

INTERNATIONAL
ACCOUNTING SECTION
of the



American
Accounting
Association

FORUM

INTERNATIONAL ACCOUNTING

NO. 84

Spring 2005

EDITOR: Jeannie J. Harrington
Middle Tennessee State University

PRESIDENT'S MESSAGE

Greetings to all members of the International Accounting Section. I know we've all been busy this year. (For instance, I have flown more than 26,000 miles since January 1.) Much has happened since my last *Forum* letter so I would like to get everyone updated on current year activities and informed on future events.

First, I had the opportunity to give the keynote address at the Seventh International Accounting Conference sponsored by the Indian Accounting Association Research Foundation in Calcutta, India, on January 8 and 9, 2005. My speech was entitled, "Musings on Corporate Governance, Academic Research, and Our Role in Enhancing the Value of our Academic Accounting Profession," and was published in the conference proceedings. I would like to thank Professor Bhabatosh Banerjee of the University of Calcutta and all the delegates and organizers for the wonderful hospitality shown to me. As I said in my closing comments, I arrived as a guest and I left with many friends. Next I have included a short excerpt from that



Bruce Behn

speech:

All of us have to ask ourselves what value we bring to our profession and our professional organizations? In order to understand what value you bring to your customers and your stakeholders, you have to ask yourself the following question: If you, or your organization, were no longer to exist (you were pulled out of whatever value chain you serve in), would your customers or stakeholders feel any pain? For example, if Microsoft suddenly went out of business, I know I would feel a lot of pain. I would have to learn a new software system; I would have to convert old files; my Excel files would no longer communicate with my WORD documents. I would feel a lot of pain. As the President of the International Accounting Section, I had to ask myself this question—if the International Accounting Section did not exist, who would feel the pain and why? Asking our members gave me better insight into what value the IAS section has to its members and what needed to be improved. So I ask each

of you, if your organization or department no longer existed, who would feel the pain and why?

I believe all of us would say that our teaching is valuable—students and employers would feel pain if we didn't teach our accounting classes. In addition, all us would feel pain if India did not develop talented Ph.D. students each year. But what about our professional academic organizations—what value do they bring to their stakeholders? Do they provide networking opportunities through meetings like this? Do they supply publishing outlets or give members opportunities to serve? Answering

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these questions can help organizations prioritize and focus their missions.

Finally, what about our accounting research? If no one published any accounting research, who would care? Would the publishing companies resent losing revenues? Would deans be upset because they would have no external way of evaluating faculty performance, or would the standard-making bodies miss the insights provided by our research? I really want you to think about this a bit—because I think it strategically impacts how and why we exist and it could vary widely across our constituents.

In closing, we all have chosen a wonderful profession no matter where we live in this world. We should all be proud and honored to be accounting academics. We all have many opportunities to use our talents to add value to our universities, professional societies, and academic community at large. I hope you all take advantage of these opportunities every day.

I do believe the IAS adds value to our members because of the commitment and passion of all the volunteers who contribute their time and energy to the Section and because of section members who are passionate about international accounting research and teaching. This value originates from providing networking at conferences, getting young scholars together, maintaining the website, offering the annual meeting, supporting *JIAR* and being an active part of the international accounting community. The benefits were evident in the discussions we had at the IAS Midyear Conference in San Antonio. Membership is vital to the Section, so remember, when registering for the AAA meeting this August, please make sure to renew your membership in the International Accounting Section! Now I will elaborate on the Section's diverse activities.

From all the comments received, it appears that our recently concluded Doctoral/New Faculty Consortium and IAS Midyear Conference held in San Antonio, Texas, on February 3-5 was a resounding success. The Doctoral/New Faculty Consortium had representatives from nine countries and added a lot of vitality to the midyear conference. Most of the concurrent sessions I observed were packed (standing room only) and alive with vibrant discussions. We had 39 participants for the Doctoral/New Faculty Consortium and 132 individuals registered for the midyear conference, which is the largest attendance to date. Here are a couple of comments about the meeting we received from esteemed members of the IAS.

Sid Gray, University of Sydney, stated,

The conference was a great success. Everybody I talked with found it very worthwhile. I found it most informative and stimulating - a good mix of researchers

from across the age range.

Lee Radebaugh, Brigham Young University, added,

Thanks for putting together such a good midyear meeting. I realize how much work they are, and I think everything was as good as it gets.

Again, we could not have done any of this without the generous support of KPMG Foundation and its president, Bernie Milano. I would also like to thank my co-coordinators, Wayne Thomas and Joe Godwin, for all their hard work in organizing the program. I want to express my thanks to everyone who participated in the Doctoral/New Faculty Consortium and Midyear Conference as speakers, presenters, discussants, panelists, and moderators. I realize that significant time, commitment, and resources are required to make these meetings successful—thanks so much. Special thanks to all our invited speakers including Grace Pownall, Holly Ashbaugh, Heidi Vander Bauwhede, Tony Kang, Lee Radebaugh, Jere Francis, Fred Choi, Gary Meek, Tim Doupnik, Sid Gray, Asheq Rahman, Mary Barth, Jim Leisenring, Martin Glaum, Stella Fearnley, Jenifer Minke-Girard, Paul Munter, and Judy Rayburn.

The Section also awarded two doctoral travel scholarships: one to Holger Daske, from J.W. Goethe-Universität Frankfurt am Main for his paper entitled "Economic Benefits of Adopting IFRS or US-GAAP - Have the Expected Costs of Equity Capital Really Decreased?" The other recipient was Florin Vasvari from the University of Toronto for a paper entitled, "The Effects of SFAS 131 Geographic Segment Disclosures on the Valuation of Foreign Earnings" with Ole-Kristian Hope, University of Toronto; Tony Kang, Singapore Management University; and Wayne B. Thomas, University of Oklahoma.

The Section also had several high-quality case submissions. This year's recipients of the IAS Best Case Award were Susan B. Hughes and Matthew Czerwinski from Butler University and Susan Johns from Auckland University of Technology for their case entitled "Accounting for Internally Developed Intangible Assets: A Case Study Based upon Proposed Changes in New Zealand Accounting Practice."

Finally, the *Journal of International Accounting Research* (*JIAR*) Inaugural Best Manuscript Award recipients were Hollis Ashbaugh and Terry D. Warfield (University of Wisconsin-Madison) for the paper entitled, "Audits as a Corporate Governance Mechanism: Evidence from the German Market," from Volume 2, 2003. I would like to thank Mike Kennelley and Lynn Rees and the publications committee for laying the groundwork and selecting a very worthy paper.

The complete midyear program is included in this issue of the Forum and is also on our website. Many of the presenters were gracious enough to let us make their slides available to the section members on the IAS website as well.

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President's Message *(continued from page 2)*

The section leadership wanted to add more value to our members by developing a "members only" area on our website. Dave Senteney is currently working on the logistics of this endeavor, which should be operational soon. Behind this "firewall," we will post Powerpoint presentations and other material from IAS conferences such as the slides from the midyear conference. In addition, we will be putting all our new international accounting teaching resources in this "members only" section. Pat Poli received more than 50 international accounting syllabi from section members which will be placed in this section. Thanks to everyone who submitted these teaching materials.

Paquita Davis-Friday and her committee are putting together a wonderful program for the upcoming 2005 AAA Annual Meeting in San Francisco. Julie Erhardt, the new deputy chief accountant in charge of international issues at the SEC, will be the keynote speaker at the IAS luncheon. Julie will be addressing a number of international accounting and enforcement issues at the SEC. To date, a record number of papers have been submitted and processed by Paquita: 104 manuscripts to be exact. While we have yet to determine the exact number of concurrent sessions we will have, we do know there will be a number of high-quality concurrent sessions. A number of proposed IAS panels are also being finalized. On the front end of the annual meeting, Mark Myring, chair of the continuing education committee, has put together two international accounting CPE sessions. One will be Fred Choi's international accounting workshop and the other an IASB update with Tricia O'Malley and Jim Leisenring. Paquita and Mark are doing a wonderful job and I commend them for their efforts! I hope everyone can make it to the annual meeting, the IAS luncheon, and the IAS business meeting.

Ian Hague's International Relations Committee awarded three AAA gift memberships to the following universities for this coming year: University of Rajshahi, Bangladesh; Marmara Universitisi, Turkey; and Universiti Utara, Malaysia. Again, we will issue more announcements about the gift membership program in upcoming *Forums* and on the website. Please consider giving to this program and help disseminate AAA information to our international community.

On the publications front, Lee Radebaugh is now firmly guiding the *Journal of International Accounting Research (JIAR)*. The next edition should be mailed from the AAA shortly. Lee is always looking for quality manuscripts for *JIAR* and I hope that everyone will make *JIAR* a top choice as an outlet for their international accounting research. Lee is promising quick turnarounds and quality reviews. In addition, Jeannie Harrington, our *Forum* editor, continues to put together a wonderfully informative product. Numerous individuals have complimented Jeannie on how informative this section newsletter is to our membership. I would like to thank everyone who contributes to the *Forum*, especially Jeannie.

Ajay Adhikari is the chair of the nominating committee this year and is assembling a talented slate of nominees that will be voted on at the next business meeting at the AAA annual meeting in San Francisco. Finally, I would like to thank Paul Herz, regional coordinator chair, and Joan Hollister for putting together a platform to make international accounting a more significant part of regional meetings. I think this is a phenomenal avenue for us to disseminate information about international accounting curriculum and research.

I will be in Hong Kong May 16 – May 22 and Singapore from May 22 – May 28 with an Executive MBA group from the University of Tennessee. If schedules permit, I welcome invitations to speak or present a paper at local universities. On the schedule already is a visit to Singapore Management University with Tony Kang.

In closing, I want to thank everyone for all their time and effort. It is truly inspirational to see what can be

accomplished by all the talented and giving members of this Section. Thanks again and best wishes for 2005.
Bruce K. Behn, IAS President



Bruce Behn with Mr. G.P. Agrawal and Professor B.S. Rajpurohit at the Seventh International Accounting Conference sponsored by the Indian Accounting Association Research Foundation in Calcutta, India. Bruce was the headline speaker at the conference recently held on January 8 and 9, 2005.

WHAT DOES THE INTERNATIONAL ACCOUNTING SECTION DO? WHICH COMMITTEES AND POSITIONS ARE INVOLVED?

