

INTERNATIONAL
ACCOUNTING SECTION
of the



American
Accounting
Association

FORUM

INTERNATIONAL ACCOUNTING

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EDITOR: Jeannie J. Harrington
Middle Tennessee State University

PRESIDENT'S MESSAGE

Greetings AAA International Accounting Section (IAS) members!

These are exciting times in the international accounting world as the SEC (2007) agreed to accept financial reports of foreign private issuers prepared in compliance with International Financial Reporting Standards as issued by the IASB without reconciliation to U.S. GAAP, for years ended after November 15, 2007. As a result, many accounting academicians are concerned about how to teach international accounting standards and guide Ph.D. candidates wanting to conduct informative international accounting research. For schools wanting to maximize their returns, scholars are seeking funding opportunities for research on international accounting issues. These issues were addressed at the 4th Annual Doctoral/New Faculty Consortium and 14th Annual Midyear Conference. Attendance at both these events was record-breaking. Moreover, from August 27, 2007, to January 7, 2008, IAS Section membership increased by greater than 6% when the AAA overall membership increased by only about 5.6%. We believe that our growth is attributable to our ability to address the needs of the IAS membership and collaborate with others.

We addressed membership needs at our Doctoral/New Faculty Consortium on February 7, and Midyear Meeting held jointly with the International Association for Accounting Education and Research (IAAER) February 7-9, both in San Diego at the Horton Grand Hotel. These events were sponsored by KPMG Foundation and KPMG LLP, which allowed us to have an IAS Doctoral/New Faculty Consortium, a two and one-half day IAS Midyear Conference packed with faculty development and learning opportunities and nightly receptions. These events were held in collaboration with San Diego State University whose generous support is most appreciated. I hope that you were able to attend these informative value-packed and entertaining events.

Our midyear activities began with the 4th Annual Doctoral/New Faculty Consortium February 6-7, chaired by Carolyn Callahan. Carolyn recruited a record breaking attendance/interest this year. There were 32 registrants from around the world with a wait-list of 14. This level of interest is exciting as it's the first in our consortium history. This year's consortium speakers included Mary Tokar, Lee Radebaugh, R. Abdel-Khalik, Karl A. Muller, Inder K. Khurana,



Jenice Prather-Kinsey

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Ole-Kristian Hope and Gary Sundem. WOW! We are asking you to encourage your students to register early next year, as Carolyn will again be chairperson and we expect that the interest in our consortium will continue to grow.

For the first time in the history of the AAA IAS Midyear we had a CPE session, arranged by Mary Tokar. She filled the room's capacity with 80 participants and there were still others that wanted to attend. The CPE session was entitled "How to Incorporate IFRSs into Your Accounting Course," with speakers Cheryl Linthicum, University of Texas at San Antonio and SEC Academic Fellow and Mary Tokar of the International Financial Reporting Group of KPMG. We ended the evening with a reception sponsored by KPMG LLP.

Our second record-breaker occurred February 7-9 at the 14th Annual Midyear Conference held jointly with IAAER. Co-chairs Elizabeth Gordon and Tony Kang had a record-breaking number of registrants, over 160 from around the world. You could hear the buzz of excitement about the papers presented and panel sessions during the break-outs and receptions. They also produced the first midyear book of abstracts. This booklet included an outline of the program, list of reviewers and list of registrants with contact information. In many of the panel presentations arranged by Donna Street, there was standing room only. The panel session "IFRS Regulatory Developments—The Acceptance of IFRS in U.S. Capital Markets," included a presentation on the new ruling for foreign deregistration and direction on which foreign private issuers are likely to file IFRS financial reports with the SEC in 2008. The "International Financial Reporting Standards" plenary session, moderated by Mary Tokar with Mary Barth as the speaker, was a quality update on IASB activities. Finally, the second plenary session "IAESB Technical Agenda Project," focused on setting accounting standards for education and announced the ACCA/IAAER call for proposals for consideration for funding. What an opportunity for those interested in international accounting education.

The quality of papers presented and published by the section was recognized at the Friday luncheon. The Best Midyear Conference Paper was awarded to Yigit Atilgan, Paquita Y. Friday and Alope Ghosh for their study, "U. S. Cross-Listing, Credit Ratings, and the Cost of Debt." The Best *Journal of International Accounting Research (JIAR)* Paper was awarded to Susan Machuga and Karen Teitel for their manuscript, "The Effects of the Mexican Corporate Governance Code on Quality of Earnings and its Components." Congratulations all! Consider submitting your papers to *JIAR* and the 2009 IAS Midyear Conference and maybe you will be our next year's awardee.

The midyear meeting is made possible through our friends. I thank the KPMG Foundation for funding the AAA IAS Doctoral/New Faculty Consortium and Midyear Conference. Without the generous support of the KPMG Foundation and its president Bernie Milano, we could not have our consortium. Please take every opportunity possible to say "thanks" to the KPMG Foundation for not only sponsoring the consortium but the midyear meeting too. In fact, KPMG LLP funded the midyear welcoming reception. Thank you Bea Sanders for your support in securing these funds. I thank Sharon Lightner, Victoria Krivogorsky and San Diego State University's School of Accountancy and Center for International Business Education and Research for providing AV equipment and the Friday night dessert reception with entertainment. Carolyn Callahan, thank you for directing and managing the doctoral and new faculty consortium. Thanks Mary Tokar for arranging the CPE session. Thank you Donna Street for organizing the midyear panels; and as President of IAAER for joining with the IAS in coordinating the midyear meeting. Thank you Elizabeth (Betsy) Gordon and Tony Kang for managing 66 accepted papers, 22 concurrent sessions and 2 poster sessions. I appreciate all who participated in the doctoral/new faculty consortium and midyear conference as speakers, presenters, discussants, panelists and moderators. Thank you for the significant time commitment and resources that you provided to make this a record-breaking meeting. Thanks to all who attended our 2008 midyear meeting activities. Cheryl Linthicum, President-Elect, is already planning for the 2009 IAS Doctoral/New Faculty Consortium and Midyear Meeting. Stay tuned.

Greg Burton is gearing up for the upcoming AAA meeting in Anaheim, California, August 3-6, 2008. He is planning an array of amazing opportunities for you including a "mini" plenary session. I am happy to organize this "mini" plenary session and welcome your input. Eva Jermakowicz is planning for at least two CPE sessions. I would strongly urge you to make your hotel

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reservations early so that you can stay in the hotel of your choice. You may want to bring the family, as Anaheim is the location of the original Disney amusement park.

Our webpage is in need of your assistance so that we can provide useful information to you efficiently and effectively. Andy Lymer is busy working with his assistants in revamping our webpage. Andy specifically wants answers to the following three questions.

1. What other websites (accounting and otherwise) do you think would be good models for Andy's team to consider and possibly incorporate into our webpage?
2. What should be the essential contents of the website—be as general or as specific as you like?
3. What would your "wish list" be of other things that our webpage should contain?

Andy, email address A.Lymer@bham.ac.uk, needs your responses as soon as possible so that he can keep the project on schedule. Following is his proposal for the IAS webpage.

<u>Section</u>	<u>Sub sections</u>
Home page	No subs
News	1. Section news 2. AAA news 3. Global news
Who are we?	1. Objectives 2. Officers/ Committee details 3. Section History 4. Awards
Events	1. Midyear 2. Annual Meeting 3. Regionals 4. Other related
Publications	1. <i>JJAR</i> 2. <i>Forum</i>
Education materials	1. Section created materials 2. Links to member/other materials/sites
Research materials	1. Section created materials 2. Links to member/other materials/sites
Service materials	1. Section created materials 2. Links to member/other materials/sites
Members section	1. Syllabi database 2. 'Legal' 3. Discussion forum 4. Member profile pages(?)
Search	
AAA Home	

George Gamble is updating our IAS webpage with international accounting syllabi. Please send your international accounting course syllabi to George at ggamble@uh.edu.

Stella Fearnley, chair of the International Relations Committee, continues to seek donations for gift memberships to universities in developing countries. Please consider giving to this program and help disseminate AAA information to our international community that would not otherwise be able to afford or know of the publications and opportunities of AAA.

On the publications front, Ken Ferris is seriously guiding the *Journal of International Accounting Research (JIAR)*. If you will be attending international

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President's Message *(continued from page 3)*

conferences, please notify Ken so that he can provide you with the *JJAR* call to distribute at the meeting. The next edition should be mailed from the AAA shortly. Ken is always looking for quality manuscripts for *JJAR* and I hope that everyone will make *JJAR* a top choice as an outlet for their international accounting research. Additionally, Jeannie Harrington, our *Forum* editor, continues to put together a wonderfully informative product. Jeannie, thank you for providing an informative newsletter to our membership. I also thank everyone who contributes to the *Forum*.

Donna Street, chair of the nominating committee, is assembling a talented slate of nominees that will be voted on at the IAS Business meeting at the AAA annual meeting in Anaheim. Rob Larson, chair of the advisory committee, will be presenting four proposed changes to the by-laws at the IAS Business meeting in Anaheim.

I appreciate Patricia Poli diligently working to develop a set of executive committee members to rewrite our mission statement and congruent strategies. I thank Myungsun Kim, regional coordinator chair, for putting together a platform to make international accounting a more significant part of regional meetings. I think this is a phenomenal avenue for us to disseminate information about international accounting curriculum and research. I appreciate Norlin Rueschhoff for finding and sharing the Historian Webpage address that he maintained for years for IAS. We should see that history on our webpage soon. Finally and most importantly, I thank Ian Hague for maintaining our treasury and Paquita Davis-Friday for recording our minutes.

I look forward to seeing all of you in Anaheim, California in August 2008.

Jenice Prather-Kinsey, President
AAA IAS

International Accounting Section *Forum* Deadlines, Suggestions, Comments for 2008/09 Summer 2008 Issue - June 15, 2008 Fall 2008 Issue - September 30, 2008 Spring 2009 Issue – February 28, 2009

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

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***Forum* Editor Jeannie Harrington with
her two labs, Abbey and Jack**

Texas A&M International Accounting Professor Honored with Distinguished Educational Leadership Teaching Award

Murphy Smith, accounting professor at Texas A&M University's Mays Business School, was presented the Distinguished Teaching Award by the Academy of Educational Leadership at its international conference in Reno, Nevada in October 2007. The award recognizes Smith's innovative and creative teaching, especially concerning ethics and international accounting.

During his academic career Smith has taught classes at the bachelors, masters, and doctoral level. He has also attained a notable research record and is ranked in the top one percent of U.S. accounting faculty according to number of articles published in leading accounting journals, ranked 2nd among 1983 doctoral graduates. His work has been cited in various news media, including *Fortune*, *USA Today* and *The Wall Street Journal*. Regarding international business, Smith says, "The key business issues in America are the same issues confronting business around the globe, such as corporate ethics and reliable financial reporting."



Dr. Murphy Smith (left) receives the Distinguished Teaching Award from the Academy of Educational Leadership Conference Chair Dr. Jim Carland

Regarding ethics, Smith's research examines topics such as the impact of federal legislation, the future direction of the accounting profession and assessment of ethics education in the U.S. and other countries. In 2002, Smith testified at a congressional hearing in Washington, D.C. regarding business and accounting ethics.

