

INTERNATIONAL  
ACCOUNTING SECTION  
of the



American  
Accounting  
Association

# FORUM

INTERNATIONAL ACCOUNTING

NO. 96

Spring 2009

EDITOR: Jeannie J. Harrington  
Middle Tennessee State University

## PRESIDENT'S MESSAGE

International Accounting Section Members:

As the academic year comes to a close, this is a good time to take a look at our work – past, present and future. Our recent midyear meeting set records for attendance as a sole-sponsored section conference. The doctoral consortium also set a record for attendance, and featured faculty and students from around the world.

Special thanks to Carolyn Callahan, Doctoral Consortium Program Chair and Elizabeth Gordon, Midyear Meeting Program Chair and their committees. KPMG LLP and the KPMG Foundation provided sponsorship for the events, and I extend my personal thanks to Manny Fernandez, Bernie Milano, Bea Sanders, Paul Munter and Steve Krohn for their support of the conference. In addition, kudos to our presenters, reviewers and moderators (see the *Forum* for more details on our outstanding paper award). Finally, a nod to all of those who joined us from outside of the U.S. Your participation makes our annual midyear meeting a truly international experience.

Before and after the midyear meeting other important matters have been under way. For example, the executive committee, coordinated by Pat Poli, has been hard at work on a long-term strategic plan. Others have been active as well. The section's research committee has recently posted the section's comment letter, responding to the SEC's IFRS/US roadmap. Special thanks to Carol Frost, Steve Lin, and Elaine Henry, who were assisted by Donna Street in their efforts.

Looking ahead, Temple University's FOX School has invited the section to co-sponsor its IFRS/Fair Value conference, scheduled for June 3-5 in Philadelphia, PA. See this issue of the *Forum* and the section's website for more details or visit the conference website at <http://sbm.temple.edu/conferences/cav/2009/>.

Last, but not least, I urge you to plan now to attend the AAA Annual meeting, August 1-5, 2009 in New York. Lynn Rees, Tony Kang and their committee have been hard at work and contributed to one of AAA's best-ever programs. The section will sponsor or co-sponsor a series of CPE sessions, panels and concurrent sessions.



*Cheryl Linthicum*

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International Accounting *Forum*  
Published Triannually  
Middle Tennessee State University  
Department of Accounting, Box 50  
Murfreesboro, TN 37132, USA

(continued on page 2)

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

**Early Notes – AAA August, 2009 - New York**

CPE Sessions: Full and half day CPE sessions offer Saturday and Sunday options for those who wish to expand their knowledge of IFRS, get an update from standard setters, and/or glean insights from leading partners from public accounting firms.

Selected Panels: The section has teamed up with internationally-known accounting and finance experts, led by individuals such as Mary Tokar of KPMG LLP's London-based International Financial Reporting Group. Watch the upcoming AAA program and mark your daily AAA calendar to attend some of the best sessions ever!

Section Luncheon: Our section luncheon will be held on Monday, August 3<sup>rd</sup>. Wayne Carnall, Chief Accountant for the SEC's Division of Corporation Finance will speak. Wayne is a former partner with PwC, and has extensive experience with IFRS and US GAAP in countries across the globe. He is a colorful and knowledgeable speaker, so you won't want to miss this year's luncheon!

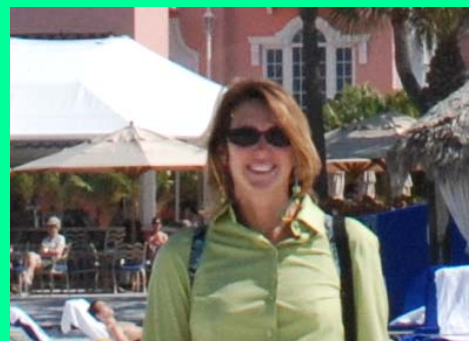
I look forward to seeing each of you at AAA. Meanwhile, my best wishes to you for a productive and enjoyable spring and early summer.

Cheryl Linthicum

**International Accounting Section**  
***Forum* Deadlines, Suggestions, Comments for 2009/2010**  
**Summer 2009 Issue - May 31, 2009**  
**Fall 2009 Issue - September 30, 2009**  
**Spring 2010 Issue – February 15, 2010**

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](mailto:jharrington@mtsu.edu). If sending materials please send to:

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***Jeannie Harrington at St. Pete Beach***

## International Accounting Section Member Appointed to IASB's Standards Advisory Council

The International Accounting Section is pleased to congratulate Hollis (Holly) Ashbaugh Skaife, a long-term Section member and Chair of several Section Committees, on her appointment to the International Accounting Standards Board's Standards Advisory Council (SAC).



*Holly A. Skaife*

Hollis (Holly) Ashbaugh Skaife, PhD, CPA, CMA is an associate professor at the University of Wisconsin-Madison. Holly's research addresses international financial reporting issues and corporate governance including the role of International Financial Reporting Standards (IFRS), internal control and auditing in the development of high quality financial information. Holly's dissertation focused on International Accounting Standards and since then her research has been published in journals including *The Accounting Review*, the *Journal of Accounting Research*, the *Journal of Accounting and Economics*, and many of her studies are available at [www.ssrn.com](http://www.ssrn.com). Holly has taught various accounting courses at the undergraduate, masters, and Ph.D. level and currently teaches financial accounting to MBA students. She serves on numerous editorial boards and frequently chairs committees of national professional organizations.

The SAC is the formal advisory body to the IASB. An integral part of the IASC Foundation's governance structure and the IASB's due process, the SAC provides a forum for the IASB to consult a wide range of interested parties affected by the IASB's work. The SAC meets three times a year to advise the IASB on issues including the IASB's agenda and work program.

### Call for IFRS Research Proposals

The IAAER, KPMG LLP, and the KPMG Foundation invite research proposals directed at informing the IASB's decision process on current agenda items. Funded projects will be showcased at three events involving representatives from the IASB, as well as renowned accounting researchers. The deadline for submissions is September 30, 2009. Visit [http://www.iaaer.org/grants/files/KPMG\\_Round\\_3\\_CFP.pdf](http://www.iaaer.org/grants/files/KPMG_Round_3_CFP.pdf) for more information.

In addition, thanks to funding from KPMG LLP and the KPMG Foundation, IAAER academic members enjoy unlimited access to eIFRS, the electronic International Financial Reporting Standards, hosted by the International Accounting Standards Board (IASB). IAAER membership to the eIFRS service provides academic and student members with immediate online access to IFRSs, IFRICs, and all the most up-to-date material issued by the IASB. An individual annual subscription to eIFRS is valued at £200, while faculty membership in IAAER costs \$25 per year and student membership costs only \$20 per year. Go to <http://aaahq.org/temp/eIFRSflyer.pdf> for more information, or visit <http://www.iaaer.org/join/index.htm> to join.

# **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)
- AAA Commons Liaison

## **Makes information available on the web site including:**

- Teaching materials (Teaching Resources Committee)
- Data sources (Research Committee)
- Practice Issues (New)

## **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, President-Elect, 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 2009-2010

Below is a list of IAS committees for the period August 2009 to August 2010. Section members interested in serving as a committee chair or member should complete the form and send it or email to the address below. If interested in the committee chair position, please indicate in the choice column (CHAIR).

Erv Black  
 School of Accountancy  
 540 TNRB  
 Brigham Young University  
 Provo, UT 84602  
 Phone: 801-422-1767  
 Fax: 801-422-0621  
 Email: [ervblack@byu.edu](mailto:ervblack@byu.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).

<i>Committees</i>	<i>Choice</i>	<i>Regional Programs</i>	<i>Choice</i>
<b>Annual Program</b>		<b>Mid-Atlantic Region</b>	
<b>Midyear Meeting</b>		<b>Midwest Region</b>	
<b>Continuing Education</b>		<b>Northeast Region</b>	
<b>Research</b>		<b>Ohio Region</b>	
<b>Teaching Resources</b>		<b>Southeast Region</b>	
<b>International Relations</b>		<b>Southwest Region</b>	
<b>Information Technology</b>		<b>Western Region</b>	
<b>Outstanding Dissertation Award</b>			
<b>Outstanding Educator Award</b>			
<b>Outstanding Service Award</b>			
<b>Publications</b>			
<b>Strategic Planning</b>			
<b>Website / AAA Commons</b>			
<b>Practice Issues (new)</b>			

Name \_\_\_\_\_

Affiliation \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

**AAA INTERNATIONAL ACCOUNTING SECTION**  
**Executive Council Meeting**  
**Tradewinds Resorts, St. Petersburg, Florida**  
**Saturday, February 14, 2009, 7:00 – 8:30 a.m.**

Present: Erv Black, Paquita Davis-Friday, Stella Fearnley, Ken Ferris, Betsy Gordon, Ian Hague, Steve Krohn, Rob Larson, Cheryl Linthicum, Pat Poli

(1) 2009 Annual Meeting Luncheon:

- The luncheon cost is \$75 per person. We agreed to subsidize the cost to reduce the ticket price to \$50 for section members.

(2) Treasurer's Report - Ian Hague:

- Revenue exceeded budget due to CPE and also because of the midyear meeting.
- There were additional expenditures for copying, mailing for the Journal because previous year's costs were delayed to the current year.
- The midyear meeting costs increased because of increased participation with the IAAER.
- The registration fees were separated for the section and IAAER.

(3) Midyear Meeting 2009 – Betsy Gordon:

- The SSRN submissions went well. Approximately 70 papers were submitted and half accepted for the meeting. The attendance is about the same as the previous non-joint midyear meeting.
- The paper sessions will not include discussants, but will instead have an additional paper presentation like the new sessions at the AAA.

(4) Midyear Meeting 2010 – Erv Black:

- Palm Springs, California at the Hilton (\$179 per night), January 28-30.

(5) JIAR – Ken Ferris:

- Volume 7, No. 2 is with the printer. Three papers have been accepted for Vol. 8, No. 1. The submission rate has increased, but the acceptance rate has not.
- Tracey Sutherland indicated that the electronic manuscript system should be available by Summer 2009.
- We are moving toward electronic publishing and should consider publishing two issues of the Journal electronically, but only one hard copy annually.
- The number of papers designated for fast track at the midyear meeting dropped significantly to about 5 or 6. Should we consider making the option available for the annual meeting?
- An international conference sounds like a good idea, but there is some hesitation about going forward without AAA support. The AAA Global Initiatives Committee thinks it is a good idea.

