



THE AUDITOR'S REPORT

Volume 23, No. 3, Summer 2000

AUDITING SECTION/AMERICAN ACCOUNTING ASSOCIATION

REPORT OF THE PRESIDENT

A Successful Year?

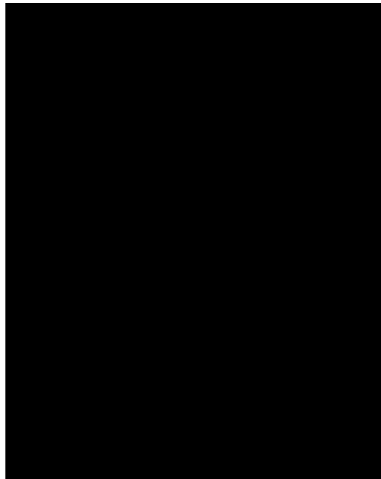
Yes, it's summer again already. According to the Auditing Section calendar, as well as the academic calendar, this means we must be wrapping up "another successful year," a traditional topic of the President's Final Report. As someone who came of age in the 1960s, however, it's only natural for me to press for a definition of success, before I make my report to you.

Bob Dylan, another college student of the '60s, had his own definition of success. He held that "A man is a success if he gets up in the morning, and gets to bed at night, and in between he does what he wants to do." By that definition, the members of the Auditing Section, individually and collectively, can claim much success. We are all lucky to be doing what we really want to do, in a field that keeps changing in interesting ways. Think about just a few examples at the Section level. This was the year when we decided to make our Section journal available electronically for the first time. It was the year when the members responded in great numbers to a request for their views for presentation to the Public Oversight Board's Panel on Audit Effectiveness. It was the year of the Section's first doctoral consortium, held in conjunction with our 2000 Midyear Meeting.

Henry Ford had a theory of success that was just as individual as Bob Dylan's. He said: "Coming together is a beginning. Staying together is progress, and working together is success." According to this theory, the Auditing Section is a major success because this Section really works together. Some of the best evidence of that work is on display this August at the Annual Meeting and more will be on display as the Section celebrates its 25th anniversary at our 2001 Midyear Meeting in the near future. I'll focus a little on the Annual Meeting here, just to whet your appetite for further details elsewhere in this newsletter. The Midyear Meeting concurrent sessions schedule is on page 3 of this issue or on our web site.

The 2000 Annual Meeting

This year's Annual Meeting is in Philadelphia, home of the Liberty Bell and downtown squares that present a new driving



Karen V. Pincus

challenge for those of us from small college towns. Our featured speaker at the Monday section luncheon will be Dr. Burks Oakley II, who holds joint appointments in the Electrical Engineering Department of the University of Illinois at Urbana-Champaign, the Computer Science and MIS Departments of the University of Illinois at Springfield, and in the School of Biomedical, Health and Information Systems at the University of Illinois at Chicago. Dr. Oakley is an award-winning educator who also directs the UI-online initiative, a program to facilitate the development and delivery of internet-based courses. His presentation will be "Netlearning: The Impact of the Internet on Higher Education." It promises to be a lively and thought-provoking lunch!

As always, the section received a strong group of research paper submissions, resulting in nine excellent research paper sessions throughout the meeting, as well as a number of auditing

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FALL ISSUE DEADLINE

The deadline for material to be included in the Fall 2000 issue of *The Auditor's Report* is September 15, 2000. The preferred, but not mandatory, format is Word files attached to email messages. Please send all material to the Editor at the address below by the deadline to ensure timely publication of the issue:

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The address of the Auditing Section's Home Page on the World Wide Web is: <http://raw.rutgers.edu/raw/aaa/audit/>

President's Report (Continued from page 1)

papers at the research forum. In addition, this is a particularly exciting year for panel presentations. On Monday afternoon Tom Powell, of The Powell Group and Chair of the Section's Practice Advisory Council, has put together a star-studded group to talk about risk assessment. Presenters, who will share examples from their own organizations as they discuss practical aspects of risk assessment, include: Jeri Calle, KPMG; Steve Doherty, Credit Lyonnais and also Chairman of the Board of Research Advisors for the IIA; Lyn Graham, BDO Seidman; and Graham Joscelyne, World Bank.

A little later that afternoon, the Section is sponsoring an at-large panel session concerning the Public Oversight Board's Panel on Audit Effectiveness. The Panel will present an overview of the recent report and recommendations of that body. Presenters will include Panel Chair Shaun O'Malley, former Chair of Price Waterhouse LLP; Panel member Zoe-Vonna Palmrose, University of Southern California; and lead Panel staff member David Pearson, Public Oversight Board. Two commentators will also share their views: David Landsittel, who was such a hit as a plenary speaker at our 2000 Midyear Meeting, and Andy Bailey, University of Illinois at Urbana-Champaign.

On Tuesday another panel will present an early look at the results of four AICPA-funded research projects on the effectiveness of SAS 82, which is concerned with the auditor's responsibility for fraud detection. As Auditing Standards Board Chair Deborah Lambert noted in March 1999, when these projects were chosen by the ASB, "When we released SAS 82, the Board made a commitment to seek periodic feedback on the standard to assess how well it is accomplishing its objectives, as well as to identify any further steps that need to be taken. We believe these research projects will help us make sure that SAS 82 continues to be relevant to the audit process."

Thanks to Bob Ramsay and Robin Roberts—and to all who served as reviewers or submitted papers and panel ideas—for putting together an annual meeting program that holds such an abundance of attractions for section members.

My Own Theory of Success

I developed my own theory about success this year. This was a difficult year for me because in the fall my husband had unexpected triple bypass surgery. That experience made me think a lot about what it means to be successful in life. A life where you have lots of family and friends at your side is certainly successful. And, a life where you remember to give back something to support those who haven't yet achieved what you have, is another mark of success. As Bob Hope once said, "If you haven't got any charity in your heart, you have the worst kind of heart trouble."

So, I am personally grateful to the Executive Committee and all the Section committees who gave so much of themselves to make this year a success—there is no heart trouble in this group.

I hope to see you in Philadelphia. And whatever your personal definition of success is, may the coming year be your most successful yet.

CALL FOR PAPERS

Eighth Annual AIS Research Symposium Scottsdale, AZ February 2001

In February 2001, the Eighth Annual AIS Research Symposium will once again be held in Scottsdale, Arizona. The symposium will feature papers and panels that focus on the link between accounting and information systems research. The symposium is particularly interested in interdisciplinary papers that draw from accounting, psychology, cognitive science, behavioral science, economics, and/or information technology. Submitted papers should be completed manuscripts that are theoretically and empirically sound.

Accepted papers will be published at the authors' prerogative in the *International Journal of Accounting Information Systems*. Submitted papers should adhere to the guidelines of the journal and other Pergammon publications. Authors should identify themselves only on the cover page. The second page of the paper should consist of an abstract plus a list of key words describing the main topics of the manuscript. Papers should be double-spaced to facilitate editing. The manuscript plus any supporting documentation (such as survey instruments) should be sent as email attachments to Professor Ken Harmon and Professor Steve Sutton.