The International Accounting Section-

Organizes international accounting sessions/panels at AAA Annual and Regional meetings:

- Annual Program Committee
- Regional Programs Committee and Regional Coordinators (one for each AAA region)

Organizes international accounting continuing education seminars at AAA annual and regional meetings:

- Continuing Education Committee

Sponsors and organizes a Midyear Meeting:

- Midyear Meeting Committee

Publishes the newsletter *Forum* and the *Journal of International Accounting Research*:

- *Forum* Editor
- *Journal* Editor
- Publications Committee (oversight role)

Maintains a web site:

- Information Technology Committee (Webmaster)

Makes information available on the web site including:

- Teaching materials (Teaching Resources Committee)
- Data sources (Research Committee)

Recruits new members:

- Membership Committee

Presents awards:

- Outstanding International Accounting Dissertation Award Committee
- Outstanding International Accounting Educator Award Committee
- Outstanding International Accounting Service Award Committee

Cooperates with other organizations (including co-sponsoring conferences outside the U.S.) and solicits AAA gift memberships for developing countries:

- International Relations Committee

Is administered and maintained through:

- Executive Board (President, Vice President-Academic, Vice President- Practice, Secretary, Treasurer, Advisory Board Chair)
 - Advisory Board (responsible for proposing changes to bylaws)
 - Nominations Committee (responsible for nominating executive board members)
 - Section Historian (responsible for preserving the history of the Section)
 - Strategic Planning Committee (responsible for obtaining input from Section membership to develop long-range plan)
-

CALL FOR MEMBERS TO SERVE ON IAS COMMITTEES FOR 2005-2006

Below is a list of IAS committees for the period August 2005 to August 2006. Section members interested in serving on a committee should complete the form and send it to the address below:

Donna L. Street
Professor, Mahrt Chair in Accounting
School of Business Administration
University of Dayton
Dayton, OH 45469-2242
Phone: (937) 229-2461
Fax: (937) 229-2270
Email: donna.street@notes.udayton.edu

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

- Annual Program
- Midyear Meeting
- Continuing Education
- Research
- Teaching Resources
- International Relations
- Information Technology
- Outstanding Dissertation Award
- Outstanding Educator Award
- Outstanding Service Award
- Publications
- Strategic Planning
- Membership: United States
- Membership: Outside U.S. (country: _____)

Regional Programs

- Northeast Region
- Mid-Atlantic Region
- Ohio Region
- Midwest Region
- Southeast Region
- Southwest Region
- Western Region

Name _____

Affiliation _____

Address _____

Phone: _____ Fax: _____

Email: _____

IAS Nominations Slate for 2005-2006

Position	Candidate
Academic Vice-President	Don Herrmann
Treasurer	Cheryl Linthicum
Vice-President Practice	Paul Munter
Nominations Committee	Jeannie Harrington
Nominations Committee	Rasoul Tondkar
Nominations Committee	Abdel Agami
Advisory Committee	Sara York Kenny
Advisory Committee	Gordian Ndubizu
Advisory Committee Chair	Richard Briston
Publications Committee	Somnath Das
Publications Committee	Gyan Chandra

This slate will be voted on at the General Business Meeting on Monday, August 8, 2005, at the AAA Annual Meeting in San Francisco, California.

International Accounting Section *Forum* Deadlines, Suggestions, Comments for 2005/06

Summer 2005 Issue - May 31, 2005

Fall 2005 Issue - September 15, 2005

Spring 2006 Issue – January 31, 2006

As the exclusive publisher of the *Forum* on the website, this allows us the opportunity and freedom to try some different ideas. Any comments and suggestions you have to make the *Forum* more informative and enjoyable are appreciated. Please submit comments and items for publishing via email using a Microsoft Word Times New Roman 11 font format file as an attachment. Submit to Jeannie Harrington at jharrington@mtsu.edu. If sending materials please send to:

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INTERNATIONAL ACCOUNTING SECTION 2004-2005
Midyear Conference Meeting Minutes
Executive Committee
The Menger Hotel, San Antonio, Texas
Friday, February 4, 2005, 8:10-9:30 a.m. (Ballroom C)

In Attendance: Bruce Behn, Donna Street, Don Herrmann, Jenice Prather-Kinsey and Paul Munter

1. Presentation of agenda, comments by the president – Bruce K. Behn
2. Reports and Points of Discussion:
 - a. Finances – Treasurer - Don Herrmann announced the current membership level and presented additional comments about membership. Don announced that the journal is currently costing approximately \$10,000 an issue. Don discussed midyear meeting expenses. Bruce is developing a detailed spreadsheet (with Dee Strahan) to better account for Midyear Conference expenditures. Currently, in addition to the \$20,000 KPMG Foundation contributions, we have approximately \$9,500 in registration fees collected to cover the costs of the midyear program.
 - b. Upcoming Midyear Conference—Donna Street is planning a joint IAS meeting with the Auditing Section in 2006.
3. Other Business.

Regarding the journal:
A suggestion was made to have a group/committee respond to IASB proposals and publish these in the section journal. The AAA policy on publishing responses to IASB proposals must be reviewed. This would be a challenging task as there is only a 60-day comment period. Getting a group together and a response within 60 days may be difficult. The committee would have to be composed of members from many countries. Bruce is going to follow-up on this suggestion and report back at the annual meeting.

Bruce discussed the possibility of starting an international IAS membership travel fund. Maybe the funds could be used to fund people from developing countries to the AAA IAS MidYear Meeting. Maybe start out funding travel for two non-US academics per conference and then increasing that number. Bruce will follow up with Jenice Prather-Kinsey, Ian Hague and Stella Fearnley about this issue. Donna suggested that the section should consider having IAS members travel abroad and conduct accounting research/teaching workshops.

INTERNATIONAL ACCOUNTING SECTION 2004-2005
Midyear Conference Meeting Minutes
Executive Committee, Committee Chairs, Regional Coordinators, & Country Directors
The Menger Hotel, San Antonio, Texas
Friday, February 4, 2005, 9:45 am – 11:15 am (Ballroom C)

In attendance: Ajay Adhikari, Holly Ashbaugh, Bruce Behn, Gary Braun, Stella Fearnley, Paquita Davis-Friday, Joe Godwin, Sid Gray, Ian Hague, Don Herrmann, Paul Herz, Joan Hollister, Paul Munter, Pat Poli, Jenice Prather-Kinsey, Lee Radebaugh, Asheq Rahman, Lynn Rees, Donna Street, and Wayne Thomas

1. Presentation of agenda, comments by the president – Bruce K. Behn
Bruce Behn welcomed everyone to the 11th annual Midyear Meeting
2. Reports and Points of Discussion:
 - a. Finances – Treasurer - Don Herrmann
Currently there are 1,052 members and there were 1,064 members last year at this time. KPMG gives \$20,000 a year: \$10,000 for the Midyear Meeting and \$10,000 for the Doctoral/New Faculty consortium. The journal cost is

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Minutes—Offices and Committee Chairs Meetings

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\$10,000 an issue or \$20,000 a year. All expenses for the journal come from restricted funds. The Newsletter is completed and on line. There are no newsletter costs as most of it is done electronically. We are right on budget.

There was a discussion of the possibility of increasing section fees in a few years; but no motion was made.

b. Midyear Conference Committee – Papers and Cases Program Co-coordinator: Wayne Thomas, Speakers and Panels Program Co-coordinator: Joe Godwin, Doctoral/New Faculty Consortium Co-coordinator: Bruce Behn

There were 52 papers and cases submitted. Many section members volunteered as many reviewers were needed. Wayne expressed appreciation to all people who helped out.

At this Midyear meeting, everything is going as planned. Wayne stated that we probably had about 5 cases and 2 doctoral students will receive award scholarships. Joe Godwin did the panels for the afternoon section including practice and regulatory speakers. For the Doctoral Consortium, Bruce Behn thanked Paul Munter and KPMG for their support for the first annual Doctoral/New Faculty Consortium. Bruce stated that there were 33 participants from 9 different countries represented. The consortium included outstanding speakers: such as Mary Barth and Jere Francis.

c. Annual Program Committee – Chair: Paquita Davis-Friday

The deadline for paper submission was Jan 10. At this time 105 submissions were received. Paquita eliminated one paper and sent it to the teaching section, so there were 104 papers to process. (This is the most papers the section has ever received.) She had 61 reviewers, 42 moderators and 34 discussant volunteers. We will have three panels. The luncheon speaker will be Julie Erhardt of the SEC Deputy Chief Accountant.

Paquita has an amazing committee and they have been very supportive.

It was suggested that submitted papers be made available on the section web page to paid members, but only for those papers for which the authors authorize posting.

d. Continuing Education Committee – Chair: Mark Myring

Mark could not attend but sent Bruce Behn his report. Bruce stated that Fred Choi, Trish O’Mally and Jim Leisenring will do CPE sessions at the upcoming AAA Annual Meeting.

e. Information Technology Committee – Chair: David Senteney

Dave could not attend but sent Bruce Behn his report. Bruce stated that Dave has been very responsive in getting materials updated on the web. Dave is currently working on fixing some of the screen formatting problems.

f. International Relations Committee – Chair: Ian Hague

The status of the Gift Membership Program has been cleaned-up and contributions are up from last year. Ian wants to have three awards and each will include all major AAA journals and the section journal. Ian is targeting more publicity including the website and e-mails. Ian expressed disappointment in that some directors have not responded. Ian desires more members from other jurisdictions.

Stella said that the British Accounting Association (BAA) lists all manuscripts that have been published by faculty at UK universities over the last two years. BAA gives this to the regulators and it’s on BAA’s website. Stella suggested that maybe the section could give this same kind of information about IAS members to the AAA to show what IAS members are publishing. BAA gets money from the regulators and an academic volunteer to collect this information.

Most AAA IAS attendees are from the US but we need to bring in more non-U.S. attendees. It costs more to travel to AAA in August than in February. Maybe we can get firms in the US and UK to bring non-US people to the IAS Midyear Conference. Holly pointed out that we can distinguish ourselves from other sections by bringing in participants from outside the US or maybe having the meeting each 5th year outside of the US. Bruce agreed with this sentiment and encouraged any ideas on how we can involve more of our international members. IAS is an international section; and the comparative advantage for this section is bringing in members from outside the US. Holding a conference outside the states is an interesting idea that has been pursued in the past; but there are some administration issues we would have to clear with the AAA first. Pairing up with organizations such as IAAER or British Accounting Association (BAA) might be a good idea. Ian said that videoconferencing is also a way of getting people from non-US countries involved. Donna said that if we go out of the US, the co-sponsor must take full responsibility for facilities because the AAA will not.

We need to think about where these meetings will be held and with whom. Don made comments regarding the 2007 meeting. Bruce said that we are going to have to talk with potential (continued on page 9)

Minutes—Offices and Committee Chairs Meetings

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co-sponsors two or three years ahead to get this started. Bruce encouraged everyone to forward their suggestions about future midyear conferences.

Country Directors:

Australasia – Hector Perera
Canada – Maurice Gosselin
China -- Kevin Lam
Egypt - Naim A. Hassan El-Sayed
Finland – Harri Seppanen
Hong Kong – Kevin Lam
Japan – Gyung Paik
Korea – Gyung Paik
Malaysia – YF Foo
Singapore – Tony Kang
South Africa – Minga Negash
Spain – Marinilka Kimbro
Turkey – Mine Aksu
United Kingdom – Stella Fearnley

g. Membership Committee – Chair: Holly Ashbaugh

Holly is aggressively recruiting new members to join the IAS section of the AAA. She will be sending as many mailings and e-mails as possible to get folks to join at the time of the annual meeting registration. We need to distinguish ourselves with the IAS section journal, and mission statement.

h. Nominations Committee – Chair: Ajay Adhikari

Deadline for nominations was February 1. There are enough candidates nominated. We need a good unified slate by February 15. The slate of nominees will be presented at the business meeting. The section then votes on the slate of nominees at the annual meeting.

i. Outstanding Dissertation Award Committee – Chair: Asheq Rahman

Asheq desires to extend the deadline for nominations because they did not receive a flurry of dissertations. There were not a lot of international dissertations in 2004. In the future, we want to relax the requirement of a particular year because this is hard to implement abroad. Students sometimes don't know whether their dissertation is officially completed in, for example, 2004 or 2005.

j. Outstanding Educator Award Committee – Chair: Sidney Gray

Sid is actively gathering candidates for this award; five nominations have been submitted.

k. Outstanding Section Service Award Committee - Chair: Gary Braun

The call for nominees was published in the *Forum* and four have been received. The deadline for nominations is February 28.

l. Publications Committee-Chair: Mike Kennelley & Lynn Rees [Chair in 2005-2006].

Mike and Lynn's committee charge was to choose an inaugural best paper award and they have chosen a very deserving paper. It has been published. The committee reviewed the papers and they all ranked the same paper as number one.

Journal – Lee Radebaugh

Lee passed out an activity report: "Form 15" due to the AAA each year. July 1 = 12 manuscripts. One paper was not put into the review process because it was rejected by prior editors. Acceptance rate (20 completed) is 25%. Twelve papers are still in process. Volume 4, No. 1 is in press and Volume 4, No. 2 has three articles already accepted.

