

INTERNATIONAL  
ACCOUNTING SECTION  
of the



*American  
Accounting  
Association*

NO. 79

# FORUM

INTERNATIONAL ACCOUNTING

EDITOR: Jeannie J. Harrington  
*Middle Tennessee State University*

SUMMER 2003

## President's Message

Greetings to all members of the International Accounting Section. As my term draws to a close, I feel even a greater sense of pride and excitement than I felt when I started last year. My term as President afforded me the opportunity to meet and interact with many of our members in different countries. It became quite apparent to me that the uniqueness and strength of our Section emanates from the drive, commitment, and diverse talents of our members. So going forward, I am quite confident that the Section only will grow stronger.



*Ajay Adhikari*

Volunteerism is at the center of what makes our Section tick. From the many members who volunteer to serve as Section Officers, Committee Members, Committee Chairs, and Regional Program Coordinators to the hundreds of individuals who contribute, edit, and review for our Journal, Newsletter, and Conferences; this is truly a big team effort. I would like to thank all those who worked so hard to make this a great year for the Section. As, I am writing, Rob Larson, our incoming President, is busy putting together an outstanding team drawn from the many members who have come forward to volunteer their time and talents on behalf of the Section next year. Thank you all.

We will, of course, cap the year with the upcoming 2003 AAA Annual Meeting at Honolulu, Hawaii. Don Herrmann and the Annual Program Committee have put together an outstanding program. We have already broken several records: record number of papers (87) submitted to the conference, record number of sessions (10) allotted to the Section, and hopefully record attendance by our members. The Section will have 8 paper sessions and 2 panel sessions. With the record number of submissions, the selection process for the paper sessions was highly selective. I can testify to that since one of my papers did not make the cut. One panel session will be on international accounting research, moderated by Hector Perera, Chair of our International Relations Committee. The other panel session is on international accounting education, moderated by Bea Sanders of the AICPA. In addition, Hollis Ashbaugh, Chair of the Continuing Education Committee, has arranged for two international CPE sessions in conjunction with the AAA Annual Meeting. Fred Choi will be offering his timeless seminar on "International Accounting" and Shahrokh Saudagaran will be offering a seminar on, "A User Approach to Teaching International Accounting." One

aspect about the program that members will find particularly appealing is the balanced focus on international accounting education and research.

I invite all members to attend the Section Luncheon on Monday and the Section Business Meeting immediately following the Luncheon on Monday afternoon. The Section is considering many important initiatives and we would like input from as many members as possible. In this year's business meeting, we will be considering several bylaw changes tabled last year as well as some new bylaw changes proposed by the Advisory Board. The proposed bylaw changes can be found elsewhere in this newsletter. We are very fortunate to have dynamic and inspiring Mary Barth, IASB member and Stanford University professor, for our luncheon speaker. Another good reason to attend the Section's luncheon is to learn who will be the recipients of the Section's two prestigious awards. John Wild and the Outstanding International Accounting Dissertation Award Committee, and Steve Salter and the Outstanding International Accounting Educator Award Committee have worked hard to select this year's honorees. Of course, beyond all this, the excellent beaches, snorkeling,

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

surfing, and the many other pleasures beckon us all to Hawaii.

As I reported in the Spring issue of the *Forum*, the Midyear Meeting organized by Nancy Nichols and Donna Street was a resounding success. Nancy and Donna have done an outstanding job of running our Midyear Meetings for several years and as they pass the torch, we hope to build on their work. Under the able guidance of Mahendra Gujarathi, the Section's Regional Coordinators were successful in organizing international accounting sessions at all AAA Regional Meetings. Our heartfelt thanks to Ervin Black, Judy Beckman, Thomas Carnes, Michael Chatham, Victoria Krivogorsky, Mark Myring, and Kingsley Olibe.

The Publications Committee, chaired by Marilyn Zarzeski, had a busy year deliberating and providing guidance on several important initiatives related to the journal and newsletter. We invested significant amount of time and effort in promoting the launch of our new journal. I have received very positive feedback from individuals all over the world regarding our inaugural issue. I have been most impressed by the comments of authors who have submitted manuscripts to the journal and who have spoken of the timely and extensive comments and suggestions they have received from the editor and reviewers on how their manuscripts could be improved. The foundation of the journal has been solidly established and we owe Segun Wallace and his editorial team a major debt of gratitude. From next year, the journal will be moving to two issues per year.

Capitalizing on the launch of the new journal, Mitch McGhee and Stephen Onswah (Membership Committee) have developed a new brochure and launched a membership campaign targeted at members who have left the Section in the past two years. Preliminary results are quite encouraging, but we as a section must continue challenging ourselves to provide value-added services to our members. Tim Sale, our webmaster, is working on giving our website a more visual look. We are hopeful the updated website will be ready to be launched by the Annual Meeting. Norlin Rueschhoff, our historian, continues to update the historical site of the Section on a regular basis.

The Teaching Resources Committee, headed by Cheryl Fulkerson, has successfully developed a searchable database housing international accounting education resource materials that will be linked to the section's website. Unfortunately, only a few members have contributed materials to be posted on the database; I encourage everyone to contribute to the development of this database. Please send in your items to [cfulkerson@utsa.edu](mailto:cfulkerson@utsa.edu).

This year we also made a significant push in improving our services to our members residing outside North America. A special thanks to the International Relations Committee under the leadership of Hector Perera that played a pivotal role in several initiatives: promoting the interests of the Section abroad; promoting the launch of the Section journal; providing suggestions to make the program offerings more attractive to our international members; and arranging an international accounting research panel for the Annual Meeting. I am glad to report that my successor, Rob Larson, intends to expand our outreach efforts to international members even more significantly.

Special thanks are also due to Jeannie Harrington who did an outstanding job in her first year as editor of the *Forum*. We have expanded coverage of *Forum* to include special interest columns. Expanding coverage of the *Forum* results in increased printing and mailing costs. To keep costs under control without sacrificing content, we are considering switching the *Forum* to an exclusive electronic format.

The Nominations Committee, chaired by Teresa Conover, has completed its work and put together an excellent slate of nominees for next year's officers. After approval of the slate at the annual business meeting, Rob Larson will have a very strong Executive Board to lead the Section forward. I have been working closely with Rob to ensure a smooth transition.

Last, I would like to thank the Executive Board for their wonderful support. It has been a great privilege and honor for me to serve as President of the International Accounting Section. I look forward to continuing to serve the Section in the future.

**INTERNATIONAL ACCOUNTING SECTION**

***Forum* Deadlines for 2003/04**

**Fall 2003 Issue — September 1, 2003**

**Spring 2004 Issue — January 15, 2004**

**Summer 2004 Issue — May 31, 2004**

Please submit items via email using a Microsoft® Word format file as an attachment. Submit to Jeannie Harrington at [jharrington@mtsu.edu](mailto:jharrington@mtsu.edu). If sending materials, please send to:

Jeannie Harrington, *Forum* Editor  
Department of Accounting  
PO Box 50  
College of Business  
Middle Tennessee State University  
Murfreesboro, TN 37132  
Phone: (615) 898-2038  
Fax: (615) 898-5839

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# PROPOSED CHANGES TO THE BYLAWS OF THE INTERNATIONAL ACCOUNTING SECTION

(Tabled at the August 2002 Business Meeting; to be considered at the 2003 Business Meeting. Deletions have lines through them; additions are in bold italics.)