Submission Deadline: September 15, 2000

Notification of Decision: December 1, 2000

Registration Deadline: January 10, 2001

Revised Manuscripts Due: January 15, 2001

Symposium Dates: February 16–17, 2001

For additional symposium information or to submit papers, contact either:

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Concurrent Sessions Schedule
American Accounting Association
2000 Annual Meeting
Philadelphia, Pennsylvania

Monday, August 14 (4:00 PM–5:30 PM)

Session Title: Auditing and Nonaudit Services

Moderator: Peggy Dwyer, University of Central Florida

The Demand for NAS from Auditors. Allen Craswell, University of Sydney; Jere Francis, University of Missouri; and Filip Guz, University of Sydney

The Joint Provision of Nonaudit Services and Audit Quality. Danqing Young, Michael Ferguson, both at The Chinese University of Hong Kong; and Gim Seow, University of Connecticut

Municipal Trade-Offs of Internal Control Mechanisms for External Auditor Experience. Kevan Jensen and Jeff Payne, both at University of Oklahoma

Discussant: Kenneth Reynolds, Louisiana State University

Tuesday, August 15 (10:15 AM–11:45 AM)

Session Title: The Auditing Environment

Moderator: William Dilla, Iowa State University

Board Characteristics and Audit Fees. Dana Hermanson, Kennesaw State University; Joseph Carcello, University of Tennessee; Terry Neal, University of Kentucky; and Richard Riley, Jr., West Virginia University

The Role of Competitive Bidding in the Market for Initial Attest Engagements. Jean C. Bedard, Northeastern University; Michael L. Ettredge, University of Kansas; and Karla M. Johnstone, University of Wisconsin–Madison

Auditor Association and Debt Availability: An Empirical Examination of Small Firms with Bank Lines of Credit. Thomas Noland, University of Houston; David Blackwell, PricewaterhouseCoopers LLP; and Drew Winters, University of Central Florida

Discussant: Jennifer Joe, Boston College

Tuesday, August 15 (2:00 PM–3:30 PM)

Session Title: The Auditing Environment—Survey and Experimental Studies

Moderator: Doug Prawitt, Brigham Young University

Audit Committee Interaction with Internal Auditing. William J. Read, Bentley College; K. Raghunandan and Dasaratha. V. Rama, University of Massachusetts Dartmouth

The Organizational Culture and Subcultures of Accounting Firms: Evidence from Taiwanese Local and U.S. Affiliated Firms. Chee W. Chow, San Diego State University; Graeme L. Harrison and Jill L. McKinnon, McQuarie University; and Anne Wu, National Chengchi University

The Impact of Alternative Practice Structures and Scope of Non-Audit Services on Analysts' Investment Judgements. Elaine G. Mauldin, University of Missouri–Columbia

Discussant: Timothy Fogarty, Case Western Reserve University

Tuesday, August 15 (4:00 PM–5:30 PM)

Session Title: Supervision and Review

Moderator: Ganesh Krishnamoorthy, Boston College

Predecisional Distortion of Evidence as a consequence of Real-time Audit Review. T. Jeffrey Wilks, Cornell University

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Concurrent Sessions (Continued from page 3)

Multidimensional Errors and Their Effect on Auditor's Detection Performance in Working Paper Review. Steven K. Asare, University of Florida; and Vincent E. Owhoso, Bentley College

The Effect of Outcome Information and Performance Reputation on Evaluations of Staff Accountant Performance. Steve Buchette, William R. Pasewark, Jr., and Jerry R. Strawser, University of Houston

Tuesday, August 15 (4:00 PM–5:30 PM)

Session Title: International Issues in Auditing

Moderator: John Sweeney, Washington State University

Specialist Audit Quality Differentiation in Banks: The Case of Hong Kong Incorporated Authorized Institutions. Thomas Sing-chiu Lau, The Hong Kong Polytechnic University

The Demand for Differentiated Audit Services: Evidence from the German Audit Market. Hollis Ashbaugh and Terry Warfield, both at University of Wisconsin–Madison

The 150-Hour Requirement: A Tale of Two States. Chiawen Liu, Yuan Ze University; and Taychang Wang, National Taiwan University

Discussant: Andrew D. Bailey, Ohio State University

Wednesday, August 16 (10:15 AM–11:45 AM)

Session Title: Client Relations

Moderator: Cathleen Miller, University of Michigan–Flint

Compliance with SEC's Form 8-K Timing Requirements for Auditor Changes in the EDGAR Environment. Jayanthi Krishnan, Villanova University

Risk Evaluation and Risk Adaptation in Client Acceptance Decision: Empirical Evidence. Jean C. Bedard, Northeastern University; and Karla Johnstone, University of Wisconsin–Madison

Auditors' Judgments of the Acceptability of Client-Preferred Accounting Methods. Kathryn Kadous and Jane Kennedy, University of Washington; and Mark Peecher, University of Illinois

Discussant: Mohammed Abdolmohammadi, Bentley College

Wednesday, August 16 (10:15 AM–11:45 AM)

Session Title: Auditing Issues in Financial Reporting

Moderator: Billy Soo, Boston College

Auditor Conservatism and Quarterly Earnings. Sudipta Basu, Lee Seok Hwang, both at Baruch College; and Ching-Lih Jan, California State University, Hayward

The Association between Audit Committee Characteristics and the Conservatism of Financial Reporting. Susan Parker, Santa Clara University

An Empirical Examination of Municipal Reporting Delay. Jeff Payne and Kevan Jensen, both at University of Oklahoma

Discussant: Mark DeFond, University of Southern California

Wednesday, August 16 (2:00 PM–3:30 PM)

Session Title: Analytical Research in Auditing

Moderator: Raj Srivastava, University of Kansas

Auditing in the Presence of Outside Sources of Information. Susan Watts, Krannert School of Management; Mark Bagnoli and Mark Penno, both at Purdue University

Improving Auditor Independence through Selective Mandatory Rotation. Pradyot Sen, Georgia State University; and Miles Gietzmann, University of Bristol and University of Chicago

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Concurrent Sessions (Continued from page 4)

Analytical Review in a Fraud Setting. Evelyn Patterson and Reed Smith, both at SUNY at Buffalo; and Paul Newman, University of Texas at Austin

Discussant: Arijit Mukherji, University of Minnesota

Wednesday, August 16 (2:00 PM–3:30 PM)

Session Title: Auditing and Client Financial Distress

Moderator: Audrey Gramling, Wake Forest University

Going-Concern Uncertainty Disclosure Rates: The Differential Impact of New Form Audit Report and Enhanced Audit Procedures. Richard Taffler, Cranfield School of Management; and David Citron, City University Business School

Audit Firm Size and Going-Concern Modified Audit Reports. Marshall Geiger, University of Florida; and K. Raghunandan-University of Massachusetts Dartmouth

Fraudulent Financial Reporting: An Analysis of Technology, Healthcare, and Financial Services Fraud Cases. Dana Hermanson, and Paul Lapides, both at Kennesaw State University; Joseph Carcello, University of Tennessee; Mark Beasley, North Carolina State University

Discussant: Jagan Krishnan, Temple University

CALL FOR PAPERS

Advances in Accounting Behavioral Research (AABR) publishes articles encompassing all areas of accounting that incorporate theory from and contribute new knowledge and understanding to the fields of applied psychology, sociology, management science, and economics. The journal is primarily devoted to original empirical investigations; however, critical review papers, theoretical analyses, and methodological contributions are welcome. *AABR* is receptive to replication studies, provided they investigate important issues and are concisely written. The journal especially welcomes manuscripts that integrate accounting issues with organizational behavior, human judgment/decision making, and cognitive psychology.