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

The International Accounting Section-

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

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

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

- Continuing Education Committee

Sponsors and organizes a Midyear Meeting:

- Midyear Meeting Committee

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

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

Maintains a web site:

- Information Technology Committee (Webmaster)

Makes information available on the web site including:

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

Recruits new members:

- Membership Committee

Presents awards:

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

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

- International Relations Committee

Is administered and maintained through:

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

CALL FOR MEMBERS TO SERVE ON IAS COMMITTEES FOR 2008-2009

Below is a list of IAS committees for the period August 2008 to August 2009. Section members interested in serving on a committee should complete the form and send it to the address below:

Cheryl Linthicum
 Division of Accounting and Information Systems
 University of Texas – San Antonio
 San Antonio, TX 78249-0632
 Phone: 202-551-3531
 Fax: (210) 458-4322
 Email: cheryl.linthicum@utsa.edu

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

Annual Program			Regional Programs	
Midyear Meeting			Mid-Atlantic Region	
Continuing Education			Midwest Region	
Research			Northeast Region	
Teaching Resources			Ohio Region	
International Relations			Southeast Region	
Information Technology			Southwest Region	
Outstanding Dissertation Award			Western Region	
Outstanding Educator Award				
Outstanding Service Award				
Publications				
Strategic Planning				
Website Development/Maintenance				

Name _____

Affiliation _____

Address _____

Phone: _____ Fax: _____

Email: _____

INTERNATIONAL ACCOUNTING SECTION

2008-09 Nomination Slate

VICE CHAIR - ACADEMIC (PRESIDENT-ELECT)

_____ Ery Black

VICE CHAIR—PRACTICE (ONE-YEAR TERM)

_____ Steven D. Krohn

SECRETARY

_____ Paquita Davis-Friday

ADVISORY BOARD

_____ Sarah York Kenny

_____ Sid Gray

PUBLICATIONS COMMITTEE

_____ Gary Entwistle

_____ Ann Tarca

NOMINATIONS COMMITTEE

_____ Jeannie Harrington

_____ Gary Meek

_____ Greg Burton

Country Practice – New Zealand

The Move to International Accounting Standards in New Zealand

By Michael Bradbury (*Massey University*) and Tony van Zijl (*Victoria University of Wellington*)

On the 19 December 2002, the Accounting Standards Review Board (ASRB) announced that New Zealand reporting entities should apply International Financial Reporting Standards (IFRS) for periods on or after 1 January 2007. However, entities would have the option to early adopt IFRS from 1 January 2005. For a small country like New Zealand there are significant benefits to be gained from adopting, or at least adapting, overseas standards. It provides a set of comprehensive, credible and internationally recognized standards at relatively low cost. Application of these standards in financial reporting by New Zealand entities reduces transaction costs for international investors contemplating investment in New Zealand and thus facilitates deepening of local capital markets.

In this newsletter we discuss the move to IFRS in New Zealand. We first, briefly, review prior attempts at harmonization or convergence with overseas accounting standards. Second we discuss the likely impact on IFRS. Third, we discuss the possible challenges that lay ahead.

Prior attempts at international convergence

The first attempt to provide accounting guidance in New Zealand was made by the profession in 1946 when it reproduced for use by New Zealand entities the recommendations on accounting principles issued by the Institute of Chartered Accountants of England and Wales (Zeff 1973 and van Zijl 1994). The New Zealand profession began to issue accounting standards in 1974 and in the same year became an associate member of the International Accounting Standards Committee (IASC). An early standard carried the IASC crest but thereafter, the profession pursued its own agenda and wholesale adoption of international standards was regarded as inappropriate because of legal, commercial and professional differences (Bradbury 1998).

The Financial Reporting Act of 1993 established the Accounting Standards Review Board (ASRB) to provide legal backing to accounting standards developed by the profession's Financial Reporting Standards Board (FRSB). In June 1994, the ASRB issued a statement of the intention to harmonize Australian and New Zealand accounting standards (i.e., eliminate unnecessary differences) .

The ASRB's decision to adopt IFRS in New Zealand was prompted by the Australian Financial Reporting Council's directive to adopt IFRS in Australia in 2005, but this was only a factor in the timing of the decision. Consultations made by the ASRB showed strong support for the adoption of IFRS by New Zealand entities. For some parties the support reflected the interest in adopting internationally recognized standards, for others it simply reflected there was no effective option other than to follow Australia (Bradbury and van Zijl 2006).

The impact of IFRS

IFRS are developed for large consolidated listed firms. However, NZ accounting standards are described as "sector-neutral" and apply to a wide range of entities and across all sectors. In addition to stock exchange listed firms and other entities that issue securities to the public, NZ accounting standards apply (1) to small closely held companies (this has led NZ to develop a differential reporting regime to lower the cost of financial reporting for small entities) and (2) to public benefit entities. Public benefit entities are reporting entities whose risk capital (if any) has been provided to support the primary objective of providing goods or services for a community or a social benefit rather than for financial return to equity holders. Most state sector entities, local authorities, and not-for-profit entities are public benefit entities.

ASRB *Release 8*, describes the procedures required to be followed by the FRSB in adopting IFRS to replace New Zealand Financial Reporting Standards. The FRSB has developed New

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Zealand equivalents to IFRS (“NZ IFRS”) for approval by the ASRB. The new standards use the same identification as IFRS, preceded by “NZ”. For example, the New Zealand equivalents to IAS 11 and IFRS 3 are NZ IAS 11 and NZ IFRS 3.

ASRB *Release 8*, allows NZ IFRS to differ from IFRS under limited circumstances. NZ IFRS may contain additional disclosure items; eliminate optional treatments allowed under IFRS; and may contain additional recognition and measurement requirements for public benefit entities. The additional requirements are included in shaded boxed text. This approach allows profit-oriented entities to comply with NZ IFRS and claim compliance with IFRS. However, it does mean that while there is one set of accounting standards, New Zealand no longer has sector-neutral standards, because public benefit entities, in complying with the additional requirements for those entities in NZ IFRS, may not be able to claim compliance with IFRS.

The impact of the adoption of IFRS on financial statements in New Zealand varies across entities depending on the type of transactions they undertake, the operating structure and financial structure. As New Zealand had no standards on accounting for employee benefits, share-based payments, or recognition and measurement of financial instruments, the adoption of IFRS has had a major impact on reporting in these areas. Other standards having a significant impact are deferred tax, goodwill impairment, and fair value for agriculture activities (for details of specific effects see Bradbury and van Zijl 2005 and 2007).

The challenges ahead

Major issues arising from the scope of IFRS in New Zealand remain unresolved. These relate to the attempts to retain *differential reporting* for smaller entities and *sector neutral* accounting for public benefit entities.

Pre-IFRS New Zealand had a differential reporting regime that provided relief from full-GAAP for certain smaller entities. The *Framework for Differential Reporting* granted full, partial or no exemptions from financial reporting standards. Although one set of standards was used, specific exemptions were recorded in each standard. As an interim measure, the exemptions in individual standards in pre-IFRS standards were “rolled-over” into NZ IFRS. However, New Zealand must now decide whether to :

- continue with the existing differential reporting, or
- replace the existing scheme with the eventual output of the IASB’s *Small and Medium-sized Entities* project requiring having GAAP in two books; or
- develop its own “two book” approach.

Choice among these alternatives is complicated by the fact that the Ministry of Economic Development is currently considering changing the requirements on which entities must file financial statements (and therefore, effectively, comply with GAAP).

The second major scope issue, is whether New Zealand can continue to provide one set of accounting standards for both profit-oriented and public benefit entities. The New Zealand Controller and Auditor-General has questioned whether NZ IFRS meets public sector needs. Of particular concern, is that the joint FASB/IASB conceptual framework project will consider the impact of public benefit entities late (the second to last phase) in the project. Also, this project has subsumed the role of stewardship within a decision usefulness objective. The lack of focus on accountability in the proposed conceptual framework will make the task of operating with a single set of sector neutral standards increasingly difficult.

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A further issue is that once full convergence with IFRS has been achieved there will need to be reconsideration of the role of the FRSB and ASRB. With the adoption of IFRS, the FRSB's role as a standard setter is substantially eliminated. The FRSB's function is more likely to be that of an advocate for New Zealand entities by responding to and submitting to the IASB on discussion papers and exposure drafts.

The move to IFRS is a major step in the evolution of financial reporting. It brings new challenges for preparers, auditors, users of financial statements, standard setters and educators.

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Country Practice—Australia

Adoption of International Accounting Standards in Australia from 2005

By Ann Tarca (University of Western Australia), 9 April 2008

Australia has a relatively long history of support for the harmonisation of Australian accounting standards with international accounting standards (IAS and IFRS) issued by the International Accounting Standards Board (IASB). In the 1990s the national standard setter (the Australian Accounting Standards Board or AASB) had a convergence policy and it also reviewed all Australian standards to ensure that compliance with them achieved compliance with IAS. Adoption of IAS/IFRS was initially proposed for 1 January 1999, but subsequently delayed until 1 January 2005 (FRC, 2002a, 2002b). This article provides an overview of issues arising from adoption of IAS/IFRS in Australia under four headings, being comparability, support of constituents, financial effect and impact on the standard setting process.

Comparability

The aim of adoption of IAS/IFRS in Australia was to improve the international comparability of Australian companies' financial reporting. While many Australian constituents considered that Australian GAAP was of a high quality, there was debate about its ability to be recognised internationally. The motivations for adoption of IAS/IFRS in Australia were similar to those experienced in Europe. That is, companies sought greater international transparency and comparability in their financial reporting, which was expected to lead to cheaper cost of capital. In addition, adoption was seen by the Australian Securities Exchange (ASX) as promoting further development of the national capital market.

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Unlike the situation in the European Union (EU) (where IAS/IFRS are used by only listed companies in their consolidated accounts) IAS/IFRS are adopted by all reporting entities (all listed companies plus other entities for which there are users reliant on the general purpose financial reports) in Australia. This means that a large range of companies have been affected by adoption, including smaller companies.

Like New Zealand, Australia has ‘sector neutral’ accounting standards. The effect of this approach to standard setting has seen the AASB add material to IASB standards (which are developed solely for private sector entities) to make them applicable for not-for-profit and public sector entities. These days changes are made to standards only to achieve sector neutrality. However, such changes mean that the standards are not literally ‘as issued by the IASB’ which may have implications for companies seeking to have their accounts accepted in international capital markets (such as the USA).

Constituent support

International standards (IAS/IFRS) had widespread support from many parties in the business community (Brown and Tarca, 2001), particularly prior to Australia’s formal adoption decision in 2002. Arguments for adoption seemed compelling: greater international comparability for Australian companies and reduced costs of developing accounting standards. Jones and Higgins (2006) surveyed preparers prior to adoption about expected benefits. When asked whether the economic benefits listed below were likely to be achieved, participants responded as follows:

Increased access to overseas capital markets -	57% disagree
Reduced cost of capital -	75% disagree
One set of reports (cross-listing) -	75% disagree
More transparent/understandable standards -	60% disagree
Lower quality of financial reports -	67% disagree

The survey suggests that support for adoption was not unanimous. A subsequent post adoption survey by Pickering et al. (2008) pointed to the frustration experienced by preparers with the time taken over conversion and its cost. Some preparers expected little benefit from adoption and sought more assistance with interpretation of the new standards. These studies highlight the impact of a government policy decision which focused on the benefits to a few, namely large listed companies with international operations and the ASX itself. Indeed, the Federal Government was not without self interest in the adoption process, as adoption was a way of removing standard setting from the domestic political agenda.

