

#### PRESIDENT'S MESSAGE

Greetings to all members of the AAA International Accounting Section. In this issue of the Forum, I will report on two pioneering endeavors of the AAA International Accounting Section (IAS). First, I am delighted to announce a special issue of Issues in Accounting Education (IAE) that will be under the editorial control of the section and devoted to the publication of international accounting cases. Next, I will provide an overview of our January 12-14, 2006 joint meeting with the AAA Auditing Section.

My last letter indicated that, at our 2005 General Meeting, the section approved a special issue of the Journal of International Accounting Research to be devoted to the publication of international accounting cases. An update can now be provided on some promising developments alluded to in that letter. Last September, AAA President Judy Rayburn and I were discussing the section's plans. She recommended that the section alternatively assume editorial responsibility for one issue of IAE. Rayburn's proposal was shared with and approved by the IAS officers, AAA Executive Committee, and IAE editor Sue Ravenscroft.

I am pleased to further announce that Gary Meek has agreed to serve as editor of the international accounting case issue of IAE. The editorial board of JIAR will serve as reviewers. Please review the call for papers (see page 3) and consider submitting a case. We all know there is a tremendous need for cases addressing international accounting issues, and this issue of IAE presents a wonderful opportunity for our section to address this need. Many thanks to AAA President Rayburn for her support of our section and for arranging this wonderful opportunity for the IAS.

Thanks to those of you that attended our 2006 Midyear Meeting at Universal Studios in LA. Wayne Thomas did a tremendous job working with the Auditing Section to pull together the first joint meeting of two AAA sections. The Auditing Section arranged an incredible opening joint plenary session on international auditing issues. An IAS sponsored plenary session featuring Deloitte's Charlie Heeter and Mary Barth of the IASB followed and was also a great success. We additionally had several wonderful concurrent sessions. Please take the time to pass your thanks on to Wayne for all his work. He invested a significant amount of time in making the meeting a total success. Next year Wayne will pass the coordinator's role over to Betsy Gordon and Tony Kang. Ian Hague will assist Betsy and Tony by arranging the plenary sessions so I am confident we will have another fantastic Midyear meeting. The location for the 2007 meeting will be the historic district of Charleston, SC on



Donna Street

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

#### February 2 and 3.

Holly Ashbaugh-Skaife worked with Mary Barth, Bruce Behn, Betsy Gordon, Ole-Kristian Hope, Tony Kang, William Kinney, Cheryl Linthicum, Lee Radebaugh, Wayne Thomas, and Ann Tarca to provide an outstanding Consortium for New Faculty and Doctoral Students preceding our LA meeting. Don Herrmann has announced that Holly will again chair next year's Consortium Committee. This can only signal that we will have another spectacular event. So encourage your new faculty and doctoral students to contact Holly ASAP. Spaces are limited and this is an opportunity that should not be missed. Our Consortium provides informative, high quality sessions and the opportunity to interact with leading international accounting scholars in small breakout groups. The receptions further provide fantastic networking options. Again, please pass your thanks on to Holly and her team for providing this opportunity for our new members.

In closing, I want to express the section's sincere appreciation to KPMG for the firm's continuing support of our Midyear Meeting and Consortium. KPMG's funding enables us to provide a terrific program with a very reasonable price tag. So please take every opportunity possible to say "thanks" to our KPMG members and supporters.

Donna Street, IAS President

### International Accounting Section Forum Deadlines for 2006/07

Summer 2006 Issue – June 15, 2006 Fall 2006 Issue - September 15, 2006 Spring 2007 Issue – January 31, 2007

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:

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



Forum Editor Jeannie Harrington attending the 2006 IAS Midyear Meeting in sunny LA.

# CALL FOR PAPERS

## **SPECIAL EDITION – ISSUES IN ACCOUNTING EDUCATION**

### INTERNATIONAL ACCOUNTING CASE STUDIES

The American Accounting Association requests submissions for a special edition of *Issues in Accounting Education* to be published in November 2007. Submissions should take the form of case studies addressing international accounting topics.

The case studies may examine any aspect of international accounting. These include, but are not limited to:

- international financial reporting and disclosure issues
- international financial statement analysis
- international taxation issues
- international auditing issues
- managerial accounting for global business operations
- adoption and implementation of International Financial Reporting Standards (IFRS) and/or International Standards of Auditing (ISA)
- convergence of International Financial Reporting Standards (IFRS) and US GAAP
- political dimensions of international accounting/auditing standard setting and regulation
- enforcement of International Financial Reporting Standards (IFRS)

Case studies submitted for the special issue of *Issues in Accounting Education* may be applicable for use in an international accounting course or to integrate coverage of international accounting issues in traditional accounting courses. Authors must provide detailed instructor notes and proposed solutions for the cases.

Professor Gary K. Meek will serve as Guest Editor for the special issue with an expected publication date of November 2007. Accounting educators are encouraged to submit cases for this issue and to contact the guest editor for additional information. The special issue is a project of the AAA International Accounting Section and cases will be reviewed by the review board of the *Journal of International Accounting Research*.

Submissions should be sent to Sue Ravenscroft at Iowa State University. Submissions will be peer-reviewed with an emphasis on clarity and strength of ideas. The deadline for submissions is **December 15, 2006**. Earlier submission is encouraged. When submitting a paper for the special edition, please indicate in the cover letter that the case is intended for the special issue. All other submission procedures outlined in the journal will apply. Authors will be notified of editorial decisions in March 2007, and revised versions of the accepted papers are to be completed by May 31, 2007.

## **COUNTRY PRACTICE**

## Singapore

## Asheq R. Rahman, Nanyang Technological University

#### CURRENT REGULATORY ARRANGEMENTS

Following the Asian financial crisis of 1997 the Government of Singapore set up a committee called the Corporate Finance Committee (CFC). The terms of this committee was to investigate the reasons for the capital market anomalies that had arisen during the crisis. The committee in its final report identified two areas of deficiency within the capital market: corporate disclosure and corporate governance. Two separate committees were set up to deal with each of these areas. They were called the Disclosure and Accounting Standards Committee (DASC) and the Corporate Governance Committee (CGC). The DASC submitted its final report to the government in September 2001 with a set of recommendations to improve Singapore's accounting standard setting process, disclosure requirements and rules on auditor independence. The CGC, which issued the Code of Corporate Governance on 21 March 2001, among other matters of governance, reiterated the importance of corporate transparency as part of good governance.

These recommendations were used by the Companies Legislation and Regulatory Framework Committee (CLRFC) to revise the company law and its regulatory framework. To implement the regulatory reform recommendations, the Government of Singapore created the Council on Corporate Disclosure and Governance (CCDG) on 16 August 2002.

A key issue in the reforms of the capital market regulatory framework was the importance placed on the concept of "caveat emptor." Prior to the reform, the regulation of the capital market in Singapore was conducted using a "meritbased" philosophy, where the regulators took a bulk of the responsibility of monitoring firms. The reforms changed this to a philosophy of "disclosure-based" regulations in which market participants would evaluate a firm's reporting practices before entering into securities transactions. Under this system the regulator would ensure and encourage higher levels of disclosure and the investors would adopt the "caveat emptor" principle using the disclosed information to make informed decisions.

Since the initiation of the reforms, the Singapore accounting scene has seen many changes. These include amendment of the company law to provide the accounting standards legal backing, establishment of institutions to enforce the legal and other regulatory changes, adoption of the International Financial Reporting Standards as the sole source of accounting rules, greater disclosure requirements in the listing rules, quarterly reporting and online arrangements for corporate reporting. The regulators have also been constantly requiring or encouraging firms to report material information, information that may have price effects. The regulatory shift has also led to the creation of new regulatory institutions, such as the accounting enforcement authority called Accounting and Corporate Regulatory Authority (ACRA).

#### PRESCRIBING ACCOUNTING STANDARDS IN SINGAPORE

The Council on Corporate Disclosure and Governance (CCDG) is empowered under the Companies Act to prescribe accounting standards for use by all companies incorporated in Singapore and by branches of foreign companies in respect of their Singapore operations. The policy is to adopt International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) issued by the International Accounting Standards Board (IASB). Convergence with international standards will achieve greater transparency and comparability of financial information among companies and help lower compliance costs for companies investing in Singapore as well as companies going overseas.

The CCDG adopts a formal and rigorous process in prescribing Financial Reporting Standards (FRSs) to ensure that standards prescribed are of high quality, and various constituencies are given adequate opportunities to express their views. The CCDG works closely with the Accounting Standards Committee (ASC) of the Institute of Certified Public Accountants of Singapore (ICPAS) in reviewing new accounting proposals and prescribing accounting standards. *(continued on page 5)* 

#### **Country Practice**—**Singapore** (continued from page 4)

The CCDG maintains good communication with the IASB, through proactively acquiring views relating to specific local issues on the IASB's projects for the IASB's attention and consideration. These include representation on the IASB Standards Advisory Council, participation at standard setters meetings, reviewing and commenting on relevant IASB's research and improvement projects, and working with IASB Liaison representatives. The CCDG also sees the benefit of collaborating with national standard setters in the region in reviewing convergence issues, especially where there are similar concerns.

#### **Quarterly Reporting:**

Singapore, a major Asian stock market, introduced quarterly reporting in 2003 with both support and concerns in the business community. Up until 2002, quarterly reporting was optional for listed companies in Singapore and at the same time arrangements were also put in place for firms to make online disclosures of price sensitive information.

In May 2001, the Disclosure and Accounting Standards Committee (DASC) mooted the idea of mandatory quarterly reporting for listed companies (Ministry of Finance Media Release, 18 Oct 2002), and the government accepted its recommendation that all listed companies publish quarterly reports for financial periods starting from 1 January 2003. However due to the reservations of the smaller companies, the issue came under scrutiny again in the second half of 2002. After its formation in August 2002, the CCDG, Singapore's accounting standards setting body, initiated a discussion on quarterly reporting and recommended that companies with a market capitalization of S\$20 million or below be exempted from reporting on a quarterly basis (Ministry of Finance Media Release, 18 Oct 2002; The Business Times 19 Oct 2002). The limit was later raised to \$75 million. Because of renewed concerns about its efficacy and cost, the CCDG is currently reexamining the adoption of quarterly reporting (Straits Times, 14 January 2006).