Manuscripts will be blind-reviewed by an associate editor and two reviewers. *AABR* now accepts electronic submissions. *AABR* will send your submission to the associate editor and re-

viewers via email, which should shorten review times considerably. Please incorporate all text, tables, and figures into a single Word document before submitting. Also, include a separate Word document with any experimental materials or survey instruments. Please send the electronic documents to the following email address: jhunton@coba.usf.edu. Additionally, please send a \$25.00 processing fee (make checks payable to AABR/USF) to the following snail-mail address:

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CALL FOR PAPERS

Midwest Region 2001 MWAAA REGIONAL MEETING

St. Louis, Missouri

April 5–7, 2001

American Accounting Association members, graduate students, and practitioners are invited to submit papers for presentation at the 2001 Midwest Regional Meeting to be held at the Hilton Frontenac in St. Louis, Missouri, April 5–7, 2001. All submissions will be blind reviewed and all full papers will be considered for the “best paper award.”

Fax or email submissions are not acceptable. Papers submitted to the Midwest AAA meeting should not be published elsewhere prior to the Midwest AAA meeting. Papers accepted for presentation at the 2001 Midwest meeting obligate at least one author to register for the meeting and present the paper at the scheduled time.

See the MWAAA web page, <http://www.rutgers.edu/Accounting/raw/aaa/midwest/meeting2000.htm>, for submission guidelines and other information. **Papers must be received by October 2, 2000.**

Please send all submissions to:

Dr. Inder Khurana, Program Chair, Midwest AAA, School of Accountancy, University of Missouri, 317 Middlebush, Columbia, MO 65211-6100, Telephone: (316) 882-3474, Email: Khuranai@missouri.edu

ASB Update as of April 30, 2000

Ray Whittington, DePaul University
Academic Member of the Auditing Standards Board

In this update I summarize several new projects of the Auditing Standards Division of the AICPA. As always, please contact me if you have any questions, comments, or suggestions.

Continuous SysTrust

The ASB is attempting to develop a framework for performing and reporting on continuous assurance engagements. As a starting point, a task force has been formed to take the newly-released guidance for engagements to provide assurance about systems reliability (SysTrust) and make recommendations about modifications to standards and other guidance needed to change the engagement from a historical period model to a continuous assurance model. The task force members include both CICA and AICPA representatives, including individuals from the ASB, the SysTrust task force, and those involved in developing the monograph titled *Continuous Auditing*. Two academics serve on the task force including Miklos Vasarhelyi and myself.

The task force hopes to build upon the conceptual model presented in the Continuous Auditing monograph and to operationalize it using an existing systems-based engagement. This project would benefit from academic research on performing or reporting on continuous assurance engagements. Specifically, we are interested in research on:

- Methods of monitoring control systems, especially those that would be cost-effective for use by external auditors,
- Ways to convey continuous assurance, and
- Users' understanding of reports on continuous assurance.

Materiality Task Force

A new task force has been established to consider whether guidance should be developed to help auditors implement SEC Staff Accounting Bulletin (SAB) No. 99, *Materiality*. The task force also will consider whether SAS No. 47, *Audit Risk and Materiality in Conducting an Audit*, should be amended to include

the qualitative factors related to materiality that are presented in SAB No. 99. The ASB is especially interested in any contemporary research that might shed light on the quantitative and qualitative aspects of materiality, particularly as it relates to the concepts presented in SAB No. 99.

Technology Issues Task Force

This task force is considering the manner in which auditing standards taken as a whole reflect the use and impact of information technology, and whether changes should be made to the standards to update them for current technology. Currently, the task force is focusing on amendments to AU section 319, *Consideration of Internal Control in a Financial Statement Audit*, to better reflect the benefits and risks inherent in the use of sophisticated information technology.

International Audit Methodologies Joint Working Group

This project is being undertaken by the staff of the Auditing Practices Board of the United Kingdom and Ireland, the Canadian Institute of Chartered Accountants, and the AICPA Auditing Standards Board. The purpose is to examine and compare the audit risk model underlying the new audit methodologies being used by some international auditing firms, and to develop recommendations to national auditing standards setters and the International Auditing Practices Committee on how standards might be improved by embracing some of the concepts inherent in the methodologies. Three academic researchers have been involved, including Kay Tatum, University of Miami, Morley Lemon, University of Waterloo, and Stuart Turley, University of Manchester. Results of the research should provide auditing researchers and instructors a valuable perspective on the state of current audit methodology.

CALL FOR BOOK REVIEWERS:

ISSUES IN ACCOUNTING EDUCATION

Book reviews serve an important purpose in our discipline. They bring books to the attention of potential users, and often help shape book adoption decisions. *Issues in Accounting Education* publishes reviews of accounting books and contributes to the growth of the profession. Given the large number of newly published accounting textbooks, we need numerous reviewers to complete this task. As Book Review Editor of *Issues*, please contact me if you wish to review any auditing or accounting books. Thank you very much for your time and consideration.

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HAVE YOU SEEN...?

Troy Hyatt, Seattle University, and Brad Reed, Southern Illinois University Edwardsville

“An Experimental Investigation of Auditor–Auditee Interaction under Ambiguity,” by M. F. Zimbelman and W. S. Waller, *Journal of Accounting Research*, (Vol. 37, Supplement, 1999): 135–155.

The purpose of this paper is to examine the effects of an economic variable (auditees’ incentive to misstate) and a psychological variable (ambiguity facing auditors) on the strategic behavior of auditors and auditees. The study’s hypotheses were tested in an experimental setting using 23 student subjects as auditors and 24 student subjects as auditees. Results indicate the following. First, in the presence of a higher incentive to misstate, auditees increased the amount and rate of their misstatements and auditors increased their sample sizes and the rate of rejecting the auditees’ asserted values. Second, in the presence of more ambiguity, auditors increased their sample sizes, regardless of the level of auditees’ incentive to misstate, and auditees decreased their misstatement rate, particularly when the incentive to misstate was low.

“Evidential Planning in Auditing: A Review of the Empirical Research,” by J. C. Bedard, T. J. Mock, and A. M. Wright, *Journal of Accounting Literature*, (Vol. 18, 1999): 96–142.

This paper reviews and integrates empirical auditing research related to evidential planning (EP) decisions. To facilitate and organize their review, the authors developed a taxonomy to classify EP research. The taxonomy categorizes EP research based on the types of EP decisions and the factors that may influence those decisions. The five types of EP decisions included are Focus (the specific accounts or areas to test), Nature (the types of audit tests to be performed), Extent (the amount or scope of testing), Timing (interim or year-end testing), and Staff (the level of personnel assigned to perform the various parts of the audit). The four decision factors included are Materiality, Results of Planning Phase Analytical Procedures, Auditee Risk (inherent and control risk), and Other (including behavioral factors, decision tools, and economic and legal factors). The paper also discusses problems that limit the integration of this research and identifies many avenues for future research.

“Choosing Work Group Members: Balancing Similarity, Competence, and Familiarity,” by P. J. Hinds, K. M. Carley, D. Krackhardt, and D. Wholey, *Organizational Behavior and Human Decision Processes*, (Vol. 81, No. 2, 2000): 226–251.