## Section IV: OFFICERS

c. Election of Officers: The officers shall be elected at the annual **business** meeting, **held at the AAA Annual Meeting**, by a simple majority of the members present.

Terms in Office and Functions of the Officers

1. President ... c. **To preside at the midyear Section meeting, if one is held;**

i. To appoint Section committees or task forces **and their chairpersons;**

i. **To serve as one of the Section's representatives at the AAA Council meetings.**

3. Secretary ...

a. To send minutes of the meetings to the newsletter editor **and web master** for publication in the newsletter **and on the web page** after the review period has expired.

F. Executive Board - The main duties of the Executive Board shall include:

5. **appointing the web master of the web page.**

## Section VI: COMMITTEES

D. The Publications Committee

1. The committee shall consist of ~~eight~~ **nine** members:

a. four voting members ~~appointed~~ **nominated** by the Nominations Committee for two-year terms. Two new members of the Publications Committee shall be ~~appointed~~ **nominated** by the Nominations Committee each year. **The new members of the Publications Committee shall be elected at the Section's annual business meeting, held at the AAA Annual Meeting, by a simple majority of the members present.**

c. the journal and newsletter editors **and the web master** who will serve as ex-officio, nonvoting members.

## Section VII: NOMINATIONS

A. The Nominations Committee of the Section shall consist of the two most recent past presidents, the chairperson of the Advisory Board, and three other members to be ~~selected~~ **elected** by the membership in the regular election process. The most senior past-president of the Section **on the Nominations Committee** shall chair the committee. Nominations may be submitted to the Nominations Committee by any member of the Section until February 1.

C. The Nominations Committee..

3. Each year two members of the Advisory Board are nominated by the Nominations

Committee for ~~a three year term~~ **three-year terms.**

**b. The Nominations Committee shall contact the members of the Advisory Board who have remaining terms to determine if they will be able to continue their active involvement on the Advisory Board. If an individual cannot continue to serve in an active capacity, the Nominations Committee shall ask the individual to write a letter of resignation. The Committee shall nominate another individual to complete the term.**

## Section IX: PUBLICATIONS

A. The Section shall publish a newsletter three times per year and a journal two times per year in the long run. The printing and mailing of these publications shall be done with the assistance of the administrative office of the AAA in order to minimize expenses. **The Section shall also maintain a current web page.**

B. The Executive Board of the Section shall be responsible for appointing an editor for the Section newsletter.

**4. The newsletter will be published on the Section's web page as well as in printed form.**

**E. The Executive Board of the Section shall be responsible for appointing a web master for the web page.**

**1. The web master is appointed for a three-year term and is eligible to be reappointed for a second three-year term.**

**2. The web master is responsible for the administration and content of the web page.**

**3. The items published on the web page shall include, among others, as appropriate, and on a timely basis:**

**a. the Bylaws, Objectives, and Financial Statements of the Section;**

**b. the minutes of the annual business meeting and Executive Board meetings after they have been reviewed as specified in Section IV.3.c.**

**c. the current and past year's newsletters, and**  
**d. the list of Officers, Committee chairs and members, and committee charges.**

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## Proposed Revisions to the IAS Bylaws *(continued from page 3)*

### Section X: ANNUAL MEETING

A. The Section shall hold an annual **business** meeting, normally in conjunction with the AAA annual conference.

C. All members shall be notified of the annual **business** meeting in advance by an announcement in the summer issue of the newsletter or other appropriate medium, such as direct mail.

**D. Election of officers, Advisory Board members, Nomination Committee members, and Publication Committee members shall take place at the annual business meeting held in conjunction with the AAA annual conference.**

### Section XI: AMENDMENTS

B. Proposed amendments to the Bylaws and Objectives shall be prepared by the Advisory Board and presented to the Executive Board for review **and advice**. Proposed amendments shall be submitted to the membership **by the Advisory Board** prior to the Annual Meeting through an announcement, published in the summer newsletter or other appropriate medium such as direct mail.

C. The members present at the Annual Meeting may approve proposed amendments by a simple majority **vote**.

## NEW PROPOSED BYLAW CHANGES

### Section IX: PUBLICATIONS

**(Section IX. A)** The Section shall publish a newsletter three times per year and a journal two times per year.

**Rationale:** The Executive Committee has endorsed the Publications Committee's recommendation to publish the journal two times per year. To save printing and mailing costs, we are considering going to a strictly electronic format for the newsletter. This will result in considerable savings to the Section.

Section IX: C. 2. c.) appointing an Editorial Review Board. The members of the Editorial Review Board are appointed for a one-year term.

**Rationale:** This rule limits appointment to the editorial review board for a maximum of four years. This will lead to a huge turnover of board members after four years who would be difficult to replace given the limited pool of international accounting researchers. With the proposed change, the editor will have discretion to reappoint board members as long as he/she desires.

## WITHDRAWAL OF PROPOSED BYLAW CHANGE TABLED LAST YEAR

### Section IX: PUBLICATIONS

**(Section IX. B. 4)** The Executive Board of the Section shall be responsible for appointing an editor for the Section Newsletter.

**4. The newsletter will be published on the Section's web page as well as in printed form. [Proposed Bylaw Change Last Year Tabled for Discussion for this Year's Business Meeting.]**

**Rationale:** This was a proposed bylaw change that was tabled last year. The Advisory Board is withdrawing this proposed bylaw change to facilitate moving to a strictly electronic format for the Section's Newsletter.

## EVERYONE!

We still need help creating a searchable database of international accounting syllabi, course reading lists, cases, projects, and assignments/exercises. Send your syllabi and examples of class assignments, projects, and reading lists to Cheryl Fulkerson, Chair of the Teaching Resources Committee.

Email your items to [cfulkerson@utsa.edu](mailto:cfulkerson@utsa.edu) or if you prefer, mail them to Cheryl L. Fulkerson, Department of Accounting, College of Business, The University of Texas at San Antonio, San Antonio, TX 78249-0632

Thank you!

If not indicated in the document, indicate the level at which you have used the syllabi/assignment/reading list/exercise (i.e., undergraduate, master's, Ph.D., or some combination).

**Preliminary Schedule of Activities**  
**INTERNATIONAL ACCOUNTING SECTION**  
**AAA ANNUAL MEETING**  
**HONOLULU, HAWAII • AUGUST 3–6, 2003**

**Sunday, August 3**

**CPE Session 12: 8:30 AM – 4:30 PM**

**Seminar on International Accounting**

Presenter: Frederick D. S. Choi, New York University

**CPE Session 17: 8:00 AM – 12:00 PM**

**A User Approach to Teaching International Accounting**

Presenter: Shahrokh M. Saudagaran, Oklahoma State University

**Monday, August 4**

**10:15 AM – 11:45 AM**

**1.3 Audit and Transparency Issues**

Moderator: Robert Larson, University of Dayton

*Auditor Values for Professional Judgment: A Cross-Cultural Comparison of the U.S. and Taiwan.* Chee W. Chow, San Diego State University; Dawn W. Massey, Fairfield University; Linda Thorne, York University; Anne Wu, National Chengchi University  
*The Effect of Auditing: An Empirical Examination of the Differences between Audited and Nonaudited Financial Reports in China.* Charles J. P. Chen, City University of Hong Kong; Bin Srinidhi, City University of Hong Kong; Xijia Su, City University of Hong Kong

*Transparency of Financial Reporting before and after the Asian Financial Crisis: An Empirical Study of Indonesian Company Practices.* Richard D. Morris, The University of New South Wales; Beauty U. Ho, The University of New South Wales; Sidney J. Gray, The University of New South Wales

