



THE AUDITOR'S REPORT

Volume 29, No. 3
Summer 2006

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Report of the President

Mark Beasley



What a privilege for me to serve as your Section's president for 2005-2006. I find it hard to believe that this is my last President's Report before I turn over the gavel in August to Ray Whittington, our incoming president. I continue to be amazed at all the exciting work ongoing in our Section and among our members. Thank you for your hard work and for allowing me to serve.

Tribute to John Willingham

One of the joys of active membership in the Auditing Section is the opportunity to be surrounded by major thought-leaders and visionaries of our profession. In mid-April, our Section lost one of its influential leaders, John Willingham, who passed away at the age of 71. We all owe a great debt of gratitude for John's leadership and vision related to the importance of auditing research. His role in launching KPMG's Research Opportunities in Auditing Program played an unbelievably significant role in propelling auditing research to new heights, which we all enjoy today.

To honor John's memory and to recognize in some way his major contributions, this issue includes a compilation of tributes to John authored by numerous leaders of our section. Through these tributes, we hope John's family and friends will see a glimpse of the respect and appreciation held by so many in our profession for John's significant contribution to the field of auditing.

Call for Officer Nominations

Our Section is fortunate to have many dedicated and talented individuals with unique ideas, such as John Willingham's vision for

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the ROA program, that have made and continue to make such a difference in each of our professional lives today. It is vitally important that the Section continue to track record of attracting outstanding Section leaders to serve in its key leadership positions.

This fall, our Section will elect two new officers – Vice President-Academic (President-Elect) and Treasurer, who will begin service in August 2007. Please take a moment to nominate individuals who you believe would provide effective service in these key officer positions. Nominations should be submitted by July 1, 2006. More details are provided about these calls on our Section's web site.

Democratic Process – Be Sure to Vote!

The Auditing Section is one of the few within the AAA that hold democratic officer elections with two candidates per office. Each fall, the Section nominates several active members who willingly allow their names to be put forward for leadership service.

The Executive Committee is examining the voting processes of other sections and has discussed whether it is in the Section's best interest to continue nominating two candidates per office. While we very much value the importance of the democratic process of allowing our members to choose among several excellent candidates, the Executive Committee is concerned that an unintended message is signaled to those individuals who are ultimately not elected. Because everyone of our nominees is extremely capable of providing outstanding service, the last thing we want to do is alienate any individual from the Section when he or she is not selected.

While our Section's process of voting online (relative to the former paper voting at our Business Meetings) has improved the numbers of members who participate in the voting process, we still have less than 18% of our membership casting votes in each election. One way you can signal your support of continuing the democratic process is by voting. Be sure you and your Auditing Section colleagues engage in the democratic process by casting a ballot. Watch for announcements in early fall about our election process and be sure to take the time to place your vote.

Call for Award Nominations

Our Section is loaded with incredibly talented individuals who regularly contribute to auditing education, research, and service to the profession. Each year, we pause to recognize and honor Section members for their significant achievements through our Section's Awards.

It's that time of year where we need you to nominate individuals for

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Fall 2006 Issue Deadline

The deadline for material to be included in the Fall 2006 issue of *The Auditor's Report* is September 30, 2006. The preferred format is a Word file attached to an e-mail message. We also are open to any proposals for materials that anyone would like to submit. Please send all material and proposals to the Editor at the address below by September 30, 2006 to ensure timely publication of the issue:

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mz@byu.edu

The address of the Auditing

one of these five Section Awards:

- Notable Contributions to the Auditing Literature
- Distinguished Service
- Outstanding Auditing Educator
- Outstanding Auditing Dissertation
- Innovation in Audit and Assurance Education

The nomination deadline is July 1, 2006. Please review call details for each award, which are posted on our section's web site.

PCAOB Research Syntheses Teams

In February, the PCAOB hosted in Washington members of these research teams, in addition to others representing our Section, the AAA, the SEC, the GAO, and others, for its second PCAOB AAA Conference. Each team had the opportunity to hear from key members of the PCAOB Board and Staff about key activities in auditing standards-setting and other activities in the PCAOB including inspections, enforcement, and analysis. The teams also met in working sessions to develop detailed work plans for the research syntheses to ensure timely delivery of key insights for the benefit of the PCAOB. We are grateful to Gary Holstrum, Associate Chief Auditor and Director of Research at the PCAOB, for his leadership and support of these important projects. Watch for the June 2006 issue of *Accounting Horizons* to see the first of these research syntheses projects (this one is focused on risk assessment), which has been completed and forwarded to the PCAOB.

Practice Advisory Council's Sponsored Research

This winter you received several announcements of the Request for Proposals (RFPs) for research to be sponsored by our Section's Practice Advisory Council (the PAC). The RFP submission deadline was April 7, 2006 and the PAC was pleased to receive several outstanding research proposals. As I write this report, the PAC is in the process of reviewing submitted proposals with the goal of announcing selected projects by June 1, 2006.

This is another great opportunity for our Section to conduct research relevant to members of the practice community by addressing significant practice issues. The Section is extremely fortunate to have the engagement of significant practice leaders who serve the Section through involvement on the PAC. These individuals have committed access to subjects and data for the selected projects. What a great example of how partnerships between the academic and practice communities can be a huge benefit to all involved. Watch for announcements of selected projects in June.

Section's Home Page on the
World Wide Web is:
<http://aaahq.org/audit/index.htm>

ASB and IAASB Focus on the Auditor's Report

Both the AICPA Auditing Standards Board (ASB) and IFAC's International Audit and Assurance Standards Board (IAASB) have standards setting projects underway related to potential revisions to the standard auditor's report. We are in current discussions with representatives of both the ASB and IAASB about how research about the auditor's report might be helpful to these standards-setters as they consider potential changes to these reports. If you have research interests related to the auditor's report, be on the alert for future announcements about research opportunities related to these initiatives.

New Online Journal

Over the last year, you have been reading about the Section's consideration of the launch of a new online journal related to current issues in auditing and the accounting profession. In January 2006, the Section's Executive Committee voted to pursue AAA level approval of this new online journal. Since then, we have presented this proposal to the AAA's Publications Committee, the AAA Executive Committee, and the AAA Council. I am pleased to report that in April the AAA Executive Committee approved the Section's request to launch this new journal!

The goal of this journal is to provide a mechanism to establish an ongoing dialogue between members of the academic and practitioner communities. The focus on current practice-related issues is a natural intersection for meaningful participation and dialogue with practitioners and academics because both groups share a common interest in improving the state of the art of the accounting and auditing profession.

The primary focus of this journal is on providing timely articles featuring current issues affecting the accounting and auditing profession. Most of the content will provide commentary-style pieces prepared by academics, practitioners, or combinations of both that provide thought-pieces related to issues affecting standards, practice implementation, training, or other relevant practice issues. Because the focus is primarily on recent, current issues, such pieces should attract the interest of both practitioners and accounting educators who are interested in up-to-date insights about current issues facing the profession.

The purpose of this journal is not to compete with any existing journal of the AAA, specifically *Auditing: A Journal of Practice and Theory*, *Issues in Accounting Education*, or *Accounting Horizons*. Rather, the mission is complimentary versus competing. The nature of articles likely to be included in this journal would more closely

resemble the types of audit-focused pieces one might find in journals such as the *Journal of Accountancy* or other similar practice outlets. Articles will be much shorter and unlikely to contain statistical analyses.

The Section's leadership is currently working with the AAA staff to iron out our practical details about the online portal platform that will host the online journal. We are also finalizing details related to the journal's editorial policies and board. Watch for formal announcement details in summer 2006.

AAA Annual Meeting – August 6-9, 2006

I hope you are making plans to join us at the AAA's 2006 Annual Meeting to be held in Washington, DC August 6th – 9th. Julia Higgs, the Auditing Section's Annual Meeting Coordinator, is heading up our Section's programs at the AAA meeting, with the assistance of Chris Earley. Over 130 research and education related papers were submitted for the Section's sponsored concurrent sessions. We are indebted to many of you who served as reviewers of these papers.

The Auditing Section will host 23 concurrent sessions where many of these papers will be presented. Additionally, Julia and Chris are working very hard to pull together five outstanding panel sessions that will focus on current issues affecting the auditing profession, including panels on the PCAOB's inspections, enforcement, and research and analysis activities, issues related to small public company compliance with Sarbanes-Oxley and Section 404 reporting. We are also excited about a panel session that will focus on providing insights related to teaching corporate governance courses in MBA programs.

Our annual Section luncheon will be held on Monday, August 6th. Our luncheon speaker will be Jeanette Franzel, Director - Financial Management and Assurance and Project Director for Government Auditing Standards at the Governmental Accountability Office (GAO). Jeanette is heavily involved in GAO standards-setting issues and is also involved in international standards-setting initiatives with numerous other countries around the world. I am thrilled that our Washington meeting location allows us to hear from an individual so involved in national governmental leadership. Make plans to be there!

2007 Auditing Section's Mid-Year Conference

Karla Johnstone and Terry Neal are working hard on our 2007 Mid-Year Auditing Section Conference to be held January 11-13, 2007 in Charleston, South Carolina. It's time now for you to be finalizing projects you wish to submit for program consideration. The call for

paper submissions and session proposals is September 1, 2006. Check out the call for submissions to the 2007 Mid-Year Conference on our Section's web site.