Whether in volunteer organizations, academic settings, or at work, people often play a role in choosing their work partners. This study examines several factors that may influence an individual’s decision in choosing group members with whom they want to work on a future group project (project 2, an extensive project to be completed during their senior year) after participating on a group project (project 1, an equally extensive project completed during their junior year). The factors examined include similarity (gender, race, and role on the project team), reputation for competence (overall GPA, the course

grades for two specific relevant courses, effort expended on project 1, and project 1 success), and familiarity (participation on the same team for project 1 and amount of interaction during project 1). The study uses 4 years of data from 33 software development groups with 3 to 7 students each to examine this issue. Results suggest that when subjects selected group members with whom they wanted to work on project 2, they tended to select the following: those of the same race, those who had the same role on their project 1 group (to a limited extent), those who had high task-specific competence (high grades for two relevant courses), those who expended high effort on project 1, those who were part of a successful project 1 group, and those with whom they had significant interaction during project 1.

“The Effect of Time Pressure on Auditor Attention to Qualitative Aspects of Misstatements Indicative of Potential Fraudulent Financial Reporting,” by R. L. Braun, *Accounting, Organizations and Society*, (Vol. 25, No. 3, 2000): 243–259.

The purpose of this study is to investigate the effects of time pressure on auditors’ attention to indicators of potential fraudulent financial reporting in a dual cognitive task environment. The study predicts and finds that under time pressure auditors will focus on the dominant task at hand (accumulating documentary evidence regarding frequency of misstatements) at the expense of a secondary task (identifying qualitative aspects of misstatements suggestive of fraudulent financial reporting). Fifty auditors from several accounting firms in two cities participated in the experiment. Results suggest that the detrimental effects of time pressure may set in at lower levels than those identified in previous research, which focused on the effects of time pressure on the dominant task.

“Effects of the Preparer’s Justification on the Reviewer’s Hypothesis Generation and Judgment in Analytical Procedures,” by J. Yip-Ow and H. T. Tan, *Accounting, Organizations and Society*, (Vol. 25, No. 2, 2000): 203–215.

This study examines the effect of a preparer’s justification memo on the reviewer’s likelihood assessment of the nonerror cause of a usual increase in gross margin suggested by the preparer and on the number of alternative error causes generated by the reviewer. Based on an experiment with 60 auditors from two Big 6 firms, results suggest the following. First, reviewers who were exposed to the preparer’s justification memo (as opposed to simply being told the preparer’s suggested nonerror cause) generated a smaller proportion of alternative error hypotheses and assigned a higher likelihood to the preparer’s hypothesized cause. Second, three mechanisms moderated the effect of the justification memo on the reviewers’ likelihood assessment of the preparer’s hypothesized cause: (1) having the reviewers generate alternative hypotheses; (2) having the reviewers generate and explain a single alternative hypothesis; and (3) having the reviewers make an initial assessment before reading the preparer’s justification memo.

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Have you Seen? (Continued from page 7)

Implications of the results for practice and suggestions for future research are discussed.

“Would Switching to Timely Reviews Delay Quarterly and Annual Earnings Releases?” by M. Ettredge, D. Simon, D. B. Smith, and M. Stone, *Review of Quantitative Finance and Accounting*, (Vol. 14, 2000): 111–130.

This paper examines effects of the SEC’s proposed requirement for timely reviews of quarterly financial information. The Commission is seeking comment on whether it “should add to the proposed practices the fact that an independent accountant performed a timely review under SAS 71 of an issuer’s quarterly financial information.” Those who currently have their quarterly earnings reviewed only at year-end (retrospective reviews) argue that having a timely review would delay interim earnings releases. Others have argued that (1) there would be no delay, and (2) by shifting some of the procedures from year end to interim periods, the time needed to release annual earnings would decrease. The authors examine the effect of timely reviews on earnings release lags by looking at changes in earnings release lags of companies that have voluntarily switched from retrospective reviews to timely reviews. The authors find that quarterly earnings release lags would increase if the SEC’s proposal for timely reviews of quarterly financial information is made mandatory. Further, the authors find that annual earnings release lags would be reduced only when quarterly earnings contain unusual components. This is because the auditor would shift the additional time needed to audit these unusual items to interim periods, thereby decreasing the annual earnings release lag.

“The Accuracy and Incremental Information Content of Audit Reports in Predicting Bankruptcy,” by C. S. Lennox, *Journal of Business Finance and Accounting*, (Vol. 26, 5 & 6, 1999): 757–778.

A sample of United Kingdom companies is studied to compare the accuracy of bankruptcy prediction models with going-concern audit reports. The authors find that bankruptcy prediction models are better able to predict a company’s bankruptcy than a going-concern audit report. The authors then investigate whether the going-concern audit report has incremental information content to publicly available information. The paper finds that when the set of publicly available information is expanded to include industry and a variable to represent the state of the economy, that the going-concern audit report contains no incremental information. The authors present evidence that indicates that the going-concern audit report decision could be improved by having the auditor consider industry and economy conditions that currently do not seem to impact the auditor’s reporting decision. Additionally, the authors find that the audit report decision is being unduly influenced by the auditor’s persistence in issuing the same audit report that was issued the previous year, ignoring changes in the company’s condition, as well as changes in the company’s industry and the overall economy.

“Audit Committee Activity and Agency Costs,” by P. Collier and A. Gregory, *Journal of Accounting and Public Policy*, (Vol. 18, 4 & 5, 1999): 311–332.

Contrary to research in the United States that indicates that firms with audit committees tend to not rely on the audit committee, the authors of this study find that for major U.K. firms, relationships between various agency-cost variables and audit committee activity hold more strongly than in the United States. Audit committee activity is measured by the duration of audit committee meetings. The authors find that audit committee activity is related to the hiring of a high-quality independent auditor. Audit committee activity is also positively associated with the company’s leverage. Interestingly, the authors find that the presence of a dominant chief executive (indicated by the combining of the roles of chairman and CEO) reduces monitoring activity. Another finding of the study is that the presence of insiders (executive directors) on the audit committee has a negative impact on the activity of the audit committee.

“Economic Analysis of Accountants’ Ethical Standards: The Case of Audit Opinion Shopping,” by B. E. Cushing, *Journal of Accounting and Public Policy*, (Vol. 18, 4 & 5, 1999): 339–363.

This paper offers an alternative approach to the accounting profession’s current system of eliciting ethical behavior through a strict system of ethical standards with monitoring and enforcement procedures that penalize violations of the rules. The alternative approach offered in this paper is a *laissez faire* approach that utilizes moral training and leadership to motivate professional accountants to act in the public interest, for the sake of the profession as a whole. A framework for examining the relative economic merits of these two approaches to ethical standards within the accounting profession is offered. The new framework that is offered is based on game theory. The model is then used to examine the case of audit opinion shopping. The paper finds that the effectiveness of the *laissez faire* approach to ethical standards is related to the ethical climate, the frequency of auditor rotation and the explicitness of Generally Accepted Accounting Principles.

“Auditor Independence, Self-Interested Behavior and Ethics: Some Experimental Evidence,” by H. Falk, B. Lynn, S. Mestelman, and M. Shehata, *Journal of Accounting and Public Policy*, (Vol. 18, 4 & 5, 1999): 395–428.