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Minutes—Offices and Committee Chairs Meetings

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The editorial board is set up and running. Lee is trying to systemize guidelines for processing manuscripts. This includes trying to get the expertise of each reviewer and developing a database accordingly; trying to shorten the time from when a manuscript is received by the editor and when it is received by the reviewer; and trying to increase the flow of manuscripts to 40-50 a year rather than 20 a year. Lee wants to do more presentations at different meetings. He is looking at having fast track acceptances. For example, processing Midyear and Annual meeting paper acceptances to fast track, but continues to want to be cautious about the acceptance rate. Maybe only target the best international papers at meetings to fast-track for the journal. Paquita said that the reviewer research strengths should be matched well with paper topics. This would be useful in assessing the quality of papers. Holly said we should be developing a high quality section journal, like Auditing. Putting the journal on-line is really great as it gives papers more visibility and increases the readership. Lee is going to work with Paquita on assessing which annual program papers should be targeted for fast tracking. If you spot something that is good, please pass it on to Lee.

Regarding case studies for publication, two possible solutions are:

- 1) Publish one case in each issue
- 2) Have a special case issue, publish four-five cases and have teaching notes presented separately
 - a. may require an external sponsor
 - b. could have a special editor for this issue

Forum – Jeannie Harrington

Jeannie will arrive at the conference by noon today; but in her absence Don took pictures at the Doctoral/New Faculty consortium.

m. Regional Programs Committee – Chair: Paul Herz

Many regions have submission deadline dates in late January, so all information is not yet in.

Regional coordinators and International activity in each region follow:

Mid-Atlantic - Gopal Krishnan – Zero submitted at this time but the reviewer report is not in yet.

Midwest - Kathleen Sinning - One paper accepted.

Northeast - Joan Hollister– Eight papers were submitted; up from two last year.

Ohio - Michael Chatham – Zero submissions but all reviewer reports are not in yet.

Southeast - Jessica Frazier – One panel approved.

Southwest - L. Murphy Smith – Three papers accepted.

Western - Meihua Koo – Three papers are accepted and one is still under review.

n. Section Historian – Norlin Rueschhoff.

The website has been updated for new officers, titles and positions. The Newsletter editors have also been updated.

o. Strategic Planning Committee - Chair: Hao Zhang

Hao could not be here but is working on a SWOT analysis for the section. A preliminary draft has been developed and will be presented at the annual meeting.

p. Teaching and Curriculum (Education) Committee – Chair: Patricia Poli

There was a syllabus request and fifty have been received. Patricia will be posting them on the website very soon. For the midyear meeting we have three panels. Maybe we want to have these databases password protected to limit access to members only and to encourage section membership. The newsletter should probably be password protected also. If this approach is followed, we will likely have newsletter announcements made available to all who view the webpage. Possibly include author meeting section papers on the web site in the password protected area if permitted by the authors. Bruce is going to pursue the idea of password protecting the website with Dave Senteney.

3. Other Business.

a. A hotel adjacent to Universal Studios will likely be the location of the next Midyear meeting. We will need a lot of meeting space. Feedback from the

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Doctoral/New Faculty Consortium will be greatly appreciated in preparing for the 2006 Midyear meeting. Don said that he will get one-page evaluations from attendants at this meeting. Maybe we could have Midyear presenter slides placed on the IAS webpage. Bruce stated he is collecting all the slide presentations and that they will be up on the website shortly. Someone suggested that the section consider having audio recordings of especially the question and answer session available to the membership.

b. Bruce Behn – We are planning a joint Midyear Meeting for 2006 with the Auditing section. Parallel meetings will probably include one half day of joint and one half day of separate plenary sessions; one joint reception and one separate reception. Bruce asked for feedback on additional joint meetings (e.g., with IAAER, Asian Accounting Association, etc.). Some concern was expressed that we might lose our identity if we do everything concurrently with another section of the AAA.

c. Donna Street—Donna outlined the format for the upcoming joint meeting with the Auditing Section Midyear meeting, which is usually in late January.

**12th Anniversary (2006) 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
2. Vancouver, British Columbia, Canada - March 29-30, 1996
3. New Orleans, Louisiana - March 13-15, 1997
4. Chicago, Illinois - April 3-4, 1998
5. Orlando, Florida - January 8-9, 1999
6. Tampa, Florida - January 9-10, 2000
7. Phoenix, Arizona - January 12-13, 2001
8. Fort Lauderdale, Florida - January 11-12, 2002
9. Orlando, Florida - February 7-8, 2003
10. San Diego, CA - January 30-31, 2004
11. San Antonio, TX – February 3-5, 2005
- 12. Los Angeles, CA – January 13-15, 2006**

Doctoral/New Faculty Consortium, January 13-14, 2006

Midyear Meeting, January 14-15, 2006

(Portion of Midyear Meeting to be held jointly with the AAA Auditing Section)

Details coming soon on the IAS Website.

IAS DOCTORAL STUDENT AWARD



Florin P. Vasvari, Ph.D. Candidate in Accounting, University of Toronto, received one of two Doctoral Student Travel Awards to the Doctoral/New Faculty Consortium and Midyear Meeting. Florin received his M.A. in Economics from the University of Toronto, and a B.A. in Economics from the Academy of Economic Studies in Bucharest, Romania. His research interests are in international accounting, valuation models, and disclosure in capital markets. An abstract of the paper he presented with Ole-Kristian Hope, Tony Kang and Wayne Thomas at the 2005 Midyear Meeting is presented below.

Florin P. Vasvari receives one of two doctoral student awards from Wayne Thomas, co-chair of the Midyear Meeting.

THE EFFECTS OF SFAS 131 GEOGRAPHIC SEGMENT DISCLOSURES ON THE VALUATION OF FOREIGN EARNINGS

ABSTRACT

Thomas (1999) documents that investors discount the value of foreign earnings for U.S. multinationals. He conjectures but does not test the possibility that this finding is due to poor disclosure related to foreign operations. In this paper, we investigate whether the market's valuation of foreign earnings is a function of the firm's geographic segment disclosures. Specifically, we examine the effects of (1) the introduction of SFAS 131, (2) the change in the number of geographic segments disclosed, and (3) the inclusion of performance measures in geographic segment disclosures. We find strong evidence that our proxies for increased disclosure are positively associated with the foreign earnings response coefficient (FERC). We further find that increases in the number of geographic segments are incrementally value relevant beyond other SFAS 131 disclosures. Similarly, inclusion of earnings in geographic segment disclosures has an incremental effect on FERC beyond both SFAS 131 per se and a change in the number of geographic segments. In addition, we use the Mishkin (1983) test and find that investors' mispricing of the foreign component of earnings lessens (and in fact disappears) with greater disclosure related to foreign operations. Taken together, our results suggest that the pricing of foreign earnings is associated with important aspects of the firm's information environment.

IAS DOCTORAL STUDENT AWARD



Holger Daske receives one of two doctoral student awards from Wayne Thomas, co-chair of the Midyear Meeting.

Holger Daske, recently awarded Ph.D., Johann Wolfgang Goethe-University, Frankfurt Am Main, Germany, received one of two Doctoral Student Travel Awards to the Doctoral/New Faculty Consortium and Midyear Meeting. Holger currently is a visiting scholar in the Accounting Department of the Wharton School at the University of Pennsylvania. He was a guest researcher at Lancaster University and the University of Wales, Bangor. Holger was the spokesman for the 15 member European Union doctoral education network HARMONICA. He received a diploma in Business Administrations and graduated with honors with majors in Accounting and Controlling, Finance, and Econometrics from Johann Wolfgang Goethe-University. He attended graduate studies at the University of Massachusetts at Amherst, received a Bachelor of Economics from the University of Konstanz, Konstanz, Germany, and graduated from Eichendorff Gymnasium, Eichendorff, Germany, with honors in the Field of History. Holger has

interned at the Deutsche Bank, Investment Banking Division, Mergers & Acquisitions, Frankfurt, Germany; Bertelsmann, Finance and Controlling Department, Shanghai, China; Coopers & Lybrand, Auditing Group, Frankfurt, Germany; and Daimler-Benz Aerospace, Treasury/Finance Department, Munich, Germany. Holger has many working papers and presentations. His research interests include empirical capital market research in accounting, comparative international accounting, earnings management/quality, analyst forecasts, implied cost of capital, and IAS/IFRS. An abstract of the paper he presented at the 2005 Midyear Meeting is presented below.

ECONOMIC BENEFITS OF ADOPTING IFRS OR US-GAAP – HAVE THE EXPECTED COSTS OF EQUITY CAPITAL REALLY DECREASED?

ABSTRACT

The question whether the adoption of International Financial Reporting Standards (IFRS) will result in measurable economic benefits is of special policy relevance not only given the European Union's adoption of IAS/IFRS for listed companies from 2005/2007. In this paper, I investigate the common conjecture that internationally recognized reporting standards (IAS/IFRS or US-GAAP) reduce the cost of capital of adopting firms (e.g. IASB 2002; Levitt 1998). Building on Leuz/Verrecchia (2000), I use a set of German firms which have already adopted such standards, but investigate the potential economic benefits of that reporting strategy by analyzing their expected cost of equity capital utilizing and customizing available implied estimation methods (e.g. Gebhardt/Lee/Swaminathan 2001, Easton 2004). Evidence from a sample of about 13,000 local GAAP, 4,500 IAS/IFRS and 3,000 US-GAAP firm-month observations in the period 1993-2002 fails to document lower expected cost of equity capital and therefore measurable economic benefits for firms applying IAS/IFRS or US-GAAP. Accordingly, I caution to state that reporting under internationally accepted reporting standards, per se, lowers the cost of equity capital of adopting firms.

IAS BEST CASE AWARD

ACCOUNTING FOR INTERNALLY DEVELOPED INTANGIBLE ASSETS: A CASE STUDY BASED UPON PROPOSED CHANGES IN NEW ZEALAND ACCOUNTING PRACTICE

Susan B. Hughes, Butler University
Matthew Czerwinski, Butler University
Susan Johns, Auckland University of Technology

ABSTRACT



Susan B. Hughes receives the IAS Best Case Award from Wayne Thomas, co-chair of the Midyear Meeting.

In May 1999, the New Zealand Financial Reporting Standards Board issued Exposure Draft No. 87 (ED-87), *Accounting for Intangible Assets*. ED-87 is a direct copy of International Accounting Standard (IAS) 38, *Intangible Assets*, issued in 1998. At the time ED-87 was issued, New Zealand had no authoritative standard governing the treatment of intangible assets and goodwill. Its release set off a furor of discussion within the New Zealand business community, standard setters, and business reporters. Although the standard covers the accounting treatment for intangible assets, other than those acquired in a business combination, the negative comments focused on the treatment of internally developed and acquired brands. This case study places students in the role of a recently transplanted U.S. securities analyst, assigned the role of evaluating Lion Nathan Limited and Independent Newspapers Limited, two of the New Zealand domiciled companies that would be significantly affected by the adoption of ED-87.

The case asks students to determine whether the international or New Zealand concept statements support the inclusion of internally developed intangible assets within the balance sheet, and asks them to determine how the companies' financial statements would change if the intangibles were excluded. The case provides excerpts from international and New Zealand authoritative accounting literature and Lion Nathan and Independent Newspapers annual reports to help students with their analyses.

The appropriate reporting treatment for intangible assets, including brands, continues to be debated within the global business community. The New Zealand reporting treatment discussed in the case was influenced by that of the U.K. and Australia. For these reasons, the case has broad applicability within financial accounting courses.

CASE BACKGROUND

During 2004, Susan Hughes spent four months teaching at Auckland University of Technology (AUT) as part of a faculty exchange. Her teaching partner and mentor for the Current Issues in Financial Accounting course was Susan Johns, who had had quite a bit of experience teaching both that course and the International Accounting and Tax course. The two Susans needed to decide on a research paper topic for their current issues classes. Even though the AUT course had recently included "accounting for intangible assets" assignment, Susan Johns kindly deferred to her visiting counterpart who thought the topic would generate interesting papers. The teaching case is a direct outgrowth of all that Susan Hughes learned about accounting for intangibles in New Zealand. Matt Czerwinski, a Butler student, was working for Susan Hughes during the Fall 2004. He became interested in the project because the accounting was so different from that included in U.S. GAAP.