#### **ACCOUNTING EDUCATION**

Singapore has two established providers of accounting education. These are Nanyang Technological University (NTU) and Singapore Management University (SMU). Singapore's oldest university, National University of Singapore (NUS) recently announced that it is also going to start an accounting programme. Also joining the main accounting education providers will be the Australian university, University of New South Wales (UNSW). UNSW will commence operations in February 2007.

Among the existing providers, NTU has adopted the Project Discovery method of teaching in collaboration with the University of Illinois Urbana-Champaign. This approach is now well established in NTU's teaching activities and is attracting attention from universities in the region. SMU, which is a relatively new university, is continuing to expand its capabilities to provide accounting education in the city state. Both NTU and SMU accounting programmes continue to grow in stature in the region and the global market place. Both provide attractive exchange programmes for local foreign students.

## **COUNTRY PRACTICE**

## Australia and New Zealand

## Professor Greg Tower, Curtin University of Technology, Perth, Australia

#### AUSTRALIA

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB is replacing relevant existing AASB Standards with Australian Standards equivalent to those of the IASB. Consequently, the parts of the existing Australian conceptual framework (SAC3 *Qualitative Characteristics of Financial Information* and SAC 4 *Definition and Recognition of the Elements of Financial Statements*) that overlap with the *Framework for the Preparation and Presentation of Financial Statements* issued by the IASB are being replaced by this *Framework* to ensure that there is consistency.

The AASB has decided it will continue to issue sector-neutral pronouncements, that is, pronouncements applicable to both for-profit and not-for-profit entities, including public sector entities. Except for pronouncements that are specific to the not-for-profit or public sectors or that are of a purely domestic nature, the AASB is using the IASB pronouncements as the "foundation" pronouncements to which it adds material detailing the scope and applicability of a pronouncement in the Australian environment.

A Sarbanes-Oxley style law has been enacted in Australia called CLERP-9 (effective 30 June 2004). Main additions include:

- CFO/CEO sign-off
- Clearer disclosure of remuneration
- More detail on performance condition
- Expanded Directors' Report (scope of performance, audit)
- New Financial Reporting Panel as non-binding dispute mediator between company and ASIC
- Infringement notices for breaches of continuous disclosure rules
- Prospectuses must now be "worded and presented in a clear, concise and effective manner"
- Clearer and more restricted rules for auditor independence including rotation of lead or review auditor but not rotation of audit firms, disclosure of non-audit consultancy work, directors' statement that such services are compatible with general standard of independence, related auditor statement that independence is not compromised and 2 year cooling off period for appointment of an auditor as an officer of an audited firm
- AGM changes: auditors must attend, shareholders can question auditors
- Greater ASIC regulatory enforcement powers

#### NEW ZEALAND

The objective of the Financial Reporting Standards Board (FRSB) in New Zealand is to develop and maintain definitive standards and other guidance on all aspects of financial reporting. On 24 November 2004 the Accounting Standards Review Board approved the stable platform of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). All reporting entities in New Zealand must comply with the NZ IFRS for reporting periods beginning on or after 1 January 2007, however entities may early adopt from 1 January 2005.

#### **Country Practice**— Australia and New Zealand (continued from page 6)

#### NATIONAL RESEARCH ASSESSEMENT EXERCISES FOR ACADEMICS

#### New Zealand research initiative with the 2003 Performance Based Research Fund

The New Zealand federal government adopted a first ever national research exercise in 2003 (see Table 1 on page 9); this was termed the 'Performance Based Research Fund [PBRF]. There are several key points in regards to its structure. First, the overall score is based on 60% for peer review assessment, 25% for research degree completions and 15% for external research income earnings. The emphasis on peer assessment judged outputs arguably is fairer than a research income-biased approach. Second, the NZ PBRF provides an example of a more recently established research assessment process in which the individual researcher is the focal point for assessment. Unlike the ongoing UK Research Assessment Exercise (RAE), but similar to earlier Hong Kong RAE, the NZ PBRF involves the direct assessment of all individual academic staff rather than academic units. This could disadvantage 'young' disciplines such as accounting, however, it would allow for a more complete picture of the current state of play of the entire discipline. Third, the PBRF is a mechanism for distributing funding as well as existing funding on the basis of the highest quality researchers. Accounting academics may be a net loser out of such a structure. Finally, the NZ PBRF is differentiated from earlier models by a clearly stated funding formula that combines peer review with performance indicator measures. The peer review component arguably allows for accounting academics to be judged by their peers on discipline-appropriate criteria.

The New Zealand government body, Tertiary Education Commission (2004), felt its initial 2003 assessment exercise was very successful. It states it is confident that the results of the 2003 quality evaluation provide an impetus for tertiary bodies to review their research plans and strategies. The Commission also admits that many New Zealand academics felt that their research efforts have not been properly recognized. Especially problematic was their decision to use the same criteria for both senior researchers as well as early career researchers (e.g. those just finishing their doctorates). The result was arguably an overly harsh measure. Moreover, the inclusion of **all** academics, whilst comprehensive, resulted in very low overall scores (2.6 on a ten point scale).

The forthcoming research exercise in Australia (Research Quality Framework) combines aspect of both the United Kingdom and New Zealand models. Negotiations are still being conducted over the scope of the exercise. A thorny issue is the choice to focus on 'research groups' versus academic disciplines (Table 1). Whilst potentially encouraging multidisciplinary research it is far less comparable. Moreover, the final decision concerning the percentage of staff to be evaluated has not yet been made. Currently the debate centers on between 50-80% of academics to be evaluated. This cut-off percentage is very important in terms of the likely aggregate rating a university will be awarded with more established research-oriented institutions lobbying for as high a ratio of staff to be assessed as possible.

Overall, the Accounting discipline fair poorly in these national ratings by discipline. The New Zealand assessment used a very stringent and arguably harsh set of criteria. The best ranked university received less than a four score out of a ten point scale. Accounting and Finance ranked 34 out of the 41 disciplines. They had an overall score of just over two and a half on a ten point scale. Individual accounting and finance academics were considered lower than average across the board with smaller percentages of the two highest categories (A and B) and more in the lowest 'R'' category.

#### Australian initiatives for Research Quality Framework

The Australian federal government is likely to institute some form of research assessment exercise for universities in 2007. The Research Quality Framework: Assessing the quality and impact of research in Australia was released as an Issues paper in 2005. The Federal Minister for Education, Dr Brendan Nelson, stated "An RQF will provide a consistent and comprehensive approach to assessing publicly funded research. It will drive positive research behaviours, encouraging researchers and research organisation to focus on the quality and impact of their research. The Australian Government is committed to ensuring that resources provided to carry out research are directed to areas of research excellence and public benefit" (Minister's Foreword, 2005, p.1). An Expert Advisory Group for an RQF was established in 2004. The Chair is Sir Gareth Roberts,

(continued on page 8)

### Country Practice—Australia and New Zealand (continued from page 7)

the individual that lead the 2003 review of the UK RAE and one of the panel members is Professor Paul Callaghan, Chair of the Moderation Panel for the New Zealand Performance Based Research Fund. Therefore, as expected the Australian RQF theme is largely consistent with the earlier UK and NZ initiatives (Research Quality Framework, Advanced Approaches Paper, 2005). focus on *quality* and *impact* of research. The other countries focus primarily on quality of research. Some differences include a focus on research groups instead of discipline groups (UK) or individuals (NZ) and focus on quality and impact of research. The other countries focus primarily on guality of research.

#### Table 1: New Zealand Performance Based Research Fund [PBRF]

Component/Details	Commentary
The results of the 2003 Quality Evaluation. Under the approach adopted, the maximum quality score that can be achieved by a Tertiary Education Organisation [TEO] (subject area or nominated academic unit) is 10. In order to obtain such a score, however, all the PBRF-eligible staff in the relevant TEO would have to receive an 'A' Quality Category. With the exception of very small academic units such an outcome is extremely unlikely. No sizeable aca- demic unit, et alone a large TEO, could reasonably be expected to secure a quality score even close to 10. The low quality score reflects the very large numbers of staff whose evidence port- folios were assigned an "R".	A major weakness of the New Zealand PBRF is the harshness of the scale applied. The highest univer- sity (Auckland) received only an aggregate 3.96 score out of ten. This is a low rating that makes it very hard to 'market' their strengths internationally. In contrast the UK RAE ranked 39% a 5 or 5* out of a 0-5* scale allowing for wide-scaled overseas ad- vertising for their high ranked universities.
Key Findings The overall FTE-weighted quality score for the 22 participating TEOs is 2.6 out of a potential 10. A relatively high proportion of the PBRF-eligible staff (39.9% FTE weighted) were deemed to not yet meet the standard requires for achieving a C Quality cate- gory and were assigned an R. 31.7 % PBRF-eligible staff (FTE weighted) in the university sector were assigned to an A or B Quality Category. There are marked differences in the research performance of the 41 subject areas. While some subject areas have a substantial proportion of researchers in the A and B Quality categories, others have had hardly any. Altogether 11 of the 41 subject areas have a quality range of less than 2.0 and thus an average sore within the R range (0 to 1.99). In general the best results were achieved by long-established dis- ciplines with strong research cultures such as philosophy, chemistry and psychol- ogy. Relatively high quality scores were achieved by subject areas within the bio- logical and physical sciences, the humanities and the social sciences. Many subject areas with low quality scores are newer disciplines such as design; nursing; sport; exercise science, theatre, dance, film and television and multimedia. Against this with only a few exceptions, subject areas in the fields of business and the creative and performing arts had below-average quality scores.	This very low average was demoralising to New Zealand academics (Van Peursem, 2004). The New Zealand PBRF used a uniform expectation within a peer panel, therefore early career researchers were ranked downwards. This approach is arguably very inequitable and encourages departments into short term strategies (hire the top guns now) versus more long-range planning (acquire and grow talented early career researchers). As discussed in the following section it is an open question whether these major differences are a result of a flawed process or fundamental differences between disciplines.
Accounting Performance FTE-weighted quality scores Business and Economics 2.16 (Figure A-2); overall average for all disciplines was 2.59	Accounting and Finance was ranked 34 of 41 aca- demic disciplines in the New Zealand PBRF. The average score of 2.56 fell into the 'C' category.
Table A-4 Results (weighted FTE basis by subject area- Accounting and Finance: Staff Rated A: 2.8% (overall average for all disciplines= 5.7%) Staff Rated B: 15.5% (overall average was 23.2%) Staff Rated C: 27.7% (overall average was 31.2%) Staff Rated R: 54.0% (overall average was 39.9%)	Accounting and Finance academics had lower scores in the top two categories. Interestingly, their percentage of staff in the non-active research category ('R') was significantly higher than the average of all other disciplines.