Financial effect

At the time of adoption, the major differences between IAS/IFRS and AGAAP were in the areas of Financial instruments, Intangibles, Income tax, Business combinations, Goodwill, Impairment and Share-based payment (Jones and Higgins, 2006). However, the financial effect of adoption varied greatly based on company size and industry. An early study (based on the first half-year financial statements of the earliest adopting firms) showed that more than half small firms had no change in net income or equity. IAS/IFRS increased net income for small and medium sized firms and increased equity for small firms. Under the new standards, small firms experienced higher earnings variability than medium or large firms (Goodwin and Ahmed, 2006).

Impact on standard setting

Adoption of IAS/IFRS created major changes in the standard setting structure in Australia. The AASB is no longer responsible for developing accounting standards

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from their inception which significantly diminishes the scope of its activity and its power in standard setting (Collett et al., 2001; Brown and Tarca, 2001). Clearly, the AASB has lost autonomy over the standards it releases which subsequently become Australian law.

The AASB can make changes to IFRS before issuing AASB equivalents to IFRS, however, in practical terms, it is limited in the extent to which it can do so. The AASB is unlikely to take actions inconsistent with the harmonisation of standards, given its directions from its oversight body, the Financial Reporting Council, and community support for harmonisation. For example, the AASB is unlikely to follow the precedent set by the EU in making a ‘carve out’ before endorsing IAS 39.

Currently the AASB contributes to international standard setting through its relationship with the IASB. Standish (2003) argues that the ability of a country to be influential at the IASB reflects such factors as 1) existence of a national standard setting process; 2) ability to address complex accounting issues in the English language; 3) involvement in the standard setting community; and 4) development of the knowledge base (through the academic community and accounting and auditing professions). Considering all of these factors, Australia is well placed to be able to participate in global standard setting in the future. For example, the AASB has been a national liaison standard setter since the formation of the IASB in 2001 and has participated in several IASB projects where it has particular expertise (eg intangible assets and extractive industries).

The Australian corporate sector has been influential in standard setting in the past, however adoption of IAS/IFRS will curtail this influence. Companies can lobby the IASB in much the same way as they lobbied the AASB but they cannot expect to be as influential, given that the IASB is an international organisation concerned with the views of many stakeholders from various countries. Loss of influence in standard setting by Australian companies can be observed in relation to IAS 38 *Intangibles*. Australian companies with substantial revalued or internally generated intangible assets lobbied the IASB, the AASB and the Federal Government for relief from IAS 38 requirements, based on the impact that they would have on companies’ financial statements (Ravlic, 2004; Walters, 2004). Companies’ requests were unsuccessful and some adjustments occurred to financial statements, although it seems that these were fewer than initially predicted (Cheung et al., 2008). On this issue at least, the AASB has been unable to negotiate with the IASB to achieve an outcome that was considered important by some Australian companies. The result illustrates the loss of power of the AASB and companies in the (now international) standard setting process.

Australian companies have a history of lobbying the Federal Government in relation to accounting standards. The development of standards by the IASB, and the adoption by the AASB of those standards, further distances the Government from the standard setting process. The Government can argue that the rules are determined in an international arena for the global capital market and, unless not in Australia’s best interest, they will be adopted in Australia. The post-2005 standard setting arrangements mean that the Government lacks the incentive to intervene in standard setting. Therefore, the Government can expect less lobbying directed to it over any future controversial standards, which it may view as a favourable outcome of IFRS adoption.

Conclusion

Fundamental changes in accounting standard setting in Australia have occurred following the FRC’s decision in 2002 that Australia would adopt international accounting standards. The decision marks the end of an eventful era of domestic standard setting. Standard setting will occur in an international arena in the future. It will continue to be a political process, however, political activity will operate increasingly at an international level, with the ability of the AASB, the Australian corporate community and even the Australian government to influence the process being significantly less than it has been in the past.

The aim of convergence of accounting standards is to achieve one set of global accounting standards, thus improving comparability and transparency in financial reporting and reducing companies’ cost of capital and financial report preparation costs. To achieve these benefits, participants in

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the Australian environment have incurred the significant transition costs. In addition, they have accepted less influence and autonomy in standard setting in the future. Benefits of adoption are not apparent for all firms, particularly smaller companies without international connections. Recent events in the USA (including the removal of the SEC's Form 20-F US GAAP reconciliation requirement and consideration of IAS/IFRS for use by domestic companies) indicate greater acceptance of IAS/IFRS on an international scale. The IAS/IFRS adoption decision was probably inevitable for Australia and is based on the belief that benefits will be realised for listed firms and the Australian market overall.

References

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AAA INTERNATIONAL ACCOUNTING SECTION
Chairs and Directors Business Meeting Minutes
Horton Grand Hotel, San Diego, California, Ida Bailey's
Friday, February 8, 2008, 5:30-6:14 pm

Members present: Jenice Prather-Kinsey, Greg Burton, Tim Douplik, Ken Ferris, Sid Gray, Jeannie Harrington, Paul Herz, Stella Fearnley, Ian Hague, Eva Jermakowicz, Cheryl Linthicum, Patricia Poli, Norlin Rueschhoff, Donna Street and Mary Tokar.

Welcoming of committee members and presentation of agenda was made by Jenice Prather-Kinsey, President. Jenice thanked "all" for their support in planning and directing the 2008 Midyear Meeting.

Reports and Points of Discussion:

- a. Finances – Treasurer - Ian P. N. Hague [Accounting Standards Board, Canada].

Overall AAA membership from August 27, 2007, to January 7, 2008, increased from 11,946 to 12,622 (+5.6%). IAS Section membership increased in the same period from 1,169 to 1,239 (+6.0%). Actual financial results for 2007 were distributed, together with results for the first three months of 2008. The AAA IAS 2007 midyear meeting had a positive net cash inflow.

- b. Midyear Conference Committee:

Doctoral/New Faculty Consortium Coordinator: Carolyn Callahan [University of Arkansas].

The 2008 Consortium had 32 registrants and 14 applicants on a wait list. She was applauded as this was a record-breaking number of applicants. It was suggested that for 2009, doctoral students receive priority over new faculty (the latter might be asked to pay for their attendance) and that repeat attendees be precluded from further consideration.

Papers and Cases Program Co-coordinators: Elizabeth (Betsy) Gordon [Temple University, USA] and Tony Kang [Florida Atlantic University, USA].

There were 66 papers accepted, 22 concurrent sessions and 2 poster sessions at the 2008 AAA IAS midyear meeting. This was the first year for a published book of abstracts and for poster sessions. Betsy and Tony were applauded for these firsts.

Speakers and Panels Program Co-coordinator: Donna Street [University of Dayton, USA].

There were 4 panel sessions at the midyear meeting. Mary Tokar's Thursday afternoon CPE workshop was capped at 80 participants. This was an IAS Midyear meeting first CPE.

- c. Midyear 2009--Cheryl Linthicum—President Elect.

Cheryl is trying to secure a meeting location for the 2009 midyear meeting. There were three locations suggested to Cheryl by the AAA and Cheryl has a fourth location she desires to investigate.

- d. Advisory Committee—Robert Larson [University of Dayton, USA] not present.

Four proposed changes to the by-laws have been sent to committee. One of the four proposed changes is related to term limits for the *Forum* editor.

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Midyear Chairs and Directors Meeting *(continued from page 15)*

- e. Annual Program Committee – Chair: Greg Burton [Brigham Young University, USA].

Greg distributed a hand-out that included the numbers of 2007 and 2008 panel proposals, papers submitted, review volunteers, moderator volunteers and discussant volunteers. All were up in 2008 as compared to 2007 except discussant volunteers. He also listed the author submissions by country and methodology (behavioral, experimental, archival, modeling and new scholar) for 2008. A “mini”-plenary session is being considered for the International Accounting Section.

Continuing Education Committee – Chair: Eva Jermakowicz [Tennessee State University, USA].

Two CPEs are being considered, “Differences between IFRS and US GAAP” and “Global Accounting Convergence and Opportunities in Research.” Others have also been proposed. Concern was expressed that the number of CPE sessions should be limited so that there is not duplication of information and that competition in timing of international CPE sessions is avoided.

- f. Information Technology Committee – Chair: Andy Lymer [University of Birmingham, UK] not present.

Comments included that the webpage currently is not inviting and lacks color, and that *Forum* back issues are limited and need to include more back issues. Jenice asked all to please send comments about the proposed website revisions to Andrew Lymer at A.Lymer@bham.ac.uk.

- g. International Relations Committee – Chair: Stella Fearnley [University of Bournemouth, UK].

E&Y renewed the bursary for a UK academic to attend the midyear meeting. Stella requested the need of an African representative and believed that the director concept needed to be reconsidered. She will present her recommendation regarding the director concept at the AAA meeting in August 2008. The timing of, and process for the gift membership program will also be reconsidered.

- h. Membership Committee – Chair: Mahendra Gujarathi [Bentley College, USA] not present.

- i. Nominations Committee – Chair: Donna L. Street [University of Dayton, USA].

Nominations committee consensus was achieved on nominees for the two vice-president positions and a secretary for the coming academic year.

- j. Outstanding Dissertation Award Committee – Chair: Sidney Gray [Univ of Sydney, Australia].

The call should include the qualifications for consideration of the Outstanding Dissertation Award and the process for nominating a candidate.

- k. Outstanding Educator Award Committee – Chair: Stephen A. Zeff [Rice University, USA] not present.

The Committee inherited eight nominations from the previous year's committee and has received three additional nominations. The committee will proceed to make its decision after the February 28th deadline for receipt of nominations. The call should include the qualifications for consideration of the Outstanding Educator Award and the process for nominating a candidate.

- l. Outstanding Section Service Award Committee - Chair: Paul Herz [Fort Lewis College, USA].

The call should include the qualifications for consideration of the Outstanding Section Service Award and the process for nominating a

(continued on page 17)

Midyear Chairs and Directors Meeting *(continued from page 16)*

candidate. Paul requested that an announcement be made at the luncheon on Saturday regarding the call for each of the outstanding awards.

- m. Publications Committee-Chair: Tim Doupnik [University of South Carolina, USA].

The recipient of *JJAR* Outstanding Manuscript Award has been selected.

- n. Journal – Kenneth (Ken) R. Ferris, [Arizona State University, USA].

Ken announced that he would develop a flyer that could be sent to conferences, inviting submissions to *JJAR*. He asked who would be attending the European Accounting Association Congress so that he could get the call to them for distribution at the Congress. Further, he is seeking fast tracking for six of the articles presented at the 2008 IAS Midyear and for the better papers submitted for presentation at the annual AAA meeting in Anaheim in August, 2008.

- o. Special *Issues in Accounting Education* issue—Gary Meek [Oklahoma State] not present.

Gary was applauded for this publication and it was announced that hard copies had been mailed and that the electronic version as well as the teaching notes are available on the AAA website.

- p. *Forum* – Jeannie Harrington [Middle Tennessee State University, USA].

Jeannie submitted a report including the table of contents of the fall 2007 issue of *Forum*, the number of pages in previous issues of *Forum* from Summer 2007 to Summer 2004, and missing links on the webpage of past issues of the *Forum*. Jeannie also mentioned the term limits in the by-laws and that she would not be able to continue as editor for the next three-year term if the term limits are not revised in August, 2008. Right now Jeannie is serving on a year-by-year basis.

- q. Regional Programs Committee – Chair: Myungsun Kim [SUNY—Buffalo, USA] not present.