The case was tested in two sections of the accounting principles class at Butler University. During one class period, the students worked through the first four parts of the case in small groups. The vast

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BEST CASE AWARD

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majority reported the case helped them understand that accounting practice varied by country and that determining how various items should be included within the financial statements is more difficult than they believed it would be. A copy of the case can be obtained by emailing Susan Hughes at shughes@butler.edu.

BIOGRAPHIC INFORMATION

Susan Johns, MSocSc (Hons), Dip Comm., Chartered Accountant, is a principal lecturer in the Faculty of Business at Auckland University of Technology. Her research interests are in the areas of international accounting and international accounting standards. Susan is a member of the editorial board of the *Pacific Accounting Review* and is active in the Auckland Branch of the Institute of Chartered Accountants of New Zealand, being a Branch Committee member and Chair of the Education Committee.

Susan Hughes, Ph.D., CPA, is a professor of accounting at Butler University. Her research is currently in the areas of international accounting practice and auditing, and she particularly enjoys developing teaching cases.

Matthew Czerwinski is a senior accounting major at Butler University. Butler University encourages and supports student/faculty collaborative research activities.

INAUGURAL BEST JOURNAL OF INTERNATIONAL ACCOUNTING RESEARCH PAPER AWARD

Hollis Ashbaugh and Terry D. Warfield, both of University of Wisconsin-Madison



AUDITS AS A CORPORATE GOVERNANCE MECHANISM: EVIDENCE FROM THE GERMAN MARKET

ABSTRACT

The purpose of this study is to investigate the corporate governance role of external audits in a setting where companies traditionally rely more on debt than equity capital. We partition the German audit market into two groups: the first group comprises the top two auditors on the basis of market share, which we classify as the dominant auditors, and the other group consists of all other auditors. We predict that a German company's demand for audit services from one of the two groups of auditors is determined by its set of stakeholders. We find a positive relation between German companies' demand for dominant audit suppliers and the variables that we use as proxies for the stakeholder interests of creditors, dispersed shareholders, and foreign suppliers. We also find a negative association between German companies' dominant audit supplier choices and the

Holly Ashbaugh and Terry Warfield receive the Best JIAR Paper Award from Lynn Rees, Chair-Elect of the Publications Committee and former JIAR co-editor..

stakeholder interests of closely held companies. Our results suggest that audits play a corporate governance role conditional on companies' relations with alternative stakeholders.

(The complete manuscript can be found in the *Journal of International Accounting Research*, Volume 2, 2003, pages 1-21.)

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BEST JIAR PAPER AWARD

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BIOGRAPHIC INFO

Hollis (Holly) Ashbaugh-Skaife received her Ph.D. in Accounting from the University of Iowa in 1997 and joined the faculty at the University of Wisconsin-Madison in 1998. She is a CPA and a CMA. She has taught various accounting courses at the undergraduate and masters level and currently teaches the introductory Ph.D. seminar and financial statement analysis. Holly received the 2004 *Mabel W. Chipman Excellence in Teaching Award* and the 2004 *Evening MBA Teaching Excellence Award*. Her research interests include non-U.S. firms' financial reporting choices, elements of the infrastructure that contribute to high-quality financial reporting and market participants' use of financial information. Her research is published in *The Accounting Review*, the *Journal of Accounting Research*, the *Journal of Accounting and Public Policy*, *Accounting Horizons*, *Issues in Accounting Education* and the *Journal of Educational Psychology*.

Holly is the proud mother of five children: Brandon (21) who is a junior at the University of Iowa studying communications, Colleen (20) who is a sophomore at Washington University studying biomedical engineering, Carrie (20) who is a sophomore at the University of Wisconsin studying journalism and advertising, Alyssa (13) who is in seventh grade and loves figure skating, and Isaak (9) who is in third grade and enjoys participating in sports and teasing his older brother, sisters, and mother.

Terry D. Warfield, Associate Professor, University of Wisconsin - Madison received a B.S. and an M.B.A. from Indiana University and a Ph.D. from the University of Iowa. Professor Warfield's area of expertise is financial accounting. Prior to his academic career, Professor Warfield worked for five years in the banking industry and from 1995-1996 he served as the Academic Accounting Fellow in the Office of the Chief Accountant at the U.S. Securities and Exchange Commission in Washington D.C. While on the Staff, he worked on projects related to financial instruments, financial institutions, and helped coordinate a symposium on intangible asset financial reporting.

Professor Warfield's primary research interests concern financial accounting standards and disclosure policies, including the effects of accounting information and disclosures on securities markets. He has published articles in various scholarly and practice-oriented outlets. He has served on the editorial board of *The Accounting Review*, *Accounting Horizons*, and *Issues in Accounting Education* and he has served as a reviewer for many other accounting and business journals. He has served the American Accounting Association on the Financial Accounting Standards Committee of the (Chair 1995-1996), served on the Association Council, Nominations Committee, and is President of the Financial Accounting and Reporting Section (2004-2005).

Professor Warfield teaches intermediate and masters level courses in financial reporting. He has received teaching awards at both the University of Iowa and the University of Wisconsin and he has developed several case studies based on his research for use in accounting classes. These cases and related instructional articles have been published in *Issues in Accounting Education* and the AICPA Professor-Practitioner Case Development Program. Professor Warfield is co-author (with D. Kieso and J. Weygandt) of *Intermediate Accounting*, 11th Edition and *Fundamentals of Intermediate Accounting*.

He is married (Mary) and has three children. He enjoys sports (particularly golf), reading, and travel.

American Accounting Association
The International Accounting Section
Call for Papers for
The Journal of International Accounting Research

Editor:

Lee H. Radebaugh, Brigham Young University

Editorial Policy

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.

Submission Of Manuscripts

1. Manuscripts currently under consideration by another journal or other publisher should not be submitted. At the time of submission, the author must state that the work is not submitted or published elsewhere.
2. To expedite the process, an electronic submission and review process can be employed. To preserve anonymity, place the cover page and the remainder of the document in separate Microsoft® Word or PDF files. In the case of manuscripts reporting on field surveys or experiments, the instrument (e.g., questionnaire, case, interview plan) should also be submitted in a separate file, with the identity of the author(s) deleted. Email the cover page, manuscript, and, if applicable, the instrument as attached files to Lee H. Radebaugh, Editor, at: Lee_Radebaugh@byu.edu. The submission fee is \$25.00 in U.S. funds for members of the AAA International Section, or \$50.00 for others, made payable to the American Accounting Association. The submission fee is nonrefundable. To charge the fee, access the AAA web site at: <https://aaahq.org/AAAforms/journals/jiarsubmit.cfm>. Please indicate in the email that you have charged the fee. Alternatively, the submission fee may be paid by check to the American Accounting Association, and mailed to Lee H. Radebaugh, Editor, *Journal of International Accounting Research*, KPMG Professor, School of Accountancy and Information Systems, Marriott School, Brigham Young University, 516 TNRB, Provo, UT 84602-3068, USA.
3. If electing to submit hard copies, four copies of manuscript should be mailed to Lee Radebaugh at the address above. In the case of manuscripts reporting on field surveys or experiments, four copies of the instrument (e.g., questionnaire, case, interview plan) should be submitted. Information that might identify the author(s) must be deleted from the instrument. The submission fee should be enclosed or charged at the AAA web site (per above).
4. Revised manuscripts must be submitted within 12 months from request; otherwise they will be considered new submissions.

Books for review should be sent to the Book Reviews Editor: Dr. Wayne Thomas, School of Accounting, Price College of Business, University of Oklahoma, 307 W. Brooks # 200, Norman, OK 73019-4004, USA. Scholars interested in reviewing books are requested to forward their names and particular interests to the Book Reviews Editor.

Manuscript Preparation Style

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.

IAAER Reporting Financial Performance Research Program

The International Association for Accounting Education and Research (IAAER), in collaboration with the KPMG and University of Illinois *Business Measurement Research Program*, recently invited research proposals under the Reporting Financial Performance Research Program. The program supports scholarly research directed at informing the IASB's decision process for its project on Reporting Financial Performance. Up to five research grants of \$20,000 (U.S.) each were awarded under this program. In addition, the funded projects will be showcased in three highly visible events involving representatives from the IASB and FASB, as well as renowned accounting researchers. Research teams will publish their findings in the outlet of their choice. The *Journal of Accounting Research* has agreed to provide special "fast-track" reviews for research papers funded under the program that meet its normal standards of publication, and the *Journal of International Financial Management and Accounting* has agreed to offer the option of publication. Funding for this program has been provided by the KPMG and University of Illinois *Business Measurement Research Program* and the KPMG Foundation.

Program Objective

The Reporting Financial Performance (hereafter RFP) Research Program promotes and supports research directed at developing theory and evidence to inform the IASB's decision process for its RFP project. RFP is a joint project of the IASB, the US FASB, and the UK ASB. Additionally, RFP is an active project for several of the IASB's other liaison national standard setting partners. The RFP project is concerned with the presentation of financial performance. The project primarily will result in changes to the format of the income statement and secondarily in changes to the statement of changes in equity and the cash flow statement. As part of the project, Earnings Per Share will also be revisited. More information on the RFP project is available on the IASB's website at www.iasb.org.

Even though the submission deadline for the five research grants has already passed, additional research in this area is appreciated by the FASB and IASB. All research approaches and paradigms are acceptable including modeling, archival, experimental, field analysis applications, and theoretical.

Suggested Research Questions

To inform the decision process of the IASB and its national standard setting partners, research addressing the following (or related) questions is invited as part of the RFP Research Program.

1. Some believe a performance statement, of which the current income statement is one example, should be the primary focus of financial reporting. What should be the role of a performance statement? How should a performance statement complement the other primary financial statements in providing information to users of financial statements?

What does the role of the performance statement imply for the structure of that statement? For example, should the performance statement be in the form of a single statement of comprehensive income?

Should the performance statement contain subtotals (such as net income)? What would be the conceptual or practical basis for creating such subtotals?

Should the performance statement present a single summary performance measure? If so, what should that single measure be? For example, should the measure be a variant of the current EPS number (and if so, how should EPS be calculated)? Alternatively, should the performance statement present several summary performance measures, each prepared for a different kind of financial statement user?

How should the performance statement be articulated with, and supplemented by, the other existing basic financial statements (balance sheet, statement of cash flows, and statement of shareholders' equity)? For example, how should the statement of cash flows be related to the performance statement? Is the direct method for the statement of cash flows preferable to the indirect method, and if so why?

Should other statements (for example, a statement of estimates or a statement of second moments of estimated amounts) be created to supplement the performance statement, and if so what should be their purpose and content? Would there be a difference between disclosures and such supplemental statements? If so what is that difference, and why would it matter to users of financial statements? How should the existing supplemental performance information, such as segmental data, relate to the statement of performance and other possible supplemental statements?

2. What information should be presented in the performance statement?

Are there components of performance that should be separately displayed, and if so why? How would those components be identified and distinguished (examples include

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IAAER Reporting Financial Performance Research Program

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operating versus nonoperating components; recurring versus nonrecurring components)?

In light of the wide variation in business models (e.g., the differences between financial services firms and manufacturers), will one approach to defining components be applicable to all entities? Should management be required to define components on the performance statement using the entity's business model?

How should the costs and benefits of a single standardized approach versus a management approach be balanced? How should the performance statement display the effects of mixed attribute accounting? For example, should performance be shown before and after the effects of remeasurements?

Should unrealized items be displayed separately from realized items, and if so why? Should unrealized items be "recycled" when they are realized?