Source: Adapted from Ridgewell and Tower (2005)

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AAA GIFT MEMBERSHIP PROGRAM
Ian Hague, Chair of the American Accounting Association, International Accounting Section, International Relations Committee, is pleased to announce the award of five gift memberships for 2005-2006, to the following universities:
University of Rajshahi, Bangladesh
Satya Wacana Christian University, Indonesia
<ul> <li>Universiti Utara Malaysia, Malaysia</li> </ul>
Qassim Universiti, Saudia Arabia
Dokuz Eylual Universitesi, Turkey
The AAA gift membership program provides accounting departments, outside the United States, with much-needed access to <i>The Accounting Review, Accounting Horizons, Issues in Accounting Education, Accounting Education News.</i> Recently, we have added our the International Accounting Section (IAS) journal, <i>Journal of International Accounting Research,</i> to this list of publications as well as IAS Section membership.
Since 1998, more than \$9,500 has been raised through the generosity of IAS donors, with many universities worldwide benefiting from the program.
The success of the gift membership program depends entirely on contributions from AAA members. If you are inter- ested in contributing to the program (tax deductible in the United States), please see the details on the back page of the IAS Section newsletter, Forum, or on the IAS Section web site. It is only with your support that universities who might not otherwise be able to afford to do so can obtain access to valuable research, as well as becoming more involved in the international academic accounting community.

## **Remaining AAA Regional Meetings, 2006**

Mid-Atlantic—Pittsburgh, Pennsylvania — April 20-22

Northeast—Portsmouth, New Hampshire — April 20-22

Ohio—Cleveland, Ohio — May 4-6

Western — Portland, Oregon — April 27-29

Please show your support for our regional meetings.

## WHAT DOES THE INTERNATIONAL ACCOUTING 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 2006-2007

Below is a list of IAS committees for the period August 2006 to August 2007. Section members interested in serving on a committee should complete the form and send it to the address below:

Don Herrmann Spears School of Business 412 Business Building Oklahoma State University Stillwater, OK 74078-4011 Phone 405-744-8602 Fax 405-744-1680 E-mail: don@okstate.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	<b>Regional Programs</b>
Midyear Meeting	Northeast Region
Continuing Education	Mid-Atlantic Region
Research	Ohio Region
Teaching Resources	Midwest Region
International Relations	Southeast Region
Information Technology	Southwest Region
Outstanding Dissertation Award	Western Region
Outstanding Educator Award	
Outstanding Service Award	
Publications	
Strategic Planning	
Membership: United States	
Membership: Outside U.S Country:	
Name	
Affiliation	
Address	
Phone:	_Fax:
Email:	

### INTERNATIONAL ACCOUNTING SECTION 2005-2006 Midyear Conference Meeting Minutes Executive Committee Los Angeles, California Thursday, January 12, 2006, 5:30-6:30 p.m.

In attendance: President Donna Street, Past President Bruce Behn, Vice-Chair Academic Don Herrmann, and Treasurer Cheryl Linthicum

Donna Street explained that the AAA Executive Committee had approved the allocation of one issue of *Issues in Accounting Education (IAE)* to the section. The issue will be devoted to international accounting cases. The officers had previously agreed via email that, if approved by the AAA Executive, this option would be pursued and plans to publish a special case issue of *JIAR* would be dropped.

Most of the meeting was devoted to discussing potential editors for the section's issue of *IAE*. A list of potential editors was compiled, and it was then agreed that Street would first contact Gary Meek and ask that he serve as editor. (Note: The officers are delighted that Meek has agreed to serve the section in this capacity).

Forthcoming by-law changes were also discussed. Behn reported that the Advisory Committee had reviewed some recommendations based on the August 2005 meetings of the officers and officers/committee chairs. The Advisory Committee will propose some changes to be exposed to the section membership during Winter/Spring 2006 and to be submitted to the section for approval at the General Meeting in August 2006. (Note: The recommended by-law changes will be included in the Summer issue of the *Forum* for your review and consideration.)

Future budget issues were also discussed. Some 2005-2006 budget reclassifications were discussed and approved. No increases were made to the budget approved in August 2005 by the membership. However, a few line items were moved to the midyear meeting (i.e. officers travel and web development).

The possibility of adding more CPE options sponsored by IAS at the AAA Annual Meeting were discussed. This dialogue will continue at future officer and officer/chairs meetings.

Don Herrmann announced that he was working with the AAA Meetings Planner and that the 2007 Midyear Meeting and New Faculty/Doctoral Consortium would like be held in Charleston, SC.

Future joint meetings were also discussed. In addition to a planned joint meeting with IAAER, the section will continue to discuss the possibility of a joint meeting with FARS.

Respectfully submitted, President Donna L. Street

### INTERNATIONAL ACCOUNTING SECTION 2005-2006 Midyear Conference Meeting Minutes Executive Committee, Committee Chairs, Regional Coordinators, & Country Directors Los Angeles, California Friday, January 13, 2006, 5:00 – 6:00 p.m.

**In attendance**: Holly Ashbaugh-Skaife, Bruce Behn, Erv Black, Richard Briston, Teri Conover, Paquita Davis-Friday, Betsy Gordon, Ian Hague, Jeannie Harrington, Don Herrmann, Paul Herz, Cheryl Linthicum, Mark Myring, Pat Poli, Lee Radebaugh, Lynn Rees, Norlin Rueschhoff, Dave Senteney, Donna Street, Wayne Thomas and Hao Zhang

#### 1. President' Report– Donna Street

Donna Street welcomed everyone to the 12<sup>th</sup> annual Midyear Meeting at 5:03 p.m.

The annual meeting minutes published in the Fall 2005 *Forum* were formally approved. Donna reported that we would not be publishing a special issue of *JIAR* for cases since *Issues in Accounting Education* is dedicating an entire issue to international cases. The International Section will have editorial control, including reviewing of the cases. We will need to take recommendations for guest editor(s) for the issue. The executive committee had to act fast and approved the issue at their meeting on Thursday, January 12. A special Call for Papers for the international cases will be sent out. There will be no pre-set limits on the length and number of cases accepted. There will be no cost to the International Section. Everyone in the AAA will get a copy, not just the International Section.

2. Reports and Points of Discussion:

a. Nominations – Rob Larson is chairing this committee. He could not attend the meeting but Donna encouraged people to submit additional nominations as Rob had not received many for certain positions.

b. Finances – Treasurer – Cheryl Linthicum

The statement of cash flows for the fiscal year ended August 31, 2005 was presented along with the 2005-06 budget. Cheryl reported that last year we did beat the budget in cash inflow. We also had lower than budgeted cash outflow. Midyear meeting costs are going up and the AAA is being more precise about some charges (including credit card fees) and allocations. Comparability may be off because of this. This year's midyear meeting is more expensive due to extra expenses incurred due to having a joint meeting with the Auditing Section.

c. Advisory Board - Richard Briston and Bruce Behn

Several by-law changes will be recommended by the committee mainly covering the option of having an additional business meeting at the midyear meeting. This will allow us an additional voting session during the year. The committee also recommends a change to January 1 for nominations and a dues increase. (The recommended by-law changes will be published in the Summer issue of the *Forum*).

d. *JIAR* – Lee Radebaugh

Volume 4, Number 2 is in press and should be out soon. Volume 5, Number 1 will hopefully be submitted to AAA by March 1. Two articles have been accepted and two more articles should soon be completed so that the Volume 5, Number 1 issue will be out on time. 2006 will be a good year for submissions but we do need to encourage more people to submit their work to *JIAR*. If you are in a session and you think it is good, notify Lee and he will request the paper be submitted to *JIAR*. Lee also plans to be on a panel at the Western Regional Meeting. We have had requests for book reviews. We need an editor for book reviews. Any suggestions are appreciated. Lee plans to have a meeting at the Annual Meeting with the Associate Editors to brainstorm ways to promote the journal and submissions. We plan to add "Should this paper be encouraged to be submitted to *JIAR*?" on the reviewer's sheet for the annual and midyear meetings.

e. Forum - Jeannie Harrington

Jeannie stressed that the deadlines for the *Forum* are going to start being enforced as the Fall *Forum* was delayed substantially by those not submitting articles when asked repeatedly. She stated that over 45 copies of the *Forum* were sent to those IAS members who requested a paper copy as well as those foreign members without an email address. She thanked Chris Hodgdon for taking over the Have You Seen... column. Otherwise, any ideas for the *Forum* are welcome.

f. Publications – Lynn Rees

The award winners were announced at lunch on Friday. He offered a special thanks to committee members.

g. Annual Meeting – Erv Black

CPE sessions for the annual meeting will include Fred Choi's International Accounting session, Mary Barth and Katherine Schipper's Standard Setting and possibly an IFRS technical implementation *(continued on page 14)* 

session. Erv is looking into luncheon speakers. Possible panels are corporate governance, a (continued on page 14)

#### Minutes—Officers and Committee Chairs Meetings

(continued from page 13)

joint IASB/FASB conceptual framework, and European and German views of accounting. We would also like to find an SEC speaker since we will be in Washington, DC.

h. International Relations - Ian Hague

Ian is focusing on the gift membership program. Five subscriptions were awarded. The names are listed on page XX of this issue of the *Forum*. Some country directors have been quite active in encouraging membership, relaying deadlines, and making potential members aware of the IAS. The cost of membership can be significant for some non-US members, especially to Ph.D. students as only U.S. and Canadian Ph.D. students are eligible for reduced AAA student membership dues.

i. Membership – Mark Myring

Mark plans to send a letter to all members of the AAA about membership in the IAS. He would like to wait until summer or until the website is password protected. There will be tables at regional meetings to promote the international section. Anyone who is interested in participating at the tables should contact Mark.

j. Midyear Meeting - Holly Ashbaugh-Skaife, Wayne Thomas, and Don Herrmann

Holly reported that the Doctoral Consortium had approximately 34 participants. She plans to send out surveys to the participants. From informal discussions, the participants said they really liked the small group breakout sessions that were added this year.