(6) Country Director Program – Stella Fearnley:

- She and Steve Salter have been working together. The program has been ad hoc to *(continued on page 7)*

## Midyear Executive Council Meeting (continued from page 6)

date. Some of the charges for the group include getting nominations for the gift membership program and promoting the section and journal to their regions.

- Another idea is to have a faculty exchange that pairs U.S. and non-U.S. faculty. We should also consider ways to support faculty travel to the meeting for those who couldn't afford it. One possibility might be to use gift membership funds to assist with travel. Steve Salter will work on his contacts in South America and they are making contacts with others who have contacts in Africa.
- We need to clarify the roles with the existing directors. Some of the duties might include: (1) make the section aware of conferences and meetings in their countries; (2) act as representatives of the section at the meetings in their countries; (3) solicit papers for the journal; (4) write short articles for the newsletter. Use the AAA Commons to gather and report information.

(7) Advisory Board – Rob Larson:

- The *Forum* editor needs to be renominated. We should also plan to nominate someone for the IASB and IFRIC.

(8) IFRS Conference at Temple – Betsy Gordon:

- The conference is June 3-5.
- The conference is coming along and IAS Mark Lang, SP Kothari and Stephen Penman have agreed to be speakers.

Strategic Planning Meeting (8:00 am)

- (1) We need a Web committee and/or a key person reporting to the webmaster. That person could be appointed by the president.
- (2) We assigned responsibilities for the strategic plan.

Adjourned at 9:00 am.

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**15th ANNUAL INTERNATIONAL ACCOUNTING SECTION MIDYEAR  
CONFERENCE AND 5TH ANNUAL DOCTORAL/NEW FACULTY CONSORTIUM**  
**February 12 – 14, 2009**  
**Tradewinds Island Grand Resort, St. Petersburg Beach, Florida**

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

**2009 International Accounting Section Doctoral/New Faculty Consortium  
(Funding provided by the KPMG Foundation)**

**Friday, February 13, 2009**

**8:00 a.m. – 8:10 a.m.**

**Welcome**

Carolyn M. Callahan, University of Arkansas-Fayetteville



***Carolyn Callahan, Chair of  
Doctoral/New Faculty Consortium***

**8:10 a.m. – 9:00 a.m.**

**International Financial Reporting Issues**

Steven D. Krohn, KPMG USCMG LLC

**9:00 a.m. – 9:50 a.m.**

**Editors' Panel**

Kenneth Ferris, Arizona State University, Editor, *Journal of International Accounting Research*

R. Abdel-Khalik, University of Illinois, Editor, *The International Journal of Accounting*

Lee Radebaugh, Brigham Young University, Editor, *Journal of International Business Studies*, Past Editor, *Journal of International Accounting Research*



***Editors Kenneth Ferris, Lee Radebaugh, and R. Abdel-Khalik***

**10:00 a.m. – 11:00 a.m.**

**International Accounting—A Panel of Experts**

Mary Barth, Board Member, International Accounting Standards Board, Stanford University

Mark Lang, The University of North Carolina at Chapel Hill

**11:00 a.m. – Noon**

**Break-Out Groups with Panel Members**

**Noon – 1:30 p.m.**

**Luncheon**

Speaker: Sara York Kenny, International Finance Corporation, Member, International Financial Reporting Interpretations Committee



***Panelists Mark Lang and Mary Barth***

*(continued on page 9)*



## Midyear Meeting Program *(continued from page 8)*

### IAS Midyear Conference

**Friday, February 13, 2009**

**1:00 p.m. – 1:15 p.m.**

#### **Welcoming Remarks**

Cheryl Linthicum, University of Texas at San Antonio, President,  
International Accounting Section

Sue Haka, Michigan State University, President, American Accounting  
Association



*President Cheryl Linthicum*

**1:15 p.m. – 2:45 p.m.**

#### **Plenary Session 1**

#### **IASB/SEC Update, Recent International Standard Setting Projects and IFRS First Time Adoption Issues**

Panelists:

Mary Barth, Board Member, International Accounting Standards Board, Stanford  
University

Greg Burton, SEC Academic Fellow – Division of Corporation Finance, Brigham  
Young University

David Cairns, International Financial Reporting, Former Secretary-General of the IASC

Ian Hague, Accounting Standards Board, Canada

Steve Krohn, Partner KPMG LLP – New York

Cheryl Linthicum,  
Former SEC Academic  
Fellow, University of  
Texas at San Antonio



*AAA President Sue Haka*



*Panelists Greg Burton, Mary Barth, Steve Krohn, and Ian Hague*



*Panelist Mary Barth*



*Panelist Greg Burton*



*Panelist Cheryl Linthicum*

*(continued on page 10)*

**Midyear Meeting Program** *(continued from page 9)*

**3:15 p.m. – 4:45 p.m.**

**Plenary Session 1**

**IASB/SEC Update, Recent International Standard Setting Projects and IFRS First Time Adoption Issues (Continued)**



*Panelist Ian Hague*



*Panelist Steve Krohn*



*Panelist David Cairns*

**SATURDAY, FEBRUARY 14, 2009**

**8:45 – 10:00 a.m.**

**Plenary Session 2**

**Convergence to International Standards on Auditing**

Moderator: John Hepp, Grant Thornton LLP

Panelists:

Jennifer Rand, Deputy Chief Auditor, PCAOB

William Kinney, University of Texas – Austin and International Auditing and Assurance Standards Board

Paul Munter, KPMG LLP

Susan Jones, Grant Thornton LLP



*Panelist William Kinney*



*Panelist Susan Jones*



*Panelist Jennifer Rand*



*Panelist Paul Munter*

*(continued on page 11)*

## **Midyear Meeting Program** *(continued from page 10)*

**10:30 a.m. – 12:00 p.m.**

### **Concurrent Session A**

#### ***Convergence to International Standards on Auditing Follow-on***

Moderator: John Hepp, Grant Thornton LLP

Panelists:

Jennifer Rand, Deputy Chief Auditor, PCAOB,

William Kinney, University of Texas – Austin and International Auditing and Assurance Standards Board

Paul Munter, KPMG LLP

Susan Jones, Grant Thornton LLP

### **Concurrent Session B**

#### ***IFRS Adoption and Transition***

Moderator: Eva Jermakowicz, Tennessee State University

*Home Bias, Adoption of IFRS, and Regulatory Environment: The Case of U.S. Investor Allocation Choice*

Kim Shima, California State University, East Bay

*The Adoption of IFRS in the UK*

Mari Paananen, University of Hertfordshire

Nimita Parmar, University of Hertfordshire

*An Experiment to Examine the Effect on Financial Reporting Decisions of Moving from More Precise Standards (U.S. GAAP) to Less Precise Standards (IFRS)*

Christopher Agoglia, University of Massachusetts Amherst

Timothy Douppnik, University of South Carolina

George Tsakumis, Drexel University

*An Analysis of Financial Statement Issues Reported as Discussed and Negotiated by Key Preparer-Side Groups in UK Listed Companies in the First and Second Years of IFRS Implementation*

Vivien Beattie, University of Glasgow

Stella Fearnley, University of Portsmouth

Tony Hines, University of Portsmouth

### **Concurrent Session C**

#### ***Financial Reporting and Disclosure***

Moderator: Thomas Lechner, University of Utah

*The Effect of Interim Reporting Frequency on the Cost of Capital Around the World*

Renhui Fu, Nanyang Business School

*Non-GAAP Financial Disclosures: Evidence from European Firms' Press Releases*

Helena Isidro, ISCTE Business School

Ana Marques, New University of Lisbon

*Transparency, Ownership, and Financing Constraints: An International Study Using Private Firms*

Ole-Kristian Hope, University of Toronto

Wayne Thomas, University of Oklahoma

Dushyantkumar Vyas, University of Toronto

*Does Reporting to the SEC Improve Financial Reporting Quality? An Examination of US Foreign Private Issuers Exempted from Filing with the SEC*

Giorgio Gotti, University of Massachusetts at Boston

Stacy Mastrolia, University of Tennessee

*(continued on page 12)*



## Midyear Meeting Program *(continued from page 11)*

### Concurrent Session D

#### ***Panel: Challenges of IFRS Adoption and Corporate Governance Reorganization in Europe sponsored by iBEACON***

Coordinator: Victoria Krivogorsky, San Diego State University, ESSEC, and ESCP-EAP European School of Management

Moderator: Pascale Delvaille, ESCP-EAP European School of Management

#### Panelists:

Roberto Di Pietra, University of Siena and Editor-in-Chief, *Journal of Management and Governance*

Wolfgang Dick, ESSEC, Paris, France

Gary Grudnitski, San Diego State University

Christopher Hossfeld, ESCP-EAP European School of Management, University of Texas at Austin

Victoria Krivogorsky, San Diego State University, ESSEC, and ESCP-EAP European School of Management



***Panelist Victoria Krivogorsky***



***Panelist Wolfgang Dick***



***Panelist Roberto Di Pietra***



***Panelist Christopher Hossfeld***



***Panelist Gary Grudnitski***

**12:00 p.m. – 1:30 p.m.**

### **Luncheon**

Speaker: Julie A. Erhardt, Deputy Chief Accountant, Securities and Exchange Commission

**2:00 p.m. – 3:30 p.m.**

### Concurrent Session E

#### ***IFRS Adoption and Reporting Incentives***

Moderator: Steve Lin, Florida International University

*Timing Equity Issuance in Response to Information Asymmetry Arising from IFRS Adoption in Australia and Europe*

Shiheng Wang, The Hong Kong University of Science and Technology

Michael Welker, Queen's University



***Luncheon Speaker Julie Erhardt***

*(continued on page 13)*

## **Midyear Meeting Program** *(continued from page 12)*

### *First-Time Adoption of IFRS, Managerial Incentives and Value-Relevance: Some French Evidence*

Denis Cormier, University du Quebec a Montreal  
Samira Demaria, Université de Nice Sophia Antipolis  
Pascale Lapointe-Antunes, Brock University  
Robert Teller, Université de Nice Sophia Antipolis

### *The Level of Shareholder Protection and the Value Relevance of Accounting Numbers: Evidence from the European Union Before and After IFRS*

Isabel Lourenço, ISCTE Business School  
José Joaquim Curto, ISCTE Business School

### *Do Harmonized Accounting Standards Lead to Harmonized Accounting? German-Italian Evidence*

Stefano Cascino, University of Naples Federico II  
Joachim Gassen, Humboldt University Berlin