RFP Program Advisory Committee

Members of the RFP Program Advisory Committee include:

Rashad Abdel-khalik, Professor of Accountancy, Director of the Zimmermann Center, University of Illinois at Urbana-Champaign

Mary E. Barth, IASB Board Member and Atholl McBean Professor of Accounting, Stanford University

Timothy B. Bell, Director, Assurance Research, KPMG, International's Audit & Advisory Services Center

Katherine Schipper, FASB Board Member

Donna L. Street (Program Coordinator), IAAER Vice President of Research and Mahrt Chair in Accounting, University of Dayton

11th Annual International Accounting Section Midyear Conference and Inaugural Doctoral / New Faculty Consortium Sponsored by KPMG The Menger Hotel San Antonio, Texas – February 3 - 5, 2005

DOCTORAL/ NEW FACULTY CONSORTIUM

THURSDAY, FEBRUARY 3, 2005

12:00 p.m. – 1:40 p.m.

Lunch

Welcome Comments, Bruce Behn, University of Tennessee
Speaker, Grace Pownall, Emory University

1:45 p.m. – 3:15 p.m.

Early Career and International Research Perspectives

Panelists: Hollis Ashbaugh, University of Wisconsin – Madison, Heidi Vander Bauwhede, Vlerick Leuven Gent Management School and Katholieke University Leuven, Tony Kang, Singapore Management University

Moderator: Paquita Y. Davis-Friday, University of Notre Dame

3:45 p.m. – 5:15 p.m.

Research Perspectives from an Editorial Role

Panelists: Lee Radebaugh, Brigham Young University, Jere Francis, University of Missouri, Grace Pownall, Emory University, Fred Choi, New York University

Moderator: Finley Graves, University of North Texas



Luncheon Speaker and Panelist Grace Pownall, Emory University

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Doctoral/New Faculty Consortium and Midyear Meeting

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DOCTORAL/ NEW FACULTY CONSORTIUM

FRIDAY, FEBRUARY 4, 2005

8:00 a.m. – 9:30 a.m.

Perspectives on Teaching International Accounting

Panelists: Gary Meek, Oklahoma State University, Tim Douppnik, University of South Carolina, Sidney J. Gray, The University of Sydney, Asheq Rahman, Nanyang Technological University

Moderator: Teri Conover, University of North Texas



*Luncheon Speaker and Panelist
Jim Leisenring, IASB*

9:45 a.m. – 11:15 a.m.

Future of International Accounting Research (IASB Perspective)

Mary Barth, IASB and Stanford University

Moderator: Gary Entwistle, University of Saskatchewan



Midyear Meeting Co-chair Joe Godwin

MIDYEAR MEETING

11:30 a.m. – 1:00 p.m.

Lunch

Welcome Comments, Bruce Behn, University of Tennessee
Doctoral Scholarships and Best Case Award Recipients, Wayne Thomas, University of Oklahoma

Speaker, Jim Leisenring, IASB

1:00 p.m. – 1:05 p.m

Introductory Remarks

Joe Godwin, Grand Valley State University

1:05 p.m. – 1:55 p.m.

Perspective on International Accounting Research

Lee Radebaugh, Brigham Young University, Jere Francis, University of Missouri, Grace Pownall, Emory University

Moderator: Finley Graves, University of North Texas



Perspective on International Accounting Research Panelists Grace Pownall, Jere Francis, and Lee Radebaugh



Panelist and JIAR Editor Lee Radebaugh



Moderator Finley Graves

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Midyear Meeting
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2:00 p.m. – 2:45 p.m.

The Internationalization of U.K., German and European Accounting: Recent Developments.

Prof. Dr. Martin Glaum. Justus-Liebig-Universität Giessen , Stella Fearnley, UK Oversight Board. University of Portsmouth

Moderator: Stephen R. Goldberg, Grand Valley State University



Internationalization of U.K., German and European Accounting Recent Developments Panelists Stella Fearnley and Dr. Martin Glaum



Moderator Stephen Goldberg

3:15 p.m. – 5:00 p.m

Regulators Panel

Jim Leisenring, IASB, Jenifer Minke-Girard, Senior Associate Chief Accountant, United States Securities and Exchange Commission, Paul Munter, Partner, KPMG

Moderator: Paul Munter, Partner, KPMG



Regulators Panelist Jim Leisenring



Regulators Panelist Jenifer Minke-Girard



Regulators Panelist Paul Munter

SATURDAY, FEBRUARY 5, 2005

8:00 a.m. – 9:30 a.m. Breakout Session I

Concurrent Session A

Moderator: Cheryl L. Linthicum, University of Texas – San Antonio

“The Bonding Hypothesis Revisited: Do Cross-Listing Firms Bond to the Improved Disclosure Environment in the United States?”

Ole-Kristian Hope, University of Toronto, Tony Kang, Singapore Management University, and Yoonseok Zang, Singapore Management University

Discussant: Li Li Eng, Oklahoma State University

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Midyear Meeting

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“Shades of Gray: An Empirical Examination of Gray’s (1988) Model of Culture and Income Measurement Practices Using 20-F Data”

Stephen B. Salter, University of Cincinnati and Philip A. Lewis, Northern Kentucky University

Discussant: Sidney J. Gray, University of Sydney

“Disclosure and Auditor Choice by Foreign Registrants in the United States”

Edward B. Douthett, Jr., George Mason University and Jonathan E. Duchac, Wake Forest University

Concurrent Session B

Moderator: Susan B. Hughes, Butler University

“Land Securities Group PLC”

Eddie Riedl, Harvard Business School

“Falcon, Inc.: Performance Evaluation of Foreign Subsidiaries”

Mahendra Gujarathi, Bentley College and Vijay Govindarajan, Dartmouth College

“Enron and Arthur Andersen: The Case of the Crooked E and the Fallen”

A Zafar U. Ahmed, Texas A&M University – Commerce, Gary M. Cunningham, American University of Beirut, and Jean E. Harris, Pennsylvania State University – Harrisburg

Concurrent Session C

Moderator: Richard D. Morris, University of New South Wales

“Implementation of the IAS Regulation by European Companies”

Sylwia Gornik-Tomaszewski, St. John's University and Dr. Eva K. Jermakowicz, University of Southern Indiana

Discussant: Gouranga Ganguli, University of Texas – Pan American

“Economic Benefits of Adopting IFRS or US-GAAP –Have the Expected Costs of Equity Capital Really Decreased?”

Holger Daske, J.W. Goethe-Universität Frankfurt am Main (Doctoral Student Paper)

Discussant: David Alexander, University of Birmingham

“The Informational Effects of Audit Reforms: Evidence from the German Market”

Hollis Ashbaugh, University of Wisconsin – Madison and Joachim Gassen, Ruhr-Universität Bochum

9:45 a.m. – 11:15 a.m. Breakout Session #2

Concurrent Session D

Perspectives on Teaching International Accounting

Gary Meek, Oklahoma State University, Sidney J. Gray, The University of Sydney, and Asheq Rahman, Nanyang Technological University

Moderator: Teri Conover, University of North Texas

Concurrent Session E

Moderator: Haiyan Zhou, University of Texas – Pan American

“The Role of "Other Information" in the Valuation of Foreign Income for U.S. Multinationals”

Ole-Kristian Hope, University of Toronto and Tony Kang, Singapore Management University

Discussant: Steve Goldberg, Grand Valley State University

“International Diversification and Auditor Reporting”

Jayanthi Krishnan, Temple University and Karen McDougal, Temple University (Doctoral Student Paper)

Discussant: Brian Daugherty, University of Texas – San Antonio

“The Effect of Multinationality on Management Earnings Forecasts”

Bruce W. Runyan, Berry College (Doctoral Student Paper) and L. Murphy Smith, Texas A&M University

Discussant: Chima Mbagwu, University of Saskatchewan

Concurrent Session F

Moderator: Gary M. Cunningham, American University of Beirut

“Accounting for Internally Developed Intangible Assets: A Case Study Based upon Proposed Changes in New Zealand Accounting Practice”

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Midyear Meeting

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Susan B. Hughes, Butler University, Matthew Czerwinski, Butler University, and Susan Johns, Auckland University of Technology

“Comparative Study of Annual Reports in an International Accounting Course”

Susan B. Anders, St. Bonaventure University, J. William King, Washington and Lee University, and Kristin M. Hegarty, St. Bonaventure University

“Transactional Distance Theory Applied When Designing an International Accounting Online Course”

Orapin Duangploy, University of Houston-Downtown, Dahli Gray, DeVry University, and Marvin Williams, University of Houston-Downtown

11:30 a.m. – 1:00 p.m.

Lunch

Speaker, Judy Rayburn, Carolyn Anderson Professor of Accounting at the University of Minnesota and President-Elect, American Accounting Association

Inaugural *JIAR* Best Paper Award, Lynn Rees, Texas A&M University



IAS President Bruce Behn



AAA President-Elect Judy Rayburn

1:15 p.m. – 2:45 p.m. Breakout Session III

Concurrent Session G

International Road Trips, Faculty Style Creating and Participating in International Teaching and Work Experiences

John L. Haverty, St. Joseph's University, Stephen B. Salter, University of Cincinnati, and David M. Willis, Illinois Wesleyan University

Moderator: Susan B. Hughes, Butler University



International Teaching Experience Panelists Susan Hughes, Steve Salter, David Willis, and Jack Haverty

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Midyear Meeting

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Concurrent Session H

Moderator: Orapin Duangploy, University of Houston –Downtown

“The Value Relevance of Transparency and Corporate Governance in Malaysia Before and After the Asian Financial Crisis”

Tam Pham and Richard D. Morris, both of University of New South Wales, and Sidney J. Gray, University of Sydney

Discussant: Huong N. Higgins, Worcester Polytechnic Institute

“Compliance with Disclosure Requirements by Some SAARC Countries”

Majidul Islam, Concordia University

Discussant: Asheq Rahman, Nanyang Technological University

“Did the New Chinese Accounting Systems Improve Earnings Quality?”

Lin Zheng, Northeastern Illinois University and Mary S. Stone, University of Alabama

Discussant: Feng Chen, Columbia University

Concurrent Session I

Moderator: Ian Hutchison, Acadia University

“Firm-level Reporting Incentives and Accounting Properties: Stakeholder- Versus Shareholder-Oriented Governance Structures in The Netherlands”

Rick Cuijpers (Doctoral Student Paper), Frank Moers, and Erik Peek, all of Maastricht University

Discussant: Obeua S. Persons, Rider University

“The Importance of Reporting Incentives: Earnings Management in European Private and Public Firms”

David Burgstahler, University of Washington, Luzi Hail, University of Zurich, and Christian Leuz, University of Pennsylvania

Discussant: Robert Larson, University of Dayton

“Corporate Governance, Investor Protection and Earnings Management: An Investigation of UK MBOs”

J. Riley Shaw, The University of Mississippi, Charlotte J. Wright, Oklahoma State University, and Liming Guan, University of Hawaii

Discussant: Sylwia Gornik-Tomaszewski, St. John’s University

3:15 p.m. – 4:45 p.m. Breakout Session IV

Concurrent Session J

Moderator: Gouranga Ganguli, University of Texas – Pan American

“Corporate Ownership Structure and Accuracy and Bias of Mandatory Earnings Forecast: Evidence from Taiwan”

Chen-Lung Chin, National Chengchi University, Gary Kleinman, Kean University, Picheng Phil Lee, Pace University, and Mei-Feng Lin, National Taiwan University

Discussant: Haiyan Zhou, University of Texas – Pan American

“A Survey of Management Accounting Practices in South Africa”

Nelson M. Waweru, United States International University, Zahirul Hoque, Charles Darwin University, and Uliana Enrico, University of Cape Town

Discussant: Stephen B. Salter, University of Cincinnati

“Recognized Intangible Assets and Analyst Coverage: The Role of Recognition Criteria”

Li Li Eng, Oklahoma State University and Ping-Sheng Koh, The University of Queensland

Concurrent Session K

Moderator: Jenice Prather-Kinsey, University of Missouri

“The Effects of SFAS 131 Geographic Segment Disclosures on the Valuation of Foreign Earnings”

Ole-Kristian Hope, University of Toronto, Tony Kang, Singapore Management University, Wayne B. Thomas, University of Oklahoma and Florin Vasvari, University of Toronto (Doctoral Student Paper)

Discussant: Glyn Winterbotham, University of Oklahoma

“The Effect of Leverage on Voluntary Disclosures and Transparency: A Test in an International Setting”

Donal Byard, Masako Darrough, and Jimmy Ye, all of Baruch College – CUNY

Discussant: Hollis Ashbaugh, University of Wisconsin – Madison

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Midyear Meeting

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“Price Informativeness, Liquidity Effects and Predictive Ability of Online Corporate Disclosure”
Asheq Rahman, Nanyang Technological University and Roger Debreceeny, University of Hawaii
Discussant: Don Herrmann, Baylor University

Concurrent Session L

Fun in the Classroom: A Need for Active Learning Techniques

Paul Mihalek, University of Hartford

Moderator: Patricia M. Poli, Fairfield University

5:30 p.m.-7:30 p.m.