Discussant: Burch Kealey, University of Nebraska at Omaha

**2:00 PM – 3:30 PM**

**International Accounting Section Business Meeting**

**4:00 PM – 5:30 PM**

**3.1 Multinational Evidence**

Moderator: Nancy Nichols, James Madison University

*The Role of Non-U.S. Firms' Financial Reporting in International Mergers and Acquisitions.* Hollis Ashbaugh, University of Wisconsin–Madison; Paquita Y. Davis-Friday, University of Notre Dame

*Foreign Currency Translation Gains and Losses and the Valuation of Multinational Firms.* Jing Liu, University of California, Los Angeles

*The Value Relevance of Employee Stock Options: A Cross-Country Comparison.* Adam Bowe, Queensland Investment Corporation; Ping-Sheng Koh, University of Queensland; Irene Tutticci, University of Queensland

Discussant: Lynn Rees, Texas A&M University

**Tuesday, August 5**

**10:15 AM – 11:45 AM**

**4.4 International Accounting Education Panel**

Moderator: Beatrice Sanders, Director, AICPA Academic and Career Development, and U.S. Technical Advisor on Committee

Panelists: Michael Walsh, Director, Association of Chartered and Certified Accountants, and U.K. Technical Advisor on Committee  
Warren Allen, Partner of Ernst & Young, New Zealand, and Chair, IFAC Education Committee

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**International Accounting Section, AAA Annual Meeting**  
**Preliminary Schedule of Activities** (continued from page 5)

**4.14 Earnings Management in Asia**

- Moderator: Jeannie Harrington, Middle Tennessee State University  
*The Effect of Changes in Consolidation Standard on Firm Restructuring Activity: Evidence From Japan.* Michael J. Ferguson, The Chinese University of Hong Kong; David A. Guenther, University of Colorado at Boulder; Danqing X. Young, The Chinese University of Hong Kong  
*Chinese Tango: Government Assisted Earnings Management.* Xiao Chen, Tsinghua University; Chi-Wen Jevons Lee, Tulane University; Jing Li, Hong Kong University of Science and Technology  
*Earnings Forecasts Disclosure Regulation and Earnings Management by IPO Firms to Meet the Forecast Error Threshold.* Bikki Jaggi, Rutgers, The State University of New Jersey; Chen-Lung Chin, National Chung Cheng University; Hsiou-wei William Lin, National Taiwan University; Picheng Phil Lee, Pace University
- Discussant: Roger C. Graham, Oregon State University

**4:00 PM – 5:30 PM**

**6.8 Disclosure Incentives**

- Moderator: Ian Hague, Canadian Accounting Standards Board  
*Analyst Following and the Influence of Disclosure Components, IPOs and Ownership Concentration.* Ole-Kristian Hope, University of Toronto  
*Incentives for and Consequences of Initial Voluntary Asset Write-Downs in the Emerging Chinese Market.* Charles J. P. Chen, City University of Hong Kong; Shimin Chen, University of Louisiana at Lafayette; Xijia Su, City University of Hong Kong; Yuetang Wang, Nanjing University  
*The Determinants and Characteristics of Voluntary Internet-Based Disclosures by Listed Chinese Companies.* Jason Zezhong Xiao, University of Wales Cardiff; He Yang, Renmin University of China; Chee W. Chow, San Diego State University
- Discussant: Amy H. Lau, University of Hong Kong

**Wednesday, August 6**

**10:15 AM – 11:45 AM**

**7.3 International Accounting Research Panel**

- Moderator: Segun Wallace, King Fahd University of Petroleum & Minerals  
Panelists: David Cooper, University of Alberta  
Sidney Gray, The University of New South Wales  
Gary Meek, Oklahoma State University

**Research Forum Papers:**

- The Impact of a Change in Interpretive Slack on the Informativeness of Earnings.* Alan M. Teixeira, The University of Auckland
- Comparing Executive Stock Options and SARs: Stock-Based Compensation and Taxation in Germany.* Leonhard Knoll, University of Würzburg; Dwight M. Owsen, Louisiana State University
- Principles versus Rules-Based Accounting Standards and The Concept of Substance Over Form: The Case of Enron Corp.* C. Richard Baker, University of Massachusetts Dartmouth; Rick Hayes, California State University, Los Angeles
- Using the Study of International Accounting as the Capstone Course for a Major in Professional Accountancy.* Sid R. Ewer, Southwest Missouri State University
- Impairment Tests for Goodwill Instead of Amortization: The Potential Impact on British Companies.* C. Richard Baker, University of Massachusetts Dartmouth; Robert T. Wearing, University of Essex

(continued on page 7)

**International Accounting Section, AAA Annual Meeting**  
**Preliminary Schedule of Activities** (continued from page 6)

*Japanese Corporate Groupings (Keiretsu) and the Characteristics of Analysts' Forecasts.* Edward B Douthett, George Mason University; Kooyul Jung, Korea Advanced Institute of Science and Technology; Wikil Kwak, University of Nebraska at Omaha

*Agency Costs of Corporate Political Affiliations, Management Ownership and Audit Prices.* Ferdinand Gul, City University of Hong Kong; Burch T. Kealey, University of Nebraska at Omaha

*The Life and Death of the Canadian Contingent Gains and Losses Accounting Standards Project.* Brock Dykeman, University College of the Cariboo; Gary Entwistle, University of Saskatchewan

**2:00 PM – 3:30 PM**

**8.11 China**

Moderator: Fouad AlNajjar, Davenport University

*Ownership, Board Structure and Informativeness of Earnings—Evidence from an Emerging Market.* Michael Firth, Hong Kong Polytechnic University; Peter Fung, Hong Kong Polytechnic University; Oliver M. Rui, Hong Kong Polytechnic University  
*Market Performance and Corporate Restructuring of Troubled Firms: An Empirical Analysis of Chinese “Special Treatment” (ST) and “Particular Transfer” (PT) Firms.* Joanna L.Y. Ho, University of California, Irvine; Li-Chin Jennifer Ho, The University of Texas at Arlington; Phyllis Lai-Lan Mo, Hong Kong Polytechnic University  
*Environmental Factors Influencing China’s Accounting Reforms and Standards.* David C. Yang, University of Hawaii at Manoa

Discussant: Obeua Persons, Rider University

**8.12 Research Across National Borders**

Moderator: John Eichenseher, University of Wisconsin–Madison

*Who in the World Is My Peer? Selecting Comparable Firms across National Borders.* Sanjeev Bhojraj, Cornell University; Charles M. C. Lee, Cornell University; David Ng, Cornell University

*Earnings Management by Foreign Firms Preceding Their Listing in US Stock Exchanges.* Andreas G. Charitou, University of Cyprus; Christodoulos Louka, University of Cyprus

*The Financial Performance, Capital Constraints and Financial Reporting Environment of Crosslisted Firms: Evidence from Mexico.* Paquita Y. Davis-Friday, University of Notre Dame; Thomas J. Frecka, University of Notre Dame

Discussant: Tony Kang, Singapore Management University

**Research Forum Papers:**

*Differential Price and Volume Reactions to Contemporaneous Dividend and Earnings Announcements.* Li Jiang, Hong Kong Polytechnic University; Jeong-Bon Kim, Hong Kong Polytechnic University