Wayne reported that there were 34 paper presentations, two panels, and three plenary sessions at the Midyear meeting. Two of the plenary sessions were joint with the Auditing Section. Our final tally included 106 registrants. We have funding approved from KPMG for this year and the next two years – 2007 and 2008 for the midyear meeting, and for this year and next year for the doctoral consortium. Don will need to submit a proposal to the KPMG Foundation to secure funding for the doctoral consortium in future years.

Don reported that for next year's midyear meeting, we are looking at securing the first weekend of February in Charleston, South Carolina. We are thinking about having the doctoral consortium on Friday morning.

k. Strategic Planning - Hao Zhang

Hao reported that we want more practitioner members and involvement. His committee recommends forming a practitioner advisory board and recommended incorporating this in the by-laws. Hao suggested that as President Donna create an ad-hoc committee for the current year. Donna and Don agreed that she would appoint a practitioner advisory board this year and that Don would invite the same group to continue serving during his term as section president.

1. Outstanding Dissertation – Betsy Gordon

Betsy reported that January 31 was the deadline for submissions. She has a great committee. Please send in your nominations.

m. Outstanding Service – Paquita Davis-Friday

Paquita provided an update on her committee's progress.

n. Regional Programs – Paul Herz

Paul reported that fourteen papers had been submitted so far, with nine accepted and three under review. Four panels have been confirmed for four different regions. He requested that we all help make the regional meetings a success by submitting papers and serving on panels. There are still three regions open so more papers and panels will be added to the tallies.

o. Teaching and Curriculum - Pat Poli

Pat is working on many new things in this area. She will be submitting an Educators' Insights column in the *Forum* is as soon as she can.

p. Webmaster – Dave Senteney

We will soon have a password-protected Members-Only Section on the website. Please notify Dave if you need anything posted to the site.

q. Historian – Norlin Rueschhoff

Norlin will update the history of the section by the annual meeting. He also plans to send some information on the history and origin of the IAAER.

3. Other Business.

a. Donna Street – We are planning a joint Midyear Meeting with the *IAAER* in the near future.

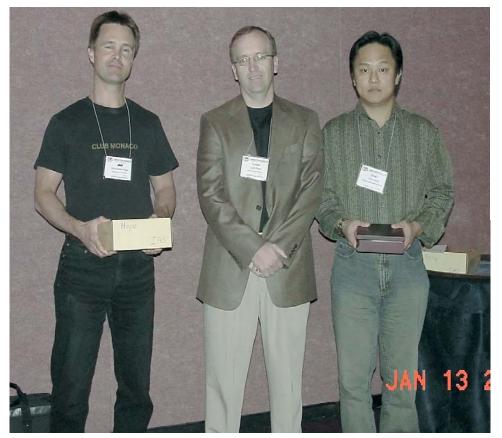
Donna adjourned the meeting at 6:05 p.m. Respectively submitted, Jeannie Harrington

	International Accountin Cash Flows - Fiscal Year		
Beginning Cash Balance			\$119,292.65
INFLOWS			
<i>Dues</i> Assoicate Member Dues Revenue	348.00		
Full Member Dues Revenue	<u>18,985.00</u>	40.000.00	
Total Dues* (Of the collected dues, \$9492.50 is \$9840.50 remains undesignated)	designated for the journal;	19,333.00	
Journal			
Advertising Subscriptions	0.00 1,410.00		
Submission Fees	1,325.00		
Sale of Back Issues	180.00		
Royalties	20.34		
		2,935.34	
Other Publications		0.00	
Annual Meeting CPE		613.54	
Midyear Meeting			
Advertising	0.00		
Submission Fees Registration Fees	0.00 10,885.00		
Contributions	20,000.00		
Total Midyear		30,885.00	
Other Income			
Misc. Contributions		0.00	
Gift Membership Contributions Interest Income		600.00 1,643.25	
TOTAL INFLOW		1,045.25	56,010.13
OUTFLOWS			,
Journal			
Copying/Printing Mailing	7,383.65 3,932.63		
Postage	6.05		
Awards	674.00		
AAA Staff Support	8,029.00	20,025.33	
•			
Newsletter		0.00	
Other Publications		0.00	
A <i>nnual Meeting</i> Hotel/Food/Beverage		1,410.38	
J		.,	
<i>Midyear Meeting</i> Printing	528.00		
AAA Staff Support	1,643.50		
Hotel Rooms/Food/Beverage	26,104.85		
Hotel-Audio Visuals	3,894.00		
Speakers Meeting Coordinator Expenses	708.69 1.089.74		
meeting coordinator Expenses	1,003.14	33,968.78	
General/Administrative			
Postage	318.38		
Credit Card Fees Council Fee	698.35		
Council Fee Awards	1,000.00 1,894.50		
	1,034.30	3,911.23	
Gift Memberships Issued		350.00	
TOTAL OUTFLOW			59,665.72
NET CHANGE IN CASH			-3,655.59
ENDING CASH BALANCE			<u>\$115.637.06</u>
Special thanks to Editor Lee Rade	baugh and Brigham Young Ur	niversity for	supporting the

Special thanks to Editor Lee Radebaugh and Brigham Young University for supporting the Journal of International Accounting Research. Thanks to Forum editor Jeannie Harrington and Middle Tennessee State University for generously supporting the production and distribution of the newsletter.

## **BEST JOURNAL OF INTERNATIONAL ACCOUNTING RESEARCH** PAPER AWARD

#### **OLE-KRISTIAN HOPE, UNIVERSITY OF TORONTO AND** TONY KANG, SINGAPORE MANAGEMENT UNIVERSITY



Ole-Kristian Hope, Best JIAR Paper Award Winner, Presenter Lynn Rees. Chair of the Publications Committee, and Tony Kang, Best JIAR **Paper Award Winner** 

#### **BIOGRAPHIC INFO**

Ole-Kristian Hope is an assistant professor (and holder of the Deloitte & Touche Professorship) at the Rotman School of Management, University of Toronto, He received his PhD from the Kellogg School of Management, Northwestern University, MBA from University of Michigan, and Siviløkonom degree from the Norwegian School of Economics and Business Administration (NHH). He also has the CFA, CMA (Gold Medal), and CPA (Excel Award) designations. Ole-Kristian teaches a second-year elective MBA course at the Rotman School and an intensive PhD course in capital markets research at NHH. His research interests are in financial reporting and disclosure, and he regularly presents his research in workshops and conferences in North America, Europe, and Asia.

Tony Kang received his Ph.D. in Accountancy from the University of Illinois at Urbana-Champaign in 2003. He started his academic career at the School of Accountancy at the Singapore Management University as an Assistant Professor. In 2004, he took a leave of absence from the Singapore Management University and visited McGill University in Montreal, Canada.

**"The Association Between** Macroeconomic Uncertainty and Analysts' Forecast Accuracy"

#### Abstract

This study examines whether macroeconomic uncertainty affects the forecast accuracy of financial analysts in an international setting. We use inflation and foreign exchange volatility as measures of macroeconomic uncertainty. We find strong evidence that forecast accuracy decreases in the level of macroeconomic uncertainty. Further, we document that the negative association between forecast accuracy and macroeconomic variables is more pronounced for emerging economies than developed economies. Overall our results suggest that macroeconomic uncertainty represents a unique dimension in the complexities associated with predicting future firm performance.

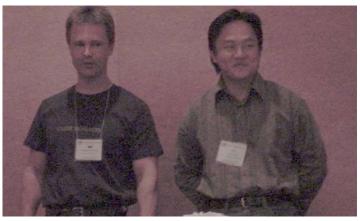
(The complete manuscript can be found in the Journal of International Accounting Research, Volume 4, No. 1, 2005, pages 23-38.)

#### BEST JIAR AWARD WINNERS

(*Continued from page 16*)

His main research interest evolves around accounting issues in international capital markets. He has published several articles in both academic and practitioner-oriented journals and currently serves on the editorial board of *Journal of International Accounting Research*. He has also reviewed manuscripts for international journals such as *Journal of International Financial Management and Accounting, Journal of International Business Studies* and *International Journal of Accounting*, among others. He has taught several financial accounting courses in his career.

Tony is married, has two children (Emily and Lesley), and is on his way to becoming a father of three in April 2006. He loves to spend time with family, play squash, drink wine, and watch (but not play) sumo wrestling. People who know him often refer to him as "Tony the Tiger."



2006 Best JIAR Paper Award Winners Ole-Kristian Hope and Tony Kang

Position	Candidate
Vice-President– Academic (President-Elect)	Jenice Prather-Kinsey
Vice-President Practice	Mary Tokar
Secretary	Paquita Davis-Friday
Nominations Committee	Sid Gray
Nominations Committee	Paul Herz
Nominations Committee	Tim Sale
Advisory Board	Gary Braun
Advisory Board	Stephen Salter
Advisory Committee Chair	Rob Larson
Publications Committee	Gary Meek
Publications Committee	Wayne Thomas

## **IAS Nominations Slate for 2006-07**

This slate will be voted on at the General Business Meeting on Monday, August 7, 2006, at the AAA Annual Meeting in Washington, D.C.