Closing Reception Honoring Past Presidents (Chairs)



The AAA International Accounting Section would like to thank all of our past Presidents (Chairs) for their service to the section. The following past section Presidents (Chairs) were in attendance at the Saturday evening reception: Row 1 (left to right) Teresa Conover, 2000-01, Gary Meek, 1989-90, Juan Rivera, 1992-93, and Norlin Rueschhoff, 1980-81. Row 2 (left to right) Robert Larson, 2003-04, Ajay Adhikari, 2002-03, Tim Doupnik, 1999-2000, and Finley Graves, 1996-97. Also in attendance at this year's conference were Past Chairs Lee Radebaugh, 1978-79 and Fred Choi, 1993-94.

IAS PAST PRESIDENTS (CHAIRS)

ADDITIONAL SCENES FROM THE MIDEAR MEETING



ADDITIONAL SCENES FROM THE MIDYEAR MEETING



Thanks so much to co-chairs Joe Godwin and Wayne Thomas for such a wonderful Doctoral/ New Faculty Consortium and Midyear Meeting!

Doctoral/New Faculty Consortium Participants

Susan Albring, First Year, University of South Florida-Tampa, USA
Kriengkrai Boonlert-U-Thai, Ph.D. Student, Oklahoma State University, USA
Monika Causholli, Ph.D. Student, University of Florida, USA
Feng Chen, Ph.D. Student, Columbia University, USA
Rick Cuijpers, Ph.D. Student, Maastricht University, The Netherlands
Holger Daske, Ph.D., Goethe University, Germany
Brian Daugherty, Ph.D. Student, University of Texas– San Antonio, USA
Lance Fisher, Ph.D. Student, University of Arizona, USA
Giorgio Gotti, Ph.D. Student, University of Tennessee, USA
Thomas Hansen, Ph.D. Student, Emory University, USA
Shirley Hunter, First Year, , Tufts University, USA
Ian Hutchinson, First Year, Acadia University, Canada
Jing Lin, Ph.D. Student, University of Tennessee, USA
Alexsandro Broedel Lopes, ABD, Fundacao Getulio Vargas, Brazil
Katherine Lopez, Ph. D. Student, University of Texas—San Antonio, USA
Chima Mbagwu, Ph.D. Student, University of Saskatchewan, Canada
Karen McDougal, Ph.D. Student, Temple University, USA
Steven Orpurt, First Year, Singapore Management University, Singapore
Kathy Otero, Ph.D. Student, University of Texas-El Paso, USA
Songlan Peng, First Year, York University, Canada
Julie Persellin, Ph. D. Student, University of Texas—San Antonio, USA
Rachna Prakash, Ph.D. Student, Emory University, USA
Ramon Rodriguez, Ph. D. Student, University of Texas—San Antonio, USA
Elizabeth Rossen, Ph.D. Student, University of Oslo, Norway
Curtis Ruder, Ph. D. Student, University of Texas—San Antonio, USA
Bruce Runyan, ABD, Berry College, USA
Amal Said, Second Year, University of Toledo, USA
Paul San Miguel, Ph. D. Student, University of Texas—San Antonio, USA
Juan Manuel Sanchez, Ph. D. Student, University of Texas—San Antonio, USA
Min-Yen Tan, Ph.D. Student, Emory University, USA
Wayne Tervo, Ph.D. Student, University of Texas-San Antonio, USA
Cynthia Tollerson, Ph.D. Student, University of Houston, USA
George Tsakumis, Second Year, Drexel University, USA
Florin Vasvari, Ph.D. Student, University of Toronto, Canada
Nelson Waweru, Second Year, U.S. International University-Africa, Kenya
Glyn Winterbotham, Ph.D. Student, University of Oklahoma, USA
Grace Wu, Ph.D. Student, Argosy University, USA
Lin Zheng, Second Year, Northeastern Illinois University, USA
Haiyan Zhou, Second Year, University of Texas-Pan American, USA

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.

Barrett, Michael, David J. Cooper, and Karim Jamal, "Globalization and the Coordinating of Work in Multinational Audits," *Accounting, Organizations and Society* (No. 1 Vol. 30, 2005): 1-24.

This paper examines how the processes of coordinating a multinational audit impacts, and is affected by, the structuration of globalization. Using a detailed field study of an audit involving multiple locations, we argue that the coordination of work in multinational firms links the local and the global in a dialectical manner. In particular, we analyze the relationship between the global and the local through an examination of two key coordinating mechanisms used by audit firms—inter-office instructions and the firm's risk based audit methodology. In so doing, we discuss the local appropriation of global systems, as well as the importance of trust and professional identity in the coordination and management of the multisite audit. Our study suggests two key globalizing tendencies associated with reflexivity in audit—the increased risk of litigation and the commercialization of the audit industry. These changes are intimately linked at the work practice level to changes in documentation, new technologies and methodologies, and a diversification in business advisory services requiring new skills and client relationships. We discuss the implications of these changes for the future of auditing, audit work and large audit firms.

Callen, Jeffrey L., Ole-Kristian Hope, and Dan Segal, "Domestic and Foreign Earnings, Stock Return Variability, and the Impact of Investor Sophistication," *Journal of Accounting Research* (Forthcoming).

This paper examines the importance of foreign earnings relative to domestic earnings for a sample of U.S. multinationals using variance decomposition. Our methodology represents an alternative and complementary approach over the prior literature, which is based on traditional regressions and earnings response coefficients. We document that domestic earnings are more important in explaining the variance of unexpected

returns than foreign earnings and that the relative importance of domestic earnings is a decreasing function of investor sophistication. Last, we classify institutional investors as either short- or long-term oriented following Bushee (1998). We find that the variance contribution of foreign earnings increases with the level of investment by long-term investors. In contrast, there is no significant relation between the degree of ownership by short-term (or transient) investors and the variance contribution of domestic and foreign earnings. Overall, our results are consistent with Thomas' (1999) finding that investors on average underestimate the persistence of foreign earnings.

Chan, K. Hung, and Agnes W.Y. Lo, "The Influence of Management Perception of Environmental Variables on the Choice of International Transfer-pricing Methods," *The International Journal of Accounting* (No. 1 Vol. 39, 2004): 93-110.

In this paper, we provide an empirical study of the association between the management's perception of the importance of environmental variables and their choice of international transfer pricing methods in the context of a developing economy. Given the sizable investment flowing to developing countries and the amount of economic exchange that occurs through foreign investment in these countries, we believe this is a significant issue. For this study, we collected the data from field interviews with the management of large foreign investment enterprises (FIEs) in China. These FIEs include mainly investors from the United States, Japan, and Europe. Our evidence indicates that the more important management perceives the interests of local partners and the maintenance of a good relationship with host government to be, the more likely that the FIE will use a market-based transfer pricing method. On the other hand, the more important the management perceives foreign exchange controls in transfer-pricing decisions, the more likely the FIE will choose a cost-based method. Finally, there is a moderate agreement between U.S. and non-U.S. FIEs on the relative importance of the environmental variables.

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Have You Seen.....? (continued from page 28)

Emmanuel, Clive, and Neil Garrod, “Rules- Versus Judgement-based Accounting Disclosure in the UK,” *Journal of Accounting and Public Policy* (No. 6 Vol. 23, 2004): 441-455.

In the wake of recent corporate debacles, considerable debate has ensued on the relative merits of rules-based versus judgement-based accounting disclosure. This note contributes to the debate by examining disclosure practices in the UK where a well-established regulatory framework nevertheless upholds the right of corporate managers to exercise discretion. A specific template is developed to examine simultaneously the content of the segment report and the operating and financial review (OFR) to detect disclosure patterns. The findings indicate that companies which provide the fullest and most relevant segment reports provide less voluntary additional disclosure in the OFR than those companies that, superficially, provide less extensive disclosure in their segment reports. It is unclear, therefore, that changes to more rules-based disclosure regimes will automatically lead to an increase in the level of overall disclosure.

Geogiou, George, and Clare B. Roberts, “Corporate Lobbying in the UK: An Analysis of Attitudes Towards the ASB's 1995 Deferred Taxation Proposals,” *The British Accounting Review* (No. 4 Vol. 36, 2004):

This paper models corporate lobbying behaviour with respect to the ASB's 1995 discussion paper on deferred taxation. The study makes improvements to the methodology applied in prior studies. It expands the definition of lobbying beyond the submission of comment letters. It extends the analysis to control for past lobbying behaviour. It uses multinomial logistic regression to consider those companies lobbying in favour, those lobbying against, and those that did not lobby. The findings suggest that size and past lobbying behaviour are key determinants of the decision to lobby. In addition, companies that lobbied against the proposals were more likely to have debt covenants than were those that lobbied in favour. Debt covenants, however, did not explain the difference between non-lobbyists and lobbyists against. Companies that lobbied in favour were more likely to experience incentive compensation effects than were those that lobbied against. There was some evidence of the influence of US listing.

Gray, Sidney, and Kenth Skogsvik, “Voluntary Disclosures of Quoted Pharmaceutical Companies in Sweden and the UK: The Development Over the Period 1984-98,” *European Accounting Review* (No. 4, Vol. 13, 2004): 787-805.

The disclosure behaviour for a sample of quoted Swedish and UK pharmaceutical companies is investigated in the paper. The sample consists of three Swedish (Astra, Gambro and Pharmacia) and three UK (Glaxo, SmithKline Beecham and Wellcome) pharmaceutical companies, whose annual financial reports have been studied over the fifteen year period 1984-98. The results show that the companies in both countries consistently have provided voluntary disclosures relevant for the assessment of competitive advantages, in particular with regard to research and development activities. Disclosures concerning business growth, dividend policy and earnings persistence, have been more prevalent among the Swedish companies, indicating a stronger concern about stock markets investors. Voluntary segmental disclosures have been similar over time, with a reluctance to disclose line-of-business and geographical segment profits. Finally, voluntary disclosures explicitly indicating any accounting measurement biases have been rare.

Gul, Ferdinand A., and Sidney Leung, “Board Leadership, Outside Directors’ Expertise and Voluntary Corporate Disclosures,” *Journal of Accounting and Public Policy* (No. 5 Vol. 23, 2004): 351-379.

This study examines the linkages between board leadership structure in terms of CEO duality (CEOs who jointly serve as board chairs), the proportion of expert outside directors on the board (PENEDs) and voluntary corporate disclosures. Regression analyses of observations from 385 Hong Kong companies show that CEO duality is associated with lower levels of voluntary corporate disclosures. However, the negative CEO duality/voluntary disclosure association is weaker for firms with higher PENEDs suggesting that the expertise of non-executive directors (NEDs) moderates the CEO duality/corporate disclosures relationship.