*The Effects of Voluntary Disclosure, Managerial Ownership, and Proprietary Cost on the Return-Earnings Relationship: Singapore Evidence.* Luo Shuqing, Nanyang Technological University; Mahmud Hossain, Nanyang Technological University; Stephen M. Courtney, Nanyang Technological University

*Post-Earnings-Announcement Stock Returns in Chinese Stock Market: Drift or Reversal?* Jeong-Bon Kim, Hong Kong Polytechnic University; Aini QIU, Hong Kong Polytechnic University

*The Effects of Large Special Charges on Market Liquidity.* Kazuhisa Otagawa, Kobe University

*Market Segmentation and the Value Relevance of Accounting Information: Evidence from the Chinese Stock Market.* Heibatollah Sami, Temple University; Haiyan Zhou, Temple University

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## **CALL FOR NOMINATIONS: INTERNATIONAL ACCOUNTING SECTION OUTSTANDING SERVICE AWARD**

The International Accounting Section is pleased to announce a call for nominations for the Outstanding Service Award. The purpose of the Outstanding Service Award is to recognize an International Accounting Section member who has provided outstanding service to the Section for an extended period of time. To be eligible, the person must have been an International Accounting Section member for at least five years when nominated. The person must have a record of distinguished service as an International Accounting Section committee member and served as a chair of at least one Section committee. The award is a plaque.

The nomination must be made by an International Accounting Section member. The written nomination should include supporting documentation as to why the nominee deserves the award. The nomination should include the following information:

1. Committee service records.
2. Evaluations provided by at least one chairperson of the committees on which the nominee has served. The evaluations may be solicited if necessary.
3. Evaluations provided by at least one International Accounting Section member who has served on at least one International Accounting Section committee chaired by the nominee.

All nominations must be received by October 15, 2003. Complete nominations should be mailed to the following address:

Mark Myring, Chair Section Service Committee, Department of Accounting, College of Business, Ball State University, Muncie, IN 47306

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### **International Accounting Section, AAA Annual Meeting Preliminary Schedule of Activities** *(continued from page 7)*

*Market Liquidity around Quarterly Earnings Announcements: Evidence from Japan.*  
Kazuhisa Otogawa, Kobe University

*The Effect of Accounting Regime Characteristics on the Prediction of Future Cash Flows: An International Comparison.* Joan Hollister, Marist College; Victoria Shoaf, St. John's University in New York; Gregory Tully, Marist College

#### **4:00 PM – 5:30 PM**

##### **9.11 Corporate Governance**

Moderator: Bruce Behn, University of Tennessee

*Governance and Forecast Guidance: International Evidence.* Lawrence D. Brown, Georgia State University; Huong N. Higgins, Worcester Polytechnic Institute

*The Impact of the Legal and Financial Reporting Environments on Individual Analyst Forecast Performance.* R. Ron Barniv, Kent State University; Mark Myring, Ball State University; Wayne B. Thomas, University of Oklahoma

*Investor Protection and Corporate Governance: Evidence from Worldwide CEO Turnover.* Mark L. DeFond, University of Southern California; Mingyi Hung, University of Southern California

Discussant: Heibatollah Sami, Temple University

##### **9.12 Analysts' Forecasts**

Moderator: Erv Black, Brigham Young University

*International Institutional Factors and Analysts' Cash Flow Forecasts.* Mark L. DeFond, University of Southern California; Mingyi Hung, University of Southern California

*Financial Analysts and the Subsidiary Earnings Anomaly.* Don Herrmann, Oregon State University; Tatsuo Inoue, Kwansei Gakuin University; Wayne B. Thomas, University of Oklahoma

*Does Analyst Behavior Explain Market Mispricing of Foreign Earnings for U.S. Multinational Firms?* K. K. Raman, University of North Texas; Inder Khurana, University of Missouri; Raynolde Pereira, University of Missouri

Discussant: Stephen R. Goldberg, Grand Valley State University



## **INTERNATIONAL PAPERS and PRESENTATIONS from 2003 REGIONAL MEETINGS**

We owe a big thanks to the individual regional coordinators, as well as Mahendra Gujarathi, the Chair of the Regional Programs, for such fine international presence at the regional meetings. For copies of papers presented, please contact the individual authors.

### **Mid-Atlantic Regional, Philadelphia, Pennsylvania (April 10–12)**

Section Coordinator: Victoria Krivogorsky, Morgan State University

#### **Papers Presented:**

*International Operations and Accounting Disclosures: An Empirical Study.* David S. Gelb, Seton Hall University

Moderator and Discussant: Mary C. Tichich, University of Wisconsin–River Falls

*U.S. Taxation of Dividends to Foreign Shareholders—An Inequity and a Proposal.* Donald T. Williamson, American University

Moderator: Ade Neidermeyer, West Virginia University

Discussant: H. James Williams, North Carolina Coastal University

*The Endogeneity of Bank Accounting Information Content: Impact of Legal System and Banking Regulations.* Ronald Zhao, Monmouth University

Moderator: Nashwa George, Montclair State University

Discussant: Sylvia Gornik-Tomaszewski, St. John's University

*Are Arm's-Length Prices and Advance Pricing Agreement Programs of Transfer Pricing Similar or Different around the World?* Wagdy M. Abdallah, Seton Hall University

Moderator: Nashwa George, Montclair State University

Discussant: Muroki Mwaura, William Paterson University of New Jersey

*Accounting Valuation Models, Corporate Governance, and Incentives for Financial Analysts in China.* R. Ron Barniv, Kent State University

Moderator: Nashwa George, Montclair State University

Discussant: Zhongxia Ye, Temple University

### **Midwest Regional, St. Louis, Missouri (April 10–12)**

Section Coordinator: Mark J. Myring, Ball State University

#### **Papers Presented:**

*The Relative Value Relevance of Earnings and Book Values for German Firms Using U.S. GAAP and International Accounting Standards.* John White, Elmhurst College; Ervin Black, Brigham Young University

*International Congresses of Accountants: In Need of Much More Scholarship.* Richard Vangermeersch, University of Rhode Island.

Moderator of both papers: Michael F. Foran, University of Michigan–Dearborn

### **Northeast Regional, Stamford, Connecticut (April 24–26)**

Section Coordinator: Judy Beckman, University of Rhode Island

**Panel Session:** *Practitioner Concerns as the FASB Emphasizes Convergence with International Standards*

Panel Participants:

Moderator: Judy Beckman, Ph.D., CPA: Associate Professor of Accounting, University of Rhode Island

Pat Edgar, CPA: Partner, KPMG LLP; Vice President Practice, International Section of the American Accounting Association

John D. Rossi III, M.B.A., CPA: Assistant Professor of Accounting, Moravian College;

Member, Accounting and Auditing Procedures Committee of the Pennsylvania Institute of CPAs

Ed Trott, M.B.A., CPA, CMA: Board Member, Financial Accounting Standards Board

Michael A. Ziebka, CPA: Partner, Budwitz Meyerjack, CPAs, Farmington, Connecticut

#### **Papers Presented:**

*German Reporting Practices in Comparison to U.S. GAAP and IAS.* Judy Beckman, University of Rhode Island

Discussant: Mahendra Gujarathi, Ph.D., CPA, Bentley College

*Determining the Causal Factors in Measuring Harmonization: A Case Study of Public Listed Companies in Queensland.* Betty Chan, Griffith University

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## **International Papers and Presentations from 2003 Regional Meetings**

(continued from page 9)