The Section will also host its annual Auditing Doctoral Consortium on Thursday, January 11, 2007, prior to the start of the Mid-Year Conference. Jane Kennedy is serving as the Doctoral Consortium Chair. If you work with current PhD students, make sure they are aware of this great opportunity to network with auditing scholars and fellow PhD students.

The hotel meeting location is in walking distance of Charleston's historic and shopping districts. It will be a great location that you'll not want to miss!

Kudos to Outgoing Officers!!

Let me conclude with my thanks to all of you who serve in committee and officer positions on behalf of the Section. Our Section's success is due to the efforts of many.

In August, Linda McDaniel (Past-President), Scott Showalter (Vice President-Practice), and Kay Tatum (Secretary) will rotate off the Executive Committee. Each of these individuals has committed numerous hours and countless energy as they have so unselfishly served our Section in innumerable ways. What a privilege it has been for me to work closely with each of them. While we will miss them immensely on the Executive Committee, we are excited to welcome three new individuals to the Executive Committee – Mark Peecher (Vice President – Academic), Trevor Stewart (Vice President – Practice) and Julia Higgs (Secretary). I look forward to my continued involvement with the Executive Committee.

Have a great summer. I look forward to seeing you in Washington in August!



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Tributes to John J. Willingham, PhD, CPA

1935-2006

John J. Willingham ("Pa" to his 10 grandchildren), passed away peacefully at his home on April 19, 2006 surrounded by his family. He was 71 and is survived by his wife of 34 years, Carol, and their five children, John, Scott, Andy, Lynna and Mark. John was born in Charleston, Illinois and received a BA from Eastern Illinois University (where he later received an Honorary Doctorate), a Masters degree from Penn State University and a Ph.D. from Ohio State University.



John served as Professor of Accounting at Penn State University, University of Texas at Austin, University of Texas at Arlington, and the University of Houston. During these years he authored numerous research articles and several widely used Accounting and Auditing textbooks, some of which were translated into different languages. In 1978 he joined KPMG Peat Marwick in the executive office in New York City as partner in charge of audit research for the firm world-wide. He retired from public accounting in 1993 and moved to Austin where he taught at the University of Texas until 1997.

John served the Auditing Section as Vice Chair-Practice from 1982 to 1984. In 1991, he received the Auditing Section's Distinguished Service in Auditing Award. During his career with KPMG, John managed the firm's highly successful **Research Opportunities in Auditing** program, and in this role made a significant, positive impact not only on the literature comprising the intellectual foundation of auditing, but also on the professional careers of dozens, if not hundreds, of accounting and auditing scholars. The Section-sponsored monograph *Auditing Practice, Research and Education: A*

Productive Collaboration was dedicated to John Willingham for his lifelong support of auditing research, education and practice. The dedication appearing at the beginning of the monograph reads:

During his distinguished career as an auditing researcher, educator, and practitioner, John J. Willingham has made major contributions to the discipline of auditing through his efforts to foster research collaboration between the academic and practicing communities. In recognition of the significant impact these efforts have made on the advancement of auditing knowledge, the members of the American Accounting Association Auditing Section Research Monograph Subcommittee dedicate this monograph to John J. Willingham.

We are deeply saddened by the passing of John. Our lives have been enriched through our years of association with him, as a cherished friend in our personal lives and a treasured colleague in our work. In the remaining sections of this tribute, other former colleagues remember John and the impact he made on our profession and on their careers.

Timothy Bell and Bernie Milano
KPMG LLP and KPMG Foundation

We acknowledged John Willingham's professional contributions to auditing and auditing research some years ago, including the key roles he played in linking research and practice and in supporting scores of auditing researchers in countless ways [R.H. Ashton and A. H. Ashton, Eds., *Judgment and Decision-Making Research in Accounting and Auditing*, New York: Cambridge University Press, 1995, p. xvi]. We concluded, "Our field has benefited greatly from John Willingham's many contributions, and our debt to him is significant." The "our" in that sentence referred to the *field* of auditing research, and to its members as a group.

Our own debt to John is personal as well as professional. He was our beloved friend, and we cherish memories of many good times with John across the years. We consider John a model of an insightful and accomplished academic, who deeply valued striking a balance between his "work" life and the rest of his life. That he succeeded is clear to those fortunate enough to know his wife, Carol—for decades his partner in all that he did.

John seemed somewhat embarrassed when his colleagues made a fuss over him with book dedications and professional honors and awards—but we could tell that he was pleased in his own quiet way. He no doubt would be embarrassed to read this issue of *The Auditor's Report*. But we suspect he would also be quite moved by these expressions of appreciation for his leadership and by the recognition of his substantial legacy.

Robert H. Ashton and Alison Hubbard Ashton
The Fuqua School of Business
Duke University

John J. Willingham had a profound effect on auditing education, research, and practice as well as on the careers of many auditing educators including my own. John was a pioneer in the subject of the behavioral aspects of accounting and auditing. Because of his impressive early work in this area, I was motivated to join the University of Texas faculty largely for the opportunity to work with him. John invited me to collaborate with him on an auditing textbook that he had been working on for some time. That book, Auditing Concepts and Methods, was published in 1971 and was the first book to emphasize a conceptual approach to the teaching of auditing. It stimulated change in the way that auditing was taught as well as publication of several competing books with a conceptual orientation.

Later when I was serving at the AICPA, I recommended John for the auditing educator position on the senior auditing standard-setting committee because of his ability to bridge auditing theory and practice. The auditing practitioners respected his opinions and suggestions, and he impressed some of them enough that he became the leading candidate to head Peat Marwick's newly created Research Opportunities in Auditing program. John was also directly admitted to partnership and made significant contributions to the firm's auditing practice as well as to its research program.

John was a clear, creative thinker and had an extremely distinguished career. I am grateful to have had the honor of knowing him and working with him.

D. R. Carmichael
Former Chief Auditor, PCAOB, and Professor of Accounting, Baruch College

John Willingham was one of the first to realize that the practice and theory of auditing would benefit from a research foundation and became a pioneer of audit research in the 1960s. When KPMG needed a respected academic to take over its audit research program in the 1970s, John was obviously the leading candidate and fortunately decided to join the firm. Although the research he directed within the firm, supervising both employees and visiting faculty, was important and award-winning, it was through his direction of the Research Opportunities in Auditing Program, funded by the KPMG Foundation, that his influence was most felt. Through his direction of the grant selection process and his mentorship of grant recipients, he encouraged and enabled a broad range of methods and researchers, enlarging not only the knowledge base of auditing, but the number of committed faculty as well. During his tenure at KPMG, largely because of his influence, the prestige of auditing and audit research in higher education escalated significantly. He not only enlarged auditing's research foundation, but helped transmit it to future generations of auditors through his leading and popular textbooks. John will be missed as both a giant of auditing and as a warm and caring human being.

Robert K. Elliott
Retired Partner, KPMG LLP

The passing of John Willingham is a significant loss to the field of auditing. In his service as an educator at the University of Texas – Austin and his long term as a partner at KPMG, his contributions to auditing research and education were outstanding. His consistent extensive

participation in auditing research activities while running the Research Opportunities in Auditing program at KPMG were major factors in the early careers of many auditing academics. His personal contributions to behavioral auditing research were also notable. Many of us can recall good advice received while struggling with research ideas and designs. His career stands as a model for all of us. We will miss him.

William L Felix, Jr.
Professor of Accounting, University of Arizona

John Willingham was a truly outstanding leader of auditing education, research, and practice. He was sometimes referred to as the "father of behavioral research in auditing," having written one of the first behavioral auditing dissertations and having supervised numerous behavioral auditing doctoral dissertations and other research projects. He contributed significantly to auditing education, research, and practice, including coauthoring (with Doug Carmichael) a leading auditing text that was highly respected for its keen insight and concise articulation of basic concepts of auditing, serving on the Auditing Standards Executive Committee (predecessor of the Auditing Standards Board), and leading the KPMG Research Opportunities in Auditing program that stimulated an impressive amount of auditing research over a couple of decades. He was indeed a prolific initiator, major supporter, and author of a large body of auditing research as well as a valuable mentor for so many auditing students, researchers, and practitioners.

For those of us who had the pleasure of knowing him, John was an excellent colleague and friend. He lived a good life and contributed so much to so many. What more could anyone ask of life! Thank you, John, for all you have given to so many of us.

Gary Holstrum
Associate Chief Auditor and Director of Research, PCAOB

John Willingham played a critical role in my own development as an academic, and more importantly, in the development of auditing as a fundamental area of study. He was my teacher, sponsor, and advocate, at a time when few thought that auditing was an area worthy of study, and even fewer thought that I was worthy to study it. He gave his knowledge, influence, money, and time toward the development of generations of auditors and auditing scholars. I cannot imagine where my own career would have led or what the current state of auditing would be without his support.