Regional Coordinators:

Mid-Atlantic - Obeua Persons [Rider University, USA]

Midwest - John McGowan [St. Louis, USA]

Northeast - Steven Fritsche [Howard University, USA]

Ohio - Ran Barniv [Kent State University, USA]

Southeast - Lisa Owens [Clemson University, USA]

Southwest - L. Murphy Smith [Texas A&M University, USA]

Western - Meihua Koo [University of Nevada – Las Vega, USA]

Myungsun reported that many of the regions have an international concurrent session and/or an international panel for their regional meetings.

- r. Section Historian – Norlin Rueschhoff [University of Notre Dame, USA].

Andy needs information for the historian section of the IAS website if it is to be continued.

Norlin mentioned that he has just learned the University of Notre

(continued on page 18)

Midyear Chairs and Directors Meeting *(continued from page 17)*

Dame URL address for the AAA IAS historical information. He will mail the URL to Andy when he returns to Notre Dame from the conference so that Andy Lymer can post this information on the AAA IAS webpage.

- s. Strategic Planning Committee - Chair: Patricia M. Poli [Fairfield University, USA].

Patricia pointed out some deficiencies and inconsistencies with the AAA IAS mission statement. She wants to rewrite the mission statement and develop congruent strategies for the section. She wants to develop a set of executive committee members to work with her in drafting this document.

- t. Teaching and Curriculum (Education) Committee – Chair: George Gamble [Univ of Houston].

George is working with the IAS webmaster to update the teaching resources site on the section web page. Jenice mass emailed George's call for syllabi to the section during December 2007. Members present were asked to submit their international accounting class syllabus to George.

Jenice thanked all for attending the meeting. The meeting was adjourned at 6:14 pm.

Respectfully submitted,

Jenice Prather-Kinsey, President

AAA IAS

**15th Anniversary (2009) Midyear Conference
of the International Accounting Section of the
American Accounting Association
*Funding Provided by the KPMG Foundation***

1. Houston, Texas - March 4-5, 1995
2. Vancouver, British Columbia, Canada - March 29-30, 1996
3. New Orleans, Louisiana - March 13-15, 1997
4. Chicago, Illinois - April 3-4, 1998
5. Orlando, Florida - January 8-9, 1999
6. Tampa, Florida - January 9-10, 2000
7. Phoenix, Arizona - January 12-13, 2001
8. Fort Lauderdale, Florida - January 11-12, 2002
9. Orlando, Florida - February 7-8, 2003
10. San Diego, California - January 30-31, 2004
11. San Antonio, Texas – February 3-5, 2005
12. Los Angeles, California – January 14-16, 2006
13. Charleston, South Carolina – February 2-3, 2007
14. San Diego, California—February 6-9, 2008 (Joint with IAEER)
15. St. Petersburg Beach, Florida—February 12-14, 2009

Details coming on the IAS Website.

Actual Cash Flows—Fiscal Year September 1, 2006–August 31, 2007

International Accounting Section				
	2006-07		2006-07	
	Budget		Actual	
UNRESTRICTED FUND				
Cash Inflows				
Dues-Full Members - (\$10 per member)*	\$10,000.00		\$12,246.50	
Dues-Associate Members	300.00		372.00	
Journal Submission Fees (\$25 per submission)	1,200.00		1,050.00	
Journal Subscriptions	2,000.00		3,379.20	
Midyear Meeting Registration	10,000.00		14,700.00	
Contributions - Midyear Meeting**	20,000.00		20,000.00	
Annual Meeting CPE	500.00		3,679.00	
Interest Income	3,000.00		5,768.42	
Unbudgeted: Royalties	0.00		130.22	
Unbudgeted: Sale of Back Issues	0.00		223.00	
Total Cash Inflow		\$47,000.00		\$61,548.34
Cash Outflows				
Annual Meeting				
Luncheon Expenses	\$1,000.00		\$1,733.89	
Plaque	100.00		0.00	
Program Chair: Admin Expenses	400.00		495.00	
Total Annual Meeting		\$ 1,500.00		\$2,228.89
Midyear Meeting				
AAA Staff Support	\$1,500.00		\$400.40	
Hotel-Rooms/Food/Beverage - Doctoral Consortium	12,500.00		10,766.33	
Hotel-Rooms/Food/Beverage - Midyear Meeting	12,500.00		10,766.33	
Speakers - Doctoral Consortium	2,500.00		0.00	
Speakers - Midyear Meeting	2,500.00		145.13	
Meeting Coordinator Expenses	750.00		1,166.59	
Printing and Postage	750.00		888.56	
Award - Best Paper	500.00		500.00	
Total Midyear Meeting		\$ 33,500.00		\$24,633.33
Newsletter				
Printing	\$0.00		\$0.00	
Mailing	0.00		0.00	
AAA Staff Support/New Software	500.00		0.00	
Total Newsletter		\$ 500.00		\$0.00
General/Administrative				
Postage & Printing	\$300.00		\$370.90	
Website Development	500.00		0.00	
Awards - Dissertation, Educator, Service	1,400.00		1,617.00	
Council Fee	1,000.00		0.00	
President Travel and Administration Expense	0.00		0.00	
Officer Travel - Council	2,500.00		1,773.41	
Miscellaneous	300.00		0.00	
Unbudgeted: Credit Card fees	0.00		1,008.65	
Total General/Administrative		\$ 6,000.00		\$4,769.96
Total Cash Outflow		\$ 41,500.00		\$ 31,632.18
Contributions - Gift Membership	\$500.00		\$1,290.00	
Gift Memberships awarded	1,000.00		610.00	
Gift memberships - net***		(\$500.00)		\$680.00
UNRESTRICTED FUND - Net Change in Cash		\$ 5,000.00		\$30,596.16
RESTRICTED FUND (JOURNAL)				
Cash Inflows				
Dues-Full Members (\$10 per member)*	10,000.00		\$12,246.50	
Total Cash Inflow		\$10,000.00		\$12,246.50
Cash Outflows				
Editor Expenses	\$1,000.00		\$649.71	
Journal Promotion	1,000.00		0.00	
JLAR Paper Award	1,000.00		1,000.00	
Copying, Printing, Mailing	12,000.00		11,548.26	
AAA Staff Support	8,000.00		7,326.00	
Total Cash Outflow		\$ 23,000.00		\$20,523.97
RESTRICTED FUND - Net Change in Cash		(\$13,000.00)		(\$8,277.47)
TOTAL CHANGE IN CASH - Unrestricted and Restricted Funds		(\$8,000.00)		\$22,318.69

*\$20 membership dues include \$10 for section operations and \$10 restricted for publication of the Section's journal. An increase in membership dues to \$35 was agreed to at the annual meeting to take effect in September 2007. The dues will be allocated \$20 restricted, \$15 unrestricted.

** \$20,000 contribution from KPMG for Midyear Meeting (\$10,000) and Doctoral/New Faculty Consortium (\$10,000).

*** Gift membership is managed as a separate fund. Balance available for awards at August 31, 2007 = \$1,545.00 (2006 = \$865.00)

BEST JOURNAL OF INTERNATIONAL ACCOUNTING RESEARCH PAPER AWARD – 2007

SUSAN MACHUGA AND KAREN TEITEL

“The Effects of the Mexican Corporate Governance Code on Quality of Earnings and its Components”

Abstract

The Corporate Governance Code (Code) was established in Mexico in January 2000 to increase investor confidence by encouraging more accurate financial reporting and more transparent disclosure practices by management. Using a sample of Mexican firms, we investigate whether or not there is an improvement in earnings quality surrounding the implementation date of the Code. We use a variety of earnings quality characteristics frequently studied in prior international research. Our results indicate that the quality of earnings increases after the implementation of the Code. While earnings quality characteristics generally improve for firms listed exclusively on the Mexican Bolsa, we only document improvements in income smoothing and timely loss recognition for Mexican firms listed on U.S. stock exchanges. Our results suggest that the filing jurisdiction of Mexican firms influences the impact we observe in changes in quality of earnings surrounding the implementation of the Mexican Corporate Governance Code.



From left, Award Winners Karen Teitel and Susan Machuga, along with Tim Doupnik, Chair of the Publications Committee, who presented the award.

(The complete manuscript can be found in *Journal of International Accounting Research*, Volume 6, No. 1, 2007, pages 37-55).

BIOGRAPHIC INFORMATION

Susan Machuga is an Assistant Professor at the University of Hartford in Hartford, Connecticut. She received her BS in accounting from Rider University in 1986 and became a CPA in 1989. Her work experience includes Ernst and Young, along with a local CPA firm and Aetna in Hartford, Connecticut. She is also an alumnus of the University of Hartford receiving her MBA in 1991. She earned her Ph.D. from the University of Massachusetts in 1996 and has taught accounting at both the undergraduate and graduate level at the University of Massachusetts - Boston, Central Connecticut State University and the University of Hartford for the past 12 years.

Her research publications and interests focus on investigating how earnings are manipulated by management in both the U.S. and internationally. In addition to the article published in *JJAR*, she has had publications in the *Review of Quantitative Finance and Accounting*, *Advances in Quantitative Analysis of Finance and Accounting*, *International Journal of Auditing*, and *Review of Pacific Basin Financial Markets and Policies*.

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Best JIAR Paper Award Winners *(continued from page 20)*

Susan enjoys spending her free time with her 3 children, ages 7, 10 and 11. She frequently volunteers at public schools and is currently preparing to run her 13th marathon.

Karen Teitel is an Assistant Professor of Accounting at the College of the Holy Cross in Worcester, Massachusetts. Karen has been teaching financial accounting at Holy Cross since 2004. Prior to joining Holy Cross she taught at the University of Connecticut at Storrs. Her teaching focuses on external financial reporting by business enterprises, including the study of financial accounting practice, preparation of financial statements and disclosures, and financial reporting policy and regulation.

Her research focuses on the impact of financial accounting information on the decisions made by corporate managers, stock investors, and financial analysts. She has published articles in the *European Accounting Review* and the *International Journal of Accounting Research*. Karen received her Ph.D. in Accounting from the University of Massachusetts Amherst, her MS in Accounting from Bentley College and her BBA in accounting from the University of Massachusetts. Prior to pursuing her Ph.D. she worked in public accounting for four years and was licensed in Massachusetts as a CPA.



Publications Committee Chairman Tim Doupnik presents the 2007 Best JIAR Paper Award.



Congratulations to 2007 Best JIAR Paper Award Winners Karen Teitel and Susan Muchaga!

BEST PAPER – 2008 IAS MIDYEAR MEETING

YIGIT ATILGAN, PAQUITA DAVIS-FRIDAY, AND ALOKE GHOSH

“U.S. Cross-Listing, Credit Ratings, and the Cost of Debt”

Abstract

We examine whether the cost of issuing debt in the U.S. differs for non-U.S. and U.S. firms. We hypothesize that cross-sectional variation in the cost of debt is related to three factors: the quality of debt (speculative versus investment debt), the extent of “home bias” in the public debt market and a “ratings bias.” For speculative-grade debt, both the home and the ratings bias predict a higher cost of debt for non-U.S. firms. However, for investment-grade debt, the prediction is ambiguous as the home and ratings biases predict opposing outcomes. Consistent with our expectations, we find an asymmetric result. Non-U.S. firms issuing investment-grade debt have a lower cost of debt relative to their U.S. counterparts, but for speculative-grade debt the cost of debt is higher. We also find that after controlling for debt ratings, country-specific legal characteristics do not affect the cost of debt for speculative-grade debt issues but they are significantly related to the cost of investment-grade debt. Consistent with the ratings bias hypothesis, our results suggest a downward bias for investment-grade debt.