Discussant: Brigitte Muehlmann, Ph.D., CPA, CMA, CFM, CVA, Bentley College  
*International Congresses of Accountants: In Need of Much More Scholarship.* Richard Vangermeersch,  
University of Rhode Island  
Discussant: Karen Cascini, Ph.D., CPA, Sacred Heart University

### **Ohio Regional, Dublin, Ohio (May 3–5)**

Section Coordinator: Michael D. Chatham, The University of Akron

#### **Plenary Session:**

*The Confrontation of International Accounting Standards*

Steven Zeff, Rice University

#### **Papers Presented:**

*European Accounting Reform: Implementing International Accounting Standards in Bulgaria.* Jeremy Cripps,  
Heidelberg College

*The Information Content of Stock Prices and Earnings of Non-U.S. Firms: A Simultaneous Equations Approach.*  
Pervaiz Alam, Kent State University

*Pricing of Earnings Accruals, and Cash Flows of Non-U.S. Firms.* Pervaiz Alam, Kent State University

Moderator of all three papers: Mike Chatham, The University of Akron

### **Southeast Regional, Charleston, South Carolina (March 27–29)**

Section Coordinator: Kingsley Olibe, Middle Tennessee State University

#### **Papers Presented:**

*International Congresses of Accountants: More Scholarship Needed.* Richard Vangermeersch, University of  
Rhode Island; Dale L. Flesher, University of Mississippi; William D. Samson, The University of Alabama; Gary  
John Previts, Case Western Reserve University

*The Adoption of International Accounting Standards in the U.K.: A Review of Attitudes.* Stella M. Fearnley,  
University of Portsmouth; Tony Hines, University of Portsmouth

Moderator: Paul Mihalek, University of Hartford

*Corporate Social Reporting Practices in India (A Focus on Manufacturing Industry).* Saxena Pravin, Dayalbagh  
Educational Institute; Jayender Verma, Dayalbagh Educational Institute; Sanjeet Kumar, Dayalbagh  
Educational Institute

Moderator: Paul Mihalek, University of Hartford

*Europe and America—Together or Apart: An Empirical Test of Differences in Actual Reported Results.* Philip A.  
Lewis, Northern Kentucky University; Stephen Brian Salter, University of Cincinnati

Moderator: Paul Mihalek, University of Hartford

*Role of Transaction Cost on Financial Performance of Sugar Industry of India.* Pratapsinh Chauhan,  
Saurashtra University

Moderator: Alan K. Styles, College of Charleston

*Does Auditor Switch Affect Discretionary Accruals? The Korean Experience.* Seok Woo Jeong, Korea University;  
Joonwha Rho, Chungnam National University

Moderator: Alan K. Styles, College of Charleston

*The Strategic Fit of IT and Business Performance: Evidence from the Korean Banking Industry.* Lewis F.  
Davidson, Florida International University; Chang-Soo Kim, Chung-Ang University, Korea

Moderator: Alan K. Styles, College of Charleston

*Transfer Pricing Practices and Regulatory Actions in the United States and United Kingdom: A Cross-Country  
Comparison and Analysis.* Rasoul S. Tondkar, Virginia Commonwealth University; Wendy W. Peffley, Virginia  
Commonwealth University

Moderator: Harold Goedde, SUNY at Oneonta

### **Southwest Regional, Houston, Texas (March 5–8)**

Section Coordinator: Thomas A. Carnes, University of Arkansas

#### **Panels Presented:**

*International Accounting Research.* Wayne Thomas, University of Oklahoma

Moderator: Thomas Cairnes, University of Arkansas

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## **International Papers and Presentations from 2003 Regional Meetings**

(continued from page 10)

### **Papers Presented:**

*Internationalization of the CMA and CFM Programs.* Dale L. Flesher, University of Mississippi; Edward P. Metrejean, University of Mississippi

*Operating Performance and Ownership Structure: Accounting Evidence from China (PRC)'s Emerging Marketing.* Chak-Tong Chau, University of Houston–Downtown

*Relative Rankings of Publication Outlets for International Accounting Research.* Michelle Chandler, Texas A&M University; L. Murphy Smith, Texas A&M University

*Management Earnings Forecasts by Multinational Corporations.* Bruce Runyan, Texas A&M University

*Home Country Bias and Foreign Earnings Persistence.* Bruce Runyan, Texas A&M University; L. Murphy Smith, Texas A&M University

### **Western Regional, Breckenridge, Colorado (April 24–26)**

Section Coordinator: Ervin L. Black, Brigham Young University

#### **Papers Presented:**

*Accounting Education and Practice in Thailand: Perceived Problems and Effectiveness of Enhancement Strategies.* Adel Novin, Clayton College and State College; Parporn Akathaporn, Parpatr Institute; Gregory S. Kordecki, Clayton College and State College

*Effect of Cultural Environment and Accounting Regulation on Earnings Manipulation: A Five-Asian-Pacific Country Analysis.* Jenny Teruya, University of Hawaii at Manoa; Liming Guan, University of Hawaii at Manoa; Hamid Pourjalali, University of Hawaii at Manoa; Partha Sengupta, University of Maryland

*Prospects for Sino-U.S. High-Tech Trade under the New Regime.* Richard Hulme, California State Polytechnic University, Pomona

Moderator and Discussant of the above three papers: Ervin Black, Brigham Young University

*An Integrative Process to Document Compliance and Continuous Improvement of Learning Goals under the New AACSB International Standards.* Suzanne Lowensohn, Colorado State University; Lawrence Hudack, Barry University

*Information Content and Functional Fixation of Operating versus Nonoperating Earnings Information PM Financial Statements of Chinese Publicly Traded Companies.* Benjamin Tai, California State University, Fresno; Xing Liu, Chongqing University; Hong Zeng, Chongqing University; Xiaolong Wang, Chongqing University

## **REGIONAL MEETING DEADLINES FOR 2003/04**

Midwest – Kansas City, Missouri (March 25–27, 2004) Deadline: September 28, 2003

Southeast – Lexington, Kentucky (April 1–3, 2004) Deadline: November 1, 2003 with late submissions up to January 10, 2004

Western – Newport Beach, California (April 29–May 1, 2004) Deadline: November 3, 2003

Mid-Atlantic – Washington, D.C. Area (April 15–17, 2004) Deadline: November 15, 2003 with late submissions up to January 15, 2004

Northeast – Albany, New York (April 29–May 1, 2004) Deadline: November 17, 2003

Ohio – Akron, Ohio (May 6–8) Deadline: February 2004

Southwest – Not Available

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## PRELIMINARY CALL FOR PAPERS

# 10th ANNIVERSARY (2004) MIDYEAR CONFERENCE of the International Accounting Section of the American Accounting Association

### ~FUNDING PROVIDED BY THE KPMG FOUNDATION~

1. Houston, Texas - March 4-5, 1995
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6. Tampa, Florida - January 9-10, 2000
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The best international accounting education or curriculum paper submitted to the Midyear Conference will win a \$500 prize, which may be used to offset travel costs. To win the prize, at least one author of the paper must register, attend, and present the paper at the conference. If the winning paper has multiple authors, the prize will be divided evenly among the authors.