My own association with John began in the early 1980s when he and his firm sponsored my work and subsequently asked me to join them in their own research efforts. Our relationship grew from there into co-authorship and friendship. Two attributes always stood out about John. The first was his amazing ability to bridge the gap between academics and practitioners, two groups that can rarely even recognize when they are talking about the same topic. The second was that he was always such a pleasure to be around. He was smart, funny, even-tempered, unassuming, and interesting. I always looked forward to my meetings with John, whether they were professional in nature, or they involved a chance for my wife Pat and I to see John and Carol socially. We were lucky enough to visit

with Carol and her family and friends after John's funeral. It was a wonderful opportunity to learn more about a wonderful human being.

Robert Libby
Professor of Accounting, Cornell University

With the recent passing of John Willingham, the academic and professional auditing community lost one of its true leaders. While John made many contributions to our profession, I want to mention one in particular. John was one of the founders of KPMG's Research Opportunities in Auditing (ROA) Program. The ROA program was the major supporter of audit research during in the 1980s and early 1990s. During this time, research in auditing grew at an exponential rate. Under John's insightful leadership, the program provided not only financial support, but more importantly, access to data and subjects. This allowed many of us who received grants to conduct audit research that might not have been possible without support from the ROA program.

I also want to mention John's personal attributes. As a young researcher in the early 1980s, I always found John more than willing to spend time to provide advice on auditing issues. His guidance helped me, and I'm sure numerous other researchers, to grow into productive scholars. John also had great sense of humor and an infectious laugh. He will be sorely missed.

William F. Messier, Jr.
Professor of Accounting, Georgia State University

I knew John Willingham from his writings before I met him. One of the earliest editions of John's auditing textbook (With Doug Carmichael) is still, in my view, one of the premier conceptual treatises on auditing ever published. It was via that textbook and John's pioneering doctoral dissertation and other behavioral research that I came to know him as a scholar before I had actually had the pleasure to make his acquaintance.

Later, I interacted with John in his role as manager of the Research Opportunities in Auditing (ROA) Program. One such interaction was with respect to a project that had been awarded funding under the program. John recognized that while the research funds were important, even more important was access to the professionals and data that were resident within what now is KPMG LLP. I was a significant beneficiary of such generosity. Another such interaction was when A. Rashad Abdel khalik and I approached John about supporting a sequel to the original ROA book. Here again, John was extremely helpful not only with respect to the financial dimensions of what became known as ROA: The Second Decade, but also with respect to his own expertise and the non-monetary resources of the firm.

Once he joined KPMG LLP, John envisioned and worked to establish either via the Executive Office itself or in concert with the KPMG Foundation several programs. One of these programs provided an opportunity for members of the scholarly community to spend some time with him and his colleagues (most notably, Tim Bell) as a Research Fellow in the Montvale, New Jersey Executive Office. I was

one of the fortunate few who were given that opportunity by John. During that year, I had the fortune to join teams working on extant research projects, but I also was given an invaluable opportunity to pursue issues in which I had a special interest. During that year, I witnessed what humility John had, despite a resume that could make a lesser person difficult to be around. And, it was during the year that I spent in Montvale that I formed what has turned out to be an extremely robust and important working relationship with Tim Bell of KPMG. For all of this, I am and will be eternally grateful to John Willingham.

Ira Solomon
R.C. Evans Endowed Chair in Business
Head, Department of Accountancy
University of Illinois, Urbana-Champaign

I was working in Houston for Peat Marwick Mitchell and Co. when I decided to investigate an academic career. I stopped by the Accounting Department at the University of Houston where I first met John Willingham. He was then serving as the chairman of the Department of Accounting. Little did I know the profound impact that this short visit would have on my life. John convinced me to join the Ph.D. program, and during my studies at the University of Houston served as my professor, dissertation chairman, and mentor. It is hard to imagine that I could have found anyone in the country that was better to work with than John. His conceptual understanding of both auditing and accounting was phenomenal. He was always willing to spend time helping me formulate ideas, reading my papers, and providing me with advice. I owe much of my success to John Willingham and I am fortunate to have known both John and Carol.

Ray Whittington
Dean, College of Business, DePaul University

As a member of the Executive Committee of the Auditing Section and a long time admirer and colleague, on behalf of the Section I am honored to provide a tribute to John Willingham. John has indeed had an important and lasting impact on auditing research, practice, and education. I am among a very large number of professors who credit my interest in auditing research and education to John's landmark efforts in overseeing the Research Opportunities In Auditing (ROA) Program at KPMG. This program literally "put auditing research on the map" where it was previously of interest or even known by very few professors. John's enthusiasm, support, and wisdom were instrumental to the tremendous success of the ROA program in inspiring professors to devote their careers to the field of auditing.

Through my association with the Auditing Section and as a recipient of ROA research grants, I had the pleasure of meeting and working with John on a number of occasions. I was always greatly impressed by John's vision, warmth, and enthusiasm. He deeply believed in the importance of collaboration between the auditing profession and academe. Once an ROA grant was awarded he had great trust and respect for researchers and provided whatever support he could toward the completion of the project to ensure its success in promoting advances to the practice and/or theory of

the profession.

On a personal level, John always greeted people with a warm smile and hello. He also had a wonderful sense of humor. We all looked forward to John's presentations at conferences for we knew that he would provide not only a word of inspiration but also a smile and a laugh or two. In all, I count myself very fortunate to have known him.

Perhaps the best measure of a person's accomplishment in life is to have made a difference. There is no doubt that John Willingham met this threshold. Auditing educators, practitioners, and the Auditing Section owe John a great deal of gratitude for his many significant contributions.

Arnie Wright
Professor of Accounting, Boston College

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What Accounting Students Need to Know About Fraud Part III

By Joseph T. Wells

In the last issue, we summarized asset misappropriation schemes, which are by far the most common that accounting students will encounter in their work. However, these schemes are also the least expensive, on average. In this final installment, we will outline corruption and fraudulent financial statements.

Corruption Schemes

Corruption schemes average about \$500,000 per incident and account for approximately ten percent of occupational fraud schemes. They can be among the most difficult to detect, as they are "off-book" frauds. For example, bribery (discussed below) involves an under-the-table payment to an employee of the victim organization. Since these payments are not recorded as such in the company's books, evidence of them usually surfaces through tips or through noticing excessive spending by the bribe-taker.

Bribery

Briberies usually occur in two different forms. Kickbacks are normally paid by outside vendors to someone in the victim company, typically in the purchasing department, to influence them to buy overpriced goods or services. Bid rigging is committed by dishonest outsiders to influence contract awards. In both cases, the accounting clues are to be found in paying too much for the product or service in question and favoritism toward a particular vendor.

Conflicts of Interest

Conflicts of interest also occur typically in the purchasing department, but not always. The usual scenario is that an employee of the victim company has an undisclosed economic interest in a vendor's enterprise. Other situations may involve high-level officials who do not disclose their holdings in other companies that do business with the victim. It is important to note that the conflict exists only if those financial interests are not disclosed.

Fraudulent Financial Statement Schemes

Although fraudulent financial statements only occur in about five percent of occupational fraud cases, the losses dwarf asset misappropriations and corruption, averaging over a million dollars per incident. Notwithstanding the fact that public companies get the lion's share of the attention, most fraudulent

financial statements occur between lenders and privately held concerns, many of which are not audited. There are five basic schemes that students must be familiar with.

Timing Differences

Timing differences are common sources of financial manipulations. By holding open the revenue stream past the end of the reporting period, and/or closing the books early on expenses, a company can materially affect its financial condition. Even though standard cut-off tests should detect these schemes, they still occur with relative frequency and in many instances, are not caught by auditors. Students need to learn the importance of thorough cut-off testing.

Fictitious Revenues

Not surprisingly, fictitious revenues account for the largest financial statement frauds on average. Although there are several variations, the most popular scheme involves a debit to accounts receivable and a credit to sales. What is most incredulous is that large, unsupported journal entries are often explained away by management to gullible auditors. Criminals, like electricity, take the path of least resistance; they will only prepare fake records if they believe it is absolutely necessary. Moreover, a number of these frauds can be spotted easily through ratio analysis, such as an imbalance of sales to cost of sales.

Concealed Liabilities and Expenses

One of the most troublesome frauds for auditors to detect is concealed liabilities and expenses. After all, it is much easier to audit something that's there than something that is not. In a typical scenario, unpaid and un-booked expenses are simply stuffed into filing cabinets until the auditors are gone. Paying attention to the date invoices are paid ? as simple as that is ? can go a long way toward detecting the concealment of liabilities and expenses.

Fraudulent Asset Valuations

Any asset can be fraudulently valued. I've seen cases where hard assets have been marked up from cost to market. But the classic schemes involve changing inventory value or quantity: a change from LIFO to FIFO; carrying inventory at market instead of cost; overstating items on hand; counting empty boxes. In the legendary Crazy Eddie case, the bad guys got access to the auditor's test counts and changed the numbers. And in the \$500 million Phar-Mor fraud, auditors only tested a handful of stores out of 300. But they advised management months in advance on which stores would be tested. Not surprisingly, the selected stores were squeaky clean.

Fraudulent Disclosures

Let's face it: Footnotes to the financial statements have become so complicated that even CPAs (like me) have a hard time reading them. Some of the recent financial statement frauds like Enron are a case-in-point. Complexity is the killing field of fraud. The harder a transaction is to understand, the easier it is to mask. And of course, the source of most "fraudspeak" is upper management. Typical fraudulent disclosures ? and there is a host of them ? are: undisclosed changes in accounting methods, product obsolescence, litigation, contingent liabilities and management fraud.