This paper presents results obtained in a laboratory environment in which subjects revealed their beliefs about an uncertain state of the world and then participated in a simple task, which required them to report on whether the report of a second party is consistent with the subjects’ beliefs. Because maintaining prior judgments (auditor independence), which were in disagreement with the second party’s decision (the potential for a qualified audit opinion), were costly to the subject, a situation was created in which the subjects might compromise their beliefs at a price. The results of the experiment show that: (1) as the probability of losing a client by disagreeing with the client’s decision increases, the frequency of independence violations increases; (2) monitoring and penalizing independent auditors’ behavior reduce the frequency of independence violations; and (3) on average, subjects with low moral development scores violate independence more frequently than those with higher moral development scores.

**Third Asian-Pacific Interdisciplinary Research
in Accounting Conference**

July 15–17, 2001

The University of Adelaide, South Australia

**IN ASSOCIATION WITH
*ACCOUNTING, AUDITING & ACCOUNTABILITY JOURNAL***

CALL FOR PAPERS

After its first two conferences in Sydney (1995) and Osaka (1998), APIRA now moves to Adelaide in 2001. The premier food and wine city of Australia, center of a thriving arts and film industry, and a top-rated convention city in the Asia Pacific, Adelaide is home to the editorial offices of *AAAJ*. Following the large international contingent at Osaka, we are expecting APIRA Adelaide to be the largest conference of its type ever mounted in Australia.

We seek papers addressing the relationships between accounting, auditing, and accountability and their social, economic, institutional, and political environments. Our scope includes:

Social and Environmental Accounting	Accounting and the Public Interest
Accounting and Gender and/or Feminist Theories	Accounting and Accountability in the Public Sector
Nonprofit Organizations' Accountability	Accounting Policy and Standard Setting
Corporate Regulation and Accountability	Accounting Professions
New Forms of Accounting and Auditing	Professional and Business Ethics
Critical, Explanatory, Oral, and Visual Approaches to Accounting History	Accounting and Management Planning and Control
Critical and Ethnographic Case Studies of Accounting in Action	Accounting and Technology
Accounting and the Home	Accounting and Culture
	Methodological and Theoretical Issues
	Accounting Communication

Three paper copies of completed papers must be sent to Professor Lee Parker at the *AAAJ* editorial office (below) no later than 1 December 2000. All papers will be refereed. Refer to web site address above for further submission requirements and details.

EMERGING SCHOLARS' COLLOQUIUM

A forum for doctoral students, new faculty, and emerging researchers will be held on July 14, immediately prior to the conference. Attendance is strictly limited and will be by application. Refer to web site for further details.

Send all inquiries to:

APIRA 2001 web site: <http://www.commerce.adelaide.edu.au/apira/>

Email: aaaj@commerce.adelaide.edu.au

Or write to:

APIRA 2001

School of Commerce

The University of Adelaide

Adelaide, South Australia 5005

Conference Organizer: Ms. Gloria Parker Phone: 61-8-8303 5524

Conference Chair: Professor Lee D. Parker

Conference Committee:

Professor James Guthrie

Macquarie Graduate School of Management

Professor Richard Laughlin

Kings College, University of London

Professor Jesse Dillard

University of New Mexico

Professor Hiroshi Okano

Osaka City University

KPMG LLP and the University of Illinois at Urbana–Champaign Business Measurement Case Development and Research Program Grant Recipients April 2000

KPMG and the University of Illinois at Urbana–Champaign are pleased to announce case development grants under the *Business Measurement Case Development and Research Program*. During the Program’s third submission period, nineteen proposals were received requesting grants totaling approximately \$651,200. Eight proposals totaling \$296,900 have been selected for funding, with an average award of \$37,113. Under the program, case development grant recipients can apply for follow-on research grants of up to \$50,000 after case projects have been completed.

The KPMG/University of Illinois *Business Measurement Case Development and Research Program* is distinguished from other academic funding programs in three ways:

- Cases developed under the Program focus on the importance of understanding the client’s strategy and systems dynamics when performing a financial-statement audit.
- Scholars in the fields of strategy, accounting, and auditing, together with practicing professionals, establish close working relationships and share knowledge and insights during case development and research projects.
- Scholars design follow-on research projects after having obtained valuable experience applying the new assurance technologies that will be subjected to critical analysis.

All proposals received during the third submission period were reviewed by the following members of the Program’s Advisory Board: Timothy B. Bell, KPMG; William R. Kinney, Jr., University of Texas at Austin; Katherine Schipper, Duke University; and Ira Solomon, University of Illinois at Urbana–Champaign. The following case proposals were selected for funding:

Case Developer/ Institution	Tentative Project Title	Project Description
Robert Ashton Alison Hubbard Ashton Duke University	<i>Knowledge Assets and the Strategic-Systems Audit</i>	This case will explore the nature of knowledge assets, their relative importance to the entity’s strategy and market value, the processes for managing knowledge assets, and techniques for measuring the stocks, flows, and rates of change of such assets.
Brian Ballou Richard Tabor Auburn University	<i>Strategic-Systems Auditing in a Rapid-Growth Retail Environment</i>	This case will demonstrate why knowledge about process performance obtained by the strategic-systems auditor is critical to forming an opinion on the financial statements of a high-growth retail entity.
Gary Braun Linda Sama University of Texas at El Paso	<i>The Strategic-Systems Auditor’s Evaluation of Business Risks and Controls for Outsourced Processes</i>	This case focuses on application of the strategic-systems auditing framework to assess the validity of financial-statement assertions affected by a client’s production outsourcing strategy. Students will learn about trends in outsourcing and will explore the opportunities and risks associated with outsourcing.

(Continued on page 11)

Grant Recipients (Continued from page 10)

Case Developer/ Institution	Tentative Project Title	Project Description
Roger Debreceeny Nanyang Technological University–Singapore Glen Gray Cal State University at Northridge Rick Hayes Cal State University at Los Angeles	<i>Creating and Monitoring Strategic Information through Data Mining</i>	This case will focus on how modern data mining techniques are used by management to create and monitor information about changes in the entity’s environment and performance of its core business processes. The case also will show how the strategic-systems auditor can use data-mined information to obtain insights about the organization’s business model and interrelationships among financial statement and other financial and nonfinancial data.
Samuel DeMarie William Dilla Anthony Hendrickson Iowa State University	<i>Strategic-Systems Auditing for Web-Based Operations</i>	This case will examine how new applications of technology, especially web-based transaction processing systems, affect business risks, controls, and related performance metrics.
Aasmund Eilifsen Norwegian School of Economics William Messier Georgia State University	<i>Assurance Services for Environmental Reports</i>	This case will involve knowledge acquisition using the strategic-systems auditing (SSA) framework to provide assurance on a client’s environmental report. Students will address the problem of a lack of reporting guidelines, and will learn how to adapt SSA to new assurance service opportunities.
Vidyaranya Gargeya Venkat Iyer University of North Carolina at Greensboro	<i>The Strategic-Systems Auditor’s Evaluation of a Highly Integrated Value Chain</i>	This case will focus on a client in continuous pursuit of operational excellence in the highly competitive furniture industry. Students will learn how the strategic-systems auditor evaluates the effects of changes in supply-chain management and the introduction of ERP systems on the client’s business-risk profile, and how this knowledge impacts expectations about financial statement assertions.
Mahendra Gupta Timothy West Washington University	<i>Evaluating and Leveraging ERP Systems and Related Enterprise-Wide Risk Management Activities in a Strategic-Systems Audit</i>	This case will provide a realistic setting for students to discover (1) how new ERP systems impact business processes and an organization’s enterprise-wide risk management activities, and (2) why and how the strategic-systems auditor acquires knowledge about these systems and activities during an external audit.