Hora, Judith A., Rasoul H. Tondkar, and Ruth Ann McEwen, “Does Trading Volume Detect Information Content in Earnings Reconciliations of Foreign Firms?” *Journal of International Accounting, Auditing and Taxation* (No. 2 Vol. 13, 2004): 71-87.

Currently, foreign firms trading securities on U.S. markets provide periodically a quantitative reconciliation of selected financial data consistent with U.S. GAAP (hereafter referred to as reconciled information) in Form 20-F. The SEC is examining whether users believe that this

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reconciliation process provides additional information above that provided by the foreign GAAP earning announcement and whether this incremental information enhances usefulness for market participants. We examine whether the reconciliation affects a primary indicator of information usefulness: the trading volume of capital markets participants. We use a regression model to examine the relation between a measure of abnormal trading volume and four firm-specific variables in the firm's information environment: similarities of accounting systems, analyst following, difference between reconciled earnings and foreign GAAP earnings, and dispersion of analysts' expectations. We find a significant relation between abnormal volume and the reconciled earnings number and between abnormal volume and the dispersion of analysts forecasts. Our findings suggest that market participants may use the 20-F reconciliation in trading decisions.

Jamal, Karim, Michael Shane Maier, and Shyam Nmi Sunder, "Enforced Standards Versus Evolution by General Acceptance: A Comparative Study of E-Commerce Privacy Disclosure and Practice in the U.S. and the U.K.," *Journal of Accounting Research* (Forthcoming).

We present data on privacy practices in e-commerce under the European Union's (EU's) formal regulatory regime prevailing in the United Kingdom (U.K.), and compare it to the data from a previous study of United States (U.S.) practices that evolved in the absence of government laws or enforcement. The codification by the EU law, and the enforcement by the U.K. government, improves neither the disclosure nor the practice of e-commerce privacy relative to the U.S. Regulation in the U.K. also appears to stifle development of a market for web assurance services. Both U.S. and U.K. consumers continue to be vulnerable to a small number of e-commerce websites who spam their customers, ignoring the latter's expressed or implied preferences. These results raise important questions about finding a balance between enforced standards and conventions in the domain of financial reporting. In the second half of the twentieth century, financial reporting has been characterized by a preference for legislated standards, and a lack of faith in its evolution as a body of social conventions. Evidence on whether this faith in standards over conventions is justified remains to be marshaled.

Koedijk, Kees G., Mathis A. Van Dijk, "The Cost of Capital of Cross-listed Firms," *European Financial Management* (Vol. 10, 2004): 465-486.

This paper analyses the cost of capital of firms with foreign equity listings. Our purpose is to shed light on the question whether international and domestic asset pricing models yield a different estimate of the cost of capital for crosslisted stocks. We distinguish between (i) the multifactor ICAPM of Solnik (1979) and Sercu (1980) including both the global market portfolio and exchange rate risk premia and (ii) the single factor domestic CAPM. We test for the significance of the cost of capital differential in a sample of 336 cross-listed stocks from nine countries in the period 1980-99. Our hypothesis is that the cost of capital differential is substantial for firms with international listings, as these are often large multinationals with a strong international orientation. We find that the asset pricing models yield a significantly different estimate of the cost of capital for only 12% of the cross-listed companies. The size of the cost of capital differential is around 50 basis points for the US, 80 basis points for the UK and 100 basis points for France.

Larson, Robert K., and Donna L. Street, "Convergence with IFRS in an Expanding Europe: Progress and Obstacles Identified by Large Accounting Firms' Survey," *Journal of International Accounting, Auditing and Taxation* (No. 2 Vol. 13, 2004): 89-119.

The International Accounting Standards Board (IASB) acquired greater legitimacy and stature when the European Union (EU) decided to require all listed companies to prepare consolidated accounts based on International Financial Reporting Standards (IFRS) beginning in 2005. This study examines the progress and perceived impediments to convergence in 17 European countries directly affected by the EU's decision. These include: (1) the 10 new EU member countries, (2) EU candidate countries, (3) European Economic Area (EEA) countries, and (4) Switzerland. We utilize data collected by the six largest international accounting firms during their 2002 convergence survey. Additionally, we analyze subsequent events and studies. While all surveyed countries will either require or effectively allow listed companies to prepare consolidated financial statements in accordance with IFRS by 2005, few are expected to require IFRS for non-listed companies. This suggests the development of a "two-standard" system. The two most significant impediments to convergence identified by the survey appear to be the complicated nature of particular IFRS (including financial instruments) and the tax-orientation of many national accounting systems. Other barriers to convergence include underdeveloped national capital markets, insufficient guidance on first-time

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application of IFRS, and limited experience with certain types of transactions (e.g. pensions).

Larsson, Bengt, "Auditor Regulation and Economic Crime Policy in Sweden, 1965–2000," *Accounting, Organizations and Society* (No. 2 Vol. 30, 2005): 127-144.

This paper analyzes the political and professional battle over auditors' crime-controlling responsibilities in Sweden. The focus is on the discursive strategies of major actor-constellations during 1965–2000. The conclusion is that the duty enacted in 1999 to report suspicions of crime, like earlier attempts in this direction, was not a reaction to major frauds or scandals but a part of broader social-democratic policies during the period: to develop industrial democracy, to fight economic crime, and to improve economic markets.

Leung, Sidney, and Bertrand Horwitz, "Director Ownership and Voluntary Segment Disclosure: Hong Kong Evidence," *Journal of International Financial Management & Accounting* (No. 3 Vol. 15, 2004): 235-260.

Weakness of corporate governance and lack of transparency are often considered causes of or contributors to the Asian Financial Crisis. Publicly listed companies in Hong Kong, like other Asian firms, have concentrated director ownership. The study uses voluntary segment disclosure above the benchmark minimum as a proxy for transparency and examines its relationship to the ownership structure and composition of corporate boards in Hong Kong. We find that: (1) high (concentrated) board ownership explains the extent of low voluntary segment disclosure and this negative relationship is stronger when firm performance is very poor; (2) the contribution of non-executive directors to enhance voluntary segment disclosure is effective for firms with low director ownership but not for concentrated-ownership firms. These results have implications for policy makers and regulators in the Asia-Pacific region striving to improve governance and transparency.

Marston, Claire, and Annika Polei, "Corporate Reporting on the Internet by German Companies," *International Journal of Accounting Information Systems* (No. 3 Vol. 5, 2004): 285-311.

This study examines the use of the Internet for the disclosure of financial and investor-related information by German companies between two points of time (2000 and 2003). The descriptive part of the study reveals that significant improvements in the amount and the presentation of information at corporate Web sites have occurred since the initial survey in 2000. The second part of the study tried to identify reasons for the differences in

the online disclosure practices of companies by testing the association between five firm-specific factors and the level of Web disclosure. The results of multivariate analysis showed that firm size is the only significant explanatory variable for the amount of information disclosed at corporate Web sites which is stable over time. Foreign listing status is only significant for the 2003 sample and free float appeared to be only significant for the 2000 sample. The systematic risk and the profitability have no predictive value for the Internet-reporting practices of the sample companies. Another important result is that the explanatory power of our model is greater for the dimension measuring the amount of information disseminated than for the presentation dimension.

McGee, Robert W., and Galina G. Preobragenskaya, "Problems of Implementing International Accounting Standards in a Transition Economy: A Case Study of Russia," (papers.ssrn.com/sol3/papers.cfm?abstract_id=459363).

International Financial Reporting Standards (IFRS) and their predecessor, International Accounting Standards (IAS) are gaining in worldwide recognition. All publicly traded companies in the EU must adopt them by 2005 and many other countries either have adopted them or plan to do so in the near future. In 2002, the Russian Prime Minister announced that all Russian companies and banks must prepare their financial statements in accordance with international standards starting January 1, 2004. Implementing that decision will not be easy, for a variety of reasons. Not all international standards have been translated into Russian. Many Russian accountants are not sufficiently familiar with international standards to implement them. Some Russian universities have only recently started teaching international standards and the continuing education programs of the various Russian accounting associations are not yet prepared to offer comprehensive courses on international standards. Current Russian accounting standards conflict with international standards in several important ways and these conflicts will not be resolved in the near future. This paper reviews the literature on this subject and incorporates the results of interviews conducted of Russian accounting firms, enterprises and university professors in July and August 2003.

McGee, Robert W., Galina G. Preobragenskaya, and Michael Tyler, "English Language International Accounting Certification in the CIS, Eastern and Central Europe," (papers.ssrn.com/sol3/papers.cfm?abstract_id=538602).

Although each of the countries of the former Soviet Union (CIS), as well as the transition economies in Eastern and Central Europe all have their own national

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accounting and auditing certifications, their certifications lack credibility in international capital markets, not to mention at home. International investors do not place much confidence in their certifications because they are not familiar with them and because they have neither the time nor the inclination to become familiar with them. Their quality is also suspect, since many of them do not meet the standards of certifications in the more advanced market economies. The market is attempting to fill this vacuum by introducing accounting certifications that have already stood the test of time. The most popular international certification is offered by the Association of Chartered Certified Accountants (ACCA). Until a few years ago, this certification was the only truly international certification. However, in recent years a few other certifications have started to become internationally recognized. This paper discusses the reasons for the popularity of international certifications, the reasons why resistance to them has been encountered, and reports on the status of the various internationally recognized accounting certifications in the former Soviet Union (CIS), Eastern and Central Europe.

Sami, Heibatollah, and Haiyan Zhou, "Comparison of Value Relevance of Accounting Information in Different Segments of the Chinese Stock Market," *The International Journal of Accounting* (No. 4 Vol. 39, 2004): 403-427.

This paper investigates the difference in the value relevance between the accounting information prepared and audited under the Chinese GAAP for A-share investors and under the international accounting standards (IAS) for B-share investors in the Chinese stock market. The study reports three primary findings. First, accounting information influences the pricing process in both the A-share market and the B-share market. Second, the accounting information in the B-share market is more value relevant than that in the A-share market, as expected. Finally, the value relevance level of accounting information in the A-share market was low in earlier years, peaked in 1996, and then decreased due to changes in the disclosure environment. However, the value-relevance level of accounting information in the B-share market had no substantial changes. Using a constant sample, control variables on firm features, and measures of traders' behavior, we obtain robust results. These findings have implications for policymakers on recent moves toward replacing local GAAP with the IAS.

Wang, Fenghua, and Yexiao Xu, "What Determines Chinese Stock Returns?" *Financial Analysts Journal* (Forthcoming)

Size, not book-to-market, helps to explain cross-sectional differences in Chinese stock returns from 1996 to 2002. Similar to the U.S. experience, beta does not account for return differences among individual stocks. Due to the speculative nature of Chinese capital markets and the low quality accounting information, these results suggest that the book-to-market variable may have failed to reflect fundamentals in Chinese markets. Instead, we have proposed using a floating ratio as a proxy for fundamentals because of the unique structure of the traded Chinese companies. Floating ratio may have reflected the expected corporate governance in China, which helps to predict a firm's future cash flow. Not only the cross-sectional evidence strongly supports our prediction for the floating ratio variable, a three-factor model which includes size and floating ratio proxies has significantly increased the explanatory power of a market model from 81% to 90%.

The Effects of Globalization on Financial Reporting Conference

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EDUCATOR'S INSIGHTS

Patricia M. Poli, Fairfield University



The February issue of *eNewsline* from AACSB International (No. 2 Vol. 4, February 2005) lists important topics that will be featured at its annual conference in April. Of particular interest and the theme of this issue's bibliography is "Bridging the Gap between Academia and Business." The articles included here discuss the challenges of providing the necessary theoretical background while providing the student with the skills that business feels are essential for success. Patricia M. Poli, CPA, Chair

Anonymous, *Accountancy Ireland* (No. 5 Vol. 35, 2003): 38.