#### **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: <a href="https://aaahq.org/AAAforms/journals/jiarsubmit.cfm">https://aaahq.org/AAAforms/journals/jiarsubmit.cfm</a>. 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.

### 12<sup>TH</sup> ANNUAL INTERNATIONAL ACCOUNTING SECTION MIDYEAR CONFERENCE AND 2<sup>nd</sup> ANNUAL DOCTORAL/NEW FACULTY CONSORTIUM (HOSTED JOINTLY WITH THE AAA AUDITING SECTION) Sponsored by the International Section of the American Accounting Association and the KPMG Foundation Hilton Universal City at Universal Studios Los Angeles, California January 12–14, 2006

#### 2006 Program Committee

Wayne Thomas, Co-Chair, University of Oklahoma Donna Street, Co-Chair, University of Dayton Holly Ashbaugh-Skaife, Consortium Chair, University of Wisconsin at Madison

#### 2006 Reviewer List

Abdel-Maksoud, Ahmed
Abdulkarim, Mustafa Elkasih
Aisbitt, Sally
Alagiah, Ratnam
Alam, Pervaiz
Amabila, Andrew
Bames, Bobbe
Boonlert-U-Thai, Kriengkrai
Braun, Gary
Caban-Garcia, Maria
Chen, Liang
Conover, Teri
Cunningham, Gary
Doan, Tu
Dykxhoorn, Hans
Entwistle, Gary
Fan, Ying
Fargher, Neil
Fay, Jack
Friday, Paquita
Fritsche, Steve
Frost, Carol
Ge, Wenxia
Goldberg, Steve
Gujarathi, Mahendra
Hail, Luzi

He, Haihong Herrmann, Don Hersrud, Lisa Herz, Paul Higgins, Huong Holt, Andrew Hope, Ole-Kristian Hossain, Mahmud Hsin-Chi, Chen Hughes, Susan Hung, Mingyi Jaco du Toit, Momé Jermakowicz, Eva Jialin Sun, Kevin Kang, Tony Kocakulah, Mehmet Larson, Rob Lee, Ho Young Lin, Thomas Ling, Qianhua Lopes, Samuel Lu, Chia-Chi Manly, Tracy Mintz, Steven Morris, Richard Moya, Soledad

Myring, Mark Niu, Flora Orpurt, Steven Paananen, Mari Peek, Erik Persons, Obeua Poli, Pat Rahman, Asheq Raman, K.K. Renders, Annelies Said, Amal Senteney, David Shaw, J Shiuh, Chaur Strohm, Christiane Thibodeau, Nicole Tsakumis, George Vander Bauwhede, Heidi Varma, Veer Vichitsarawong, Thanyaluk Vieru, Markku Winterbotham, Glyn Yoon, SungWook Zhang, Hao Zhou, Haiyan

(continued from page 19)

#### DOCTORAL/NEW FACULTY CONSORTIUM THURSDAY, JANUARY 12, 2006

8:30 a.m. – 9:30 a.m. International Financial Reporting Issues Hollis Ashbaugh-Skaife, *University of Wisconsin* and Wayne Thomas, *University of Oklahoma* 

9:45 a.m. – 11:00 a.m. Conducting International Research Panel Bruce Behn, University of Tennessee, Elizabeth Gordon, Rutgers University, Ole-Kristian Hope, University of Toronto, Tony Kang, Singapore Management University, and Ann Tarca, University of Western Australia

11:15 a.m. – 12:30 p.m. Break-out Groups with Panel Members

1:45 p.m. – 3:00 p.m. Editors' Panel William Kinney, *The Accounting Review* and Lee Radebaugh, *Journal of International Accounting Research* 

3:15 p.m. – 4:15 p.m. Reporting by U.S. Foreign Registrants Cheryl Linthicum, U.S. SEC and University of Texas, San Antonio

4:15 p.m. – 5:15 p.m. International Financial Reporting Standards Mary Barth, *IASB and Stanford University* 



IASB Member Mary Barth



A special thanks to KPMG's Bernie Milano for sponsoring the IAS Midyear Meeting and Doctoral/New Faculty Consortium



Left to right: AAA IAS President Donna Street, Speaker David Brown, Speaker John Kellas, Moderator Jim Sylph, and AAA Auditing Section President Mark Beasley

(continued from page 20)



Jim Sylph, Technical Director of the IFAC



David Brown, IFAC Public Interest Oversight Board



John Kellas, Chair of the International Auditing and Assurance Standards Board

#### IAS MIDYEAR CONFERENCE FRIDAY, JANUARY 13, 2006

8:30 a.m. – 10:00 a.m. Welcome and Plenary Session (joint with Auditing Section) Global Standards in Our Profession: A Look at the Horizon Moderator: Jim Sylph, *Technical Director of the International Federation of Accountants* 

John Kellas, Chair of the International Auditing and Assurance Standards Board, and David Brown, International Federation of Accountants' Public Interest Oversight Board and former Chair of the Ontario Securities Commission

10:15 a.m. – 11:55 a.m. Plenary Session (separate) Issues in International Accounting Moderator: Paul Munter, *KPMG* Mary Barth, *IASB and Stanford University* and Charles Heeter, *Deloitte & Touche* 

#### 1:15 p.m. – 2:45 p.m. Breakout Session I Concurrent Session A:

Moderator: Aida Sy, *Baruch College* "Cross-Border Investment and the Voluntary Adoption of International Accounting Standards" Vicentiu M. Covrig, *California State University at Northridge*, Mark L. DeFond, *University of Southern California*, and Mingyi Hung, *University of Southern Ca*lifornia Discussant: Mari Paananen, Göteborg University



KPMG's Paul Munter

Deloitte's Charles Heeter

(continued from page 21)

"Geographic Earnings Disclosure and Trading Volume" Ole-Kristian Hope, *University of Toronto*, Wayne B. Thomas, *University of Oklahoma* and Glyn Winterbotham, *University of Oklahoma* Discussant: Steve Goldberg, *Grand Valley State University* "Does Accounting Choice Influence U.S. Investment in Non-U.S. Companies? Evidence from U.S. Institutional Investment in Australian Companies". Shrutika Chugh, *University of New South Wales* and Neil Fargher, *Macquarie University* Discussant: Qianhua Ling, *Oklahoma State University* 

#### **Concurrent Session B:**

Moderator: Gary Cunningham, American University of Beirut
"Corporate Transparency in China: Factors Influencing Financial Disclosure Levels"
Richard D Morris, University of New South Wales, Queenie Wei Yan Leung, University of New South Wales and Sidney J. Gray, University of Sydney
Discussant: Hao Zhang, Leeds University
"The Effect of Institutional Ownership on Earnings Smoothing Through Bank Loan Loss Provisions: Evidence from Japan"
Wikil Kwak, University of Nebraska at Omaha and Ho Young Lee, Yonsei University
Discussant: Huong Higgins, Worcester Polytechnic Institute
"Ownership Structure, Legal Environment, and Timeliness in Loss Recognition in China"
Liang Chen, Nanyang Technological University and Patricia Mui-Siang Tan, Nanyang Technological University
Discussant: Annelies Renders, K. U. Leuven

#### **Concurrent Session C:**

Moderator: Paul Herz, Fort Lewis College
"The Usefulness of Asset Revaluations for Analysts' Forecasts of UK Firms"
Andrew A. Anabila, Pace University
Discussant: Steven Orpurt, Singapore Management University
"Earnings Attributes and Investor Protection: International Evidence"
Kriengkrai Boonlert-U-Thai, Chulalongkorn University and Gary K. Meek, Oklahoma State University
Discussant: Haihong He, California State University at Los Angeles
"Financial Reporting Quality, Capital Allocation Efficiency, and Financing Structure: An International Study"
Kevin Jialin Sun, University of Hawaii at Manoa
Discussant: Don Herrmann, Oklahoma State University

#### 3:15 p.m. – 4:45 p.m. Breakout Session II Concurrent Session D:

Moderator: Wede Brownell, University of Central Oklahoma "An Exploratory Study of Competitive Strategy, Manufacturing Strategy, and Performance Measurement Systems in China" Jianxin Gong, University of Illinois, Ravi K. Kumar, University of Southern California, and Thomas W. Lin, University of Southern California Discussant: Liang Chen, Nanyang Technological University "Bank Ties, Firm Value and Operating Performance: Evidence from Japanese M&As in the 1990s" Huong N. Higgins, Worcester Polytechnic Institute Discussant: Aida Sy, Baruch College

"Identifying Decision Useful Information with the Matrix Format Income Statement" Ann Tarca, *University Of Western Australia*, Philip Brown, *University of New South Wales and University of Western Australia*, Phil Hancock, *University Of Western Australia* David Woodliff, *University Of Western Australia*, Michael Bradbury, *Unitec*, and Tony Van Zijl, *Victoria University of Wellington* Discussant: Ratnam Alagiah, *Griffith University* 

(continued from page 22)

#### **Concurrent Session E:**

Moderator: Sally Aisbitt, *The Open University*"The Implementation of IFRS in Europe and Accounting Quality: The Case of Sweden"
Mari Paananen, *Göteborg University*, Mattias Hamberg, *Göteborg University*, and Jan Marton, *Göteborg University*Discussant: Ann Gaeremynck, *K. U. Leuven*"Finnish Evidence of Implementation and Value Relevance of IFRS Standards"
Hannu Schadewitz, *Turku School of Economics and Business Administration* and Markku Vieru, *University of Oulu*Discussant: Eva Jermakowicz, *University of Southern Indiana*"Empirical Evidence on Jurisdictions that Adopt IFRS"
Ole-Kristian Hope, *University of Toronto*, Justin Jin, *University of Toronto*, and Tony Kang, *Singapore Management University*Discussant: Andrew A. Anabila, *Pace University*