**7TH ANNUAL MIDYEAR
AUDITING SECTION CONFERENCE**

**January 11–13, 2001
Houston, Texas**

Your help in planning and conducting the Section's 2001 Midyear Auditing Conference is needed. If you are willing to volunteer your assistance in one of more of the following areas, please complete this form and mail/fax it to the address/number below.

1. Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____ Email _____

2. **Reviewer:** If you are willing to assist by reviewing one to three manuscripts, please indicate your areas of competence/interest.

Research Areas _____

Research Methods _____

3. **Session Chair or Discussant:** Please indicate if you are willing to assist in either of these capacities.

Session Chair Discussant

4. **Special Sessions:** Please provide any ideas that you have for special CPE topics, panels, workshops, etc. If you know any particular individual(s) who may be interested in the areas you recommend, please list their names. Use the back of this page for additional comments.

The Steering Committee very much appreciates your input. Mail or fax this form to:

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Expanding Assurance Services: An Update from the Assurance Services Executive Committee

Steven E. Salterio, Ph.D., CA
Associate Professor and Ph.D., Program Director
University of Waterloo
Member, Canadian Assurance Services Development Board

In 1996 Bob Elliott and the AICPA's Special Committee on Assurance Services (SCAS) challenged the public accounting profession to expand the range of services they offered or to become irrelevant to the marketplace of the future (e.g., Elloit and Pallais, 1997; Elliot, 1997). SCAS defined assurance services as "independent professional services that improve the quality of the information, or its context, for decision makers." In 1997 the AICPA responded to the challenge by establishing the Assurance Services Executive Committee (ASEC) an Institute senior technical committee charged with the mandate of identifying, developing and bringing to market new assurance services. During the life of SCAS a close working relationship had been built with the Canadian Institute of Chartered Accountant's Task Force on Assurance Services. This relationship continued with ASEC after Canada established the Assurance Services Development Board and the two committees now combine financial and personnel resources in addition to meeting jointly. The committees' memberships are drawn from large and small public accounting firms, state CPA societies as well as government and academia. I am the academic representative and I formally sit on the Canadian Assurance Services Development Board.

The purpose of this article is to summarize the first four years of work on new assurance services. I also identify resources for more indepth reference about the matters covered. In a future article I will discuss research opportunities and teaching challenges associated with new assurance services development.

New Services Currently Being Marketed

Public accounting firms currently market four new service lines: e-commerce, eldercare, systems reliability, and performance measures. Some services result in an assurance report, while others focus on improving the quality of information with no formal assurance report by the practitioner.

E-commerce Services

Webtrustsm was the first new assurance service developed. The "business to consumer" Webtrustsm service is designed to provide assurance to consumers purchasing products over the Internet that the disclosed business practices are being followed by the site operator, controls exist over the integrity of the transaction, and that customer privacy is protected. These three principles are supported by detailed criteria. If the auditors find that these criteria have been met, the entity becomes entitled to display the WebTrustsm Seal, which is linked to the auditor's report on the entity's compliance with

the criteria. Further information can be found at the AICPA's web site (www.aicpa.org) under the heading "CPA Webtrust: The Future of Electronic Commerce."

The original business to consumer WebTrustsm service has been enhanced several times to broaden the required business practices disclosures, require dispute resolution procedures, and expand the range of privacy protection offered consumers. The service line now also includes reports on internet service providers (the firms who house web sites) and certification authorities (the providers of electronic signatures). Plans are underway to develop a WebTrustsm-based business to business service during the year 2000. The task force is also considering making the service modular (i.e., auditors might report on certain criteria e.g., privacy or disclosure). An exposure draft of Version 3.0 will be released this spring incorporating some of these new developments.

Some "star" clients that have received a WebTrustsm seal are E-Trade (the large online provider of investing services) in the U.S. and Bell Canada (the largest communications company) in Canada. However, relatively few WebTrustsm engagements have been brought to a successful conclusion where a report and seal have been issued (twenty-nine according to the latest list). Market research has indicated this is due to the high cost of the service that reflects the extensive set of procedures required to report on all the criteria. Making the service modular, increasing the emphasis on consumer privacy protection and better targeted marketing are all efforts aimed at positioning the WebTrustsm service to become the industry standard. Interest in WebTrustsm is high at the international level with Institutes (or equivalent bodies) signing agreements to allow their members to provide WebTrustsm services in Australia/New Zealand, the United Kingdom, France, and Germany among others.

Eldercare

While WebTrustsm fits the traditional public accounting model of having measurement criteria and an assurance report, Eldercare is far from that model. Eldercare is a service line designed to provide assurance to family members and the elderly themselves that care goals are achieved for family members who are no longer able to be totally independent. These services may include financial services such as paying bills, preparing tax returns and estate work. In addition, a practitioner might coordinate and evaluate the provision of care, or deal with, unusual or unexpected occurrences. While the financial

(Continued on page 14)

Expanding Assurance Services (Continued from page 13)

services provided are outgrowths of traditional public accountants services, the newer aspects of the service require public accountants to develop new competencies in the area of geriatrics. Significant AICPA resources are being placed into developing materials to support CPA's acquisition of such competencies including the development of six professional courses. A full report on Eldercare is found in a recent *Journal of Accountancy* article (Duggan et al. 1999). The Eldercare website is being redesigned and will appear at www.aicpa.org under Assurance Services. The Canadian website is at www.cica.ca/cica/cicawebsite.nsf/public/SPECOVeriewcaeldercareservices).

At present, Eldercare assurance reports are not being issued (other than agreed upon procedures reports), although such reports could be developed. The main emphasis of the Eldercare service is providing better information on the quality of care to both family members and the elderly. It is hard to judge marketplace acceptance of Eldercare as no one buys an "Eldercare" service *per se*. Users purchase services from among those that a public accountant provides which can range greatly in depth and breadth. However, practitioner interest is high with greater than expected registrations for the AICPA professional development courses and sales of related material (e.g., "ElderCare Practitioner's Resource Guide") into the thousands of copies. The AICPA will sponsor an Eldercare conference in Fall 2000.

Systems Reliability

The SysTrustsm service line provides the basis for the future vision of supplying real-time assurance of informational databases and systems. SysTrustsm follows the assurance model more closely. Four basic principles underlie the service: availability for operation and use; security both physical and access; integrity of processing; and maintainability such that updates can be made in a manner that provides for continued availability, security and integrity. Each of these principles is supported by detailed criteria. The auditor assesses and issues an assurance report on whether the criteria have been met. The detailed principles and criteria are available at www.aicpa.org/assurance/stintro.htm and are described in a recent *Journal of Accountancy* article (Boritz et al. 1999).

Future enhancement to SysTrustsm may allow a modular approach where the auditor could report based on a subset of the four principles. Further, a task force of the AICPA Auditing Standards Board is now considering how to make SysTrustsm a continuous assurance service. The SysTrustsm service seems likely to meet with success. While the first service from this line was only launched in December 1999, over a dozen six-figure engagements employing the SysTrustsm principles and criteria have been completed so far. In addition, SysTrustsm principles and criteria has been adopted by internal audit departments at some Fortune 500 companies as the standard they are using to assess systems development.