An interesting survey conducted amongst Chartered Accountants in New Zealand found that practitioners place an emphasis on traditional management accounting techniques while academics place an emphasis on contemporary techniques. The survey, by L.C. Hawkes, M. Fowler, and L.M. Tan, is published as a School of Accountancy Discussion Paper (No. 215) by Massey University.

Beard, Victoria and Hengshan Wang, "Establishing collaborative business education programs in China," *Journal of Asia - Pacific Business* (No. 2 Vol. 4, 2002): 29.

American universities have a valuable product for export to China, a world-class business education. Currently, the demand for Western-style business education far exceeds the supply. The undergraduate university system in China offers an excellent, though under-utilized, venue for providing Western-style business education to large numbers of China's next-generation business leaders. This paper describes the official procedures for establishing joint business education programs in Shanghai as well as the benefits and challenges of international collaboration.

Brown, Richard E. and Mark J Myring, "A novel approach to accounting education," *The CPA Journal* (No. 3 Vol. 72, 2002): 10.

Research regarding the use of the accounting novel *The Margin of Safety* in 4 different courses is discussed. A steady stream of research from prestigious circles calls for innovation in the university curriculum that would help produce accounting graduates with a wide array of skills and traits far beyond mere technical accounting knowledge. The accounting novel deserves a place in the classroom to supplement the usual accounting

text because it offers one of the most promising avenues for such change.

Burnett, Sharon, "The future of accounting education: A regional perspective," *Journal of Education for Business* (No. 3 Vol. 78, 2003): 129.

Accounting education is under pressure to change its current teaching methods. In this study, the authors surveyed employers of their university's accounting graduates and members of a local CPA chapter to ascertain which skills are important for new graduates and which educational innovations are effective. The top-rated four professional skills were analytical/critical thinking, written communication, oral communication, and decision-making. The top three technology skills included spreadsheet software, Windows, and word-processing software. The top education innovation was internships. These results agree with a national survey completed in 1999.

Burns, John, Trevor Hopper, and Hassan Yazdifar, "Management accounting education and training: Putting management in and taking accounting out," *Qualitative Research in Accounting and Management* (No. 1 Vol. 1, 2004): 1.

This paper is offered as a discussion piece. Drawing from personal research on management accounting in the UK and the changing roles, skills, and knowledge base required of management accountants, it argues for significant pedagogical reform to redirect education and training to these new areas. Without this the occupation may disappear, as already has happened in many organizations. As management accountants in the Anglo-American tradition are not used in countries such as Japan and Germany, the longevity of the role should not be assumed. It is argued, contrary to claims made elsewhere, that the problems do not lie in management accounting research, which has flourished and produced a substantive body of findings of relevance to industry in a comparatively short time. Instead the paper argues that industry must look to greater sustained involvement in higher

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Educators' Insights (continued from page 33)

education institutions, especially at a local and operating level. In addition there are calls for reforms of topics covered in syllabuses, quality systems in education, assessment systems, and incentives for innovative teaching in higher education institutions.

Byrne, Marann and Barbara Flood, "Defining the present and shaping the future: The changing nature of accounting education in Ireland," *Journal of Accounting Education* (No. 3 Vol. 21, 2003): 197.

This paper uses an historical perspective to provide a comprehensive understanding of contemporary accounting education in Ireland. It describes the structure and nature of accounting education within the profession, higher education, and the second level school system. The relationships among these three sectors are analyzed and the distinctive features of Irish accounting education are highlighted. Tracing the developments in accounting education across the sectors, economic activity is identified as the key driver of change. By examining the genealogical roots of accounting education, this research develops a contextualized understanding of the spectrum of contemporary accounting education in Ireland. It highlights current issues and challenges, offering a framework for further deliberations by policy makers and researchers. This paper also facilitates research comparing Irish accounting education to that experienced in other countries and to the education systems of other professions in Ireland.

Cant, A. G., "Internationalizing the business curriculum: Developing intercultural competence," *Journal of American Academy of Business* (No. 1/2 Vol. 5, 2004): 177.

American businesses are confronted with the need to operate outside the comfort of their own cultural environment. To be successful global managers requires the development of five key global cultural competencies; cultural self-awareness, cultural consciousness, ability to lead multicultural teams, ability to negotiate across cultures and a global mindset. Given U.S. business students very limited understanding of other societies and their cultures, business colleges face a major challenge to prepare students for global assignments. Of the three methods used by colleges to internationalize the business curriculum, only one approach provides the opportunity for students to develop the global cultural competencies necessary for them to succeed in a global career. The creation of an international business degree or major allows students to gain insight from humanities and language courses and from actual international experience.

Cort, Kathryn T., Jayoti Das, and Wonhi J Syn, "Cross-functional globalization modules: A learning experience," *Journal of Teaching in International Business* (No. 3 Vol. 15, 2004): 77.

The purpose of this study is to present cross-functional international teaching modules. The modules presented in this paper are intended to assist higher education institutions in initiating and implementing the first level of internationalization of the business school curriculum. Although the focus is on achieving a level of global awareness, the paper also addresses how the first stage of globalization leads to advances in the second stage-understanding. Applicable means and methods to initiate the "internationalization" process for business schools in the internationalization process are provided. The paper also addresses the students' perceptions of this process, especially concerning global awareness. Implications, challenges, and recommendations are provided.

Force, Marie S., "Authors of accounting education study reflect on current state of education, professional satisfaction," *The Journal of Government Financial Management* (No. 3 Vol. 51, 2002): 8.

Two years ago, the American Accounting Association published a landmark study called Accounting Education: Charting the Course through a Perilous Future, researched and written by W. Steve Albrecht and Robert J. Sack. Since the report was issued, the accounting profession has witnessed the problems with Arthur Andersen and the tarnishing of the profession's credibility in several corporate scandals. The Journal recently caught up with Albrecht and Sack and asked them how the profession has responded to their findings and what still needs to be done to improve both the education of accountants and the profession's reputation.

Gniewosz, Gerhard, "Australian management education for international business activity," *The Journal of Management Development* (No. 3/4 Vol.19, 2000): 318

This paper examines the changes that have taken place in the extent and nature of management education programs for international business activity offered by Australian universities, i.e. the extent to which Australian universities have provided educational support in the recent major expansion of international business activity by Australia's corporate sector. With the increase in overseas activity by the Australian corporate sector there has been a statistically significant increase in the offering of international business degrees at both the undergraduate and postgraduate level. Furthermore, consistent with the literature on managerial knowledge requirements for global operation, there has also been a shift towards more appropriately

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Educators' Insights (continued from page 34)

balanced degree structures consisting of business or technical knowledge courses and cultural knowledge courses.

Kransdorff, Arnold, "Why and how to teach better decision making - New Zealand's competitive advantage is compromised by low productivity. But it seems our managers don't learn well from their experiences. In this, the third of three articles on experiential learning, Arnold Kransdorff suggests decision making should become a dedicated subject in business education and management training," *New Zealand Management* (Mar 5, 2003): 35.

New Zealand is facing a productivity challenge created by low levels of industrial and commercial efficiency. It seems that New Zealand's managers do not learn well from their experiences. Too often the education of decision making is overly theoretical, unstructured, informal or anecdotally subsumed into wider specialties such as marketing, strategy and leadership. Good decision making is inextricably bound up with an ability to recall information accurately. Experience-Based Management (EBM) prescribes the process of reflective thinking in business through a formalized, six-stage circular sequence adapted from prototypes created by American academics Kurt Levin and David Kolb. The six stages are: 1. choosing experiences from which to learn, 2. ensuring accurate recall, 3. reflection, 4. lessons audit, 5. reprocess, and 6. evaluation. Experiential learning based on an unambiguous awareness of experiences can be put to work with enormous added value.

Mounce, Patricia H., D. Shawn Mauldin, and Robert L. Braun, "The importance of relevant practical experience among accounting faculty: An empirical analysis of students' perceptions," *Issues in Accounting Education* (No. 4 Vol. 19, 2004): 399.

AACSB International maintains a requirement that accounting faculty, as a whole, should demonstrate relevant professional experience for academic units seeking separate accounting accreditation. This study examines student perceptions of the importance of relevant practical experience by using a two-phase method incorporating both a between-subjects design of an experiment and a survey in which participants ranked the importance of various faculty attributes. The results of the Phase One experiment indicate that professors possessing relevant practical experience were perceived by students to be of significantly higher quality than professors lacking relevant practical experience. Survey results in Phase Two, limited due to the method used,

provide some degree of validation of the results found in Phase One.

Rynes, Sara L., Christine Quinn Trank, Anne M Lawson, and Remus Ilies, "Behavioral coursework in business education: Growing evidence of a legitimacy crisis," *Academy of Management Learning & Education* (No. 3 Vol. 2, 2003): 269.

Business recruiters generally report seeking to hire well-rounded students who have not only technical knowledge and skills, but also behavioral ones. However, business students appear to be somewhat skeptical of this claim. One reason for this skepticism may be students' attention to recruiter signals concerning the importance of behavioral knowledge and skills during the recruitment and selection process. In an attempt to determine whether the addition of significant behavioral coursework to a student's portfolio enhances recruiters' assessments of student employability, two studies were conducted using different methodologies. Results showed that when asked directly about their preferences (Study 1), a clear majority of recruiters (78%) indicated that they preferred business graduates who supplemented functional-area (e.g., finance, accounting) coursework with equivalent amounts of behavioral coursework. However, when evaluating specific student resumes (Study 2), recruiters gave the same employability ratings to students who took only functional courses as to those who focused both on functional and behavioral courses. Results are discussed in the context of growing evidence that behavioral science is regarded as a marginal topic both in business and in business education.

Vibhakar, Ashvin P. and Rachel K. Smith, "Developing the appropriate employee skill set and degree for small international businesses," *Journal of Teaching in International Business* (No. 1 Vol. 16, 2004): 51.

Small businesses are a formidable economic force in the U.S., representing the majority of firms, employing more than half the work force, creating two-thirds of new jobs, and accounting for just over half of the private sector output. Recently they have become an important factor in U.S. international business growth. The opportunity for small U.S. businesses to expand globally has never been greater as the number of small firms pursuing an international strategy continues to expand. This research looks at the skill needs and degree preferences of small businesses. The findings show that while small international businesses have the same kinds of personnel needs as all international business, the importance of some skills increases as the business becomes more involved in international commerce or grows larger.

(continued on page 36)

This article also discusses ways in which business schools can respond to small business personnel needs in curriculum design and emphasis.

Wu, Tsui-chih and Yealing Tong, "Issues and challenges of accounting education in China: Practitioner and academic perceptions," *Journal of American Academy of Business* (No. 1/2 Vol. 4, 2004): 208.

This paper examines and analyzes the current situation and challenges of accounting education in China. Questionnaire surveys were directed to accounting educators from five mainstream universities as well as accounting practitioners. Taken overall, responses from the two groups are quite homogeneous in the majority of issues in the study. The results show China has experienced an increased pace of change in accounting environment due to internationalization and economic openness. While accounting educators, public accounting, and industry see tremendous value in an accounting education, there is an urgent need for changes in curriculum development and teaching, rewarding structure, and ways of communications with the practice community. The Chinese booming economy for the past ten years has indeed brought about serious problems and challenges with accounting education. The research results may provide some early feedback for the development of accounting education in merging economies.

Zimmerman, Alan and Richard Fey, "Undergraduate business education in the People's Republic of China: Adaptation to the market economy," *Journal of Teaching in International Business* (No. 4 Vol. 12, 2001): 15.

The People's Republic of China is transforming its economy to a market-driven focus. A key aspect of this is the conversion and elimination of state-owned enterprises. To do this requires a mass education program for enterprise managers. The approach to change examined in this study is based on curriculum internationalization models. This paper examines the needs perceived by potential employers for university graduates. Conclusions are based on in-depth interviews held in and around Shanghai as part of a City University of New York - Shanghai University cooperative program.

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