This paper was presented on February 9 at the IAS Midyear Meeting. If you would like a full copy of the paper, please contact Paquita at Paquita_Friday@baruch.cuny.edu.

BIOGRAPHIC INFORMATION

Yigit Atilgan received his B.A. in Management degree at Bogazici University in Istanbul before moving to the U.S. He took his M.S. in Finance degree at the University of Rochester in 2005. Currently, he is working towards his Ph.D in Finance degree at Baruch College, City University of New York. As an empirical researcher, his research interests include international finance, capital structure and portfolio analysis.



Award Winner Paquita Davis-Friday

Paquita Y. Davis-Friday is an associate professor in the Stan Ross Department of Accountancy at the City University of New York’s Baruch College. She earned her Ph.D. in accounting at the University of Michigan-Ann Arbor. Her dissertation received the 1997 Outstanding International Accounting Dissertation Award from the American Accounting Association. Prof. Davis-Friday also graduated with distinction from the Master of Accounting program, earned an M.A. in applied economics, and received a B.B.A. in accounting and finance, all from the University of Michigan. Before entering the Ph.D. program, Dr. Davis-Friday worked as an auditor for Deloitte & Touche in Detroit and as a tax accountant for Deloitte & Touche in Ann Arbor and was

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Midyear Meeting Co-Coordinator Tony Kang announces the winners of the Best Paper for the 2008 IAS Midyear Meeting.

Best Paper Award—Midyear Meeting *(continued from page 22)*

certified in 1992 by the State of Michigan as a public accountant.

Before joining Baruch College, Prof. Davis-Friday was an assistant professor at the University of Notre Dame and a visiting scholar at the University of Michigan's Ross School of Business and Emory University's Goizueta Business School. Prof. Davis-Friday teaches intermediate accounting and auditing to undergraduate students and principles of accounting to MBA students. Her teaching has been recognized with awards at the University of Michigan and the University of Notre Dame.

Prof. Davis-Friday's primary research interests are the relationship between international financial reporting and firm valuation and the role of accounting disclosures in security valuation. Her work has been published in *The Accounting Review*, *Accounting Horizons*, *Contemporary Accounting Research* and other international accounting journals. As a member of the American Accounting Association's Financial Accounting Standards Committee, Prof. Davis-Friday was a principal author of the Committee's responses to the FASB's Exposure Drafts on Share-Based Payments and Pensions.

Prof. Davis-Friday is a member of the American Accounting Association and the European Accounting Association and serves on the editorial board of the *Journal of International Accounting Research*. She is also a member of the Paton Accounting Center Advisory Board at the University of Michigan's Ross School of Business.



Alope Ghosh, received his Ph.D. from Tulane University, in New Orleans, Louisiana. He is a Professor of Accountancy at Baruch College, City University of New York. He is also the coordinator of the Doctoral Program in Accountancy at Baruch and the Director of the MS Program in Financial Statement Analysis. In the past, Professor Ghosh has served as the Accounting Academic Fellow at the Securities and Exchange Commission and as a Visiting Associate Professor at the Goizueta Business School of Emory University.

Professor Ghosh has published in the *Accounting Review*, *Contemporary Accounting Research*, *Review of Accounting Studies*, *Journal of Finance*, *Journal of Corporate Finance*, *Financial Management*, and *Journal of Business Finance and Accounting*, among other journals. His research interests include capital markets, quality of financial reporting, and auditing.

***Award Winner Alope
Ghosh***

**ERNST & YOUNG BURSARY AWARD
ADMINISTERED THROUGH THE BRITISH ACCOUNTING ASSOCIATION**

ASAD KAUSAR

This year's recipient of the Ernst & Young Bursary Award is Asad Kausar of the University of Manchester, United Kingdom, for his paper entitled "Impact of Bankruptcy Code on the Value of the Going-Concern Opinion to Investors". This paper was presented on February 9 at the IAS Midyear Meeting. An abstract follows. If you would like a full copy of the paper, please contact Asad at AKausar@dom01.mbs.ac.uk.

Abstract

This study examines the comparative information content of the going-concern opinion in very similar auditing and capital market environments but divergent legal regimes. We hypothesize that, ceteris paribus, investors in a creditor-friendly bankruptcy regime (the U.K.) react more adversely to a first-time going-concern audit opinion indicating increased risk of loss associated with bankruptcy than do investors in a debtor-friendly bankruptcy regime (the U.S.). Our empirical results are consistent with this expectation. Our findings have clear implications for standard-setters and regulators who, in pursuing international harmonization of accounting and auditing standards, need to take into account how such standards interact with local legal regimes, and consequently their informativeness to capital market participants.



E&Y Bursary Award Winner Asad Kausar

BIOGRAPHIC INFORMATION

Dr. Kausar is a Lecturer in Accounting at the Manchester Business School at the University of Manchester. He received his BA in Economics and Statistics from Government College in Lahore, Pakistan, his Masters of Science in Finance from the University of Manchester and his Ph.D. in Accounting from the Cranfield School of Management, Cranfield University in the United Kingdom.

Dr. Kausar's research interests include capital markets, going-concern opinions, auditing, behavioral finance and corporate finance.

He is married with 3 lovely children (2 boys and a girl). His hobbies include reading, internet surfing, music, movies and swimming.

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Ernst & Young Bursary Award *(continued from page 24)*



*2008 Ernst & Young
Bursary Award
Winner Asad Kausar
and presenter Stella
Fearnley.*



*Stella Fearnley,
representing the
British Accounting As-
sociation, presents the
Ernst & Young Bursary
Award for funds to at-
tend the 2008 IAS
Midyear Meeting.*



14TH ANNUAL INTERNATIONAL ACCOUNTING SECTION MIDYEAR CONFERENCE AND 4TH ANNUAL DOCTORAL/NEW FACULTY CONSORTIUM

In Collaboration with the International Association for Accounting Education and Research & San Diego State University's School of Accountancy, and Center for International Business Education and Research (SDSU CIBER)
February 7-9, 2008
Horton Grand Hotel, San Diego, California

Sponsored by the International Section of the American Accounting Association and KPMG

2008 International Accounting Section Doctoral/New Faculty Consortium

Thursday, February 7, 2008

8:00 am – 8:10 am

Welcome

Carolyn M. Callahan, University of Arkansas-Fayetteville

8:10 am – 9:00 am

International Financial Reporting Issues

Mary B. Tokar, Seconded Partner
KPMG IFRG Limited, International Financial Reporting Group

9:00 am – 9:50 am

Editors' Panel

Lee Radebaugh, Brigham Young University, Editor, *Journal of International Business Studies* and Past Editor of *Journal of International Accounting*
R. Abdel-Khalik, University of Illinois, Editor, *The International Journal of Accounting*

10:00 am – 11:00 am

International Accounting—A Panel of Experts

Karl A. Muller, III, The Pennsylvania State University
Inder K. Khurana, University of Missouri
Ole-Kristian Hope, University of Toronto
Gary Sundem, University of Washington-Seattle

11:00 am – 12:00 pm

Break-Out Groups with Panel Members



2008 IAS President Jenice Prather-Kinsey presides over the Doctoral/New Faculty Consortium and the Midyear Meeting

(continued on page 27)

Midyear Meeting Program *(continued from page 26)*

IAS MID-YEAR CONFERENCE

Thursday, February 7, 2008

3:00 – 5:00 pm

Continuing Professional Education

How to Incorporate IFRSs into Your Accounting Course

Ian Hague, Accounting Standards Board–Canada
Cheryl Linthicum, SEC Academic Accounting Fellow and University of Texas – San Antonio

Paul Munter, KPMG
Mary Tokar, KPMG



CPE Presenter Cheryl Linthicum, SEC Academic Fellow



CPE Presenter Mary Tokar of KPMG



Friday, February 8, 2008

Attendees at the sold-out CPE session

9:00—10:30 am

Welcoming Remarks

Gary J. Previts, Case Western Reserve University and President, American Accounting Association

Plenary Session 1

International Financial Reporting Standards

Moderator: Mary Tokar, KPMG
Mary Barth, International Accounting Standards Board (IASB) and Stanford University



Speaker Mary Barth



Speaker Mary Tokar

(continued on page 28)

Midyear Meeting Program *(continued from page 27)*



Speaker Sid Gray



IFRS Panelists Cheryl Linthicum and Andy McLelland



Plenary Session Attendees

11:00 am – 12:30 am

Concurrent Session A

IFRS Regulatory Developments – The Acceptance of IFRS in U.S. Capital Markets

Moderator: Cheryl Linthicum, SEC Academic Accounting Fellow and University of Texas – San Antonio
Panelists:

Andy McLelland, Auburn University and 2005-2006 SEC Academic Accounting Fellow

Sondra Stokes, Associate Chief Accountant, Division of Corporate Finance, U.S. Securities and Exchange Commission

Concurrent Session B

Accounting Issues in China

Moderator: Francesco Bova, Yale University

The Reform of Split Share Structure in China and Its Effects on the Capital Market: An Empirical Study

Maria Balatbat, University of New South Wales

Robert Czernkowski, University of Sydney

Fei Lu, University of New South Wales

A Ten Year Case Study of Accounting Comparability and Convergence in the People's Republic of China: Yanzhou Coal

John L. Haverty, St. Joseph's University

(continued on page 29)

Midyear Meeting Program *(continued from page 28)*

Corporate Ownership and Bid-Ask Spread: Evidence on Information Asymmetry in Chinese Capital Markets

Jongmoo Jay Choi, Temple University

Heibatollah Sami, Lehigh University

Haiyan Zhou, University of Texas - Pan American

Discussant: Jian Cao, Florida Atlantic University

Concurrent Session C

Issues in Auditing

Moderator: Vineeta Sharma, Florida International University

The Auditor as Regulator – Some US Evidence and Its Implications

David Alexander, University of Birmingham

Brigitte Eierle, University of Regensburg

Christoph Hütten, SAP AG

The Provision of Tax Services by Incumbent Auditors and Earnings Management: Evidence from Korea

Won Choi, Yonsei University

Byung Wook Jun, Yonsei University

Ho-Young Lee, Yonsei University

Expanding Statutory Auditor Commentary: The Case of the Long Form Audit Report in Poland

Danuta Krzywda, Akademia Ekonomiczna

Marek Schroeder, The University of Birmingham

Discussant: Susan Hughes, University of Vermont

Concurrent Session D

Disclosure and Reporting Practices

Moderator: David Sherman, Northeastern University

Internet Diffusion and Growth in Emerging Economies

Shirley A. Hunter, Tufts University

An Empirical Study of the Impact of Internet Financial Reporting on Stock Prices

Syou-Ching Lai, National Cheng Kung University

Cecilia Lin, University of Portland

Hung-Chih Li, National Cheng Kung University

Frederick H. Wu, University of North Texas

Risk Reporting Practices by Companies in the Non-Finance in Portugal

Jonas Silva Oliveira, University of Aveiro

Lúcia Lima Rodrigues, University of Minho

Earnings Management Preliminary Evidence from South Africa

Carol Elaine Rabin, University of the Witwatersrand

Discussant: Tom Lechner, University of Utah

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Midyear Meeting Program *(continued from page 29)*