## **Concurrent Session F**

### ***Culture and Institutional Influences***

Moderator: W. Robert Knechel, University of Florida

### *The Impact of Cultural Differences on the Convergence of International Accounting Codes of Ethics*

Curtis Clements, Abilene Christian University  
John Neill, Abilene Christian University  
O. Scott Stovall, Abilene Christian University

### *Knowledge Sharing Across Cultures*

Esperanza Huerta, University of Texas at El Paso  
Stephen Salter, University of Texas at El Paso

### *An Attitudinal Survey on Accounting Forgery in China: Interpretation and Implication*

Sen Du, University of Birmingham  
Chengang Ye, University of International Business and Economics

### *National Culture and Cost of Equity Capital: The Case of Secrecy*

Sid Gray, University of Sydney  
Tony Kang, Florida Atlantic University  
Yong Yoo, Korea University

## **Concurrent Session G**

### ***Corporate Governance***

Moderator: Frederick Lindahl, George Washington University

### *What if They had to Pick a Team?: Employee Representation on the Board and the Management of Earnings*

Maria Vulcheva, Emory University

### *Emerging Market Countries' Audit Profession Development, Auditor Choice and Firm-Level Audit Quality*

Paul Michas, University of Missouri - Columbia

### *Linking Earnings Management, Explanatory Impression Management and Ownership Structure - Evidence from Chinese IPO Firms*

Walter Aerts, University of Antwerp

Peng Cheng, University of Antwerp

### *Risk Management, Executive Compensation and the Cross-Section of Corporate Earnings*

Jeremy Bertomeu, Northwestern University

*(continued on page 14)*

## **Midyear Meeting Program** *(continued from page 13)*

### **Concurrent Session H**

#### ***Panel: Revised Framework for International Education Standards by the International Accounting Education Standards Board (IAESB)***

Panelists:

Mark Spofforth, IAESB Deputy Chair

Tim Bell, IAESB Task Force Member

David McPeak, IAESB Technical Manager

**4:00 p.m. – 5:30 p.m.**

### **Concurrent Session I**

#### ***Accounting for Fair Values and Debt***

Moderator: Elaine Henry, University of Miami

*Who Uses Fair-Value Accounting for Non-Financial Assets Following IFRS Adoption?*

Hans Christensen, University of Chicago

Valeri Nikolaev, University of Chicago

*IFRS Fair Value Measurement and Accounting Policy Choice in the United Kingdom and Australia*

David Cairns, London School of Economic,

Dianne Massoudi, University of Western Australia

Ann Tarca, University of Western Australia

*Too Much Information Kills the Message: An Experiment in the Fair Value of Unlisted Equity Investments*

Yuan Ding, China Europe International Business School (CEIBS)

Thomas Jeanjean, HEC School of Management

Cédric Lesage, HEC School of Management

Hervé Stolowy, HEC School of Management

*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

### **Concurrent Session J**

#### ***Financial Reporting and Valuation***

Moderator: Jean Lin, St. Joseph's University

*Determinants of the Accounting Choice Between Alternative Reporting Methods for Interests in Jointly Controlled Entities*

Isabel Lourenço, ISCTE Business School

*Discretionary Capitalization of R&D - The Trade-Off between Earnings Management and Signaling*

Tami Dinh Thi, University of Augsburg

Helen Hyon Ju Kang, University of New South Wales

Wolfgang Schultze, University of Augsburg

*Accounting Convergence of Intangibles: Value Relevance of R&D Accounting Treatment*

Hong Nee Ang, University of Melbourne,

Kimberly Church, Oklahoma State University

MingMing Feng, Oklahoma State University

*(continued on page 15)*

## Midyear Meeting Program *(continued from page 14)*

### *Additional Evidence on the Value Relevance of the Foreign Currency Translation Adjustment*

Carol Dee, University of Colorado Denver  
Ayalew Lulseged, Florida State University  
Richard Morton, Florida State University

### **Concurrent Session K**

#### ***Regulation and Institutions***

Moderator: Christopher Hossfeld, EASP- European School of Management

#### *Does International Corporate Diversification Improve Share Capitalization and Operating Performance? An Empirical Perspective*

Kingsley Olibe, Kansas State University  
William Strawser, Texas A&M University

#### *Earnings Management and the Threat of Exchange Delisting in an Accounting-Based Regulatory Regime*

Walter Aerts, University of Antwerp  
Peng Cheng, University of Antwerp  
Ann Jorissen, University of Antwerp

#### *The Funding of International Accounting Standards*

Robert Larson, University of Dayton

#### *UK Shareholders' Views on the Threats to Auditor Independence*

Eleanor Dart, University of Cardiff

### **Concurrent Session L**

#### ***Financial Systems and Institute of Management Accountants Projects***

Moderator: Raef Lawson, Institute of Management Accountants

#### *Toward a Framework of the Harmonization of Bank Financial Reporting Standards in Transition Economies: The Case of Mexico*

Alejandro Hazera, University of Rhode Island  
Salvador Marin Hernandez, University of Murcia  
Carmen Quirvan, University of Rhode Island  
*Planning and Control at Hongdou Industrial Stock Company*

Raef Lawson, Institute of Management Accountants

***A special thanks to Betsy Gordon (chair) and Victoria Krivogorsky (Assistant Coordinator of the Research Sessions) for such a wonderful 2009 IAS Doctoral/New Faculty Consortium and Midyear Conference!***



***Midyear Meeting Chair Betsy Gordon makes announcements***



***President-Elect Erv Black makes announcements***



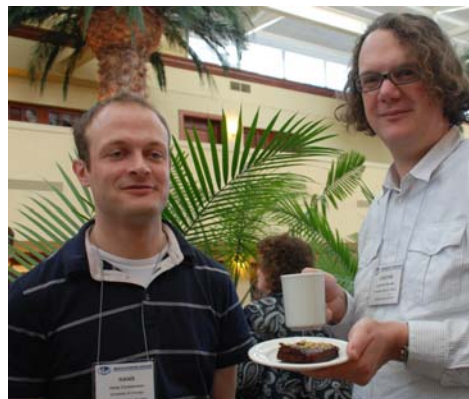


# PICTURES FROM THE DOCTORAL/NEW FACULTY CONSORTIUM





# SCENES FROM THE ST. PETERSBURG MIDYEAR MEETING



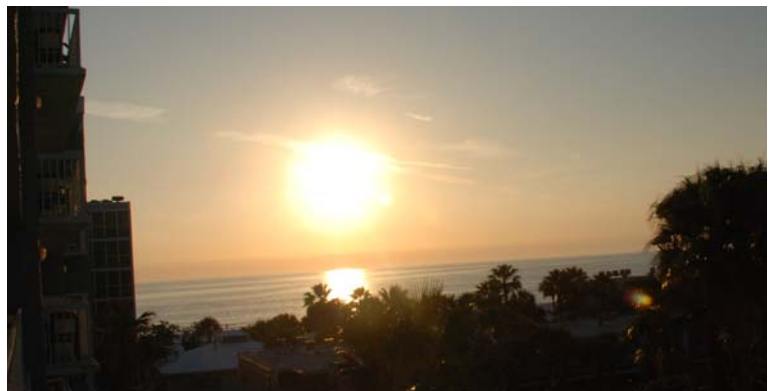


## ADDITIONAL PICTURES





# ADDITIONAL PICTURES



# ACTUAL CASH FLOWS—FISCAL YEAR SEPTEMBER 1, 2007-AUGUST 31, 2008

	2007-2008 Annual Budget	2007-2008 Full Year Actual
<b>UNRESTRICTED FUND</b>		
<b>Cash Inflows</b>		
Dues-Full Members - (\$15 per member)*	\$15,000.00	\$16,238.57
Dues-Associate Members	450.00	630.00
Journal Submission Fees (\$25 per submission)	1,200.00	725.00
Journal Subscriptions	3,200.00	4,050.21
Midyear Meeting Registration	14,000.00	26,549.00
CPE-Mid-year meeting	0.00	1,250.00
CPE-Annual Meeting	0.00	7,982.50
Interest Income	4,000.00	2,807.85
Royalties	0.00	26.88
Contributions - Midyear Meeting**	20,000.00	20,000.00
<b>Total Cash Inflow - Unrestricted Fund</b>	<b>\$57,850.00</b>	<b>\$80,260.01</b>
<b>Cash Outflows</b>		
<b>Newsletter</b>		
Printing	\$0.00	\$0.00
Mailing	100.00	0.00
AAA Staff Support/New Software	300.00	0.00
<b>Total Newsletter</b>	<b>\$400.00</b>	<b>\$ -</b>
<b>Annual Meeting</b>		
Lunch Ticket Sales	\$6,000.00	\$6,560.00
Luncheon cost	6,000.00	6,000.00
Luncheon Speaker Expenses	1,000.00	1,493.25
Plaques and Awards	300.00	0.00
Officer Meeting room and refreshments	500.00	1,030.09
Program Chair: Admin Expenses	500.00	17.24
<b>Total Annual Meeting</b>	<b>\$2,300.00</b>	<b>\$1,980.58</b>
<b>Midyear Meeting</b>		
AAA Staff Support	\$1,500.00	\$2,179.44
Hotel-Rooms/Food/Beverage - Doctoral Consortium	16,000.00	10,000.02
Hotel-Rooms/Food/Beverage - Midyear Meeting	15,000.00	22,286.07
Speakers - Doctoral Consortium	2,500.00	0.00
Speakers - Midyear Meeting	2,500.00	363.37
Meeting Coordinator Expenses	1,600.00	261.00
Printing and Postage	500.00	2,009.62
Awards (Conf Paper)	1,000.00	499.98
<b>Total Midyear Meeting</b>	<b>\$40,600.00</b>	<b>\$ 37,599.50</b>
<b>General/Administrative</b>		
Postage & Printing	\$400.00	\$135.27
Website Development + hosting (1 month)	5,000.00	5,025.00
Awards - Dissertation, Educator, Service	2,250.00	983.00
Council Fee	0.00	0.00
President Travel and Administration Expense	2,000.00	2,824.05
Officer Travel - Council	3,750.00	3,192.60
Miscellaneous (credit card fees)	600.00	1,671.55
<b>Total General/Administrative</b>	<b>\$14,000.00</b>	<b>\$ 13,831.47</b>
<b>Total Cash Outflow - Unrestricted Fund</b>	<b>\$57,300.00</b>	<b>\$ 53,411.55</b>
Contributions - Gift Membership	\$1,000.00	\$1,529.16
Gift Memberships awarded	1,000.00	220.00
<b>Gift memberships - net***</b>	<b>\$0.00</b>	<b>\$1,309.16</b>
<b>UNRESTRICTED FUND - Net Change in Cash</b>	<b>\$550.00</b>	<b>\$ 28,157.62</b>
<b>RESTRICTED FUND (JOURNAL)</b>		
<b>Cash Inflows</b>		
Dues-Full Members (\$20 per member)*	\$20,000.00	\$21,651.43
<b>Total Cash Inflow - Restricted Fund</b>	<b>\$20,000.00</b>	<b>\$21,651.43</b>
<b>Cash Outflows</b>		
Editor Expenses	\$2,500.00	\$0.00
Journal Promotion	1,000.00	0.00
JLAR Paper Award	1,000.00	1,000.00
Copying, Printing, Mailing	12,000.00	21,185.80
AAA Staff Support	8,500.00	13,024.00
<b>Total Cash Outflow - Restricted Fund</b>	<b>\$25,000.00</b>	<b>\$ 35,209.80</b>
<b>RESTRICTED FUND - Net Change in Cash</b>	<b>(\$5,000.00)</b>	<b>(\$13,558.37)</b>
<b>TOTAL CHANGE IN CASH - Unrestricted &amp; Restricted Funds</b>	<b>(\$4,450.00)</b>	<b>\$14,599.25</b>
<b>OPENING CASH BALANCE</b>	<b>\$145,251.25</b>	<b>\$145,251.25</b>
<b>CLOSING CASH BALANCE****</b>	<b>\$140,801.25</b>	<b>\$159,850.50</b>