Conclusion

If you've been teaching accounting or auditing, you know that the above fraud schemes are not new. You also know that a proper audit can (and frequently does) catch many material frauds. Finally, you're aware that professional skepticism is a vital ingredient in the independent examination of financial information. But your students don't know these things ? not really. They've heard about

them, but they don't really know.

My fraud examination class at the University of Texas is one of the highest-rated in the school. I'd like to think the reason is that I am such a brilliant teacher, but the reality is that a concentrated course on fraud exposes the students to a world they didn't know existed; I've been told that countless times. It also presents knowledge of fraud in a structured way with ample and interesting case examples.

The Association of Certified Fraud Examiners provides free assistance to schools wishing to add a course on Fraud Examination. If interested, please contact wwilliams@acfe.com. I also encourage you to solicit a copy of a "Model Educational Curriculum for Fraud and Forensic Accounting." The project was sponsored by the National Institute of Justice and developed by 46 subject matter experts from stakeholder organizations including the ACFE. I served as a member of the planning panel for the group and judge the model to be an excellent resource. Interested persons can obtain a copy of the exposure draft of the model by emailing FFAModel@mail.wvu.edu.

When it comes to learning about fraud, students need to know three things: how it is committed, detected, and prevented. When they leave my class, they have a much better understanding of those fundamentals. But it also covers the human side of greed and dishonesty, committed by people who don't look or act like crooks. Let's face it: Fraud is a war. And to win this battle, we need to know everything we can about the enemy.

Joseph T. Wells, CFE, CPA is founder and chairman of the 34,000-member Association of Certified Fraud Examiners. He is an adjunct professor of fraud examination at the University of Texas and the author of 11 books and scores of articles on fraud. For the last eight years in a row, Mr. Wells has been named to Accounting Today's list of "100 Most Influential People in Accounting." His email address is jwells@cfenet.com.

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THE AUDITOR'S REPORT

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

ASB Update as of April 30, 2006

Douglas F. Prawitt, Brigham Young University
Academic Member of the AICPA Auditing Standards Board

The Auditing Standards Board is moving ahead with several important projects and continues its efforts to improve auditing standards and to conform with IAASB standards to the extent possible. Several projects are aimed at minimizing differences in conceptual foundation and terminology between auditing standards for non-issuers and issuers. I list a few items of particular note below.

The ASB has issued an Exposure Draft (ED) titled *The Auditor's Communication with Those Charged with Governance*, which will replace SAS 61, *Communication with Audit Committees*. The proposed SAS broadens the applicability of SAS 61 to audits of financial statements of all non-issuers and establishes a requirement for the auditor to communicate with those charged with governance certain significant matters related to the audit. It identifies specific matters to be communicated, most of which are consistent with the requirements of SAS 61. It also provides guidance on the communication process. The exposure draft includes a requirement that the auditor communicate to those charged with governance events or conditions that cause an auditor to conclude that there is substantial doubt about the entity's ability to continue as a going concern, as well as management's plans for addressing such events or conditions. The ED uses the term *those charged with governance* to refer to the person(s) with responsibility for overseeing the strategic direction of the entity, and the entity's financial reporting and disclosure process. The comment period for this exposure draft ends on May 31, 2006.

By the time this newsletter is available, the Board will have voted on the proposed SAS No. 112, titled *Communicating Internal Control Related Matters Identified in an Audit*. This standard will supersede SAS No. 60, *Communication of Internal Control Related Matters Noted in an Audit*. The proposed SAS incorporates the definitions of the terms *control deficiency* and *material weakness* used in PCAOB Auditing Standard No. 2, and replaces the term *reportable condition* with the term *significant deficiency* and its related definition in PCAOB Auditing Standard No. 2. It requires the auditor to communicate, in writing, to management and those charged with governance significant deficiencies and material weaknesses in internal control. Finally, the proposed SAS provides guidance to the auditor in evaluating deviations in the design or operation of controls and whether they constitute control deficiencies, as well as the severity of control deficiencies, based on their nature, likelihood, and magnitude.

A major part of the ASB's focus over the next several months will be on the exposure draft of a

proposed SSAE titled *Reporting on an Entity's Internal Control over Financial Reporting*. The ED proposes to revise existing standards regarding attestation engagements that involve reporting to third parties about a client's internal control. The proposed revisions reflect concepts and terminology from PCAOB Auditing Standard No. 2. The proposed SSAE incorporates the definitions of the terms control deficiency and material weakness used in PCAOB Auditing Standard No. 2, and replaces the term reportable condition with the term significant deficiency and its related definition in PCAOB Auditing Standard No. 2. The proposed SSAE requires a scope of work similar to that which would result from the application of PCAOB Auditing Standard No. 2 when an auditor is engaged to examine the design and operating effectiveness of internal control over financial reporting. The proposed SSAE is anticipated to be especially useful for regulated entities, such as financial institutions, insurance companies, and governmental entities. The comment period for this exposure draft ends on May 19, 2006.

The board also has agenda items relating to a number of other topics, including related parties, quality control, accounting estimates, and management representations, among others. A complete list can be found on the AICPA Web site.

As mentioned in the prior newsletter, ASB is interested in working with the Section to encourage research relevant to the Board's deliberations on audit reporting issues. Stay tuned for further announcements and a forthcoming request for proposals.

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PCAOB Standards-Setting Update

Prepared for *The Auditor's Report* (Summer 2006)

By Gary Holstrum* and Thomas Ray**

This update addresses selected PCAOB developments since the Spring 2006 update. These include an overview of the PCAOB/SEC Roundtable on internal control, the PCAOB statement regarding 2006 inspections, recent PCAOB standards and rules approved by the SEC, and a PCAOB Symposium on the Auditing Section's Research Synthesis Program.

PCAOB and SEC Roundtable on Internal Control Reporting Requirements. On May 10, 2006, the PCAOB and Securities Exchange Commission ("SEC") sponsored a roundtable to discuss second-year experiences with the internal control reporting requirements under the Sarbanes-Oxley Act of 2002. At the roundtable, representatives of public companies, auditors, investors, and others participated in five panels to discuss their experiences with the Act's Section 404 requirements. In addition to establishing the roundtable panels, the PCAOB and SEC also issued an open invitation for written comments regarding 404 experiences. Feedback related to the roundtable will allow the SEC and PCAOB to further assess the implementation of the 404 requirements and continue to develop policies that improve the accuracy and reliability of financial reporting for the benefit of investors in a way that is both efficient and effective. Both the PCAOB Web site (www.pcaobus.org) and SEC Web site (www.sec.gov) provide information about the roundtable, including a webcast of the roundtable panel discussions as well as roundtable comment letters, [a roundtable briefing paper](#), and selected other materials that should be very helpful to researchers, educators, students, practicing auditors, and others.

Board Issues Statement Regarding 2006 Inspections. On May 1, the Board released a [statement](#) regarding its approach to inspections of the firms' audits of internal control over financial reporting ("ICFR"). The statement indicates that the 2006 inspections will place emphasis on the efficiency of the firms' performance of audits of ICFR in an effort to improve the cost-effectiveness of these audits. The 2006 inspections will, in part, examine how well the firms implemented the Board's guidance of May 16, 2005, and its November 30, 2005, report on the initial implementation of PCAOB Auditing Standard No. 2. The May 1 statement indicates that inspectors will evaluate:

- the degree to which the audit of ICFR and the audit of financial statements were performed as

a single, integrated, and mutually reinforcing process;

- whether auditors use a top-down approach in which company-level controls were identified as the first step in planning the audit;
- whether auditors properly assessed risk and used a risk-based approach to determine the nature, timing, and extent of internal control testing; and
- whether auditors took full advantage of the opportunities available to use the work of others, such as the company's internal audit staff.

SEC Approves PCAOB Rules on Auditor Ethics, Independence and Tax Services. In April 2006, the SEC approved PCAOB ethics and independence rules, adopted by the PCAOB in July 2005, concerning independence, tax services, and contingent fees. The rules have [varying effective dates](#) and accomplish the following:

- Rule 3502 codifies the principle that persons associated with a registered public accounting firm (e.g., individual accountants) can be held responsible when certain of their actions contribute to a firm's violation of relevant laws, rules, or professional standards.
- Rule 3520 introduces a foundation for the independence component of the Board's ethics rules by establishing a general obligation requiring a registered public accounting firm and its associated persons to be independent of the firm's audit clients throughout the audit and professional engagement period.
- Rule 3521 treats registered public accounting firms as not independent of their audit clients if they enter into contingent fee arrangements with those clients.
- Rule 3522 identifies circumstances in which the provision of tax services impairs an auditor's independence, including services related to marketing, planning, or opining in favor of the tax treatment of, among other things, transactions that are based on aggressive interpretations of applicable tax laws and regulations.
- Rule 3523 treats a registered public accounting firm as not independent if the firm provides tax services to certain members of management who serve in financial reporting oversight roles at an audit client or to immediate family members of such persons.
- Rule 3524 further implements the Sarbanes-Oxley Act's requirement that auditors' non-audit services be pre-approved by the audit committee by strengthening the auditor's responsibilities in connection with seeking audit committee pre-approval of tax services.