2:00 pm – 3:30 pm

Concurrent Session E

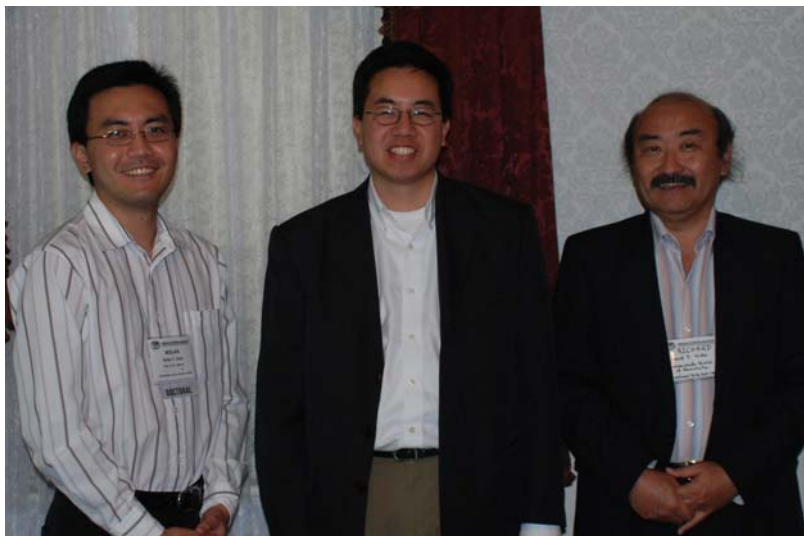
Panel on Japanese Financial Instrument and Exchange Law

Panelists:

Nolan Y. Kido, University of Hawaii

Richard Y. Kido, Chaminade University of Honolulu

Koji Kojima, Kwansei Gakuin University



Concurrent Session F

Convergence to and Compliance with IFRS

Moderator: Albert Tsang, University of Texas at Dallas

Japanese Panelists from left, Nolan Kido, Koji Kojima, and Richard Kido

Assessing the Effectiveness of Financial Reporting Harmonization for Emerging Market Banks: The Case of Banco Serfin

Alejandro Hazera, University of Rhode Island

Salvador Marin Hernandez, University of Murcia and Economists Educational Organization

Kevin T. Stevens, Depaul University

Elicer Campos Cárdenas, Escuela de Posgrado de Administración de Empresas

Henry Schwarzbach, University of Rhode Island

The Switch from German GAAP to Internationally Accepted Accounting Standards and its Effects on the Cost of Equity Capital

Ulf Brüggemann, Lancaster University

Carsten Homburg, University of Cologne

Does the Extent of Compliance with International Accounting Standards Affect Information Asymmetry?

Michael D. Chatham, Radford University

The Convergence of Chinese GAAP with IFRS: What Can We Learn from China's Experience with the Convergence Process?

Songlan Peng, York University

Joyce van der Laan Smith, Virginia State University

Discussant: Haiyan Zhou, University of Texas Pan American

Concurrent Session G

Cross-listing in the U.S., Disclosure and Shareholder Protection

Moderator: David Alexander, University of Birmingham

Are Changes in Cross-listing on the U.S. from the Pre- to Post-Sarbanes Oxley Period Associated with Shareholder Protection in Foreign Firms' Home Countries?

Haihong He, California State University, Los Angeles

Cross Listing, Management Earnings Forecasts, and Firm Values

Yaqi Shi, University of Western Ontario

JeongBon Kim, The Hong Kong Polytechnic University

Michel Magnan, Concordia University

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Midyear Meeting Program *(continued from page 30)*

Why Do Cross-Listed Firms in the U.S. Voluntarily Release Management Earnings Forecast?

Yaqi Shi, University of Western Ontario

Michel Magnan, Concordia University

JeongBon Kim, The Hong Kong Polytechnic University

The Effect of Cultural Distance on the Cost of Capital in Cross-Listed Companies

Kathy Otero, University of Texas at El Paso

Discussant: Stephen Lin, Florida International University

Concurrent Session H

International Acquisitions and Diversification

Moderator: Ole-Kristian Hope, University of Toronto

The Relationship between Systematic Risk and International Diversification: An Empirical Inquiry

Kingsley O. Olibe, Kansas State University

Augustine C. Arize, Texas A&M University-Commerce

James C. Flagg, Texas A&M University

The Role of Corporate International Diversification on Firm Value: Evidence from Segment Accounting Data

Kingsley O. Olibe, Kansas State University

Bob Strawser, Texas A&M University

The Cost of Pride: Why Do Acquirers from Developing Countries Pay More?

Ole-Kristian Hope, University of Toronto

Wayne Thomas, University of Oklahoma

Dushyantkumar Vyas, University of Toronto

Discussant: Wolfgang Schultze, Universität Augsburg

4:00 pm – 5:30 pm

Concurrent Session I

Analysts Activity

Moderator: Haihong He, California State University, Los Angeles

Bank-Firm Relationships and Security Analyst Activities: Evidence from Japan

Kentaro Koga, University of Illinois at Urbana-Champaign

Satomi Uchino, Waseda University

International Evidence on Analyst Stock Recommendations, Valuations, and Returns

Ran Barniv, Kent State University

Ole-Kristian Hope, University of Toronto

Mark Myring, Ball State University

Wayne Thomas, University of Oklahoma

Analyst Following, Corporate Governance and Valuation: Evidence in Emerging Markets

Minna Yu, Ball State University

Discussant: Giorgio Gotti, University of Massachusetts Boston

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Midyear Meeting Program *(continued from page 31)*

Poster Session J

Is Accounting Conservatism More Pronounced for Chinese Companies Cross-listed on an Overseas Exchange

Fan-Hua Kung, Chin Nanhua University

Kieran James, University of Southern Queensland

Chich-Wen Ting, Nanhua University

Chia-Ling Cheng, Nanhua University

Neoinstitutional Perspective on Why U.S. Auditors Are Having Trouble in Russia: Gazprom Case

Anna Alon, University of Central Florida

Staffing Independent Board Members: a Self-Selection or a Performance Enhancing Mechanism?

Wan-Ying Lin, National Chengchi University

Yiling Chen, National Chengchi University

Measuring the Expected Outcomes of a Financial Accounting Accounting Unit in Australian Universities

Chich-Wen Ting, Nanhua University

Chia-Ling Cheng, Nanhua University

Fan-Hua Kung, Chin Nanhua University

The Effects of Directors and Supervisors Compensations on Firm's Value

Chung-Yuan Hsu, National Cheng-Chi University

Chuan-Pin Chu, National Cheng-Chi University

Preparers' Perceptions of the Costs and Benefits of IFRS Adoption in Australia: "Regulation Gone Mad"?

Joanne Pickering, University of Sydney

Sally Aisbitt, Open University Business School

Sidney J. Gray, University of Sydney

Richard Morris, University of New South Wales

Accounting for Business Combinations -The Consequences of IFRS Adoption for UK listed companies

Renata Stenka, Keele University

Phil Ormrod, The University of Liverpool

Investment Properties Measured by the Fair Value Model: Association with Share Prices

Isabel Lourenço, ISCTE Business School

José Dias Curto, ISCTE Business School

Concurrent Session K

Development of IAS and IFRS

Moderator: Michael D. Chatham, Radford University

A Comparison of Properties of Earnings, Book Value, and Residual Income for Financial Reporting Under IAS and IFRS

Henghsiu Lin, University of Portland

Mari Paananen, University of Hertfordshire

The Development of Accounting Quality of IAS and IFRS Over Time: The Case of Germany

Henghsiu Lin, University of Portland

Mari Paananen, University of Hertfordshire

IASB and IFRS in Triggering Transparency in Global Financial Reporting: A Legitimacy Context

Kazi Saidul Islam, Central Queensland University

Discussant: Eva Jermakowicz, Tennessee State University

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Midyear Meeting Program *(continued from page 32)*

Concurrent Session L

Earnings Quality

Moderator: Elaine Henry, University of Miami

International Earnings Comparability

Christof Beuselinck, Tilburg University

Philip Joos, Tilburg University

Sofie Van der Meulen, Tilburg University

Does Recognition Versus Disclosure Matter? Evidence from the Market

Valuation of Employee Stock Option Expenses

Flora Niu, Wilfrid Laurier University

Bixia Xu, Wilfrid Laurier University

The Evolution of Accounting Quality: An International Comparison

Laurens Cherchye, Catholic University of Leuven

Ann Gaeremynck, Catholic University of Leuven

Arnt Verriest, Catholic University of Leuven

Discussant: Ulf Brüggemann, Lancaster University

Saturday, February 9, 2008

9:00 am – 10:30 am

Plenary Session 2

IAESB Technical Agenda and Project

Moderator: Gary Sundem, University of Washington

Panelists:

Henry Saville,
International
Accounting Education
Standards Board
David McPeak,
Technical Manager,
International
Accounting Education
Standards Board
Karen V. Pincus,
University of
Arkansas and
International
Accounting Education
Standards Board



Panelist David McPeak



Moderator Gary Sundem



Panelist Henry Saville



Panelist Karen Pincus

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Midyear Meeting Program *(continued from page 33)*

11:00 am – 12:30 am

Concurrent Session M

IAESB Technical Agenda and Project Discussion

Moderator: Gary Sundem, University of Washington

Panelists:

Henry Saville, International Accounting Education Standards Board

David McPeak, Technical Manager, International Accounting Education Standards Board

Karen V. Pincus, University of Arkansas and International Accounting Education Standards Board

Concurrent Session N

Earnings Management

Moderator: Mari Paananen, University of Hertfordshire

Earnings Management and Accounting Values: A Test of Gray (1988)

Gary P. Braun, University of Texas at El Paso

Ramon P. Rodriguez Jr, University of Texas at El Paso

Audit Committee Characteristics and Earnings Management in New Zealand

Vineeta Sharma, Florida International University

Chunli Kuang

Shareholder Concentration and Discretionary Accruals: Evidence from an Emerging Market

Dharmendra Naidu, The University of the South Pacific

Arvind Patel, The University of the South Pacific

Discussant: Gerry Gallery, Queensland University of Technology

Concurrent Session O

Corporate Governance Issues

Moderator: Elizabeth A. Gordon, Temple University

Corporate Governance and Cash-Based Related Party Transactions in Small New Economy Firms

Matthew Suprnovicz, Queensland University of Technology

Natalie Gallery, Queensland University of Technology

Gerry Gallery, Queensland University of Technology

Does Board Structure Have Effect on Extreme Loss and Return? Evidence from Taiwan's Stock Investments

Yiling Chen, National Chengchi University

Sunwu Winfred Chen, Shih Chien University Kaohsiung Campus

Does Foreign Institutional Ownership Motivate Firms in Emerging Markets to Increase Voluntary Disclosure?

Chen-Lung Chin, National Chengchi University

Jia-Wen Liang, National Chengchi University

Mei-Feng Ling, National Yunlin University of Science and Technology

Discussant: John Haverty, St. Joseph's University



*International Association for
Accounting Education and
Research President Donna Street*

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Midyear Meeting Program *(continued from page 34)*

Concurrent Session P

Accounting for and Reporting of Intangibles

Moderator: TBA

Reporting Intangible Assets: Voluntary Disclosure Practices of the Top Emerging Market Companies

Helen Kang, The University of New South Wales

Sidney Grey, University of Sydney

Accounting for Intangibles: Does Method of Accounting Matter?