\*\$35 membership dues include \$15 for section operations and \$20 restricted for publication of the Section's journal.

\*\* \$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 on account at August 31 2008 = \$2,854.16 (August 31, 2007 = \$1,545.00)

\*\*\*\* \$128,196.72 unrestricted, \$31,653.78 restricted for journal (August 31, 2007 = \$46,276.04 restricted, \$100,285.45 unrestricted).

# **BEST JOURNAL OF INTERNATIONAL ACCOUNTING RESEARCH PAPER AWARD – 2008**

**JINHAE PAE, DANIEL B. THORNTON, AND MICHAEL WELKER**

## **“Agency Cost Reduction Associated with EU Financial Reporting Reform”**

### **Abstract**

We predict and find that regulations expected to harmonize and strengthen firms’ financial reporting in the European Union (EU) in the early 2000s increase Tobin’s Q ratios of firms with high agency costs due to (1) concentration of control (entrenchment) and (2) an excess of the largest shareholder’s voting rights over cash flow rights. These results are consistent with stronger reporting standards enhancing firm value by mitigating incentives for controlling shareholders to expropriate minority shareholders. Increases in Tobin’s Q associated with financial reporting form are concentrated in EU firms that (1) are not cross-listed in the U.S., (2) have families as their largest shareholders, or (3) have a largest shareholder who holds 20 percent or more of the firm’s cash flow rights. These results suggest that minority shareholders of firms with the most severe perceived information asymmetries are among the major beneficiaries of EU financial reporting reform.



***Publications Committee Member Ann Tarca presents the 2008 Best JIAR Paper Award. (None of the recipients were present at the IAS Midyear Meeting to receive the award.)***

(The complete manuscript can be found in *Journal of International Accounting Research*, Volume 7, No. 1, 2008, pages 51 – 76.)

### **BIOGRAPHIC INFORMATION**

Jinhan Pae, is a professor at Korea University Business School in Korea. Prior to his appointment at Korea University, Professor Pae was an Assistant Professor of Accounting in the Fisher College of Business at Ohio State University, then was a Professor at Queen’s University in Kingston, Ontario, Canada. Jinhan completed his Ph.D. at the University of British Columbia in 1999. He holds a masters degree from the University of Wisconsin, and an MBA and B.A. from Seoul National University in Korea. Dr. Pae’s research interests include accounting valuation models, earnings management and analysts’ forecasts.

Daniel Thornton holds the Chartered Accountants of Ontario Professorship at Queen’s University. In 2008, he was appointed as a member of the Accounting Standards Oversight Council of Canada, which is responsible for ensuring that Canada has high quality accounting standards for all types of businesses, non-profit organizations, and public sector bodies. In 2003, he finished a four-year stint as a voting member of the Accounting Standards Board of Canada, which sets accounting standards for businesses. In 2000-2001, he was Canada’s first (and, to date, only) Professional Accounting Fellow at the United States Securities and Exchange Commission, spending a year in Washington, DC consulting with the Commission on matters involving derivatives, risk management, and accounting rule-making.

*(continued on page 22)*



## Best JIAR Paper Award Winners *(continued from page 21)*

A prolific author, Dr. Thornton received the Canadian Academic Accounting Association's *Award for Distinguished Contribution to Accounting Thought*. He also garnered the Queen's School of Business *Award for Research Excellence* and *Distinguished Faculty Fellowship*. In 2002, he completed a three-year term as associate editor of *The Accounting Review*. Past associate editor of *Contemporary Accounting Research* (the journal of the Canadian Academic Accounting Association) and editor of *CA Magazine's* education department, Dr. Thornton also serves on several editorial boards of other learned accounting journals based in Europe and Asia.

For his teaching and supervision of Ph.D. students at several universities, Dr. Thornton earned the *Outstanding Educator Award* from the Canadian Academic Accounting Association. He also earned the *Professor Student Life Award* at Queen's School of Business.

A sought-after expert witness, Dr. Thornton has testified in court cases and arbitrations involving generally accepted accounting principles. In 2002, he was summoned to testify before the Canadian Senate concerning the future of financial reporting after Enron. In 2004, he testified extensively as to the proper use of accounting in calculating royalty payments to the Crown in the Alberta tar sands. More recently, he has been involved in defending accountants in investor class action lawsuits alleging improper accounting. In both Canada and the U.S., he has been cited in the financial press and consulted by corporations seeking to improve the quality of their financial reporting.

Elected an Ontario FCA in 1994 and an Alberta FCA in 1995, Dr. Thornton is one of a handful of professionals holding fellowships in more than one Canadian provincial Institute of Chartered Accountants. In 2004, he received a Distinguished Service Award from the Alberta CAs to recognize lifetime contributions to the accounting profession.

Dr. Thornton has four daughters, all of whom have left the nest, and have managed to stay married despite enjoying an academic career. His hobbies are classical music and cars. He used to be an avid tennis player but had to give it up recently as Daniel says "my knees began seriously communicating with me."

Dr. Michael Welker is an Associate Professor of Financial Accounting at Queen's School of Business. Prior to joining the Queen's faculty, he practiced as a CPA in the United States. Dr. Welker's research examines various aspects of the relation between accounting information and firm valuation. His work has been published in highly rated journals such as *The Accounting Review*; *Contemporary Accounting Research*; *Accounting Organizations and Society* and *The Journal of Financial Research*. Researchers from Harvard, Wharton, MIT and Michigan, among others, have cited Dr. Welker's findings. He has also served as an invited presenter and discussant at numerous universities and conferences and serves as an Associate Editor of *Canadian Accounting Perspectives* and serves on the editorial board of *Contemporary Accounting Research*.

Mike and his family live on a hobby farm and enjoy a wide range of outdoor activities there. "Well, at least six months of the year, it is Canada, after all", says Michael.



***Daniel B. Thornton***



***Dr. Michael Welker***



## BEST PAPER—2009 IAS MIDYEAR MEETING

GEORGE T. TSAKUMIS, TIMOTHY S. DOUPNIK, AND  
CHRISTOPHER P. AGOGLIA

**“An Experiment to Examine the Effect on Financial Reporting Decisions of Moving from More Precise Standards (U.S. GAAP) to Less Precise Standards (IFRS)”**

### Abstract

Recent accounting scandals have led to a concern that U.S. GAAP has become too “rules-based,” resulting in a call for a more “principles-based” regime. In an experiment with CFOs as participants, we explore the effect of different accounting standard regimes on reporting decisions, as well as the role that the audit committee may play in mitigating aggressive financial reporting behavior under different standard regimes. We find that CFOs are less likely to report aggressively under a less precise (more principles-based) standard than a more precise (more rules-based) standard. We also find that, whereas CFOs applying a more precise standard are less likely to report aggressively in the presence of a strong audit committee than a weak audit committee, no such effect occurred when the standard was less precise. That is, the impact of a strong audit committee diminishes in our principles-based setting. In addition, we observe significantly less variability among CFOs’ financial reporting decisions under a less precise standard. Results should be of interest to U.S. policy makers as they continue to contemplate a shift to more principles-based accounting standards, such as IFRS, and reflect on recent regulatory changes addressing the composition of audit committees.



*Midyear Meeting Co-Coordinator Victoria Krivogorsky announces the winners of the Best Paper for the 2009 IAS Midyear Meeting.*

### BIOGRAPHIC INFORMATION

George Tsakumis is an Assistant Professor at Drexel University. He earned his Ph.D. from the University of South Carolina in 2003. Professor Tsakumis also has a Masters of Accounting and a Bachelor of Science from Miami University of Ohio. Prior to academia, George was a Junior Accountant with Chemical Bank Insurance Agency in Wilmington, Delaware, and was a senior tax consultant with Ernst & Young.

Professor Tsakumis has forthcoming publications in *Behavioral Research in Accounting* and the *International Journal of Auditing*. He also has publications in *The Journal of Accountancy*, *Abacus*, *The Journal of International Accounting, Auditing and Taxation*, *Journal of Accounting Education*, and the *Journal of Accounting Literature*. Professor Tsakumis has made several presentations at many American Accounting Association conferences and at the IAAER World Congress of Accounting Educators. His research interests include experimental research in accounting, financial reporting within and across countries, and cross-cultural accounting issues.

Professor Tsakumis has twice been awarded the Excellence in Teaching Award at LeBow College of Business at Drexel. He has served on several committees for his school and for the AAA.



*Award Winner George Tsakumis*

*(continued on page 24)*

## **Best Paper Award—Midyear Meeting** *(continued from page 23)*

George is married (Julie) with two boys ages 3 (Teddy) and 1 (Alexander). Some of his interests include movies, reading, and working out.

Tim Doupnik (Ph.D. Illinois, 1983) is Professor of Accounting, Moore Faculty Fellow, and Cramer Fellow in International Accounting in the University of South Carolina's Moore School of Business. His primary research interest is international accounting and he has published articles in this area in various journals including *Abacus; Accounting, Organizations, and Society; International Journal of Accounting; Journal of Accounting Literature; Journal of International Accounting Research; Journal of International Accounting, Auditing, and Taxation; and Journal of International Business Studies*. In an issue of the *International Journal of Accounting*, he was listed as the most prolific author in international accounting journals during the period 1980-1996. He received the Outstanding International Accounting Educator award from the International Accounting Section of the American Accounting Association in 2008.