SEC Approves PCAOB Auditing Standard on Reporting on the Elimination of a Material Weakness.

In February 2006, the SEC approved PCAOB Auditing Standard No. 4, adopted by the Board in July 2005, which applies when auditors report on whether a previously reported material weakness in a company's ICFR continues to exist as of a date specified by management. When an issuer reports a material weakness in ICFR, management may, prior to the next annual report, voluntarily decide to seek auditor agreement that the material weakness no longer exists. AS No. 4 describes the auditor's responsibilities in obtaining reasonable assurance and reporting on whether the previously reported material weakness continues to exist. However, an AS No. 4 report is neither an opinion nor an update of a previous opinion on the overall effectiveness of ICFR. Rather, the report pertains only to whether the material weakness identified in the report continues to exist as of the date of management's assertion. The SEC's order approving the auditing standard is available on the SEC's Web site. The text of AS No. 4 can be found under [Rulemaking](#) on the Board's Web site.

PCAOB Symposium on the Research Synthesis Program. On February 16- 17, 2006, the PCAOB

hosted a symposium focusing on the work of nine teams of academic researchers organized by the Auditing Section of the American Accounting Association. As reported in previous issues of The Auditor's Report, the academic research teams are developing reports synthesizing existing research relevant to these nine key 2006 PCAOB standards projects:

- [Auditor risk assessments](#)
- [Audits of fair value](#)
- [Audit confirmations](#)
- [Audit firm quality control](#)
- [Audit reporting model](#)
- [Auditing related party transactions](#)
- [Communications with audit committees](#)
- [Engagement quality review](#)
- [Financial fraud](#)

Approximately 70 people participated in the symposium, including 40 academic researchers who were either members of the research synthesis teams, officers in the Auditing Section or the AAA, or editors of leading academic journals. In addition, PCAOB staff responsible for the standards-setting process and representatives from the Securities and Exchange Commission, the Financial Accounting Standards Board, and the Government Accountability Office also participated.

Note the hyperlinks to the PCAOB Web site (www.pcaobus.org) and to the [Auditing Section Web site](#). A convenient history of PCAOB standards-setting activity and related briefing papers are available through the hyperlinked previous PCAOB Standards-Setting Update articles in the [Spring 2005](#), [Summer 2005](#), [Fall 2005](#), [Spring 2006](#) issues of *The Auditor's Report*.

*Gary Holstrum is PCAOB Associate Chief Auditor and Director of Research.

**Thomas Ray is PCAOB Chief Auditor and Director of Professional Standards.

The views expressed in this article are those of the authors and not necessarily those of the Board, individual Board members, or other PCAOB staff. Responses to the article or related research may be emailed to holstrumg@pcaobus.org.

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Have You Seen...?

Sudip Bhattacharjee, Virginia Tech
Brian Mayhew, University of Wisconsin
Evelyn Patterson, Indiana University Purdue University Indianapolis
and Mark F. Zimbelman, Brigham Young University

"Learning by Doing and Audit Quality," by P. J. Beck and M. G. H. Wu. Contemporary Accounting Research (Volume 23, 2006): 1-30.

This study presents a nonstrategic, dynamic Bayesian model in which auditors' learning on the job and their choice of professional services jointly affect audit quality. While performing audits over time, auditors accumulate client-specific knowledge so that their posterior beliefs about clients are updated and become more precise (a surrogate for audit quality). Auditors can enrich their knowledge accumulation by performing nonaudit services (NAS). This effect permits auditors to anticipate and to learn about changes in clients' business models, which improves their advisory capacity. Large professional fees can induce auditors to provide NAS that increase engagement risk and diminish audit quality. However, when NAS reduce engagement risk and increase audit quality, auditors may provide NAS without charging clients. The analysis helps explain why the scope of the audit has evolved over time and why the boundaries between audit and NAS are constantly shifting. A recent example of such a shift is that the Sarbanes-Oxley Act adds control attestation to audits for public companies traded in U.S. markets.

"A Political-economic Analysis of Auditor Reporting and Auditor Switches," by K. Hung Chan, K. Z. Lin and P. Lai-lan Mo. Review of Accounting Studies (Volume 11, 2006): 21-48.

This study examines whether auditor opinions are affected by political and economic influences from governments. Auditor locality (local versus non-local) is used to capture such influences from local governments in China. Based on data from China's stock markets for the period 1996–2002, local auditors, who have greater economic dependence on local clients and are subject to more political influence from local governments than non-local auditors, are inclined to report favorably on local government-owned companies to mitigate probable economic losses.

"An Experimental Test of the Interaction of the Insurance and Information-Signaling Hypotheses in Auditing," by D. M. O'Reilly, R. A. Leitch and B. Tuttle. Contemporary Accounting Research (Volume 23, 2006): 267-289.

Three incentives for hiring auditing services have been proposed in the literature: (1) to signal outsiders about the company's prospects, (2) to provide a potential source of loss recovery for investors (insurance), and (3) to reduce agency costs. This study examined the potential for the first two (signaling and insurance) to interact while controlling for agency costs. Using highly experienced financial analysts, the authors find that the effect of the going-concern opinion on investor value judgments is moderated by the extent to which the auditor provides an insurance function. Specifically, the negative effect of a going-concern opinion on the analysts' stock price estimates is reduced by the extent that the environment treats the auditor as an insurer.

"Audit Fees: A Meta-analysis of the Effect of Supply and Demand Attributes," by D. C. Hay, W. R. Knechel and N. Wong. *Contemporary Accounting Research* (Volume 23, 2006): 141-191.

The authors evaluate and summarize the large body of audit fee research and use meta-analysis to test the combined effect of the most commonly used independent variables. The perspective provided by the meta-analysis allows for reconsideration of the anomalies, mixed results, and gaps in audit fee research. The findings indicate that, although many independent variables have consistent results, several show no clear pattern in the results and others only show significant results in certain periods or particular countries.

"An Examination of the Ethical Commitment of Professional Accountants to Auditor Independence," by Y. Gendron, R. Suddaby, and H. Lam, *Journal of Business Ethics* (Volume 64, 2006): 169-193.

A survey of professional accountants was used to explore the degree to which changing work conditions have altered individual accountants' commitment to auditor independence. The authors find that accountants working outside of public accounting have a higher commitment to independence than do accountants working in the context of public accounting firms. In addition, accountants in large international accounting firms (i.e. the "Big Four") report lower commitment to auditor independence than do others in public accounting. And we observe that older accountants report stronger commitment to auditor independence and that commitment to one's client does not necessarily result in a loss of commitment to the core professional value of independence.

"Do Investors Care About the Auditor's Economic Dependence on the Client?," by I. K. Khurana and K. K. Raman. *Contemporary Accounting Research* (Forthcoming).

This study investigates whether investor perceptions of the financial reporting credibility of Big Five audits is related to the auditor's economic dependence on the client as measured by nonaudit as well as total (audit and nonaudit) fees paid to the incumbent auditor. The study uses cost of equity capital as a proxy for investor perceptions of financial reporting credibility, and examine auditor fees both as a proportion of the revenues of the audit firm and the revenues of the audit firm's practice office through which the audit was conducted. Findings suggest that both nonaudit as well as total fees are perceived negatively by investors independent of corporate governance, i.e., investors do not perceive the auditor as compensating for weak governance.

"International versus Domestic Auditing of Bank Solvency," by A. Feltenstein and R. Lagunoff. *Journal of International Economics*, (Volume 67, 2005): 73-96.

This paper examines alternative ways to prevent losses from bank insolvencies. The authors develop a model that compares two alternative institutions for bank auditing. The first is a system of central bank auditing of national banks. The second is carried out by an international agency that collects and disseminates risk information on banks in all countries. The international auditor is shown to perform at least as well, and sometimes better than, auditing by either central banks or voluntary disclosure by the banks themselves in preventing losses.

"Audit Fees and the Large Auditor Premium in the Italian Market," by M. Cameran. International Journal of Auditing, (Volume 9, 2005): pp. 129-146.

This research highlights the determinants of audit fees in the Italian audit market. The author describes why Italy is not directly comparable with other countries where prior fee studies have been conducted. As such, a fee model for the Italian market is developed. Consistent with previous studies, findings show that the size, complexity of auditee, and audit risk have an impact on the audit fee paid by Italian clients. Moreover, auditor size is also relevant but was attributed solely to KPMG.

"A Comparative Study of Pricing of Audit Services in Emerging Economies," by K. Ahmed and M. Goyal. International Journal of Auditing, (Volume 9, 2005)

This paper empirically examines audit fee determinants in three emerging economies within South Asia. Using data from Bangladeshi firms, Indian firms and Pakistani firms, the results show that size of the reporting entity, multinational affiliation and size of the audit firms are the most important determinants across the three countries. No significant relations were found between audit fees and the firm's financial condition and auditee complexity. The results of this study provide useful insights into the role of contracting cost variables and auditors' billing practices in comparative and emerging economies in general, and South Asia in particular.