#### **Concurrent Session F: Teaching Cases**

Moderator: Teri Conover, University of North Texas
"The Use of Form 20-F Reconciliations when Teaching International Financial Reporting Standards"
Susan B. Hughes, Butler University
"Sachiko Corporation: A Case in International Financial Statement Analysis
Mahendra Gujarathi, Bentley College
"Roynet Public Company Limited: Thai Corporate Governance and Independence of Board Directors"
Orapin Duangploy, University of Houston at Downtown, K. Kleebwaree, Thammasat University, S. Lerdsansanee, Thammasat University, T. Puthyangkul, Thammasat University, T. Raktham, Thammasat University, P. Skularriya, Thammasat University, and P. Teerakathiti, Thammasat University



#### SATURDAY, JANUARY 14, 2006

#### 8:30 a.m. – 10:00 a.m.

Plenary Session (joint with Auditing Section) The Academy Awards Engagement

Brad Oltmanns, Lead Partner, Academy of Motion Picture Arts and Sciences Managing Partner for Southern California Market, *PricewaterhouseCoopers, LLP* 

#### 10:15 a.m. – 11:45 a.m. Breakout Session III Concurrent Session G:

Moderator: Tony Kang, *Singapore Management University* "Corporate Governance and the Cost of Debt in the European Union" Heidi Vander Bauwhede, *K. U. Leuven* Discussant: J Shaw, *University of Mississippi* "Corporate Governance and Performance: Controlling for Sample Selection Bias and Endogeneity" Annelies Renders, *K. U. Leuven* and Ann Gaeremynck, *K. U. Leuven* Discussant: Glyn Winterbotham, *University of Oklahoma* 



Plenary Speaker Brad Oltmanns, lead partner and one of only two PricewaterhouseCoopers partners knowing the results of the Academy Award winners before presentation.

(continued on page 24)

(continued from page 23)

"The Reduction of Firms' Ownership Induced Agency Costs Following Financial Reporting Reform in the European Union"

Jinhan Pae, *Queen's University*, Daniel B. Thornton, *Queen's University*, and Michael Welker, *Queen's University* Discussant: Sally Aisbitt, The Open University

#### **Concurrent Session H:**

Moderator: Mahendra Gujarathi, Bentley College

"Capital Gains Taxes, Pricing Spreads and Arbitrage: Evidence from U.S. Cross-Listed Firms" Jennifer Blouin, University of Pennsylvania, Luzi Hail, University of Pennsylvania, and Michelle Yetman, University of

#### California at Davis

Discussant: SungWook Yoon, Winona State University "Cross-Listed Firms and the Value-

Relevance of 20-F Reconciliations" Lisa A. Hersrud, University of Oregon Discussant: Gary Braun, University of Texas at El Paso "Estimates of Default Probabilities in the Corporate Sector Derived From Accounting and Non-Accounting Data" Mohamed Azzim Gulamhussen, CEMAF/ ISCTE, and Samuel Lopes, Banco de Portugal Discussant: Flora Niu, Wilfrid Laurier University

#### **Concurrent Session I: Innovations in Teaching International** Accounting

Moderator: Pat Poli, Fairfield University Panel Members: Erv Black, Brigham Young University, Teri Conover, University of North Texas and Malcolm Miller, University of New South Wales

#### 1:30 p.m. – 3:00 p.m. Breakout IV **Concurrent Session J:**

Moderator: Andrew Holt. Metropolitan State College of Denver

"The Asian Financial Crisis and the Differences in Auditor Conservatism between Big 4 and Non-Big 4: Evidence from Thailand"



**Panelist Erv Black** 



Panelist Teri Conover



**Moderator Pat Poli** 



**Panelist Malcolm Miller** 

(continued on page 25)

(continued from page 24)

"Conservatism and Shareholder Protection: One Effect or Two in the Explanation of Differential Value Relevance of Earnings Across Countries" Haihong He, *California State University at Los Angeles*, Karen Teitel, *College of the Holy Cross*, and William D. Brown, *Syracuse University* Discussant: Maria Caban-Garcia, *University of South Florida* 

#### **Concurrent Session K:**

Moderator: Susan Hughes, *Butler University* "Impetus for Voluntary Independent Director Appointment: A Signaling Perspective" Chaur-Shiuh Young, *National Chung Cheng University* and Pei-Gin Hsieh, *National Chung Cheng University* "Proposal for Enhancing Audit Committee Independence in Corporate Governance" Veer Singh Varma, *University of the South Pacific* "The Accounting, Economic and Financial Effects of the Foreign Currency Translation Adjustment" Svetlana Vlady, *Griffith University*, Ratnam Alagiah, *Griffith University*, and Mike Dempsey, *Griffith University* "The Impact of Firm Disclosure Quality on Cross-listing Choices" Li Li Eng, *Oklahoma State University* and Qianhua Ling, *Oklahoma State University* 

#### **Concurrent Session L:**

Moderator: Richard D Morris, University of New South Wales "A True and Fair View of the Principles/Rules Debate " David Alexander, University of Birmingham, Eva K. Jermakowicz, University of Southern Indiana, and Sylwia Gornik-Tomaszewski, St. John's University "Preparing for IFRS in the UK: FTSE 100 companies" Sally Aisbitt, The Open University and Peter Walton, The Open University "Value Relevance of Disclosed Information about Related Party Transactions" Warmin Co. McCill University and Form McCill University

Wenxia Ge, McGill University, Donald H. Drury, McGill University, Steve Fortin, McGill University, and Feng Liu, McGill University

"Country Specialization and Analyst Forecast Accuracy: The Value of Accounting Convergence" Erik Peek, *Maastricht University* 



A special thanks to Wayne Thomas and Holly Ashbaugh-Skaife for such a wonderful Midyear Meeting and Doctoral/New Faculty Consortium!

13th Anniversary (2007) Midyear Conference of the International Accounting Section of the American Accounting Association \*Funding Provided by the KPMG Foundation\*

Houston, Texas - March 4-5, 1995
 Vancouver, British Columbia, Canada - March 29-30, 1996
 New Orleans, Louisiana - March 13-15, 1997

 Chicago, Illinois - April 3-4, 1998
 Orlando, Florida - January 8-9, 1999
 Tampa, Florida - January 9-10, 2000
 Phoenix, Arizona - January 12-13, 2001

 Fort Lauderdale, Florida - January 11-12, 2002

 Orlando, Florida - February 7-8, 2003
 San Diego, CA - January 30-31, 2004
 San Antonio, TX – February 3-5, 2005
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### HAVE YOU SEEN? .....

**Christopher D. Hodgdon** 

#### **University of Vermont**



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

## Akhtaruddin, M., "Corporate Mandatory Disclosure Practices in Bangladesh," *The International Journal of Accounting* (Vol.40, No.4, 2005): 399-422.

This study reports the results of an empirical investigation of the extent of mandatory disclosure by 94 listed companies in Bangladesh. It also reports the results of the association between company-specific characteristics and mandatory disclosure of the sample companies. The results indicate that companies in general have not responded adequately to the mandatory disclosure requirements of the regulatory bodies. It has been found that companies, on average, disclose 44% of the items of information, which leads to the conclusion that prevailing regulations are ineffective monitors of disclosure compliance by companies. Company age appears to be an insignificant factor for mandatory disclosure. And there is little support for industry size as a predictor of mandatory disclosure except where size is measured by sales. Then it is marginally significant. Profitability was also found to have no effect on disclosure. And status, i.e., whether a company is modern or traditional also has no effect on mandatory disclosure.

Ballas, Apostolos A., and Dimosthenis L. Hevas, "Differences in the Valuation of Earnings and Book Value: Regulation Effects or Industry Effects?" *The International Journal of Accounting* (Vol.40, No.4, 2005): 363-389.

This paper uses a valuation framework on a sample of firms from four European countries (France, Germany, Netherlands, and United Kingdom) to examine how income, accruals, and book value of equity are perceived by the respective capital markets. Our model includes adjustments for industry effects and taking into account the linear information dynamics of the accounting variables posited in the Ohlson model. Consistent with previous researchers, we find that both earnings and book value of equity have valuation implications and that there is significant dispersion in the country-specific and industry-specific valuation multiples. However, when using accounting variables to forecast market values we find that industry-specific valuation multiples reduce forecasting error more than country-specific ones.

Barniv, Ran, Mark J. Myring, and Wayne B. Thomas, "The Association Between the Legal and Financial Reporting Environments and Forecast Performance of Individual Analysts," *Contemporary Accounting Research* (Vol.22, No.4, 2005).

We test the ability of analyst characteristics to explain relative forecast accuracy across legal origins (common law versus civil law). Common-law countries generally have more effective corporate governance mechanisms, including stronger investor protection laws and inputs provided through higher-quality financial reporting systems. In this type of environment, we predict that analysts with superior ability and resources in common-law countries will more consistently outperform their peers because appropriate market-based incentives exist. In civil-law countries, where the demand for earnings information is reduced because of weaker corporate governance mechanisms and lower-quality financial reporting, we predict that analysts with superior ability will less consistently provide superior forecasts. Results are consistent with our expectations and suggest an association between legal and financial reporting environments and analysts' forecast behavior. Caccia, Laura and Ileana Steccolini, "Accounting Change in Italian Local Governments: What's Beyond Managerial Fashion?" *Critical Perspectives on Accounting* (Vol. 17, No. 2-3, 2006): 154-174.

During the last decade Italian local governments (LGs) have undergone a reform process, involving deep changes in their accounting system. The purpose of our longitudinal study is to analyze the development path of accounting tools in an Italian LG body over a decade and to answer the following research questions: is it possible to identify typical patterns of accounting renewal? Does a significant gap exist between the intended purpose and the actual effects of the change in accounting systems? What is the role of existing routines in constraining the processes of change and their effects? The analysis of the case shows that changes in the accounting systems proceed both in a revolutionary and incremental way. Radical and discontinuous events punctuate the process of change and often cause resistance. They are justified by external events, crisis and very often by law requirements but they hardly have an impact on routines. The latter are easier to be modified when the accounting changes proposed are consistent with traditional shared values, giving origin to a gradual diffusion of ideas of rationality and efficiency.