Tim is a past president of the International Accounting Section of the American Accounting Association. He was an associate editor of the Section's *Journal of International Accounting Research* from 2005-2007, and he served as editor of *Advances in International Accounting* from 1995 to 1997.

Tim is married with two children. His wife Birgit was born and raised in Berlin, Germany. She manages the international operations for a privately-held manufacturing firm in South Carolina. Their daughter Stephanie is a second year medical student and their son Alexander is completing his undergraduate degree in mechanical engineering. Tim enjoys playing golf, but does so poorly, and he and his wife enjoy traveling and hiking.

Christopher Agoglia is an Associate Professor of Accounting at University of Massachusetts-Amherst. He received his Ph.D. in Accounting at the University of Massachusetts, Amherst and his B.S. in Accounting from Florida Atlantic University. Dr. Agoglia previously was an Associate Professor at Drexel University.

Professor Agoglia has several publications in various journals including *Auditing: A Journal of Practice and Theory* (forthcoming), *Behavioral Research in Accounting* (forthcoming), *Journal of Accounting Research* (forthcoming), *Contemporary Accounting Research*, *Journal of Accounting Education*, *The Accounting Review*, *CPA Journal*, *Tennessee CPA Journal*, *Issues in Accounting Education*, and *International Journal of Business Studies*. Dr. Agoglia has made several presentations at many



**2009 Best IAS Midyear Paper Award Co-winner  
Tim Doupnik (on right) and presenter  
Victoria Krivogorski**



**Award Winner Christopher  
Agoglia**

*(continued on page 25)*

## **Best Paper Award—Midyear Meeting** *(continued from page 24)*

AAA conferences and many International Symposiums on Audit Research. His research interests include examining decision making in accounting and auditing contexts using behavioral decision theory.

Professor Agoglia received a multitude of awards including from the LeBow College of Business at Drexel University: Distinguished Fellow in the Center for Research Excellence in 2007-08, Distinguished Fellow in the Center for Teaching Excellence in 2005-2007, Award for Support and Assistance from the student chapter of the National Association of Black Accountants, Excellence in Research Award in 2004, Excellence in Teaching Award in 2003, and Professor of the Year in 2002. In addition, Dr. Agoglia received the Best Manuscript Award in Teaching and Curriculum at both the 2004 AAA Ohio Regional Meeting and the 2001 Mid-Atlantic Regional Meeting and three times was on SSRN's Top Ten Download List.

Christopher is married (Alicia) and has two kids, Emily (12) and Jacob (10). His hobbies currently are driving them around from one soccer, softball, or baseball game to the next. He also enjoys running, cycling, and traveling.

**16th Anniversary (2010) 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
16. Palm Springs, California—January 28-30, 2010

**Details coming on the IAS Website.**



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

## ELEANOR DART

This year's recipient of the Ernst & Young Bursary Award is Eleanor Dart of Cardiff University, United Kingdom, for her paper entitled "Auditor Independence: UK Investor Perceptions". This paper was presented on February 14 at the IAS Midyear Meeting. An abstract follows. If you would like a full copy of the paper, please contact Eleanor at [darte@Cardiff.ac.uk](mailto:darte@Cardiff.ac.uk).

### Abstract

The purpose of an auditor's role in society is to validate the truthfulness of financial statements. In order to perform their role, it is essential that auditors are independent of the client company and are not seen to have any motive for none disclosure of misleading information. If owners of organisations doubt the auditor's independence, financial statements will lack credibility, which could lead to the 'abrupt and arbitrary withdrawal of capital from suspect businesses' (ABI, 2002:3). However, despite independence lying at the heart of the auditing profession, independence concerns can be traced back to the early 19<sup>th</sup> Century.

Recently, high-profile corporate collapses, such as Enron and WorldCom have refocused world attention on how best to protect the independence of auditors. Against this backdrop, the current study offers a timely and relevant insight into how owners of organisations, one of the main users of audited financial information, perceive auditor independence. This questionnaire-based study conducted in 2005 focuses specifically upon how investors perceive some of the main auditor-client relationships that may have contributed to the events leading to the collapse of Enron: the joint provision of audit and non-audit services, an audit firm's economic dependence upon a client, ex-auditor employment and long relationships between auditors and clients. The study also provides a unique insight into the differences in perceptions between institutional and private investors.

Results of the survey suggest that economic dependence and the joint provision of audit and non-audit services are perceived as the biggest threats to auditor independence. Statistical analyses show that private investors without accounting qualifications are most worried about such issues. However, institutional investors expressed satisfaction with current safeguards for auditor independence and there was little support for the introduction of more stringent regulations.

These results help to inform the current debate on this most fundamental of audit qualities.



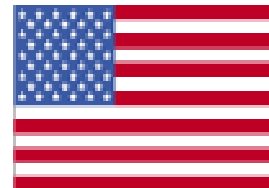
*2009 Ernst & Young Bursary Award Winner Eleanor Dart (right) and presenter Stella Fearnley (left)*

*(continued on page 27)*

## BIOGRAPHIC INFORMATION

Dr. Dart has a B.S. in Business Administration from Cardiff University, Wales and an M.S. in Social Science Research Methods also from Cardiff University, Wales. She successfully completed her Ph.D. on 'UK Investor Perceptions of Auditor Independence' in 2007, also from Cardiff University, Wales. After one year working as a Research Officer at Bath University, England, she is now undertaking a years Post-Doctoral Research Fellowship at Cardiff University which will be completed at the end of Sept 2009.

Eleanor is single and lives in Cardiff. She is originally from Reading near London. Her main hobbies are going to the cinema which she does weekly, reading books and she does Boxercise twice weekly. She also plays badminton every week! Congratulations to Dr. Dart!



World Journal of Financial Management (WJFM)

<http://journals.wesro.org/wjfm.html>

CALL FOR PAPERS

(Submission Deadline: May 31, 2009)

Manuscripts are solicited for the *World Journal of Financial Management (WJFM)*. The WJFM is dedicated to the advancement of financial management. 'Financial Management' for the purpose of this publication is to be broadly interpreted to include a variety of topics (e.g. financial accounting, management accounting and control, financial management and accountability and corporate governance).

We invite manuscripts that investigate the interface between external financial reporting and internal reporting and decision making, differences among practices of financial and management accounting across countries, risk management and corporate governance, capital investment decisions, management control and accountability, management accounting practices in SMEs and in emerging and less developed economies, social context of management accounting practices and the impact of institutional, regulatory, cultural and behavioural factors on the practices of financial and management accounting. Contributions could be theoretical and/or empirical using a wide variety of research methodologies and methods including (but not limited to) surveys, case studies, experiments, longitudinal, ethnography, action research, and grounded theory. The analysis can be based on international, national or organization specific context but have implications for the worldwide development of financial and management accounting knowledge. It can be from a single, multi- or inter-disciplinary perspective.

**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](mailto:chodgdon@bsad.uvm.edu)

**Aggarwal, Raj, and NyoNyo Aung Kyaw, "International Variations in Transparency and Capital Structure: Evidence from European Firms," *Journal of International Financial Management & Accounting* (Volume 20, Issue 1, 2009): 1-34.**

This paper documents the impact of national transparency regimes on corporate capital structure in 14 European countries. After controlling for relevant firm, industry, and national variables, we find that owner-manager agency cost-reducing transparency such as higher levels of analysts following is associated with lower corporate debt levels. In contrast, transparency that reduces owner-creditor agency costs that helps creditors control business risks (and creditors-to-owners wealth transfers), such as disclosure timeliness, institutional trading activities, and enforcement of anti-insider trading laws, are associated with higher corporate debt levels. Among other transparency measures, levels of financial and governance disclosures are negatively associated with debt ratios and higher levels of audit intensity and accounting disclosures are positively associated with debt ratios. Further, transparency factors are more important for large firms and for firms in services and high technology.

**Al-Shammari, Bader, Philip Brown, and Ann Tarca, "An investigation of compliance with international accounting standards by listed companies in the Gulf Co-Operation Council member states," *The International Journal of Accounting* (Volume 43, Issue 4, 2008): 425-447.**

This study investigates the extent of compliance with international accounting standards (IASs) by companies in the Gulf Co-Operation Council (GCC) member states (Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates). Based on a sample of 137 companies (436 company-years) we find that compliance increased over time, from 68% in 1996 to 82% in 2002. Despite strong economic and cultural ties between the GCC states, there was significant between-country variation in compliance and among companies based on size, leverage, internationality, and industry. The study provides evidence of de jure but not de facto harmonization in the region. Noncompliance reflected some ineffectiveness in the functions of external auditors and enforcement bodies, which may be of interest to countries that have adopted IASs recently.

**Balboa, Marina, J. Carlos Gómez-Sala, and Germán López-Espinosa, "The Value of Adjusting the Bias in Recommendations: International Evidence," *European Financial Management* (Volume 15, Issue 1, 2009): 208-230.**

The financial literature has shown that both earnings forecasts and investment recommendations are optimistically biased. However, while the bias in earnings forecasts has decreased over time and even some recent studies show that they are no longer optimistic, in the case of investment recommendations this bias still remains relatively constant over time. Therefore, it seems that recommendations are less credible to investors than earnings forecasts. The vast majority of recommendation studies have been carried out at

*(continued on page 29)*

## **Have you Seen?...** *(continued from page 28)*

the country level. In this paper, we use an international context to study whether profitable investment strategies exist when adjusting the recommendation bias of each analysed country. The adjustment we propose to correct this bias takes into account the differences across countries, and also varies in time to correct for the changes in bias over time within countries. Our empirical results show that there are in fact significant differences in the level of bias among countries, with the US and the UK being the countries with the highest bias. Second, the adjusted consensus portfolios are more orthogonal to typical investment styles (size, book-to-market and attention) and we find that investors could implement a higher number of profitable investment strategies using this adjusted measure. In this line, the results show that the countries with the lowest bias obtain the highest risk adjusted abnormal returns. Third, our work entails a practical implication, as it shows the value embedded in a simple necessary adjustment in the global asset management context. This is an important result showing that profitable investment strategies exist when considering a global portfolio based on adjusted recommendations.