"Auditors' Reporting Options and Client Disclosure," by J. V. Carcello, J. Lin and K. Raghunandan. Research in Accounting Regulation (Volume 18, 2005)

This paper examines whether the quality of footnote disclosures about pending litigation related loss contingencies deteriorated after SAS No. 79 removed the option available to auditors to issue a modified audit report for uncertainties. The authors conclude that there is no difference in the quality of disclosures in periods before and after SAS No. 79 became effective. The results suggest that reducing reporting options for auditors did not have an adverse effect on the quality of financial statement disclosures.

"Contagion or Competition: Going Concern Audit Opinions for Real Estate Firms," by R. S. Elliott, M. J. Highfield and M. Schaub. Journal of Real Estate Finance and Economics (Volume 32, 2006)

This study examines whether intra-industry information transfers from going-concern audit opinion announcements create contagion or competitive stock price reactions for other real estate firms operating in the same line of business. Using returns from publicly-traded land subdivision/development firms and Real Estate Investment Trusts, the authors find modest evidence supporting a competitive effect among rival firms as a result of another real estate firm announcing the receipt of a

Going Concern Opinion from its independent auditors.

"Auditor Reputation, Auditor Independence, and the Stock Market Impact of Andersen's Indictment on Its Client Firms," by S. Krishnamurthy, J. Zhou and N. Zhou. Contemporary Accounting Research (Volume 23, 2006)

This paper uses a broad sample of Andersen clients to investigate whether the decline in Andersen's reputation, due to its criminal indictment adversely impacted the market's perception of its audit quality. The results show that when news about Andersen's indictment was released, the market reacted negatively to Andersen clients. More importantly, the indictment period abnormal return is significantly more negative when the market perceived the auditor's independence to be threatened. The study also examines the abnormal returns when firms announce the dismissal of Andersen as an auditor. Results suggest that when firms quickly dismissed Andersen, the announcement returns are significantly higher when firms switched to a Big 4 auditor than when they either switch to non-Big 4 auditors or do not announce the identity of the replacement auditor.

"A Note on Pre-Sarbanes-Oxley Act Users' and Auditors' Perceptions of a Limitations Paragraph in the Auditor's Internal Control Report," by B. P. Foster, W. E Gist, G. McClain and T. Shastri. Research in Accounting Regulation (Volume 18, 2005)

This study examines the impact of a limitations paragraph on users' and auditors' perceptions about readability of the auditor's internal control report, reliability provided by the report over financial reporting, and the auditors' exposure to liability. Data obtained from a field experiment indicates that the limitations paragraph may be perceived by users as providing less than a reasonable degree of assurance, and that the internal control report format without the limitations paragraph would significantly enhance users' perceptions about the report's readability, without increasing the liability as perceived by auditors.

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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Call for Submissions

Thirteenth Annual Midyear Auditing Section Conference

The Thirteenth Annual Midyear Auditing Section Conference will be held **January 11–13, 2007** at the historic Francis Marion Hotel in Charleston, South Carolina (www.francismarioncharleston.com).

CPE sessions will be held on the afternoon of January 11. The remainder of the conference will consist of keynote, plenary, and concurrent sessions dealing with a wide variety of contemporary topics related to audit, attestation and assurance practices, education, and research. You are encouraged to contribute to the program through submissions of auditing/attestation/assurance research and education papers (including instructional cases), and special session proposals. In addition, the section will rely on your help in planning and conducting the conference and in providing suggestions for session topics, panels, and/or workshops. Please consider volunteering to participate as a reviewer, discussant, and/or moderator by contacting either of the co-chairs, Professors Karla Johnstone and Terry Neal.

SUBMISSION GUIDELINES

Research papers should follow the style and submission guidelines of *Auditing: A Journal of Practice & Theory*, including the requirement to submit separate electronic files containing the cover page and the paper itself¹. Instructional cases should be in a format similar to that used in *Issues in Accounting Education*. Submissions are not eligible for consideration if they: 1) have been published or accepted for publication, 2) were presented at the 2006 AAA Annual Meeting, or 3) were presented at more than one AAA regional meeting or other academic conference. Papers presented at the Research Forum of the AAA Annual Meeting are eligible for consideration. It should be noted that papers accepted for presentation at the 2007 Midyear Auditing Section Conference may also be submitted for presentation at the AAA Annual Meeting scheduled for August 2007.

SUBMISSION DEADLINE

Submission should be made [by e-mail only](#) to either:

Professor Karla Johnstone
University of Wisconsin – Madison

OR Professor Terry Neal
University of Tennessee

AT
AMC2007@bus.wisc.edu

Submissions must be received by **September 1, 2006**, to be considered for the program. Early submission is highly encouraged. Any questions should be addressed to Karla Johnstone or Terry Neal via the above email.

¹Also, please be sure to remove all identification of the authors, including changing the "Properties" menu to "anonymous".

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CALL FOR VOLUNTEERS FOR THE THIRTEENTH ANNUAL MIDYEAR AUDITING SECTION CONFERENCE

The Thirteenth Annual Midyear Auditing Section Conference will be held **January 11-13, 2007** at the historic Francis Marion Hotel in Charleston, South Carolina (www.francismarioncharleston.com).

The Section needs your help in planning and conducting the 2007 Conference. If you would like to volunteer your assistance in one or more of the following areas, please e-mail the completed form to conference Co-Chairs, Karla Johnstone and Terry Neal, at AMC2007@bus.wisc.edu.

Name_____

Address_____

City_____ State_____ Zip_____

Phone _____ Fax_____ E-mail_____

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

Research Areas_____

Research Methods_____

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

Session chair_____

Discussant _____

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



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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Call for Papers

2006 ABO Research Conference
Portland, OR
October 6-7, 2006

The 2006 ABO conference will be held October 6-7, 2006 in downtown Portland, Oregon at the historic Multnomah Hotel. We are excited to announce several new features of the conference: a PhD Consortium, Emerging Scholar Sessions, and a format change.

PhD Consortium: Friday morning will feature a Consortium for PhD students interested in doing behavioral work. Bryan Church will lead the session which will include presentations and discussions with leading behavioral researchers on topics such as managing an academic career and generating and publishing good behavioral research. PhD students will pay no registration fee for the PhD Consortium or the Research Conference. Details will be sent to program directors.

Emerging scholars submission: This year we are pleased to include an Emerging Scholars session at the conference. This session will showcase the work of new scholars while providing them with detailed constructive feedback on their papers through the assignment of more senior discussants. Faculty who have graduated within the past three years and doctoral students are encouraged to submit their work to this session. Please include a note with your submission to indicate "emerging scholars" submission. Submissions to the Emerging Scholars session will also be considered for inclusion in regular conference research sessions.

Format change: To encourage high quality discussion and interaction during sessions, we will use a new format this year. Two papers will be presented in each concurrent session with a discussant for each. Papers will be available online prior to the conference as well. We hope participants and presenters will enjoy the more in-depth discussions that are made possible by a more informed audience.

Submission procedures: All submissions should be made electronically. Email submissions to Anne Magro (amagro@ou.edu). The manuscript should be submitted in .pdf format with all author identification removed from the document; for field surveys or experiments, please submit an instrument. Please include author(s) and institution affiliation(s) in the email.

The deadline for submission is Friday, **June 30, 2006**. Submitted papers should not have been

accepted for publication at the time of the submission. Papers should follow the style guidelines for American Accounting Association publications. The submission fee is \$25.00 (no fee for doctoral students). Please contact Anne Magro for information about submitting your fee. Selection of conference papers will be announced by August 20, 2006 and papers will be available on the ABO website by September 1.

Watch the AAA website for further details on the conference, including registration information.

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Call for Nominations

Nominees for Election as Section Officers

The members of the Auditing Section will elect two officers in Fall 2006, the **Vice President–Academic (President-Elect)** and **Treasurer**. Those elected will begin serving their terms in August 2007. Please submit names of individuals you would like to nominate for these positions no later than **July 1, 2006**. The Nominations Committee will then select the slate for election from these nominations. In addition, the Bylaws require the Nominations Committee to automatically place on the ballot any person whose nomination is accompanied by a signed petition of no fewer than one hundred (100) members in good standing of the Section and a signed statement by the nominee of willingness to serve if elected. This petition should also be received by **July 1, 2006**.

Please submit nominations and/or petitions to Mark Beasley, Chairperson, Nominations Committee, by email no later than July 1, 2006:

Mark Beasley
North Carolina State University
College of Management
Department of Accounting
Box 8113
Raleigh, NC 27695-8113
Phone: (919) 515-6064
Fax: (919) 515-4446
Email: mark_beasley@ncsu.edu

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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Auditing Section Awards

Call for Nominations

Notable Contribution to the Auditing Literature Award

The Auditing Section seeks submissions for the Notable Contribution to the Auditing Literature Award. The award will recognize a single published work of exceptional merit that has made, or has the potential to make, a direct contribution to auditing or assurance research, education, and practice. To be eligible for submission, that work must have been published during the ten-year period ended December 31, 2005, and at least one of the authors of the published article, chapter, book, or monograph must be a current member of the Auditing Section. Selection of the award winner will be made by the Auditing Section's Notable Contribution to the Auditing Literature Award Committee. The award will be presented at the 2007 Midyear Conference of the Auditing Section.

A work may be submitted either by the author or another individual with an interest in auditing research, education, or practice. Submissions must include (1) a nomination letter stating why the work is deserving of special recognition and (2) the submitted work.