J. Shaw, University of Mississippi

V. Brooks Poole, University of Mississippi

Capitalizing Intangibles – The Incremental Information Content of Accruals vs. Cash Flows

Tam P. Dinh Thi, Universität Augsburg

Wolfgang Schultze, Universität Augsburg

Discussant: Shirley Hunter, Tufts University

2:00 pm – 3:30 pm

Concurrent Session Q

Panel on Current Developments in Chinese Management Accounting Practices

Panelists:

Raef Lawson, Institute of Management Accountants

Tom Lin, University of Southern California

Concurrent Session R

Cross-listing in the U.S. and Capital Markets

Moderator: Kathy Otero, University of Texas at El Paso

U. S. Cross-Listing, Credit Ratings, and the Cost of Debt

Yigit Atilgan, Baruch College, City University of New York

Paquita Friday, Baruch College, City University of New York

Aloke Ghosh, Baruch College, City University of New York

The European-U.S. GAAP Gap: Amount, Type, Homogeneity, and Value Relevance of IFRS to U.S. GAAP Form 20-F Reconciliations

Elaine Henry, University of Miami

Stephen Lin, Florida International University

Ya-wen Yang, University of Miami

Are IFRS – U.S. GAAP Reconciliations Informative?

Elizabeth A. Gordon, Temple University

Bjorn N. Jorgensen, Columbia University

Cheryl L. Linthicum, SEC Academic Accounting Fellow and University of Texas – San Antonio

Discussant: Russell Craig, University of Toronto

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Midyear Meeting Program *(continued from page 35)*

Concurrent Session S

Regulations and Institutions

Moderator: Anna Alon, University of Central Florida

The Impact of Regulatory Enforcement Action on the Earnings Forecasting Behaviour of Initial Public Offer Firms

Gerry Gallery, Queensland University of Technology

Natalie Gallery, Queensland University of Technology

Angela Linus, Queensland University of Technology

Corporate Governance Regulation: A New name for Ancient Problem? The Case of Grão Pará and Maranhão General Trading Company

Alvaro Ricardino, Pontificia Universidade Católica de São Paulo

Lúcia Lima Rodrigues, University of Minho

Sofie Tortelboom Aversari Martins, Fipecapi - Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras – Brazil

Political Connections and Accounting Conservatism: Evidence from Malaysia

Yuyun A. Sejati, Oklahoma State University

The Effect of Institutional Setting on Attributional Content in Management Commentary Reports

Walter Aerts, University of Antwerpen

Ann Tarca, University of Western Australia

Discussant: Chima Mbagwu, Wilfrid Laurier University

Concurrent Session T

Issues in Corporate Disclosure

Moderator: Andrew McLelland, Auburn University

The Effect of Disclosure Level on Credit Rating and Cost of Debt Capital in Taiwan

Chuan-Pin Chu, National Cheng-Chi University

Are Foreign Profitability Disclosures Value-Relevant? Disaggregation Resolves the Puzzle

Robert Joliet, University of Liege

Aline Muller, Radboud University

Revaluating Face: A Comparison of Private Information Sharing Between Two Communitarian Societies

Philip A. Lewis, Eastern Michigan University

Juan Claudio López, Universidad de Talca

Stephen Salter, University of Texas at El Paso

Axel K-D. Schulz, The University of Melbourne

Discussant: Kentaro Koga, University of Illinois at Urbana-Champaign

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Midyear Meeting Program *(continued from page 36)*

Concurrent Session U

Value Relevance of Problematic Reporting Issues

Moderator: Stella Fearnley, Bournemouth University

The Impact of Dirty Surplus Accounting Flows on Financial Performance Measurement and Share Valuation

Audrey Hsu, National Taiwan University

Stephen Lin, Florida International University

Andrew Sbaraglia, Florida International University

Value Relevance of IAS 27 (2003) Revisions on Non-controlling Interest: Evidence from Hong Kong

Stella So, Hong Kong Baptist University

Malcolm Smith, Edith Cowan University

The Valuation-Relevance of the Foreign Translation Adjustment: The Impact of Barriers to Entry

Suresh Radhakrishnan, University of Texas at Dallas

Albert Tsang, University of Texas at Dallas

Impact of Bankruptcy Code on the Value of the Going-Concern Opinion to Investors

Asad Kausar, Manchester Business School

Discussant: Natalie Gallery, Queensland University of Technology

Concurrent Session V

Issues in Reporting Segments and Global Operations

Moderator: Paquita Y. Davis-Friday, Baruch College

Comparability of Financial Information and Segmental Reporting: An Empirical Study of the Information Disclosed by International Hotel Groups

Pascale Delvaile, ESCP-EAP (Paris Chamber of Commerce)

Frédéric Demerens, ADVANCIA-NEGOCIA (Paris Chamber of Commerce)

The Impact of Market Segmentation on the Value Relevance of Accounting Information: Evidence from China

Stephen Lin, Florida International University

Shwu-Hsing Wu, Tainan University of Technology

Meihua Koo, University of Nevada, Las Vegas

Standardization of Financial Reporting and Corporate Governance

Carole Beau, French Universities

Benoît Pig É, French Universities

Discussant: Helen Kang, The University of New South Wales

Concurrent Session W

Accounting Development and Transition

Moderator: Tony Kang, Florida Atlantic University

The Determinants and Consequences of Higher Accounting Quality in Emerging Markets Following IFRS Adoption: Inferences from Kenya

Francesco Bova, Yale University

Accounting Development in the Nordic Countries a Comparative Study

Arne Fagerström, Åbo Akademi

Simon Lundh, Linköping University

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Midyear Meeting Program *(continued from page 37)*

Empirical Study of Financial Reporting Quality by Public Companies in the United Arab Emirates

Melvin McFetridge, Zayed University

Kenton Swift, Zayed University

Discussant: Alejandro Hazera, University of Rhode Island

Poster Session X

Writing the Future: A Theoretical Justification for a Single Global Currency in International Accounting

Ratnam Alagiah, University of South Australia

Individual Auditors Risk Propensity and Assessment of Internal Control Risk

Charlotte Taylor, The University of the South Pacific

Arvind Patel, The University of the South Pacific

Shareholder Concentration and Discretionary Accruals: Evidence from an Emerging Market

Dharmendra Naidu, The University of the South Pacific

Arvind Patel, The University of the South Pacific

Board Characteristics and Overvalued Equity: Evidence from Taiwan

Min-Jeng Shiue, National Taipei University

Chan-Jane Lin, National Taiwan University

Yi-Pei Liu, National Taipei University



Special thanks to (from left) Victoria Krivogorsky and Sharon Lightner of San Diego State University for helping sponsor our Midyear Meeting!



Thanks to (from left) Carolyn Callahan, Consortium Coordinator, Elizabeth (Betsy) Gordon, Conference Co-Coordinator and Tony Kang, Conference Co-Coordinator for a wonderful 2008 Midyear Meeting and Consortium!

SCENES FROM THE SAN DIEGO MEETING









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.

Abdelsalam, Omneya H., Stephanie M. Bryant and Donna L. Street, “An Examination of the Comprehensiveness of Corporate Internet Reporting Provided by London-Listed Companies,” *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 1-33.

Recent changes in the regulatory environment of the London Stock Exchange are aimed at prohibiting selective disclosure and enhancing the credibility of reporting. Using an innovative 143-item disclosure checklist, we examine corporate Internet reporting (CIR) comprehensiveness and its determinants within this new regulatory environment. We also extend the literature linking corporate governance measures to CIR. Our findings indicate that despite this new regulatory environment, there is considerable room for improvement in CIR by London-listed companies. For example, our sample companies provide only 58 percent and 70 percent, respectively, of the credibility and usability items assessed by our comprehensiveness index. After controlling for size, profitability, industry, and high growth/intangibles, we find the CIR comprehensiveness of London-listed companies is associated with analyst following, director holding, director independence, and CEO duality. Because prior research indicates the U.K. leads Europe in Internet reporting, our results may shed light on how CIR will evolve throughout Europe.

Adhikari, Ajay, and Luis Betancourt, “Accounting for Securitizations: A Comparison of SFAS 140 and IAS 39,” *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 73–105.

This paper examines the accounting for securitizations under US GAAP and international financial reporting standards (IFRS). Using a sample securitization of the Ford Motor Company, we demonstrate substantial differences depending on whether the securitization is recorded following US GAAP or IFRS. Our analysis suggests international convergence of accounting standards will be more challenging as the FASB and IASB begin tackling issues, such as asset securitization, that have important economic consequences and where the differences between US GAAP and IFRS are substantive.

Brown, Philip, and Ann Tarca, “Achieving High Quality, Comparable Financial Reporting: A Review of Independent Enforcement Bodies in Australia and the United Kingdom,” *Abacus* (Volume 43, Issue 4, 2007): 438-473.

This article provides a review of the activities of two quite different types of national enforcement body, the U.K.'s Financial Reporting Review Panel (FRRP) and the Australian Securities and Investments Commission (ASIC). We present material (some not available elsewhere) about their activities over the period 1998–2004 and show that both types of body can fulfill an enforcement role, albeit subject to political forces. We also assess the relevance of the bodies' past activities for comparable international enforcement following the adoption of International Financial Reporting Standards (IFRS) in 2005. A review of cases reveals that for both bodies approximately half were related to recognition and measurement issues, where

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interpretation can be crucial. Although there is potential for cross-country differences to arise, they may be mitigated by the participation of both bodies in international enforcement coordination activities. Past activities suggest that the scope of the bodies' activities and the extent of comparability of enforcement decisions are likely to reflect political views held within the government, corporate sector and accounting profession.

Christensen, Hans B., Edward Lee and Martin Walker, "Cross-sectional variation in the economic consequences of international accounting harmonization: The case of mandatory IFRS adoption in the UK," *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 341-379.

This study examines the economic consequences for UK firms of the European Union's decision to impose mandatory IFRS. We hypothesize that the impact varies across firms and is conditional on the perceived benefit. We estimate a counter-factual proxy for a UK firm's willingness to adopt IFRS from the prior GAAP choices of German firms. We show that this proxy predicts cross-sectional variations in both the short-run market reactions and the long-run changes in cost of equity that are associated with the decision. This implies that mandatory IFRS adoption does not benefit all firms in a uniform way but results in relative winners and losers.

Daske, Holger, and Günther Gebhardt, "International financial reporting standards and experts' perceptions of disclosure quality," *Abacus* (Volume 42 Issue 3-4, 2006): 461-498.

From 2005, over 7,000 listed firms in the European Union and many more around the world are required to adopt International Financial Reporting Standards (IFRS). The introduction of a uniform accounting regime is expected to ensure greater comparability and transparency of financial reporting around the world. However, recent research has questioned the quality of financial statements prepared under IFRS standards, particularly in the presence of weak enforcement mechanisms and adverse reporting incentives (Ball et al., 2003). In this paper, we assess the quality of the financial statements of Austrian, German and Swiss firms which have already adopted internationally recognized standards (IFRS or U.S. GAAP). The study makes use of available disclosure quality scores extracted from detailed analyses of annual reports by reputed accounting scholars ('experts'). This work complements other contemporary research on the quality of IFRS financial statements where the properties of earnings are used as an evaluation metric (Barth et al., 2005). Our evidence shows that disclosure quality has increased significantly under IFRS in the three European countries we analyse. This result holds not only for firms which have voluntarily adopted IFRS or U.S. GAAP, but also for firms which mandatorily adopted such standards in response to the requirements of specific stock market segments. Although we cannot establish direct causality due to the inherent self-selection issues for most of our sample firms, the evidence shows that the quality of financial reports has increased significantly with the adoption of IFRS.

Guerreiro, Marta Silva, Lúcia Lima Rodrigues, and Russell Craig, "The preparedness of companies to adopt International Financial Reporting Standards: Portuguese evidence," *Accounting Forum* (Volume 32, Issue 1, 2008): 75-88.