**Beneish, Messod D., and Teri Lombardi Yohn, “Information friction and investor home bias: A perspective on the effect of global IFRS adoption on the extent of equity home bias,” *Journal of Accounting and Public Policy* (Volume 27, Issue 6, 2008): 433-443.**

This paper provides a perspective on the effect of IFRS adoption on the tendency of investors to underinvest in foreign equities. We consider explanations for the equity home bias described in prior research and discuss research relevant to the informational consequences of global adoption of IFRS. Specifically, we evaluate whether IFRS adoption reduces information processing costs or decreases investor uncertainty about either the quality of financial reporting or the distribution of future cash flows. We predict that the effect of any reduction in information processing costs from the adoption of IFRS is likely to be small relative to the effects of other determinants of home bias such as the strength of investor protection mechanisms in foreign countries, behavioral biases toward familiar equities, and informational advantages related to geographical proximity. We argue that the quality of the information that investors have (or perceive they have) decreases with distance, conclude that global IFRS adoption is unlikely to affect home bias, and propose avenues for future research.

**Bhimani, Alnoor, “The role of a crisis in reshaping the role of accounting,” *Journal of Accounting and Public Policy* (Volume 27, Issue 6, 2008): 444-454.**

Prior to 2001, international accounting standards (IAS) were insufficiently attractive to gain the support of US regulators. The potential role of IAS in the US gained prominence during a period of extreme financial reporting instability in 2001–2002. Emerging opinion increasingly upheld principles-based rather than rules-based accounting standards in the face of the financial reporting crisis. But to promote any active shift in the US position, an institutionally legitimate infrastructure for the international accounting standards setter had to be created. As this was taking shape, the globalisation of business activities grew with inter-organizational linkages and cross-national financial inter-dependencies and flows becoming increasingly complex. Given the extensively uncertain, uneven and constantly evolving nature of global business changes, the aptness of applying judgment in assessing financial performance and position rather than relying on the application of pre-defined rules continued to achieve wider acceptance. The argument is made in the paper that international financial reporting standards are today seen to fulfill a global risk mitigating role founded on a logic that had to first gain political and institutional legitimacy and that also had to be viewed as being responsive to perceived market imperatives.

*(continued on page 30)*



## **Have you Seen?...** *(continued from page 29)*

**Bradshaw, Mark T, and Gregory S Miller, “Will Harmonizing Accounting Standards Really Harmonize Accounting? Evidence from Non-U.S. Firms Adopting U.S. GAAP,” *Journal of Accounting, Auditing & Finance* (Volume 23, Issue 2, 2008): 233.**

International harmonization of accounting standards appears to be inevitable. However, little evidence exists regarding whether harmonizing accounting standards will result in actual harmonization of accounting practices. Using a sample of non-U.S. firms that adopt U.S. Generally Accepted Accounting Principles (GAAP) to provide evidence on this issue, we find that most firms that adopt U.S. GAAP adjust their accounting methods to those required by U.S. GAAP. Properties of the firms' accounting numbers also change significantly after adopting U.S. GAAP, but they do not fully converge toward that of U.S. firms. In the cross-section, regulatory oversight is associated with more successful implementation of U.S. GAAP; firm-specific capital market incentives are not. These results suggest that harmonizing accounting standards may result in more comparable accounting methods and numbers, but that effective regulatory oversight will be important in reaching this outcome.

**Braun, Gary P., and Ramon P. Rodriguez, Jr., “Earnings Management and Accounting Values: A Test of Gray (1988),” *Journal of International Accounting Research* (Volume 7, Issue 2, 2008): 1-24.**

This study examines the ability of Gray's (1988) accounting values to explain earnings management in a sample of 31 countries. We quantify these accounting values in two different ways and examine their relationship to the five earnings management measures developed in Leuz et al. (2003). In our analyses, we control for legal enforcement and outside investor rights (La Porta et al. 1998). We also control for the breadth of accounting standards (at the country level) using the absence measure developed in Ding et al. (2007). Our analyses are generally supportive of a positive relationship between earnings management and Gray's (1988) accounting values of statutory control, uniformity, conservatism, and secrecy.

**Carmona, Salvador, and Marco Trombetta, “On the global acceptance of IAS/IFRS accounting standards: The logic and implications of the principles-based system,” *Journal of Accounting and Public Policy* (Volume 27, Issue 6, 2008): 455-461.**

The widespread acceptance of International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) makes it timely to examine their technical determinants as well as their implications for the accounting profession and the process of accounting harmonization. In this respect, we suggest that the principles-based approach to the standards and its inner flexibility enables the application of IAS/IFRS to countries with diverse accounting traditions and varying institutional conditions. Furthermore, the principles-based approach involves major changes in the expertise held by accountants and, hence, in their educational background, training programs, and in the organizational and business models of accounting firms. Finally, we submit that the standards set by the IAS/IFRS constitute a step forward in the process of accounting harmonization, although there is still far to go in the comparability of accounting measures across countries and regions.

*(continued on page 31)*

**Choi, Won-Wook, Ho-Young Lee, and Byung Wook Jun, “The Provision of Tax Services by Incumbent Auditors and Earnings Management: Evidence from Korea,” *Journal of International Financial Management & Accounting* (Volume 20, Issue 1, 2009): 79-103.**

This study examines the associations between the provision of tax services by incumbent auditors and earnings management. We investigate whether three different effects of tax service provision play different roles in accounting practices. The three effects include the audit independence effect, the knowledge spillover effect, and the tax avoidance effect. If the provision of tax services by incumbent auditors harms auditor independence, firms may exercise greater earnings management (audit independence effect). However, if incumbent auditors gain incremental knowledge by offering tax services, the quality of their audit services could be enhanced, and therefore, reported earnings could be more conservative (knowledge spillover effect). If tax service fee leads to low taxable income, it could depress book income when book-tax conformity is high (tax avoidance effect). We find that the provision of tax services generally improves earnings quality by curtailing opportunistic accounting practices. The results also suggest that the negative association between the provision of tax services and discretionary accruals seems to be primarily driven by the knowledge spillover effect as opposed to the tax avoidance effect. Additional analysis is conducted in examining whether the tax avoidance effect exists in a sub-sample.

**Chua, Wai Fong, and Stephen L. Taylor, “The rise and rise of IFRS: An examination of IFRS diffusion,” *Journal of Accounting and Public Policy* (Volume 27, Issue 6, 2008): 462-473.**

We seek to understand the ever-increasing push towards the international harmonization of accounting standards and particularly the inexorable rise of standards produced by the International Accounting Standards Board (IASB). While the primary justifications for the increasing recognition given to these standards (IFRS) are economic, we question whether the empirical evidence to date has yielded convincing support for these arguments. We therefore offer an alternative explanation for the origin and diffusion of IFRS that incorporates social and political factors. Outsourcing the manufacture of accounting standards to a single private agency appears to be a rational, lower cost option – lowering both economic and political costs for individual states as long as they continue to retain residual decision rights with respect to the adoption of IFRS. However, such outsourcing must also be perceived to be legitimate. IFRS confer institutionalized legitimacy because they possess three characteristics required of a technology for global governance. These are sponsorship by powerful interest groups/regulators, internationality and plasticity. We therefore conclude that the widespread diffusion today of IFRS can at best be only partially explained as an economically rational phenomenon. Rather, the demand for legitimate action in the face of tightly coupled and complex global markets is at least equally important in generating support for IFRS.

**Cready, William M., "Discussion of ‘Accounting Premium’ for IAS/IFRS and U.S. GAAP Vis-à-vis German GAAP,” *The International Journal of Accounting* (Volume 43, Issue 4, 2008): 387-393.**

Ernstberger and Vogler [Ernstberger, J. & Vogler, O. (2008-this issue). Analyzing the German Accounting Triad with an Enhanced Multifactor Model—‘Accounting Premium’ for IAS/IFRS and U.S. GAAP Vis-à-vis German GAAP. *International Journal of Accounting*.] employ the concurrent use of three distinct accounting-standard regimes (German GAAP; U.S. GAAP; and IAS/IFRS GAAP) in Germany as a foundation for evaluating the relation between accounting standard regime and equity-return attributes. They find that firms using U.S. or IAS/IFRS GAAP have higher betas but yield lower returns (cost of capital) relative to firms employing German GAAP. They also find that portfolios designed to isolate the return impacts of U.S. and IAS/IFRS GAAP relative to German GAAP are priced in a risk-

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factor-like fashion. In this discussion I suggest that a good bit of this empirical evidence is problematic. I also discuss the implausibility of information quality being priced in a Fama and French [Fama, E.F. & French, K.R. (1992). The Cross-Section of Expected Stock Returns. *The Journal of Finance* 47 (2): 427–465.] factor-like fashion. Finally, I introduce the importance of conditioning analyses of the relation between firm-level information quality and equity-market return (cost of capital) on the degree to which the shareholder base of a firm holds diversified portfolios.

**Ding, Yuan, and Xijia Su, “Implementation of IFRS in a regulated market,” *Journal of Accounting and Public Policy* (Volume 27, Issue 6, 2008): 474-479.**

The year 2007 may well be remembered as a milestone in the development of accounting and financial reporting standards in China, as it was the year that the country’s new, substantially IFRS-convergent, accounting standards became compulsory for selected companies. Having evolved from a closed regulatory culture inherited from the former Soviet Union, China’s move toward IFRS provides an interesting example of how globalization is gaining support from regimes once regarded as the least likely to be interested. China’s move also provides direct evidence on the question of whether IFRS can work properly in markets that are disciplined mainly by regulators rather than market mechanisms. This paper attempts to provide a descriptive analysis of Chinese accounting’s “bumpy road leading to internationalization” [Tang, Y.W., 2000. Bumpy road leading to internationalization: a review of accounting development in China. *Accounting Horizons* 14-1, 93–102].

**Eng, Li Li, Sandeep Nabar, and G. Mujtaba Mian, “Cross-Listing, Information Environment, and Market Value: Evidence from U.S. Firms that List on Foreign Stock Exchanges,” *Journal of International Accounting Research* (Volume 7, Issue 2, 2008): 25-42.**

This paper examines how cross-listing impacts analyst coverage and forecast accuracy for U.S. firms that cross-list on foreign exchanges. By focusing on U.S. firms cross-listing abroad, we are able to discriminate between two competing explanations for the improvements in information intermediation experienced by foreign firms cross-listing in the U.S. (Lang, Lins, and Miller 2003); that is, whether the improvements are driven by generic cross-listing effects or by the strict disclosure and regulatory requirements specific to the U.S. markets. Our cross-sectional analysis indicates that cross-listing is negatively associated with analyst coverage, and our time-series analysis yields only marginal evidence of post-cross-listing improvement in forecast accuracy. Thus the cross-listing benefits documented in prior research for foreign firms cross-listing in the U.S. are not generalizable to all cross-listings and may be attributable to the strong disclosure and regulatory environment prevalent in the United States.