Performance Measures

The performance measures task force is currently launching its service: "Performance View." This service is intended to demonstrate that public accountants can aid client firms in developing

an integrated set of financial and nonfinancial performance measures to employ in managing the client's business. In performing the service the practitioner may use a software product called "CPA/CA Views." Training is also provided in how to develop appropriate performance measures. This service is currently targeted at medium-size businesses. No assurance reports are provided, but these may be considered later. For some introductory information see the AICPA web site at <http://www.aicpa.org/calendar/confs/perform/cpaview.htm>. Initial training on "Performance View PLUS!" was held in December 1999 and several engagements are currently underway.

The Future

The two assurance services committees are now in the process of developing a new service line in the area of "risk assurance." The risk assurance service line is designed to provide a common language and framework for understanding risks as well as tools to aid clients develop an overall risk management strategy for their firm. As a first step, the task force will publish a white paper entitled "Managing Risk in the New Economy" this summer. Bill Kinney's new book (Kinney 1999) also provides a nice introduction to some of these issues.

Later this year, the committees will be identifying other potential services, and suggestions are solicited from the academic community (email me at sesalter@uwaterloo.ca). To the extent possible you should try to identify these items when suggesting a new service idea:

- Type of service
- General description
- Who will use the information
- Value to the user
- Who will pay for the service
- Value to the payer
- Cost/benefit to the CPA\CA
- Potential market
- Marketplace permission
- Market access
- Litigation risk
- Need for special competencies
- Application to small firms

REFERENCES

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- Elliot, R. 1997. Assurance Services Opportunities: Implications for Academia. *Accounting Horizons* (December): 61-74.
- Elliot, R. and D. M. Pallais. 1997. Are You Ready for New Assurance Services? *Journal of Accountancy* (June): 47-51.
- Kinney, W. R., Jr., 1999. *Information Quality Assurance and Internal Control for Management Decision Making*. Irwin/McGraw-Hill (see chapters 2, 3, 7, and 10).

Introducing Audit Sampling

Margaret Stewart and John Dunn

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It can be difficult to teach the more practical aspects of auditing, particularly in full-time degree courses. Very few students have any relevant experience and cannot easily relate to many of the problems or decisions which arise. This note describes a technique that we have used for several years to illustrate the problems inherent in judgment sampling techniques. It has the advantage of bringing out some of the issues associated with selecting a sampling approach in a manner that can be related to personal experience.

The Sampling Questionnaire

We distribute a short questionnaire during the week before we teach sampling. Students are told that we are seeking their assistance with a research project. To help ensure that we achieve our objectives, we ask students to record their first thought on each question, without discussing their responses with colleagues. The questionnaire comprises only three questions and can be completed in less than five minutes of class time.

The questions themselves are as follows:

Sampling Experiment

1. Select a number from 1 to 10 and write it in the space below.
2. Select one of the following purchase transactions at random (underline your selection):

2,360
2,480
2,670
2,590
2,240
2,420
2,660
2,380

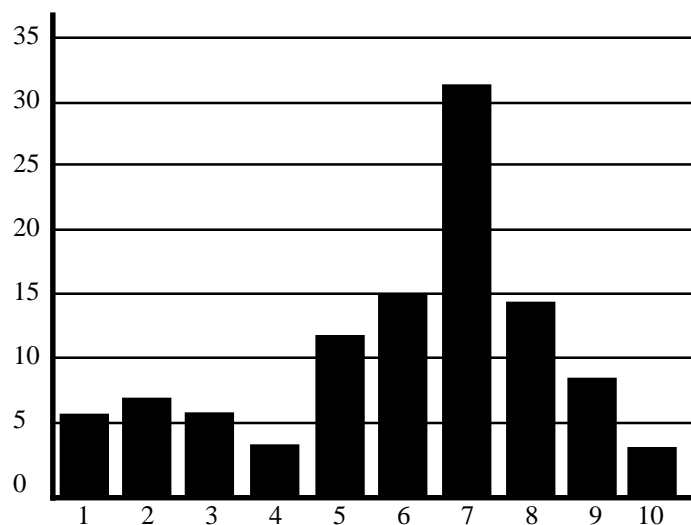
3. Roughly, what is the probability that a group of 24 people will contain two individuals who have the same birthday?

Each of the questions is designed to bring out a particular dysfunctional response. In general, classes co-operate by demonstrating precisely the frailties that the questions are intended to bring out.

The responses are analyzed using any convenient spreadsheet or statistical package. This can be done very quickly and the results copied onto an overhead projector slide. It is worth retaining slides from previous years, if only to show that the responses are robust over time. The results reported below are from a group of approximately 140 students.

Question 1

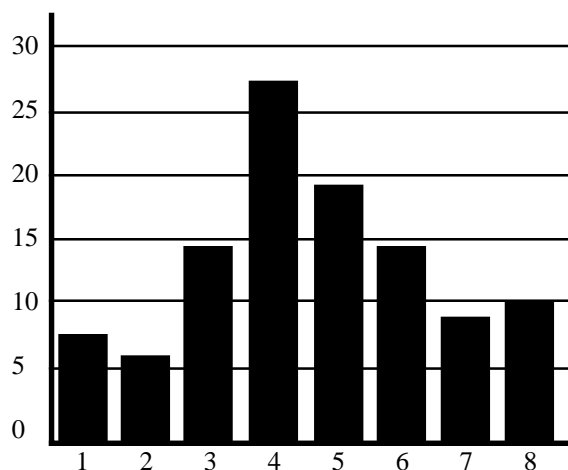
Choose a number from 1 to 10



A truly random selection would have led to each number being selected by approximately one-tenth of the class. This question is, however, intended to highlight the human affinity for the number seven (our weeks are seven days long, we split our oceans into seven seas, we are tempted to indulge in seven deadly sins, Snow White had seven dwarves, we drink 7-Up, and so on). Whether the students were aware of this or not, their selection of a 'random' number was hopelessly biased by this innate affinity.

Question 2

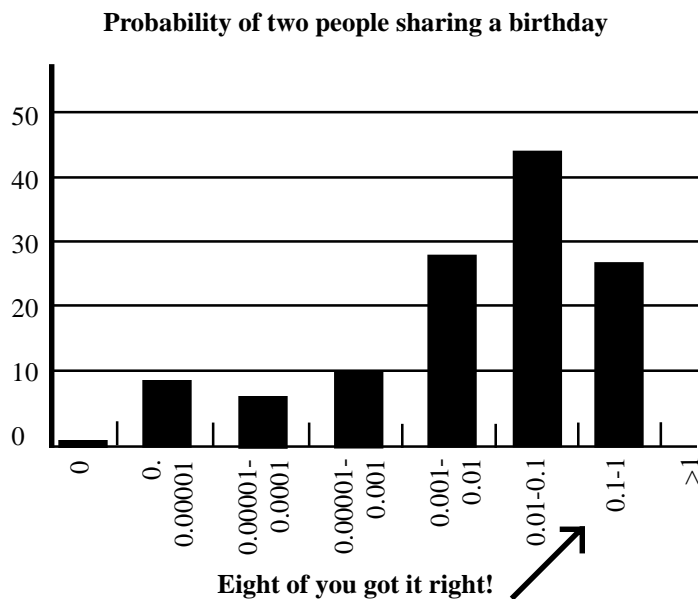
Select an invoice for testing



Introducing Audit Sampling (Continued from page 15)

This question obviously has a more immediate relevance to an auditing class. It is intended to bring out the fact that even bright human beings have a slightly confused idea about what constitutes a random sample. Each invoice should be picked roughly 12.5 percent of the time if they were being sampled at random. Each transaction is of a similar size and none has a particularly striking feature (e.g., a round number or a run of the same or consecutive digits). However, we expected a bias towards the transactions in the middle of the list because they would appear to be “more random” than those at either end. The fact that most members of the class intend to take up posts as trainee auditors within a few months of the end of our course underlines the importance of this bias. These students will soon be extracting “random” samples for real.

