midyear Meeting Registration	25,000.00	23,100.00	1,900.00	8.23%
CPE-Mid-year meeting	750.00	750.00	0.00	0.00%
CPE-Annual Meeting	2,500.00	2,500.00	0.00	0.00%
Interest Income	5.00	5.00	0.00	0.00%
Royalties	400.00	400.00	0.00	0.00%
Sale of back issues	250.00	100.00	150.00	150.00%
Contributions - Midyear Meeting**	20,000.00	20,000.00	0.00	0.00%
Contributions - Gift Membership (Transfer to Restricted Funds)	500.00	1,000.00	(500.00)	-50.00%
Total Cash Inflow - Unrestricted Fund	66,405.00	66,855.00	(450.00)	-0.67%
Cash Outflows				
Annual Meeting				
Luncheon ticket sales	(6,500.00)	(6,500.00)	0.00	0.00%
Luncheon cost	6,500.00	6,500.00	0.00	0.00%
Luncheon Speaker Expenses	1,000.00	1,000.00	0.00	0.00%
Plaques and Awards	300.00	300.00	0.00	0.00%
Officer Meeting room and refreshments	600.00	600.00	0.00	0.00%
Program Chair: Admin Expenses	750.00	750.00	0.00	0.00%
Phd Travel Support	\$3,750.00	3,750.00	0.00	0.00%
Total Annual Meeting	6,400.00	6,400.00	0.00	0.00
Midyear Meeting				
AAA Staff Support	\$500.00	\$500.00	0.00	0.00%
Hotel-Rooms/Food/Beverage - Doctoral Consortium	15,500.00	15,500.00	0.00	0.00%
Hotel-Rooms/Food/Beverage - Midyear Meeting	15,500.00	15,500.00	0.00	0.00%
Speakers - Doctoral Consortium	1,000.00	1,000.00	0.00	0.00%
Speakers - Midyear Meeting	5,000.00	1,000.00	4,000.00	400.00%
AAA Staff Rooms including coordination office	3,100.00	750.00	2,350.00	313.33%
Meeting AV	7,000.00	7,000.00	0.00	0.00%
Printing and Postage	1,500.00	1,500.00	0.00	0.00%
Awards (Conf Paper)	1,000.00	500.00	500.00	100.00%
Total Midyear Meeting	50,100.00	43,250.00	6,850.00	16%

	2012-2013 Annual Budget	2011-2012 Annual Budget	Change \$	Change %
Website Development/Hosting	500.00	500.00	0.00	0.00%
Awards - Dissertation, Educator, Service	1,500.00	1,350.00	150.00	11.11%
Council Travel	0.00	0.00	0.00	0.00%
President Travel and Administration Expense	2,500.00	2,500.00	0.00	0.00%
Miscellaneous (credit card fees)	2,000.00	2,000.00	0.00	0.00%
Contributions - Gift Membership (Transfer to Restricted Funds)	1,500.00	1,000.00	500.00	50.00%
Total General/Administrative	8,100.00	7,650.00	450.00	6%
Total Cash Outflow - Unrestricted Fund	64,600.00	57,300.00	7,300.00	12.74%
UNRESTRICTED FUND - Net Change in Cash	1,805.00	9,555.00	(7,750.00)	-81.11%
RESTRICTED FUND (JOURNAL) - Net Change in Cash				
Cash Inflows				
Dues-Full Members (\$20 per member)*	\$16,000.00	\$18,660.00	(2,660.00)	-14.26%
Total Cash Inflow - Restricted Fund	16,000.00	18,660.00	(2,660.00)	-14.26%
Cash Outflows				
Editor Expenses and Journal Promotion	\$7,500.00	\$6,000.00	1,500.00	25.00%
JIAR Paper Award	1,000.00	1,000.00	0.00	0.00%
Copying, Printing, Mailing	11,000.00	11,000.00	0.00	0.00%
AAA Staff Support	13,500.00	9,000.00	4,500.00	50.00%
Total Cash Outflow - Restricted Fund	33,000.00	27,000.00	6,000.00	22%
RESTRICTED FUND (JOURNAL) - Net Change in Cash	(\$17,000.00)	(\$8,340.00)	(8,660.00)	-104%
RESTRICTED FUND (IAN HAGUE GIFT MEMBERSHIP FUND)				
Contributions - Gift Membership (Transfer from Restricted Funds)	1,500.00	1,000.00	500.00	50%
Gift Memberships awarded	(1,500.00)	(2,000.00)	500.00	25%
RESTRICTED FUND (IAN HAGUE GIFT MEMBERSHIP FUND) - Net Change in Cash	\$0	(\$1,000.00)	\$0.00	0%
UNRESTRICTED & RESTRICTED CASH INFLOWS	\$83,905.00	\$86,515.00	(2,610.00)	3%
UNRESTRICTED & RESTRICTED CASH OUTFLOWS	\$99,100.00	\$86,300.00	12,800.00	-13%
NET CASH INFLOWS (OUTFLOWS)	(\$15,195.00)	\$215.00	(15,410.00)	7167%

AAA GIFT MEMBERSHIP

Almost half the American Accounting Association's International Accounting Section's (IAS) members live outside the United States, representing 60 countries. The IAS administers the Gift Membership Program to provide sponsored gift AAA memberships to department chairs in universities outside the United States to be selected by the IAS's International Relations Committee or by individual contributors. The gift membership provides accounting departments at these universities with AAA and IAS Section membership, including much-needed access to *The Accounting Review*, *Accounting Horizons*, *Issues in Accounting Education*, *Accounting Education News*, and *Journal of International Accounting Research*.

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