Submissions should be sent via email by **July 1, 2006** to:

Ray Whittington
School of Accountancy
DePaul University
1 East Jackson Blvd
Chicago, IL 60604-2287
Phone: (312) 362-6625
Fax: (312) 362-6208
Email: rwhittin@depaul.edu

Call for Nominations

Outstanding Auditing Dissertation Award

The Auditing Section seeks nominations for its annual Outstanding Auditing Dissertation Award. The

author of the dissertation judged to make the most outstanding contribution to auditing knowledge among those dissertations nominated for consideration, in addition to the recipient's dissertation chair, will receive the award. The assessment of what constitutes an outstanding contribution will be based upon, but not limited to, the following criteria:

- The timeliness and importance of the problem(s) addressed.
- The creativity of the research.
- The development of an appropriate theoretical framework.
- The appropriateness of the research method and analysis.
- The potential for publication in a scholarly journal.
- The potential for the results to have an impact on the practice of auditing.

Selection of the award winner will be made by the Section's Outstanding Dissertation in Auditing Award Selection Committee. A dissertation can be nominated either by the author or one or more members of the dissertation committee. Nominations will be considered complete when the following materials have been submitted:

- A letter from the dissertation chairperson stating that the dissertation has been completed and accepted by the degree-granting institution between January 1, 2004 and December 31, 2005 (dissertations can be nominated more than once).
- A nomination letter stating why the dissertation is deserving of special recognition.
- An electronic copy of a paper from the dissertation that meets the criteria for papers submitted to *Auditing: A Journal of Practice & Theory* (refer to the latest issue for requirements related to length and other matters, e.g., submission of experimental instruments).
- An electronic copy of the entire dissertation.

Please submit all materials via email by **July 1, 2006** to:

Ray Whittington
School of Accountancy
DePaul University
1 East Jackson Blvd
Chicago, IL 60604-2287
Phone: (312) 362-6625
Fax: (312) 362-6208
Email: rwhittin@depaul.edu

Call for Nominations Innovation in Auditing and Assurance Education Award

The Innovation in Auditing and Assurance Education Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2007. The purpose of this award is to encourage innovation and improvement in auditing and assurance education. The award will recognize a significant activity, concept, or

materials. The criteria used to judge the submissions include, but are not necessarily limited to: (1) innovation, (2) educational benefits, and (3) adaptability by other educational institutions or to other situations.

Nominations may include, for instance, a set of teaching materials, a creative instructional strategy, or an insightful teaching approach. The innovation should have been implemented so that evidence of its success can be evaluated. Award winners must be willing to share instructional materials with other members of the Section. Individual faculty members or groups of faculty teaching or preparing materials to be used for auditing and/or assurance education are eligible to apply. Persons may also nominate another faculty member or group of faculty. At least one nominee must be a member of the Auditing Section.

Nominations should be sent by **July 1, 2006** to:

Mark Beasley
North Carolina State University
College of Management
Department of Accounting
Box 8113
Raleigh, NC 27695-8113
Phone: (919) 515-6064
Fax: (919) 515-4446
Email: mark_beasley@ncsu.edu

Call for Nominations Distinguished Service Award in Auditing

The Distinguished Service in Auditing Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2007. This award recognizes outstanding and sustained service to the profession or the Auditing Section. The distinguished careers of past recipients of the award (e.g., Bill Felix, Tim Bell, Andy Bailey, Zoe-Vonna Palmrose, Lyn Graham, Robert Mautz, Robert Elliott, William Kinney, Dave Landsittel, and Dan Guy) represent the type of contribution to the profession that exemplifies this recognition.

Nominations should be sent via email by **July 1, 2006** to:

Scott Showalter
KPMG LLP
280 Park Avenue
New York, NY 10017
Phone: (212) 909-5905
Email: dsshowalter@kpmg.com

Call for Nominations Outstanding Auditing Educator Award

The Outstanding Auditing Educator Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2007. This award is given annually and recognizes outstanding contributions to the field of auditing education. Prior recipients of this award include Jane Mutchler, Steve Albrecht, Dan Simunic, Ted Mock, Andy Bailey, Ira Solomon, William Kinney, William Felix, Nick Dopuch, and Barry Cushing.

Nominations should be sent via email by **July 1, 2006** to:

Mark Beasley
North Carolina State University
College of Management
Department of Accounting
Box 8113
Raleigh, NC 27695-8113
Phone: (919) 515-6064
Fax: (919) 515-4446
Email: mark_beasley@ncsu.edu

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Volume 29, No. 3
Summer 2006

THE AUDITOR'S REPORT

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Call for Nominations

Editor

Auditing: A Journal of Practice and Theory

The Executive Committee of the Auditing Section appoints the editor-elect of the Section's journal in the year preceding the new editor's assumption of duties. The Editor Nominations Committee is charged with presenting candidates for this position to the Executive Committee.

The editor of *Auditing: A Journal of Practice & Theory* should possess the following characteristics:

- Breadth of understanding of the auditing literature and research methods.
- Understanding of auditing practice and an appreciation for the practice community.
- Experience with the editorial review process.
- Integrity and open-mindedness.
- Demonstrated organizational skills and effective collaboration with peers.
- An ability to critically analyze research.
- An ability and willingness to communicate effectively with authors, providing constructive feedback about their research.

The Editor Nominations Committee solicits your suggestions for candidates who fit these criteria. The committee will obtain vitae and references for each candidate, but would also appreciate any information you contribute in support of your nomination. Self-nominations are welcome.

Please submit nominations to Mark Beasley via email (Mark_Beasley@ncsu.edu) or regular mail (Department of Accounting, Box 8113, North Carolina State University, Raleigh, NC 27695-8113) at the earliest possible date, but no later than **October 1, 2006**.

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Eleventh World
Congress
of Accounting Historians
Nantes (France)
July 19 - 22, 2006

Congress Program

(preliminary version)

Location: *Faculté de Chirurgie dentaire*. 1, place Alexis Ricordeau

Centre de Recherches en Gestion Nantes-Atlantique – Université de Nantes
Maison des Sciences de l'Homme Ange Guépin – Nantes
Association Francophone de Comptabilité

Sponsors

Academy of Accounting Historians
Conseil Supérieur de l'Ordre des Experts-comptables
Conseil Régional de l'Ordre des Experts-comptables des Pays de la Loire
Compagnie Régionale des Commissaires aux Comptes (Maine-et-Loire, Mayenne, Sarthe)
Institut National de la Statistique et des Études Économiques (Pays de la Loire)

Wednesday, July 19, 2006

- 5:00 pm Registration**
- 5:30 pm Meeting of Past and Future Congress Convenors**
- 7:00-9:00 pm Early Bird Reception**

Thursday, July 20, 2006

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André Vanoli, *Institut national de la Statistique et des études économiques- INSEE*

Is National accounting accounting? National accounting between accounting, statistics and economics

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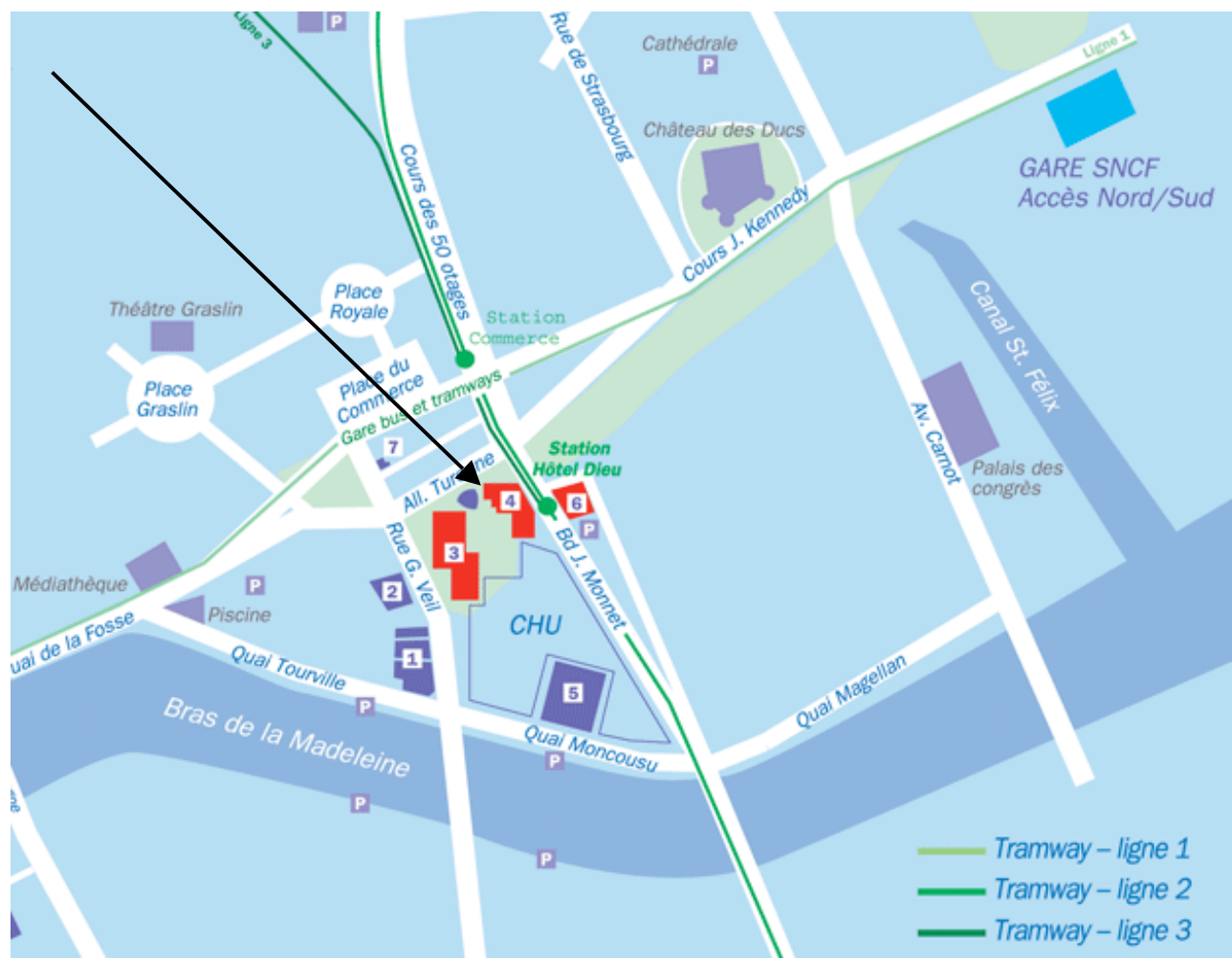
Stephen A. Zeff, Rice University