Question 3



The third question was intended to show how difficult it can be to make subjective estimates of statistical probability, even when dealing with a fairly straightforward binomial distribution. The correct answer is about 50 percent. Arriving at that involves asking the probability of each member of the group having a different birthday. The probability of two people both being different is $364/365$. The probability of a third person joining them being different again is $364/365 \times 363/365$. The probability of 24 people all having different birthdays is approximately 50 percent, leaving a 50 percent chance of two (or more) sharing a birthday.

The responses to this question have to be analyzed by order of magnitude. Even on this basis, most students get the answer dramatically wrong. More than half of the class had expected the probability to be less than 1 percent. Some answers were clearly impossible, with a significant number stating that there was no chance and one claiming that it was a 100 percent certainty.

The message drawn from this result is that unsubstantiated subjective estimates of probabilities may be massively incorrect. This is worth bearing in mind for subsequent discussions of the limitations of judgment sampling. An inference drawn on the basis of a hunch might be open to subsequent challenge.

Feedback

We use the slides generated from the questionnaires to introduce the whole topic of audit sampling. This usually results in a certain amount of amusement when we point out how easy it was to predict the class' response. There is no real risk of alienating or patronizing students because the analysis is focused on the average response rather than the errors or omissions of any individuals.

Conclusion

This exercise helps students to understand some of the problems of extracting and evaluating audit samples. It does so by confronting students with their own responses to the artificial situation created by our questionnaire. In addition to the educational objectives of the exercise, it also helps to inject some humor into a fairly dry topic and goes some way towards capturing students' imagination. While it does little more than provide an interesting start to the course, it does so at relatively little cost in terms of faculty effort or class time.

CALL FOR NOMINATIONS

Nominees for Election as Section Officers

At the Annual Business Meeting of the Auditing Section in January 2001, members will elect two officers: Vice President–Academic (President-Elect) and Treasurer. Those elected will begin serving their terms in August 2001. Please submit the names of individuals you would like to nominate for these positions no later than August 10, 2000. The Nominations Committee will then select the slate for election from these nominations. Submit nominations to Karen Pincus, Chairperson, 2000–2001 Nominations Committee, by mail, fax or email at the following address:

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International Journal of Auditing

Themed Issue

“The Interrelationship of External, Internal and Fraud Auditing”

Call for Papers

Wanda A. Wallace, The John N. Dalton Professor of Business Administration at The College of William and Mary has agreed to serve as Guest Editor for a themed issue of *International Journal of Auditing*, directed toward the topic of *The Interrelationship of External, Internal and Fraud Auditing*.

She invites submissions on such research questions as:

How have outsourcing services by external auditing complemented or displaced traditional internal auditing arrangements?

To what extent has law enforcement been integrated within the internal and external auditing resources both in the private and governmental/nonprofit settings?

With globalization, have phenomena apparent in the United States also been adopted as the infrastructure of other countries?

Have such tools as Benford's Law been implemented in each type of audit setting, and, when issues are identified, what are the follow-up steps taken and who is involved?

As civil and criminal penalties apply to various disputes, is a bright line maintained between internal auditing and investigative security divisions of international firms or is a team approach to handling both the engagement and follow-up the more common strategy?

Are patterns discernible between the incidence of financial reporting or fraud settings and the presence or absence of internal auditing?

Submission of articles

Submissions should be identified as seeking consideration for inclusion in the themed issue of the journal; the deadline for initial submission for the themed issue is **June 30, 2001**.

Two copies of any manuscript for consideration should be sent on single-sided paper **and on diskette** to

Jackie Bishop
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The author's name(s), title(s) of their academic department(s), and institution(s) of affiliation should appear on a sheet separate from the title of the paper and separate from any text. It is a condition of our consideration of a manuscript for inclusion in *International Journal of Auditing* that the author(s) write a covering note confirming that it will not be simultaneously under consideration for publication elsewhere. It is important the author(s)' covering note includes full address, phone and fax numbers.

CALL FOR PAPERS
Annual Meeting of the Western Region
American Accounting Association
May 3–5, 2001
Hilton Hotel
San Jose, California

Accounting educators, students, and professionals are invited to submit completed manuscripts, and ideas for panels or workshops, for presentation at the AAA's 2001 Annual Western Region Meeting. Now in its 36th year, the annual meeting will be held at the Hilton Hotel in San Jose, California. The best research paper will be awarded \$2,000 and a plaque. The best education paper will be awarded \$1,000 and a plaque. The deadline for paper submissions is November 1, 2000; the deadline for panel and workshop proposals is December 1. Details and updates will be made available periodically on the Region's Internet home page (www.rutgers.edu/Accounting/raw/aaa/western/western.htm).

The Hilton is located in downtown San Jose. It is accessible by walking or public transportation to the city's fine restaurants and many historical and cultural attractions. A complimentary shuttle service is provided by the hotel to and from the nearby San Jose International airport.

Authors who wish to have their papers considered for the meeting should mail 5 copies of their completed papers to the Program Chair, Dr. Carolyn A. Strand, at the address below, in time to be received by the submission deadline of November 1, 2000. Fax and email submissions are not permitted. The mailing should include both a self-addressed stamped postcard and a self-addressed stamped envelope with the title of the paper indicated on the back. Papers will be blind refereed. Authors of accepted papers will have the choice of publishing either the paper or an abstract in the meeting proceedings. Since the proceedings will be available online, authors of accepted papers will be required to submit the final abstract or paper in electronic format. At least one author of an accepted paper must register for the meeting and present the paper. For consistency and

as an aid to reviewers, papers should use *The Accounting Review* style. Papers should be single-sided and double-spaced, using a 12-point type, and have 1" margins all around. Pages should be numbered. Papers should be stapled to a cover page indicating the name, title, affiliation, complete postal address, email address, telephone number, and fax number of the author(s). Except for the title, none of this information should appear anywhere else in the paper. The cover page should also include at the bottom an indication of which section of the AAA best matches the topic of the paper (e.g., *ABO*, *Auditing*, *Financial Reporting*, or *Teaching & Curriculum*). Sections are described at the AAA's home page (AAA-edu.org).

Those interested in conducting workshops or giving panel presentations should submit their proposals to the Region's President, Dr. Robert E. Holtfreter, by December 1, 2000 at the address below. CPE workshops will be held in half-day or full-day sessions on Thursday, May 3, 2001. Paper and panel presentations will take place in 90-minute concurrent sessions all day Friday, May 4, and until noon on Saturday, May 5.

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