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Prof. Judith A. Hora  
School of Business  
University of San Diego  
5998 Alcalá Park  
San Diego, CA 92110-2492  
Phone: (619) 260-4220  
Email: jhora@sandiego.edu

#### **Panels**

Prof. Joseph H. Godwin  
Department of Accounting & Taxation  
Seidman School of Business & Administration  
Grand Valley State University  
401 W. Fulton, 4th Floor  
Grand Rapids, MI 49504-6431  
Phone: (616) 331-7413  
Email: godwinj@gvsu.edu

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**CALL FOR PAPERS**  
**THE INTERNATIONAL ACCOUNTING SECTION**  
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The *Journal of International Accounting Research* publishes articles that increase our understanding of the development and use of international accounting and reporting practices or attempt to improve extant practices. International accounting is broadly interpreted to include the reporting of international economic transactions; the study of differences among practices across countries; the study of interesting institutional and cultural factors that shape practices in a single country but have international implications; and the effect of international accounting practices on users. The *Journal* has a diverse readership and is interested in articles in auditing, financial accounting, managerial accounting, systems, tax, and other specialties within the field of accounting. The *Journal* is open to research using a wide variety of research methods, including empirical-archival, experimental, field studies, and theoretical. The *Journal* may include sections for Notes (shorter articles) and Commentaries. Education articles should be sent to a journal such as *Issues in Accounting Education*.

All manuscripts are sent to two reviewers, although one or more additional reviewers may be consulted in some instances. Reviews will be double-blind (i.e., to both the author and reviewer). A strong effort will be made to complete the initial review within two to three months. The review process is intended to provide constructive comments that improve the quality of manuscripts by focusing on critical issues. The editorial team recognizes that the nuances of a paper are better left to the authors.

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These practices are based on *The Accounting Review*. The primary difference is the acceptability of international standard-size A4 paper and a 150-word abstract. For initial submission, any widely used style is acceptable.

# INTERNATIONAL ACCOUNTING SECTION MEMBERSHIP

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State	Number of Members	Country	Number of Members	Country	Number of Members
Texas	56	Japan	126	Jordan	1
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New York	42	Australia	39	Lebanon	1
Illinois	39	United Kingdom	31	Malta	1
Ohio	33	South Korea	25	Mexico	1
New Jersey	30	Hong Kong	24	Mozambique	1
Florida	24	Germany	14	Nigeria	1
Massachusetts	24	Indonesia	13	Oman	1
Pennsylvania	23	France	12	Pakistan	1
Michigan	21	Spain	12	Panama	1
Virginia	21	Netherlands	11	Puerto Rico	1
Indiana	19	Switzerland	11	Qatar	1
Connecticut	18	New Zealand	9	Syrian Arab Republic	1
North Carolina	16	Belgium	8	Trinidad and Tobago	1
Georgia	15	Egypt	7	Venezuela	1
Oklahoma	13	Taiwan	7	West Indies	1
Washington	13	Finland	6	Yugoslavia	1
Tennessee	11	Ireland	6		
Alabama	10	Portugal	6	<b>Total non-U.S.</b>	
Minnesota	10	Singapore	6	<b>Membership</b>	<b>516</b>
Missouri	10	Sweden	6		
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Utah	8	Norway	4		
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Washington, D.C.	7	Thailand	4		
Louisiana	6	United Arab Emirates	4		
Mississippi	6	Bangladesh	3		
Colorado	5	Greece	3		
Iowa	5	India	3		
Oregon	5	Israel	3		
Arkansas	3	Scotland	3		
Nevada	3	South Africa	3		
Rhode Island	3	Turkey	3		
Kentucky	2	Cyprus	2		
New Hampshire	2	Denmark	2		
Wyoming	2	Malaysia	2		
Kansas	1	Poland	2		
Montana	1	Argentina	1		
West Virginia	1	Chile	1		
Alaska	0	Colombia	1		
Delaware	0	Costa Rica	1		
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<b>Total U.S. Membership</b>	<b>602</b>	Iran	1		

## HAVE YOU SEEN...?

Wayne B. Thomas, University of Oklahoma

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 Wayne Thomas at wthomas@ou.edu.

**Arce, Miguel, and Araceli Mora, "Empirical Evidence of the Effect of European Accounting Differences on the Stock Market Valuation of Earnings and Book Value," *European Accounting Review* (No. 3 Vol. 11, 2002): 573-599.**

Recently, a new dimension has been added to research in accounting harmonization by studying the effects of accounting practices and regulations on share price and return movements. Although there is an agreement of mutual recognition in the European Stock markets of financial statements adapted to the Directives, the differences between the European countries are still great. The objective of this study is to investigate the value relevance of alternative accounting measures (earnings and book value) constructed under different accounting systems in Europe. We investigate the differences in accounting practices through the relationship between earnings and book value, and the stock market value of the firm. The aim of the study is to answer the following three questions: (1) Are there systematic differences in value relevance between earnings and book value across the different European accounting systems? (2) Do book value and earnings convey different information to stock valuation? (3) Are accounting numbers more value-relevant in those countries traditionally orientated to market investors? The sample consists of listed firms from eight European countries (Belgium, France, Germany, Italy, the Netherlands, Switzerland, Spain, and the U.K.). The results obtained could be helpful for the decisions of institutional regulatory bodies since we find evidence of significant differences in the stock market valuation of accounting data not explained by the composition of the sample or macroeconomic factors, but mainly by the differences in reporting philosophies across Europe.

**Baskerville, Rachel F., "Hofstede Never Studied Culture," *Accounting, Organizations and Society* (No. 1 Vol. 28, 2003): 1-14.**

The variety of applications of Geert Hofstede's Culture's Consequences—International Differences in Work-Related Values in accounting research are discussed, and the development of ideas about culture and its quantification by Hofstede, and the theoretical bases for Hofstede's cultural measurements, are examined. It is suggested that the manner in which Hofstede established the dimensions of culture, and the subsequent reification of "culture" as a variable in cross-national studies in accounting research, led to a misleading dependency on cultural indices as an

explanatory variable of differences in accounting practices and behavior. The continuation of accounting research utilizing Hofstede's cultural indices suggests an absence of sufficient consideration for the reasons behind the rejection of such a universalist approach in anthropology and sociology. These reasons include the assumption of equating nation with culture and the difficulty, and limitations on an understanding of culture by means of numeric indices and matrices.

**Bekaert, Geert, and Campbell R. Harvey, "Emerging Markets Finance," *Journal of Empirical Finance* (No. 1-2 Vol. 10, 2003): 3-56.**

Emerging markets have long posed a challenge for finance. Standard models are often ill-suited to deal with the specific circumstances arising in these markets. However, the interest in emerging markets has provided impetus for both the adaptation of current models to new circumstances in these markets and the development of new models. The model of market integration and segmentation is our starting point. Next, we emphasize the distinction between market liberalization and integration. We explore the financial effects of market integration as well as the impact on the real economy. We also consider a host of other issues such as contagion, corporate finance, market microstructure, and stock selection in emerging markets. Apart from surveying the literature, this article contains new results regarding political risk and liberalization, the volatility of capital flows, and the performance of emerging market investments.

**Berger, Philip G., and Rebecca Hann, "The Impact of SFAS No. 131 on Information and Monitoring," *Journal of Accounting Research* (No. 2 Vol. 41, 2003): 163-223.**

We investigate the effect of the FASB's new segment reporting standard on the information and monitoring environment. We compare hand-collected, restated SFAS No. 131 segment data for the final SFAS No. 14 fiscal year to the historical Statement No. 14 data. We find that Statement No. 131 increased the number of reported segments and provided more disaggregated information. Analysts and the market had access to a portion of the new segment information before it was made public, but analyst and market expectations were still altered by the mandated release of the new data. By increasing information disaggregation, the new standard induced firms to reveal previously "hidden" information about their diversification

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## Have You Seen...? (continued from page 15)

strategies. The newly revealed information affected market valuations and led to changes in firm behavior consistent with improved monitoring following adoption of SFAS No. 131.