**Ernstberger, Jürgen, and Oliver Vogler, "Analyzing the German accounting triad — “Accounting Premium” for IAS/IFRS and U.S. GAAP vis-à-vis German GAAP?" *The International Journal of Accounting* (Volume 43, Issue 4, 2008): 339-386.**

This paper critically examines the impact of voluntary adoption of Internationally Accepted Accounting Principles (IAAP, i.e., IAS/IFRS and U.S. GAAP) on the cost of equity capital in Germany. We find that (1) overall cost of equity-capital estimates in the Capital Asset Pricing Model (CAPM) for companies applying IAAP are significantly lower compared to those applying German GAAP, (2) an enhanced multi-factor model which incorporates the accounting-regime differences (called “GM model”) absorbs the cost of equity-capital differences, and (3) changes of the institutional background in Germany and of the accounting standards lead to different cost of equity capital effects for subperiods of the 1998–2004 voluntary-adoption period, while particularly controlling for effects like self-selection, cross-listing, and New Market (Neuer Markt) listing. The central thesis advanced in this paper is that changes in the accounting *(continued on page 33)*

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standards and the institutional infrastructure can influence the impact of applying IAAP. Therefore, we suggest incorporating an accounting factor into the cost of equity-capital analysis.

**Fasshauer, Jan D., Martin Glaum, and Donna L. Street, “Adoption of IAS 19R by Europe's premier listed companies: Corridor approach versus full recognition: Summary of an ACCA research monograph,” *Journal of International Accounting, Auditing and Taxation* (Volume 17, Issue 2, 2008): 113-122.**

This report provides a summary of a research monograph sponsored by the Association of Chartered Certified Accountants (ACCA) [Fasshauer, J., Glaum, M., & Street, D. L. (2008). Adoption of IAS 19R by Europe's premier listed companies: Corridor approach versus full recognition. An ACCA research report, London] and is based on our in-depth analysis of the defined benefit pension plan disclosures provided in the year 2005 by companies constituting the premier segments of 20 European exchanges. Most importantly, the study identifies the method these companies selected under International Accounting Standard (IAS) 19 for the recognition of actuarial gains/losses, provides insight into factors affecting the policy choice between the methods allowed under IAS 19 for the recognition of actuarial gains/losses, and assesses the impact on profit and loss (P&L) and the balance sheet of using the new IAS 19 option of full recognition through the Statement of Recognized Gains and Losses (SORIE), in contrast to the traditional corridor approach. We also benchmark key pension assumptions against relevant country or industry averages.

**Gjerde, Øystein, Kjell Knivsflå, and Frode Sættem, “The value-relevance of adopting IFRS: Evidence from 145 NGAAP restatements,” *Journal of International Accounting, Auditing and Taxation* (Volume 17, Issue 2, 2008): 92-112.**

Firms listed on stock exchanges within the European Economic Area are required to report consolidated financial statements according to International Financial Reporting Standards (IFRS) since 2005. The firms that adopted IFRS in 2005 were also required to restate their 2004 financial statements from national GAAP to provide comparable accounting figures. These two sets of financial statements for 2004 are thus based on identical underlying economic activities and are fully specified according to two different reporting regimes. Our sample consists of 145 restatements from Norwegian Generally Accepted Accounting Principles (NGAAP) to IFRS for firms listed on the Oslo Stock Exchange in Norway. We test whether the IFRS accounting figures correlate more strongly with stock market values than the corresponding NGAAP figures. We find little evidence of increased value-relevance after adopting IFRS when comparing and evaluating the two regimes unconditionally. On the other hand, when evaluating the change in the accounting figures from NGAAP to IFRS, we find evidence that the reconciliation adjustments to IFRS are marginally value-relevant due to increased relevance of the balance sheet and the normalized net operating income. By weighting our sample by firm size, intangible asset intensity and profitability, we learn that the increased value-relevance of the net operating income stems from different reporting of intangible assets. Since more intangible assets are capitalized according to IFRS than NGAAP, our finding is consistent with the view that capitalizing intangible assets is more value-relevant than expensing them as incurred or through goodwill amortization.

**Habib, Ahsan, and Mahmud Hossain, “Do managers manage earnings to ‘just meet or beat’ analyst forecasts? Evidence from Australia,” *Journal of International Accounting, Auditing and Taxation* (Volume 17, Issue 2, 2008): 79-91.**

This paper examines whether managers manage earnings to ‘just meet or beat’ analyst forecasts in Australia. Previous Australian studies on benchmark-beating have focused on loss avoidance and small earnings increases as benchmarks [Coulton, J., Taylor, S., & Taylor, S. (2005). Is ‘benchmark beating’ by Australian firms evidence of earnings

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management? *Accounting and Finance*, 45, 553–576; Holland, D., & Ramsay, A. (2003). Do Australian companies manage earnings to meet simple earnings benchmarks? *Accounting and Finance*, 43, 41–62]. This paper extends this earlier research on benchmark-beating in Australia by incorporating analyst forecast as an important benchmark. Using three different models of unexpected accruals as proxies for earnings management, this study did not find any significant difference between the mean and median unexpected accruals of the “just meet or beat” group as against the “just miss” group. Furthermore, for a long period of time (1997–2002), the proportion of Australian firms ‘just meeting or beating’ analyst forecasts benchmark increased, although such increase was not statistically significant.

### **He, Haihong, “Are Changes in Cross-Listing in the U.S. from the Pre- to Post-Sarbanes-Oxley Period Associated with Shareholder Protection in Foreign Firms’ Home Countries?” *Journal of International Accounting Research* (Volume 7, Issue 2, 2008): 65-85.**

This paper investigates the association between the change in cross-listing activities of American Depository Receipts (ADRs) in U.S. stock exchanges from the pre- to post-Sarbanes-Oxley (SOX) period, and shareholder protection in foreign registrants' home countries. The SOX regulation does not apply to all four types of ADRs. Level II and III ADRs are subject to full Securities and Exchange Commission (SEC) regulation, and hence full compliance with SOX, while Level I and IV ADRs are not subject to SOX. Using cross-listing activities from 31 countries from 1998 to 2005, this study computes an aggregate measure to summarize each country's cross-listing activity for all ADRs; Level I and IV ADRs, and Level II and III ADRs, respectively, during the pre- (1998–2001) and post-SOX period (2002–2005). The results show that only listings of Level II and III ADRs have dropped significantly in the post-SOX period, and this drop is more evident for foreign registrants from countries with a lower level of shareholder protection, suggesting that SOX has a different regulatory burden on foreign firms in different institutional environment.

### **Herrmann, Donald R., Sompong Pornupatham, and Thanyaluk Vichitsarawong, “The Impact of the Asian Financial Crisis on Auditors’ Conservatism,” *Journal of International Accounting Research* Volume 7, Issue 2, 2008): 43-64.**

We examine differences in conservatism between companies audited by Big 4 and non-Big 4 auditors during the financial crisis and post-crisis periods in Thailand. The results indicate a significant increase in conservatism following the Asian financial crisis. Moreover, Big 4 audit clients were more sensitive to bad news than non-Big 4 audit clients, particularly during the crisis period. In the post-crisis period, both Big 4 and non-Big 4 audit clients reported more conservative earnings. Interestingly, we found no significant difference in conservatism between Big 4 and non-Big 4 auditors in the post-crisis period, possibly due to the conscientious adoption of International Accounting Standards, more stringent control by regulatory bodies, and improvements in corporate governance in Thailand.

### **Jansen, Pieter E., Kenneth A. Merchant, and Wim A. Van der Stede, "National differences in incentive compensation practices: The differing roles of financial performance measurement in the United States and the Netherlands," *Accounting, Organizations and Society* (Volume 34, Issue 1, 2009): 58-84.**

This paper describes the findings of a study aimed at providing an international replication of a US-based study by Gibbs et al. [Gibbs, M., Merchant, K., Van der Stede, W., & Vargus, M. (2004). Determinants and effects of subjectivity in incentives. *The Accounting Review*, 79(2), 409–436; Gibbs, M., Merchant, K., Van der Stede, W., & Vargus, M. (2006). The structure of incentive contracts: Evidence from auto dealerships. Working Paper, University of Chicago, University of Southern

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## **Have you Seen?...** *(continued from page 34)*

California, London School of Economics and University of Texas-Dallas] focused on the incentive compensation practices of firms in the automobile retailing industry. The purpose was to determine the extent to which these practices and their effects were similar across countries. Theory provides conflicting predictions as to whether international practices should reflect a situational “best fit” or “global best practices.” We collected a dataset comparable to that of Gibbs et al. from Dutch automobile retailers. The findings reveal dramatic differences in practices across the two countries. As compared to the US firms, the Dutch firms are much less likely to provide their managers with incentive compensation in any form. Where Dutch firms do offer incentive compensation, the payouts are smaller and their bonus awards are less likely to be based on profit measures of performance. But where the Dutch firms use incentive compensation, their performance/reward functions are more complex. Moreover, unlike in the US firms, in the Dutch firms the effects of the use of incentive compensation on net profit and pay satisfaction are negative.

**Jeanjean, Thomas, and Hervé Stolowy, “Do accounting standards matter? An exploratory analysis of earnings management before and after IFRS adoption,” *Journal of Accounting and Public Policy* (Volume 27, Issue 6, 2008): 480-494.**

In this paper, we analyze the effect of the mandatory introduction of IFRS standards on earnings quality, and more precisely on earnings management. We concentrate on three IFRS first-time adopter countries, namely Australia, France, and the UK. We find that the pervasiveness of earnings management did not decline after the introduction of IFRS, and in fact increased in France. Our findings confirm that sharing rules is not a sufficient condition to create a common business language, and that management incentives and national institutional factors play an important role in framing financial reporting characteristics. We suggest that the IASB, the SEC and the European Commission should now devote their efforts to harmonizing incentives and institutional factors rather than harmonizing accounting standards.