Chalos, Peter, and Neale O'Connor, "The Perceived Effect of Accounting Controls on U.S.-Chinese Joint Venture Transaction Costs and Performance," *Journal of International Accounting Research* (Vol. 4, No.2, 2005): 53-73.

Research in international joint ventures speculates that partner transaction risks attributable to information asymmetries, asset specific investments, and strategic objectives adversely affect alliance performance. This study empirically examines these claims. The impact of accounting controls on the reduction of transaction costs and on alliance performance is also investigated. Contractual controls that are examined include equity control, majority board governance, and legal safeguards. Managerial controls examined include decision rights, incentives, communications, and financial planning. Results of the study confirm that transaction costs decrease performance. Contractual and managerial accounting controls significantly reduce the negative impact of partner transaction costs and are positively associated with joint venture performance.

Chen, Carl R., Weiyu Guo and Vivek Mande, "Corporate Value, Managerial Stockholdings and Investments of Japanese Firms," *Journal of International Financial Management & Accounting* (Vol.17, No.1, 2006): 29-51.

We use a simultaneous equation model which treats firm value, investments and management ownership as endogenous to the firm. Our results show a feedback relation between corporate value and management ownership, i.e., corporate value is positively impacted by management ownership, which in turn is positively impacted by corporate value. Corporate value also affects investments made by the firm. We also find that the effect of the main bank on corporate value is positive but only up to a certain point; then, it turns negative. Supporting the argument that keiretsu firms have lower agency cost, we find that firms belonging to a keiretsu have higher valuations during the sample period. Finally, we find that management ownership increases as the ownership of the main bank, ownership of institutional holders and cross-holdings decreases, suggesting a substitution effect among these monitoring forces. Our results indicate that ignoring the web of these relationships leads to incorrect inferences.

Chen, Gongmeng, Michael Firth, Daniel N. Gao and Oliver M. Rui, "Is China's Securities Regulatory Agency a Toothless Tiger? Evidence From Enforcement Actions," *Journal of Accounting and Public Policy* (Vol.24, No.6, 2005): 451-488.

The China Securities Regulatory Commission (CSRC) is the regulatory body that enforces securities laws and regulations in the People's Republic of China. Somewhat akin to the SEC in the US, the CSRC carries out investigations to identify and prosecute securities fraud. The aim of this study is to provide some empirical evidence on the impact of the CSRC's enforcement actions. We find that enforcement actions have a negative impact on stock prices with most firms suffering wealth losses of around 1-2% in the 5 days surrounding the event. Moreover, we find that firms have a greater rate of auditor change, a much higher incidence of qualified audit opinions, increased

#### Have you Seen....? (continued from page 27)

CEO turnover, and wider bid-ask spreads. The negative stock returns and the costly economic consequences for firms suggest that the CSRC has credibility and its actions have teeth.

## Chipalkatti, Niranjan, "Do Investors Reward Bank Disclosure Transparency? Evidence from India," *Journal of International Accounting Research* (Vol.4, No.2, 2005): 25-52.

As part of the financial sector deregulation, India's central bank mandated specific annual report disclosures effective March 31, 2000, that primarily related to a bank's loan assets. This study attempts to verify whether these mandated disclosures were transparent to investors and whether they had any impact on the level of information asymmetry surrounding bank stocks as measured by their bid-ask spreads. The results indicate that the mandatory disclosures were indeed transparent to investors and that bid-ask spreads and asymmetric information costs reduced in the post disclosure period. Overall, the results suggest that the Reserve Bank of India's (RBI) efforts to reinforce the market's disciplining mechanism by mandating better quality disclosures has been positively received by investors.

## De Jong, Abe, Jeroen Ligterink and Victor Macrae, "A Firm-Specific Analysis of the Exchange-Rate Exposure of Dutch Firms," *Journal of International Financial Management & Accounting* (Vol.17, No.1, 2006): 1-28.

We examine the relationship between exchange-rate changes and stock returns for a sample of Dutch firms over 1994–1998. We find that over 50 per cent of the firms are significantly exposed to exchange-rate risk. Furthermore, all firms with significant exchange-rate exposure benefit from a depreciation of the Dutch guilder relative to a trade-weighted currency index. This result confirms that firms in open economies, such as the Netherlands, exhibit significant exchange-rate exposure. We collect unique information on the most relevant individual currencies for each firm with respect to their influence on firm value. Our results indicate that the use of a trade-weighted currency index and the use of individual exchange rates are complements. We also measure the determinants of exchange-rate exposure. As expected, we find that firm size and the foreign sales ratio are significantly and positively related to exchange-rate exposure. In contrast with our hypothesis, off-balance hedging using derivatives has no significant effects. Finally, in line with theory, we find that exposure is significantly reduced through on-balance sheet hedging, i.e., through foreign loans and by producing in factories abroad.

## Ding, Yuan, Thomas Jeanjean and Hervé Stolowy, "Why do National GAAP Differ From IAS? The Role of Culture," *The International Journal of Accounting* (Vol.40, No.4, 2005): 325-350.

In this paper, we investigate the role of culture as an explanatory factor underlying differences between national GAAP and International Accounting Standards (IAS). National GAAP can differ from IAS in two ways: (1) divergence: both national GAAP and IAS cover a specific accounting topic but prescribe different methods; or (2) absence: national GAAP do not cover an accounting issue regulated by IAS. Based on Nobes' [Nobes, C. (Ed.) (2001). Gaap 2001-A Survey of National Accounting Rules Benchmarked Against International Accounting Standards. IFAD.] data, we construct a measure for the level of divergence of national GAAP benchmarked on IAS. We also create a measure (labeled absence) to assess the scope of national accounting rules compared to IAS. Our sample is made up of 52 countries. We show that culture matters more than legal origin (common law/civil-law) in explaining divergences from IAS. This result is robust to two proxies for culture: Hofstede [Hofstede, G. (2001). Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nations. Second, Sage Publications (London).] and Schwartz [Schwartz, S. H. (1994). Beyond individualism/collectivism: New cultural dimensions of values. In U. Kim, H. C. Triandis, C. Kagitcibasi, S. C. Choi, & G. Yoon (Eds.), Individualism and collectivism: Theory, method and applications (85–119). Sage.]. Our findings contribute to the ongoing debate on accounting harmonization. More specifically, they suggest that the technical and/or political dimensions of the debate, although essential, are not the only ones involved. Opposition to IAS is not exclusively driven by contractual motives, a claimed technical superiority, or legal origin, but also by diversity in cultural factors. Another contribution of this paper is the development of a two-dimensional score to measure the differences between national GAAP and IAS.

Durand, Robert B., and Ann Tarca, "The Impact of US GAAP Reconciliation Requirements on Choice of Foreign Stock Exchange for Firms From Common Law and Code Law Countries," *European Accounting Review* (Vol.14, No.2, 2005): 789 – 813.

The aim of this study is to investigate whether the impact of the SEC's Form 20-F reconciliation requirements on non-US firms' choices of foreign stock exchanges was different for firms from common law and code law countries, that is, for firms with different accounting, legal and financial systems. We examined attributes of 253 cross-listed firms from the UK, Australia, France, Germany and Japan in the 1999 financial year. We found the ability to raise further capital in the home market was relevant for firms from both groups. In addition, firms from code law countries listing on the NYSE or NASDAQ were more likely to have greater foreign revenue and lower leverage. We expected differences in accounting requirements to be a greater barrier to listing on the NYSE or NASDAQ for code law firms. However, we found firms from code law countries were more likely to select a Form 20-F exchange than firms from common law countries, providing support for suggestions that a NYSE/NASDAQ cross-listing has a bonding role for code law firms.

Entwistle, Gary M., Glenn D. Feltham, and Chima Mbagwu, "The Voluntary Disclosure of Pro Forma Earnings: A U.S.-Canada Comparison," *Journal of International Accounting Research* (Vol.4, No.2, 2005): 1-23.

This study compares managers' voluntary disclosure of pro forma earnings—an alternative measure to generally accepted accounting principles (GAAP) earnings—in the U.S. and Canada. The results indicate some distinct differences between the two countries in that U.S. managers (1) disclose pro forma earnings more frequently, (2) place greater emphasis on the pro forma earnings number relative to the GAAP earnings figure, and (3) make greater (income-increasing) adjustments from GAAP in calculating pro forma earnings than do their Canadian counterparts. While we find distinct differences in the use of pro forma between the U.S. and Canada, we do not find evidence that it is used for different purposes. Our evidence suggests that in both countries pro forma earnings is used by some corporations to affect users' perceptions of firm performance. Overall, given the differences in managers' use of pro forma, a form of voluntary disclosure, our results suggest caution in moving to a uniform (cross-border) system of financial regulation.

## Fontes, Alexandra, Lúcia Lima Rodrigues, and Russell Craig, "Measuring Convergence of National Accounting Standards with International Financial Reporting Standards," *Accounting Forum* (Vol.29, No.4, 2005): 415-436.

This paper analyses three methods for measuring the success achieved in effecting convergence between any two sets of accounting standards. We begin by reviewing a measurement method based on the concept of Euclidean distances. We then propose two better measures (involving Jaccard's coefficients and Spearman's coefficients) to assess the progress of National Accounting Standards setting bodies in converging their standards with International Financial Reporting Standards [IFRS]. For illustrative purposes, we measure the convergence of National Accounting Standards in Portugal with International Accounting Standards [IAS] and IFRS over the period 1977–2003.

Francis, Jere R., Inder K. Khurana, and Raynolde Pereira, "Disclosure Incentives and Effects on Cost of Capital Around the World," *The Accounting Review* (Vol.80, No.4, 2005): 1125-1162.