**Chen, Gong-meng, Michael Firth, and Ning Gao, "The Information Content of Concurrently Announced Earnings, Cash Dividends, and Stock Dividends: An Investigation of the Chinese Stock Market," *Journal of International Financial Management & Accounting* (No. 2 Vol. 13, 2002): 101-124.**

The firms listed on China's stock market are less than ten years old and to date there has been relatively little research on the usefulness of their accounting disclosures for investors. This study focuses on the information content of annual earnings and dividend announcements made by listed Chinese companies. Earnings, cash dividends, and stock dividends are announced concurrently in China and so this allows for tests of their information usefulness and of the interactions between the three signals. Based on a data set of up to 1,232 announcements, we find that unexpected earnings, proxied by earnings changes, are positively related to abnormal returns. Thus, earnings are used by investors in setting market prices. Stock dividends corroborate or attenuate the earnings signal. If the sign of the unexpected stock dividend (increase, decrease) is the same as the sign of the unexpected earnings, then the earnings signal is stronger. If the signs are opposite, the earnings signal is weaker. Unexpected cash dividends have little impact on the earnings signal. Stock dividends have a small association with stock returns. In contrast, cash dividends have no discernible association with stock returns and this is consistent with dividend irrelevance arguments. Our results are robust across a number of sensitivity tests.

**Climent, Francisco, and Vicente Meneu, "Has 1997 Asian Crisis Increased Information Flows between International Markets?" *International Review of Economics and Finance* (No. 1 Vol. 12, 2003): 111-143.**

The Asian crisis started on July 2, 1997 and caused turmoil in developed as well as emerging international stock markets. The objective of this paper is to analyze the effects of the crisis on the relationships of the Southeast Asian stock markets with the stock markets of three geographical areas (Europe, North America, and Latin America). We use the Morgan Stanley national and international indexes (MSCI) for two homogeneous and nonoverlapping time intervals. The econometric techniques used in this paper include the cointegration test, vector autoregression analysis, forecast error variance decomposition (FEVD), and impulse-response relationships. Our results show that: (1) there are no multivariate cointegration relationships across markets; (2) the leadership role played by the U.S. became

stronger after the crisis; (3) the response of Asian markets to external markets is more relevant than vice versa, especially after the crisis; (4) the degree of integration, in Phylaktis [*J. Int. Money Finance*. 10 (1999) 561] sense, between Asian and the rest of the international stock markets has increased after the crisis; and, finally, (5) the contagion effect determines significantly the dynamic relationships between international stock markets.

**Doukas, John A., and Christos Pantzalis, "Geographic Diversification and Agency Costs of Debt of Multinational Firms," *Journal of Corporate Finance* (No. 1 Vol. 9, 2003): 59-92.**

This paper examines the agency conflicts between shareholders and bondholders of multinational and nonmultinational firms and provides an explanation for the puzzle that multinational firms use less long-term debt, but more short-term debt than domestic firms. Using a sample of 6,951 firm-year observations for multinational and domestic firms over the 1988-1994 period, we find that alternative measures of agency costs have statistically significant negative effects on the firm's long-term leverage. The results, however, also show that the negative effects of agency costs of debt on long-term leverage are significantly greater for multinational than nonmultinational firms. It is documented that the effect of the agency costs of debt on leverage are increased by the firm's degree of foreign involvement. The evidence shows that firm's increasing foreign involvement exacerbates agency costs of debt leading to lower (greater) use of long-term (short-term) debt financing. This result is also confirmed using alternative measures of foreign involvement. The evidence is consistent with the view that multinational corporations (MNCs) are susceptible to higher agency costs of debt than domestic corporations because geographic diversity renders active monitoring more difficult and expensive in comparison to domestic firms. The results fail to support the view that MNCs' lower long-term debt ratios are due to the advantages of the internal capital markets.

**Doupnik, Timothy S., and Martin Richter, "Interpretation of Uncertainty Expressions: A Cross-national Study," *Accounting, Organizations and Society* (No. 1 Vol. 28, 2003): 15-35.**

The effect of language-culture and linguistic translation on the interpretation of verbal uncertainty expressions found in International Accounting Standards is investigated. Data are collected from U.S. Certified Public Accountants and German-speaking Wirtschaftsprüfer (chartered or certified accountants) to test three hypotheses. One group of German speakers evaluated uncertainty terms expressed in German and another group in English. The results indicate significant differences in interpretation across the three

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## Have You Seen...? (continued from page 16)

groups. Some differences are attributed to a language-culture effect and others to a translation effect, with the language-culture effect being more pervasive. These results raise the question of whether International Accounting Standards can be applied consistently across language cultures.

**Haniffa, R. M., and Terry E. Cooke, "Culture, Corporate Governance, and Disclosure in Malaysian Corporations," *Abacus* (No. 3 Vol. 38, 2002): 317-349.**

Evidence from research conducted on corporate accounting indicates that the interaction of environmental factors influences disclosure practices. The purpose of this study is to examine the importance of various corporate governance and cultural (race and education) characteristics, in addition to firm-specific factors, as possible determinants of voluntary (nonmandatory accounting and nonaccounting information) disclosures in the annual reports of Malaysian-listed corporations. The results of the regression analysis indicate significant associations (at the 5 percent level) between two corporate governance variables (*viz.*, chair who is a nonexecutive director and domination of family members on boards) and the extent of voluntary disclosure. This finding has implications for corporate governance policy formulation by the Malaysian Institute of Corporate Governance (MISG). One cultural factor (proportion of Malay directors on the board) is significantly associated (at the 5 percent level) with the extent of voluntary disclosure suggesting that governmental focus on culture may solicit a response to secrecy from those who feel threatened.

**Heffers, Ellen M., "FASB and IASB Work toward Converging Global Standards," *Financial Executive* (No. 9 Vol. 18, 2003): 56.**

The Financial Accounting Standards Board and International Accounting Standards Board in October announced a memorandum of understanding, signifying a major step toward formalizing their commitment to converging U.S. and international accounting standards. The agreement follows the decisions reached in September by both boards to add a joint short-term convergence project to their active agendas.

**Holland, David, and Alan Ramsay, "Do Australian Companies Manage Earnings to Meet Simple Earnings Benchmarks?" *Accounting and Finance* (No. 1 Vol. 43, 2003): 41-62.**

Measurement error in unexpected accruals is an important problem for empirical earnings management research. Several recent studies avoid this problem by examining the pooled, cross-sectional distribution of reported earnings. Discontinuities in the distribution of reported earnings around key earnings thresholds may indicate the exercise of management discretion

(i.e., earnings management). We apply this approach to the detection of earnings management by Australian firms. Our results generally indicate significantly more small earnings increases and small profits than expected and conversely, considerably fewer small earnings decreases and small losses than expected. These results are much stronger for larger Australian firms. We undertake an exploratory analysis of alternative explanations for our results and find some evidence consistent with management signaling its inside knowledge about the firm's expected future profitability to smooth earnings, as opposed to "management intent to deceive" as an explanation for our results.