**Kaserer, Christoph, and Carmen Klingler, “The Accrual Anomaly Under Different Accounting Standards – Lessons Learned from the German Experiment,” *Journal of Business Finance & Accounting* (Volume 35, Issue 7-8, 2008): 837-859.**

Several studies document that investors systematically overreact to accrual-based accounting information. We address the question to what extent this accrual anomaly is related to different accounting standards. We provide empirical evidence that the accrual anomaly is also present in Germany. However, this anomaly seems mainly to be driven by firms presenting their financial statements under IFRS or US-GAAP, while the anomaly is unlikely to exist for those firms complying with German GAAP. It is argued that introducing true and fair view accounting, like IFRS, that relies on difficult-to-verify information, may not be suitable to improve accounting information quality in the context of a weak corporate governance system.

**Leach-López, Maria A., William W. Stammerjohan, and Frances M. McNair, “Differences in the Role of Job-Relevant Information in the Budget Participation-Performance Relationship among U.S. and Mexican Managers: A Question of Culture or Communication,” *Journal of Management Accounting Research* (Volume 19, 2007).**

This study extends the stream of participative budgeting literature and, specifically, the work of Frucot and Shearon (1991). This study employs an expanded version of the path model introduced to this literature by Kren (1992) to examine and compare the budget participation-performance relationship for U.S. and Mexican mid-level managers. The expanded path model allows the examination of both the direct effects of budget participation on performance and the indirect effects of budget participation on performance that run through job satisfaction and job-relevant information.

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**Lin, Z. Jun, Ming Liu, and Zhemin Wang, "Market Implications of the Audit Quality and Auditor Switches: Evidence from China," *Journal of International Financial Management & Accounting* (Volume 20, Issue 1, 2009): 35-78.**

Independent audits enhance the credibility of corporate financial reports and assist investors to make rational decisions in the capital market. Nonetheless, the utility of the auditing function depends upon the quality of audits, which is determined by the independence and expertise of auditors. Hence, auditor choice and switch will not only affect an audit's quality, but will also influence decisions made by investors and other market participants. The purpose of this paper is to investigate how investors respond to the quality of audits and auditor switches in the Chinese context. Empirical results show that the quality of an audit and switching to a larger auditor have a positive (negative) impact on earnings response coefficients (ERCs) for firms with positive (negative) abnormal earnings. In contrast, switching to a smaller auditor has a negative (positive) impact on ERCs for firms with positive (negative) abnormal earnings. These results suggest that large auditing firms (Top 10) in China are perceived as more effective for curbing income-increased earnings management, which leads to higher (lower) ERCs for clients with positive (negative) abnormal earnings. Firms' switching to a larger auditor may signal high-quality earnings. Therefore, investors more often increase stock prices when firms have positive abnormal earnings and less often depreciate prices for negative abnormal earnings. Similarly, switching to a smaller auditor may signal lower earning quality, resulting in opposite market responses. In general, the empirical evidence suggests that audit information is valued by the capital market in China. Large auditing firms have been able to product-differentiate themselves within the Chinese stock market.

**Melvin, Michael, and Magali Valero, "The Dark Side of International Cross-Listing: Effects on Rival Firms at Home," *European Financial Management* (Volume 15 Issue 1, 2009): 66-91.**

We analyse the stock price impact of firms' US cross-listing on home-market rival firms. Using an empirical event study approach we find negative cumulative average abnormal returns for the rival firms around both the listing and announcement of listing dates. The evidence suggests both positive and negative spillover effects on rival firms, where the dominant effect is that investors see rivals at a relative disadvantage to the cross-listing firm. As firms cross-list in the US and commit to the increased disclosure and investor protection associated with the US listing, they are better able to take advantage of growth opportunities relative to their non cross-listing counterparts, and this results in negative spillover effects on rival firms. Our results are consistent with the idea that firms cross-list as a means to reduce agency costs of controlling shareholders and thus are able to exploit growth opportunities as they have better access to external finance.

**Misund, Bård, Frank Asche, and Petter Osmundsen, "Industry upheaval and valuation: Empirical evidence from the international oil and gas industry," *The International Journal of Accounting* (Volume 43, Issue 4, 2008): 398-424.**

Accounting literature suggests that contemporaneous earnings are more useful than current operating cash flow in predicting future cash flows and, therefore, also more relevant for company valuation. However, recent research indicates that elevated levels of merger and acquisition activity or a changing economic environment may reduce the value relevance of earnings. Using the oil and gas industry as a case, this paper examines how the oil industry upheaval in the late 1990s influenced the value relevance of financial statement information. We extend the literature by testing for a structural shift in the equity market valuation process. Our results provide evidence of a structural break in the value relevance of accounting information. In contrast to prior research, we find that the value relevance of cash flows actually decreased in the recent oil industry upheaval. On the other hand, the value relevance of book

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equity increased. Furthermore, we find that accounting-method choice (full cost versus successful efforts) affects the value relevance of accounting information.

**Peng, Songlan, Rasoul H. Tondkar, Joyce van der Laan Smith, and David W. Harless, "Does Convergence of Accounting Standards Lead to the Convergence of Accounting Practices?: A Study from China," *The International Journal of Accounting* (Volume 43, Issue 4, 2008): 448-468.**

In this empirical study we examine whether China's efforts to converge domestic accounting standards with International Financial Reporting Standards (IFRS) over the past 15 years have resulted in the successful convergence of Chinese listed firms. This study is unique in that we evaluate convergence of firms' accounting practices from three perspectives: (1) the level of compliance with Chinese GAAP and IFRS, (2) the consistency of accounting choices under Chinese GAAP and IFRS, and (3) identification of significant differences in the net incomes produced under Chinese GAAP and IFRS (earnings gap). Using the 1999 and 2002 annual reports of 79 Chinese listed firms we find improvement in both compliance with IFRS and in the consistency of the accounting methods used in annual reports prepared under Chinese GAAP and IFRS. We also find a reduction in the earnings gap from 1999 to 2002. However, interestingly we observed that Chinese listed firms' compliance with IFRS is significantly lower than their compliance with Chinese GAAP. Overall we believe that our findings suggest that in China the convergence of accounting standards has been a conduit to the convergence of accounting practices.

**Ramos, Sofia B., "The Size and Structure of the World Mutual Fund Industry," *European Financial Management* (Volume 15 Issue 1, 2009): 145-180.**

This paper analyses the mutual fund industry for 20 countries using a new database of more than 50,000 mutual funds. The results suggest that more developed industries provide more benefits to investors as they diversify more internationally, charge lower annual charges and present more product sophistication. The results also have important policy implications by emphasising the role of competition and contestability in industry development. Fewer barriers to entry are positively associated with a larger industry, and concomitantly with more efficiency in terms of returns and fees.

**Richardson, Grant, "The relationship between culture and tax evasion across countries: Additional evidence and extensions," *Journal of International Accounting, Auditing and Taxation* (Volume 17, Issue 2, 2008): 67-78.**

This study builds on the work of Tsakumis et al. [Tsakumis, G. T., Curatola, A. P., & Porcano, T. M. (2007). The relation between national cultural dimensions and tax evasion. *Journal of International Accounting, Auditing and Taxation*, 16, 131–147] by conducting further empirical analysis of the relationship between Hofstede's [Hofstede, G. H. (1980). *Cultures consequences: International differences in work-related values*. Beverly Hills, CA: Sage Publications] cultural dimensions and tax evasion across countries using multiple measures of tax evasion to gain additional evidence on the subject. Moreover, this study extends the preliminary international tax evasion model developed by Tsakumis et al. [Tsakumis, G. T., Curatola, A. P., & Porcano, T. M. (2007). The relation between national cultural dimensions and tax evasion. *Journal of International Accounting, Auditing and Taxation*, 16, 131–147] to examine, along with culture, the impact of legal, political, and religious variables on tax evasion across countries. Based on data from 47 countries, and after controlling for economic development, the regression results indicate that the higher the level of uncertainty avoidance and the lower the level of individualism, legal enforcement, trust in government, and religiosity, the higher is the level of tax evasion across countries. These findings remain robust to multiple measures of tax evasion. Government policymakers should find the results of this study useful in *(continued on page 38)*

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assessing the likelihood of tax evasion from cultural, legal, political, and religious perspectives, and in developing tax reform policies to reduce tax evasion.

**Skinner, Douglas J., "The rise of deferred tax assets in Japan: The role of deferred tax accounting in the Japanese banking crisis," *Journal of Accounting and Economics* (Volume 46, Issues 2-3, 2008): 218-239.**

This paper provides evidence on the role of deferred taxes in the recent financial crisis among Japanese banks. Upon adoption of deferred tax accounting in FY1998, the major Japanese banks recognized net deferred tax assets of ¥6.6 trillion (\$55 billion). Without these assets, the banks would have been insolvent. The evidence supports the conclusion that Japanese regulators used deferred tax accounting as part of a regulatory forbearance strategy, and that bank managers used these assets to bolster their banks' regulatory capital. The results show how ostensibly similar accounting rules can be implemented very differently, and so have implications for IFRS.

**Whittington, Geoffrey, "Harmonisation or discord? The critical role of the IASB conceptual framework review," *Journal of Accounting and Public Policy* (Volume 27, Issue 6, 2008): 495-502.**

The IASB has achieved great success in extending the adoption of international financial reporting standards, but it has also encountered opposition at national and regional levels. Some of this opposition arises from differences in national accounting cultures, which are embedded in the market structures and institutional and legal frameworks within which business entities operate. These issues are particularly apparent in the debate on the IASB's revision of its conceptual framework, which expresses its own vision of an international accounting culture. An important example is the issue of whether stewardship should be a distinct fundamental objective of financial reporting.

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- Scott Hartman, Ernst & Young
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- S.P. Kothari, Massachusetts Institute of Technology
- Mark Lang, University of North Carolina
- Cheryl Linthicum, University of Texas - San Antonio
- Liza McAndrews-Moberg, Securities and Exchange Commission
- Paul Munter, KPMG
- Stephen Penman, Columbia University
- Ray Pfeiffer, Financial Accounting Standards Board Academic Fellow
- Jenice Prather-Kinsey, University of Missouri
- Sherif Sakr, Deloitte & Touche
- Terry Warfield, University of Wisconsin - Madison
- Mark Watermasysk, PricewaterhouseCoopers

## **Registration**

Participants have the option to [register](#) for the **two** conference days (Thursday 6/4 and Friday 6/5) or for all **three** conference days, including the faculty development workshop on Wednesday 6/3. Whether you require lodging or not, please respond by May 5, 2009 so we can reserve your spot at the conference. We look forward to seeing you at our Conference!

Please contact [Foxacctg@temple.edu](mailto:Foxacctg@temple.edu) if you need further information.



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