Prior research predicts that firms reliant on external financing are more likely to undertake a higher level of disclosure, and a higher disclosure level should, in turn, lead to a lower cost of external financing. This paper tests these predictions outside the United States where alternative legal and financial systems could mitigate the effectiveness of such disclosures and, comprehensively, examines both disclosure incentives and disclosure consequences on cost of capital for a common set of firms. Using a sample from 34 countries, we find that firms in industries with greater external financing needs have higher voluntary disclosure levels, and that an expanded disclosure policy for these firms leads to a lower cost of both debt and equity capital. Cross-country differences in legal and financial systems affect observed disclosure levels in predicted ways. However, a surprising result in the study is that voluntary disclosure incentives appear to operate independently of country-level factors, which suggests the effectiveness of voluntary disclosure in gaining access to lower cost external financing around the world.

Gwilym, Owain, James Seaton, Karina Suddason, and Stephen Thomas, "International Evidence on the Payout Ratio, Earnings, Dividends, and Returns," *Financial Analysts Journal* (Vol. 62, No.1, 2006): 36-53.

Recent evidence for the U.S. market has shown that, contrary to popular wisdom, the greater the proportion of earnings paid out as dividends, the greater the subsequent real earnings growth. This study extends previous work by examining whether a similar relationship exists in 11 international markets and by considering the role the payout ratio plays in explaining future real dividend growth and returns. Higher payout ratios do indeed lead to higher real earnings growth—but not to higher real dividend growth. This information has limited use, however, for predicting future returns.

Hossain, Mahmud, and Barry R. Marks, "The Value-Relevance of Voluntarily Disclosed Quarterly Foreign Sales Data of U.S. Multinational Corporations," *Journal of International Accounting Research* (Vol.4, No.2, 2005): 75-89.

This paper examines the value-relevance of voluntarily disclosed quarterly sales data on the foreign operations of U.S. multinational corporations included in quarterly earnings announcements. Using a short-window event-study methodology with risk-adjusted returns, we find that voluntarily disclosed quarterly foreign sales of U.S. multinational corporations is value-relevant to equity investors. The empirical results also show that in most instances, quarterly foreign sales data are valued at a substantially higher rate than quarterly domestic sales data.

Jaggi, Bikki, Chen-lung Chin, Hsiou-wei William Lin, and Picheng Lee, "Earnings Forecast Disclosure Regulation and Earnings Management: Evidence From Taiwan IPO firms," *Review of Quantitative Finance and Accounting* (Vol.26, No.3, 2006): 275 – 299.

This study examines whether the Taiwanese regulation requiring disclosure of earnings forecasts in the IPOs resulted in disclosure of more optimistic earnings forecasts and whether the forecast error was reduced more by manipulating the reported earnings rather than revising the earnings forecasts to meet the forecast error threshold. The study is based on 759 forecasts issued by the Taiwanese IPO firms from 1994 to 2001, i.e. 8-year period after the regulation was modified to increase the forecast error threshold to 20%. The findings show that the disclosure regulation resulted in more optimistic forecasts than conservative forecasts, especially for firms expecting better performance in the forecast year compared to the previous year. Firms disclosing optimistic earnings forecasts engaged more in manipulation of reported earnings than revision of forecasts to meet the forecast error threshold. These findings thus suggest that the disclosure regulation resulted in earnings manipulation, which reduced the quality of reported earnings.

# Lin, Z. Jun, and Feng Chen, "Value Relevance of International Accounting Standards Harmonization: Evidence From A- and B-share Markets in China," *Journal of International Accounting, Auditing and Taxation* (Vol.14, No.2, 2005): 79-103.

Applying both the price-levels model and the lagged-price-deflated returns model, we investigated the incremental value relevance of the reconciliation of accounts from the Chinese Accounting Standards (CAS) to the International Accounting Standards (IAS) by those Chinese listed companies that have simultaneously issued A-shares and B-shares. In addition, we examined the usefulness of accounting numbers (earnings and book values) and their value relevance to the A- and B-share markets in China. The study finds that earnings and book values of owners' equity determined under CAS are more relevant accounting information for the purpose of determining the prices of A- and B-shares. The CAS-based earnings changes were reflected in stock returns in the B-share market, while the CAS-based earnings were closely associated with stock returns in the A-share market. However, the study found that the reconciliation of earnings and book values from CAS to IAS basis is partially value-relevant, mainly to stock prices in the B-share market, while the earnings reconciliation is generally not value-added to stock returns in either the A- or the B-share market. The study results suggest that accounting numbers based on domestic accounting standards, in contrast to IAS, are more value-relevant in the Chinese stock market at present.

## Mir, Monir Zaman, and Abu Shiraz Rahaman, "The Adoption of International Accounting Standards in Bangladesh: An Exploration of Rationale and Process," *Accounting, Auditing & Accountability Journal* (Vol.18, No.6, 2005): 816-841.

This paper seeks to evaluate the recent decision of the Bangladeshi Government and accounting profession to adopt international accounting standards (IASs). The paper uses a variety of archival data and interviews with key actors, including preparers and users of annual reports, members of the Securities and Exchange Commission, and members of the professional accounting bodies: ICAB and ICMAB. The paper finds that institutional legitimization is a major factor that drives the decision to adopt IASs because of the pressure exerted by key international donor/lending institutions on the Bangladeshi Government and professional accounting bodies. Such pressure results from not only the need to provide credibility to foreign investors but also the need for strong accountability arrangements with lending/donor agencies. However, the perceived undemocratic nature of the adoption process appears to be creating and enhancing conflict among various constituencies, resulting in very low compliance with these standards. The paper contributes to the understanding of the diffusion of International Accounting Standards and the role of global agencies, such as the World Bank, within this process.

#### Mittoo, Usha R., "The Multijurisdictional Disclosure System and Value of Equity Offerings," *Journal of International Financial Management & Accounting*, (Vol.17, No.1, 2006): 52-83.

The Canada and US multijurisdictional disclosure system (MJDS) implemented in 1991 lowered the indirect barriers for investors and issuers by easing reporting and disclosure requirements for cross-border issues. This paper examines the impact of the MJDS and related regulatory changes on Canada–US equity market segmentation using a sample of Canadian seasoned equity offerings in the 1991–1998 period. We find that the number of cross-border issues by Canadian firms increased, and the typical negative stock price reaction that accompanies seasoned equity issues declined over time, supporting increased integration between the two markets after the MJDS. We also document that cross-border issues experience about 1.4 per cent lower negative stock price reaction compared with domestic issues, consistent with Canada–US market segmentation. We find mixed support for Merton's (1987) investor recognition hypothesis. While Canadian firms cross-listed in the US experience a less adverse price reaction to their cross-border offerings compared with their non-US-listed peers, there is no significant difference between the two groups in the case of purely domestic issues.

## Niemi, Lasse, "Audit Effort and Fees Under Concentrated Client Ownership: Evidence From Four International Audit Firms," *The International Journal of Accounting* (Vol.40, No.4, 2005): 303-323.

Using proprietary audit hour and fee data from the internal records of four Big Six firms in Finland, this study examines the influence of audit client ownership type on audit effort and fees. The primary argument is that there are differential effects of ownership concentration depending on the particular nature of concentrated ownership (i.e., firms in which the majority of shares are manager-owned versus foreign-owned versus state-owned). Consistent with this, the paper documents that audit hours and fees are lower for companies majority-owned by their management and higher for subsidiaries of foreign companies than for other firms. However, no difference between companies owned by the state or municipalities and companies with a more diverse ownership structure can be found. This suggests that governmental ownership is actually closer to a dispersed than a concentrated ownership structure in terms of audit quality. The results show that replacing the variable indicating majority-ownership with the variables capturing the type of a controlling owner increases the explanatory power of the models significantly, which demonstrates the importance of ownership type in the production and pricing of an audit. The findings have important implications for those examining audit markets with client firms owned by different types of controlling shareholders.

Niskanen, Jyrki, and Mervi Niskanen, "The Determinants of Corporate Trade Credit Policies in a Bank Dominated Financial Environment: the Case of Finnish Small Firms," *European Financial Management*, (Vol.12, No.1, 2006): 81-103.

This paper examines trade credit policies of small firms operating in a bank dominated environment (Finland). We find that creditworthiness and access to capital markets are important determinants of trade credit extended by sellers. The level of purchases is positively correlated with the level of accounts payable. Larger and older firms and firms with strong internal financing are less likely to use trade credit, whereas firms with a high ratio of current assets to total assets, and firms subject to loan restructurings use it more. Negative loan decisions by financial intermediaries increase and a close bank borrower relationship decreases the probability that a firm does not take advantage of trade credit discounts.

## Sawabe, Norio, "Accounting for the Public Interest: a Japanese Perspective," Accounting, Auditing & Accountability Journal (Vol.18, No.5, 2005): 631-647.

The purpose of this study is to expand one's understanding about how accounting helps to shape, mediate and constitute the public interest, the private interest, and their relationships. An interpretive approach is utilized to analyze the documents that have both informed and legitimized the Japanese financial regulatory changes since the end of 1970s. The paper finds that the concepts of private and public interest, and their relationships have been mutable in the deployment of accounting rhetoric. The concept of private interest was given more concrete shape as the market-oriented reform advanced in the name of public interest. This paper sheds light on the constructing role of accounting in society, which in turn helps to understand changing conceptualizations of the public interest, the private interest, and their relationships.

### **Future Accounting Events in Istanbul, Turkey in November 2006**

The 10th World Congress of Accounting Educators, will be held 9-11 November, 2006 <u>http://www.icai.org/announ/</u>wcae1.html.

The 17th World Congress of Accountants will be held 13-17 November 2006 in Istanbul, Turkey. Workshop and plenary sessions will be organized around the theme Generating Economic Growth and Stability Worldwide. Session topics will include generating economic growth and stability through the accounting profession in the developing nations, capital markets stability worldwide and the accounting profession, and the role of professional accountants in business in contributing to value creation worldwide. For more information, go to the WCOA-2006 Website at www.wcoa2006istanbul.org.tr.

AACF and MODAV, Accounting Academicians' Collaboration Foundation of Turkey, 3rd Annual International Accounting Conference: Latest Developments in International Financial Reporting, to be held in Istanbul, November 6-8, 2006. Deadline for submitting papers is May 31, 2006 (website is not up yet).

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