**Holland, Leigh, and Yee Boon Foo, "Differences in Environmental Reporting Practices in the U.K. and the U.S.: The Legal and Regulatory Context," *The British Accounting Review* (No. 1 Vol. 35, 2003): 1-18.**

The paper examines current corporate environmental reporting practices within U.K. and U.S. annual reports and suggests that elements of the legal and regulatory framework of each country that regulate environmental activity, and so influence environmental performance, determine the types of disclosures made. The environmental management context is examined to present an explanation of recent developments and to suggest what influences on reporting practice may be important. Theoretical considerations are examined to establish whether the types of disclosure arising from regulatory pressures demonstrate that accountability exists in the disclosure of environmental information, and to what extent the disclosure discharges the organization's accountability to the users of such information.

**Hora, Judith A., Rasoul H. Tondkar, and Ruth Ann McEwen, "Effect of Foreign GAAP Earnings and Form 20-F Reconciliations on Revisions of Analysts' Forecasts," *The International Journal of Accounting* (No. 1 Vol. 38, 2003): 71-93.**

A controversial area of U.S. securities regulations involves the Securities and Exchange Commission's (SEC) financial reporting requirements for foreign firms, specifically, the necessity of providing a quantitative reconciliation to U.S. GAAP (Form 20-F). The results of earnings-returns research to date indicate that the release of foreign GAAP earnings provides important information. However, the results of earnings-returns studies using reconciled information are mixed. Instead of using an earnings-returns methodology adopted in prior research, this study utilizes analysts' revisions as a market indicator of the effect of information released in foreign GAAP earnings and the reconciled information in Form 20-F. Additionally, the study investigates the influence of four firm-specific variables in the firm's information environment—similarities of

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## Have You Seen...? (continued from page 17)

accounting systems, analyst following, difference between reconciled earnings and foreign GAAP earnings, and dispersion of analysts' expectations—on positive abnormal revision activities of financial analysts at the time of filing Form 20-F. The results indicate that the release of foreign GAAP earnings (at earnings announcement dates) and reconciled information (at the time of filing Form 20-F) contains relevant information as measured by analysts' revisions. Further, variables representing analyst following, change in reconciled earnings, and dispersion of analysts' expectations are significant in explaining the variation observed in positive abnormal revisions.

**Joh, Sung Wook, "Corporate Governance and Firm Profitability: Evidence from Korea before the Economic Crisis," *Journal of Financial Economics* (No. 2 Vol. 68, 2003): 287–322.**

This study examines how ownership structure and conflicts of interest among shareholders under a poor corporate governance system affected firm performance before the crisis. Using 5,829 Korean firms subject to outside auditing during 1993–1997, the paper finds that firms with low ownership concentration show low firm profitability, controlling for firm and industry characteristics. Controlling shareholders expropriated firm resources even when their ownership concentration was small. Firms with a high disparity between control rights and ownership rights showed low profitability. When a business group transferred resources from a subsidiary to another, they were often wasted, suggesting that "tunneling" occurred. In addition, the negative effects of control-ownership disparity and internal capital market inefficiency were stronger in publicly traded firms than in privately held ones.

**Lang, Mark H., Karl V. Lins, and Darius P. Miller, "ADRs, Analysts, and Accuracy: Does Cross Listing in the U.S. Improve a Firm's Information Environment and Increase Market Value?" *Journal of Accounting Research* (No. 2 Vol. 41, 2003): 317–345.**

This paper investigates the relation between cross listing in the U.S. and the information environment of non-U.S. firms. We find that firms that cross list on U.S. exchanges have greater analyst coverage and increased forecast accuracy relative to firms that are not cross listed. A time-series analysis shows that a change in analyst coverage and forecast accuracy occurs around cross listing. We also document that firms that have more analyst coverage and higher forecast accuracy have higher valuations. Further, the change in firm value around cross listing is correlated with changes in analyst following and forecast accuracy, suggesting that cross listing enhances firm value through its effect on the firm's information environment. Our findings support the hypothesis that cross-

listed firms have better information environments, which are associated with higher market valuations.

**Lang, Mark, Jana Smith Raedy, and Michelle Yetman, "How Representative Are Firms That Are Cross Listed in the United States? An Analysis of Accounting Quality," *Journal of Accounting Research* (No. 2, Vol. 41, 2003): 363–386.**

We provide evidence on the characteristics of local-GAAP earnings for firms cross listing on U.S. exchanges relative to a matched sample of foreign firms currently not cross listing in the U.S. to investigate whether U.S. listing is associated with differences in accounting data reported in local markets. We find that cross-listed firms differ in terms of the time-series properties of earnings and accruals, and the degree of association between accounting data and share prices. Cross-listed firms appear to be less aggressive in terms of earnings management, and report accounting data that are more conservative, take account of bad news in a timelier manner, and are more strongly associated with share price. Further, the differences appear to result partially from changes around cross listing and partially from differences in accounting quality prior to listing. We do not observe a similar pattern for firms cross listed on other non-U.S. exchanges or on the U.S. Over-the-Counter market, suggesting a unique quality to cross listing on U.S. exchanges.

**Patel, Sandeep A., Amra Balic, and Liliane Bwakira, "Measuring Transparency and Disclosure at Firm-level in Emerging Markets," *Emerging Markets Review* (No. 4 Vol. 3, 2002): 325–337.**

Transparency and disclosure are integral to corporate governance. In this paper, we use a new dataset to analyze Transparency & Disclosure scores (T&D score) in 19 emerging markets for 354 firms representing 70 percent of S&P/IFCI Index market capitalization over the three years ending in 2000. We analyze differences across countries, economic sectors, and trends over the three years. We find that the Asian emerging markets and South Africa have significantly higher transparency and disclosure compared to the Latin American, Eastern European, and Middle Eastern emerging markets. The gap between the Asian emerging markets and South Africa over other emerging markets has increased over the last three years. We do not find any significant differences in T&D scores among economic sectors. Changes in the T&D scores over the last three years, however, differ by economic sectors for the six markets with the largest investable market capitalization and/or number of observations, *viz.* Brazil, Poland, South Africa, India, Thailand, and Korea. We then study the relationships between T&D scores

(continued on page 19)

## **Have You Seen...?** (continued from page 18)

and cross-holdings for the six emerging markets. For the six markets except Korea, correlation between cross-holdings and T&D scores is negative. For the six markets except South Africa, correlation between price-to-book ratios and T&D scores is positive. We conclude with a discussion on further research.

**Pinto, Jo Ann M., "Equity Valuation in a Changing Institutional Climate: Evidence from Multinational Utilities," *Journal of International Accounting, Auditing and Taxation* (No. 1 Vol. 12, 2003): 23–43.**

The transformation of U.S. utilities from purely domestic to multinational enterprises commenced in 1992 with the passage of The Energy Policy Act (EPAct). In response to the liberalized regulatory climate, 29 U.S. utilities have diversified their holdings through the acquisition of foreign utilities, many of which are located

in emerging market countries. This study analyzes the impact of international diversification on the profitability and valuation of U.S.-based multinational utilities during the years 1996–2000. In order to control for the effects of aggregate economic and regulatory changes, purely domestic utilities are also included in the sample. The empirical tests are conducted utilizing an earnings-and-book value model. Compared to purely domestic utilities, multinational utilities report lower absolute and relative rates of profitability, exhibit higher levels of systematic risk, and trade at higher market-to-book ratios. Taken together, these results suggest investors may be systematically overpricing the equities of U.S.-based multinational utilities. A further finding of this paper is that accounting information explains a lower percentage of the variation in equity prices for multinational utilities relative to their domestic counterparts.

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