This paper uses ordinal regression, structural equation modeling, and multivariate analysis techniques to investigate the preparedness to adopt IFRS that was exhibited by listed Portuguese companies in August 2003. We find the level of preparedness was significantly associated with company size, commercial internationalization, audit by a 'Big 4' accounting firm, and profitability. Our findings will help to indicate the pre-conditions that are likely to spur lagging companies (and countries) to prepare to implement IFRS.

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Jaafar, Aziz, and Stuart McLeay, “Country Effects and Sector Effects on the Harmonization of Accounting Policy Choice,” *Abacus* (Volume 43, Issue 2, 2007): 156-189.

This study assesses the extent of accounting harmony in Europe prior to the recent switch to IFRS, by presuming that accounting is harmonized when ‘all firms operating in similar circumstances adopt the same accounting treatment for similar transactions regardless of their domicile’. The policies studied concern inventory, depreciation and goodwill, and the odds of using alternative accounting methods are predicted by logistic regression. The empirical results suggest that, while international exposure and firm size are significant factors, country effects are considerably greater than sector effects, which is inconsistent with harmonized accounting.

Lee, Ho-Young, Vivek Mande, and Myungsoo Son, “A Comparison of Reporting Lags of Multinational and Domestic Firms,” *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 28–56.

This study examines whether multinational firms report earnings sooner than domestic firms. When compared with domestic firms, the reporting environment and business operations of multinational firms are significantly more complex. There is a greater amount of information asymmetry between managers and shareholders of multinational firms. Therefore, multinational firms potentially face higher monitoring and external financing costs. To reduce these costs, we conjecture that managers of multinational firms take steps to reduce the information asymmetry between shareholders and management by increasing the timeliness (a proxy for relevance) of their earnings reports. Specifically, we expect multinational firms to announce earnings earlier than domestic firms. We separate earnings reporting delay into auditor-related delay and management's discretionary delay. While test results weakly support the hypothesis that auditors take longer to audit multinational firms, there is strong evidence that managers of multinational firms release their earnings reports sooner than domestic firms.

Liu, Jianwei, and Chunjiao Liu, “Value Relevance of Accounting Information in Different Stock Market Segments: The Case of Chinese A-, B-, and H-Shares,” *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 55-81.

This study provides empirical evidence on the value relevance of accounting information in different stock market segments of China. Using the available data of listed A-, B-, and H-shares from 1999 to 2003, and based on the modified Ohlson model, the value relevance of accounting information is compared among different Chinese stock market segments. Further, important factors that might influence the value relevance of accounting information in the Chinese stock market (e.g., the percentage of total tradable shares [PTS] and the B-share opening event of 2001) are studied in this paper. Four primary results are drawn from this study. First, the accounting information is value-relevant in all the A-, B-, and H-share markets, and the accounting information in the B- and H-share markets is more value-relevant than that of the A-share market. Second, within the A-share market, the value relevance of accounting information does not differ between firms issuing both AB- and AH-shares and firms issuing only A-shares. Within the A-share market, firms with higher PTS do not enjoy higher value-relevant accounting information than the firms with lower PTS. Last, our results indicate that the opening event of B-shares to domestic investors in 2001 did indeed lower the value relevance of accounting information for B-shares.

Nabar, Sandeep, and K. K. Boonlert-U-Thai, "Earnings Management, Investor Protection, and National Culture," *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 35-54.

This paper examines the impact of investor protection and national culture on earnings management for a sample of 30 countries. The results indicate that earnings management is negatively associated with outside investor rights, consistent with Leuz et al. (2003). We also find that earnings management is relatively high in countries with high uncertainty avoidance scores and relatively low in countries where the primary language is English. Supplementary analysis of earnings management components indicates that uncertainty avoidance and masculinity are associated with earnings discretion but not with earnings smoothing. We conclude that culture is an important determinant of accounting choice and should be considered by standard setters enacting and enforcing international financial reporting rules.

Raab, Raymond L., and Ehsan Habib Feroz, "A productivity growth accounting approach to the ranking of developing and developed nations," *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 396-415.

Productivity growth accounting studies generally focus on productivity growth or decline in more developed countries such as the Organization of Economic Cooperation and Development (OECD) members. In this paper, we develop a generalized efficiency index for a much larger set of 57 national governments (NGs), both developing and developed, by employing four components of gross national product and five resource-availability indicators. Using a Data Envelopment Analysis (DEA) linear-programming approach, we maximize the components of Gross National Product (GNP), subject to minimizing specific resource-input measures. If used with appropriate precautions, the DEA-based comparative production-efficiency measures developed here can be used by individual NGs and international organizations like the World Bank and the International Monetary Fund to make equitable and sustainable lending-allocation decisions in the public and private sectors of the increasingly interdependent global economy.

Rahman, Asheq Raza, Teck Meng Tay, Beng Teck Ong and Shiyun Cai, "Quarterly reporting in a voluntary disclosure environment: Its benefits, drawbacks and determinants," *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 416-442.

We primarily examine three issues pertaining to quarterly reporting; its benefits, drawbacks and determinants. This study is conducted in a voluntary-disclosure environment with respect to reporting quarterly earnings. On the benefits side, we find that quarterly reporting is associated with higher analyst following, and on the drawbacks side we find it is associated with high price volatility. If left to its own discretion, we find that a firm with high growth prospects, large size and a technology orientation is likely to disclose earnings on a quarterly basis.

Salter, Stephen B., Axel K.-D. Schulz, Philip A. Lewis, and Juan Claudio López V., "Otra Empanada en la Parilla: Examining the Role of Culture and Information Sharing in Chile and Australia," *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 57-72.

One of the biggest assets of a firm is its information base. Included in this information base is a knowledge of prior errors and failures. Extant research suggests that while the propensity to share "bad news" (i.e. a prior error) is dependent on the cost of sharing, the perceived value of that cost may be culturally dependent. One area of interest that has received substantial attention in the prior literature has been cross-cultural differences in negative information sharing in general, as well as the particular context in which the individual's superior is either present or absent during the information-sharing process. Our study examines the role of the two cultural values (individualism/collectivism and to a lesser extent power distance) in explaining national differences in information sharing. By focusing on a sample from

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Have You Seen...? (continued from page 46)

Chile and Australia, we were able to remove the regional cultural dimension of face, which has been inherent in prior studies that used Greater China as the representative of a collectivist society. Results from our quasi experiment show that when a supervisor is present during information sharing, collectivist Chilean decision-makers are more willing to share negative information with their colleagues than their counterpart and individualist Australian decision-makers. Our results also show that when a supervisor is absent, both Australian and Chilean decision-makers are willing to share more negative information but the increase in the Australian propensity is significantly greater than that of the Chileans.

Sami, Heibatollah, and Haiyan Zhou, “The Economic Consequences of Increased Disclosure: Evidence from Cross-Listings of Chinese Firms,” *Journal of International Financial Management & Accounting* (Volume 19, Issue 1, 2008): 1–27.

In this paper, we investigate the impact of cross-listings on information asymmetry risk, the cost of capital and firm value of a group of cross-listed Chinese companies. Our paper is the first to examine the effect of cross-listing on information asymmetry risk. Because cross-listed firms are subject to increased disclosure requirements, increased regulatory scrutiny and increased legal liability, we propose that Chinese cross-listed firms have lower information asymmetry risk, lower cost of capital and higher firm value than their non-cross-listed counterparts. We find in both univariate and multivariate tests that cross-listed firms enjoyed lower information asymmetry risk in the domestic market compared with the non-cross-listed firms. We also find that cross-listed firms have lower cost of capital in the cross-listing market than non-cross-listed firms in the domestic markets. Finally, we find that cross-listed firms are associated with higher firm value as measured by Tobin's Q. These results have implications for international investors and companies seeking cross-listing opportunities.

Siougle, Georgia, “Accounting information and the valuation of Seasoned Equity Offerings (SEOs),” *The International Journal of Accounting* (Volume 42, Issue 4, 2007): 380-395.

This study investigates the association between publicly available information disclosed in the SEO prospectus and offer prices of SEOs, as well as the association between this type of publicly available information and stock returns subsequent to an SEO after controlling for self-selection bias. The empirical evidence shows that disclosure of the planned uses of the SEO proceeds reveals value-relevant information which has been incorporated by the underwriters in setting the offer prices. Control for self-selection bias appears necessary to obtain unbiased estimates in the regression model explaining the determinants of offer price in SEOs.

Soderstrom, Naomi S., and Kevin Jialin Sun, “IFRS Adoption and Accounting Quality: A Review,” *European Accounting Review* (Volume 16, Issue 4, 2007): 675–702.

In 2002, the European Union (EU) Parliament passed a regulation that requires consolidated and simple accounts for all companies listed in the EU to use International Financial Reporting Standards (IFRS) for fiscal years starting after 1 January 2005. This change in accounting systems will have a large impact on the information environment for EU companies. This paper provides a review of the literature on adoption of different Generally Accepted Accounting Principles (GAAP). We thus provide background and guidance for researchers studying the change in accounting quality following widespread IFRS adoption in the EU. We argue that cross-country differences in accounting quality are likely to remain following IFRS adoption because accounting quality is a function of the firm's overall institutional setting, including the legal and political system of the country in which the firm resides.

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Tsakumis, George T., "The influence of culture on accountants' application of financial reporting rules," *Abacus* (Volume 43, Issue 1, 2007): 27-48.

The objective of this study is to examine the influence of national culture on accountants' application of accounting rules. Based on a refinement of Gray's (1988) framework, this study hypothesizes Greek accountants will be more likely (less likely) to recognize contingent liabilities (assets) than U.S. accountants (H1). It also hypothesizes that Greek accountants will be less likely to disclose the existence of both contingent assets and liabilities than U.S. accountants (H2). The results do not support H1. No significant differences are found between Greek and U.S. accountants' recognition decisions involving both contingent assets and liabilities. However, supplemental analyses show that U.S. accountants consistently exhibited more conservatism than Greek accountants. In line with expectations, Greek accountants are less likely to disclose information (i.e., were more secretive) than U.S. accountants, providing strong support for H2. Implications for both research and practice also are discussed.

Tutticci, Irene, Gopal Krishnan, and Majella Percy, "The Role of External Monitoring in Firm Valuation: The Case of R&D Capitalization," *Journal of International Accounting Research* (Volume 6, Issue 2, 2007): 83-107.

We investigate whether the use of a high-quality auditor and increased regulatory monitoring of R&D reporting influence both the level of R&D expenditure capitalized by Australian companies from 1992 to 2002 and the market's perception of the reliability of these figures. The results indicate that firms with a higher quality auditor capitalize lower levels of R&D costs, and that in the period following increased regulatory monitoring, firms capitalize fewer R&D costs. Analysis of the value relevance of R&D expenditure indicates that the market positively values R&D costs when expensed as incurred. These results are consistent using both price and returns models. Results are less persistent for capitalized R&D amounts. The finding from the returns model indicates that the quality of the auditor appears to enhance the reliability of capitalized R&D costs, while the price model suggests that the cumulative R&D asset is less relevant in the period following ASC monitoring.

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American Accounting Association International Accounting Section

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Asian Academic Conference *(continued from page 50)*

KEY DATES

Paper submission deadline: May 31, 2008

Notification to authors: July 15, 2008

Deadline for revised/final version of paper: August 15, 2008

Registration deadline for authors: August 31, 2008

Notification to participants: 15th September, 2008

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