40 years of change in the accounting Academy

12:00 pm Closing Lunch

Location map

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Registration Form

Surname First name

Title.....

Institution

Address

City/State.....

Postal Code/Country.....

Email address

Telephone Facsimile

Accompanying Person: SurnameFirst name.....

Registration fee €

Accompanying Person fee €

Total €

Check Enclosed ☐ (to 11 WCAH – AFC)

Charge to my: ☐ Visa ☐ MasterCard

Card Number

Expiration Date

Authorizing Signature

Please send this registration form (mail or fax) to:

Fabienne Le Roy
Congress Administrator

Maison des Sciences de l'Homme Ange Guépin
21 Bd Gaston Doumergue
BP 76235
44262 Nantes cedex 2
FRANCE
Email: wcah@univ-nantes.fr
Fax: 33 (0)2 40 20 65 01

Recommended hotels

Hotels****

Grand Hôtel Mercure ****

4 rue du Couëdic
44000 Nantes
Tél.: 02 51 82 10 00
Fax: 02 51 82 10 10
www.mercure.com/mercure/
E-mail: H1985@accor.com
Special Price for congress: 100€ breakfast: 14 €

Hotels***

Kyriad Nantes Gare Nord ***

8 allée du commandant Charcot
44000 Nantes
Tél.: 02 40 74 14 54
Fax: 02 40 74 77 68
<http://kyriadnantescentre.fr/accueil.htm>
Special Price for congress: from 55 € to 65 €; breakfast: 9 €

Hôtel de France ***

24 rue Crébillon
44000 Nantes
Tél: 02 40 73 57 91
Fax: 02 40 69 75 75
<http://hotelfrancenantes.com>
E-mail: reservation@hotelfrancenantes.com
Price: from 85 to 108€ -Breakfast 10€
Special Price for congress: 87 € with breakfast

Le Jules Verne ***

3, rue du Couëdic
44000 Nantes
Tél.: 02 40 35 74 50 Fax: 02 40 20 09 35
E-mail: hoteljulesverne@wanadoo.fr
Price: from 69 to 121€
Breakfast: 10 €

L'Hôtel ***

6 rue Henri IV
44000 Nantes
Tél.: 02 40 29 30 31-Fax: 02 40 29 00 95
www.nanteshotel.com
E-mail: lhôtel@mageos.com
Special Price for congress: 65 € with breakfast

Hôtel Graslin *** 1, rue Piron 44000 Nantes Tél.: 02 40 69 72 91 Fax: 02 40 69 04 44 http://graslin.ifrance.com E-mail: resagraslin@ifrance.com Price: 57 to 78€ - Breakfast: 7€ Special Price for congress 60 € with breakfast	Mercure Ile de Nantes *** 15 Boulevard Alexandre Millerand 44200 Nantes Tél.: 02 40 95 95 95 Fax: 02 40 48 23 83 www.mercure.com E-mail: H0555@accor.com Price: from 55 to 125€ - Breakfast: 12 €
La Pérouse *** 3 allée Duquesne 44000 Nantes Tél. 02 40 89 75 00 Fax: 02 40 89 76 00 www.hotel-laperouse.fr E-mail: information@hotel-laperouse.fr Price from 81 to 122€ Breakfast 11,15 €	Holliday Inn Garden Court *** 1 Boulevard des Martyrs Nantais 44200 Nantes Tél.: 02 40 47 77 77 – Réserv.0880-911-617 Fax: 02 40 47 36 52 www.holiday-inn.com/nantesfra E-mail: holiday.inn.nantes@wanadoo.fr Price: 62 to 110€ - Breakfast: 11 €
Mercure Gare Sud *** 50-51 quai Malakoff 44000 Nantes Tél.: 02 40 35 30 30 Fax: 02 40 89 35 43 E-mail: H3448@accor.com Price: from 60 to 96€ - Breakfast: 10€	Novotel Nantes Cité des Congrès*** 3 rue de Valmy 44000 Nantes Tél.: 02 51 82 00 00 Fax: 02 51 82 07 40 www.novotel.com E-mail: H1571@accor.com Price:from 100 to 115€ -Breakfast12,50€
Hôtel de Bourgogne *** 9 allée du commandant Charcot 44000 Nantes Tél.: 02 40 74 03 34 Fax: 02 40 14 03 86 Price: from 50 to 70 € Breakfast: 7,50 €	

Hotels**

Terminus ** 3 allée du commandant Charcot 44000 Nantes Tél.: 02 40 74 24 51 Fax: 02 40 74 44 11 www.contact-hotel.com Price: from 43,50 to 55,50 € Breakfast: 5 €	Le Duquesne ** 12 allée Dusquesne 44000 Nantes Tél.: 02 40 47 57 24 Fax: 02 40 89 61 06 www.hotel-duquesne-nantes.com E-mail: hotel.duquesne@wanadoo.fr Price: from 35 to 53€ - Breakfast: 5,50€
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<p>Hôtel Astoria **</p> <p>11 rue Richebourg 44000 Nantes Tél.: 02 40 74 39 90 Fax: 02 40 14 05 49 www.inter-hotel.fr E-mail: hotelastorianantes@wanadoo.fr ha4408@inter-hotel.com Price: from 68 to 80 € Breakfast: 8€</p>	<p>B & B City **</p> <p>10 place Viarme 44000 Nantes Tél.: 08 92 78 80 72 Fax: 02 40 89 43 78 www.hotelbb.com Price: from 45 to 60€ - Breakfast: 5,30€ Parking: 5€</p>
<p>Hôtel Cholet **</p> <p>10 rue Gresset 44000 Nantes Tél.: 02 40 73 31 04 Fax: 02 40 73 78 82 E-mail: hotelcholet@wanadoo.fr www.hotelcholet-nantes.com Price: from 48 to 85€ - Breakfast: 7,50€ Parking: 2€</p>	<p>Hôtel de la Gare **</p> <p>5 allée du commandant Charcot 44000 Nantes Tél.: 02 40 74 37 25 Fax: 02 40 93 33 71 Price: from 40 to 42€ Breakfast: 4,50€</p>
<p>Pommeraye **</p> <p>2 rue Boileau 44000 Nantes Tél.: 02 40 48 78 79 Fax: 02 40 47 63 75 www.hotel-pommeraye.com E-mail: resa@hotel-pommeraye.com Price: from 59 to 79€ - Breakfast: 8€</p>	<p>Hôtel de l'Atlantique **</p> <p>9 rue Maréchal de Lattre de Tassigny 44000 Nantes Tél.: 02 40 73 85 33 Fax: 02 40 69 89 33 Price: from 34,50 to 42 € Breakfast: 5,20 €</p>
<p>Hôtel Amiral **</p> <p>26 bis rue Scribe 44000 Nantes Tél: 02 40 69 20 21 N° Vert: 0800-601-971 Fax: 02 40 73 98 13 www.hotel-nantes.fr E-mail: amiral@hotel-nantes.fr Price: from 60 to 75€ - Breakfast: 7,90€ Parking: 2€</p>	<p>Hôtel Chateaubriand **</p> <p>2 bis rue de Chateaubriand 44000 Nantes Tél.: 02 40 20 22 38 Fax: 02 51 82 45 16 Price: from 52 to 56 € - Breakfast: 6€</p>
<p>Grand Hôtel de Nantes **</p> <p>2 bis rue Santeuil 44000 Nantes Tél.: 02 40 73 46 68 Fax: 02 40 69 65 98 www.grandhotel-nantes.com E-mail: grandhotel-nantes@wanadoo.fr Price: from 45 to 85€ - Breakfast: 7,50€ Parking: 2€</p>	

Hotels*

<p>Le Saint Daniel *</p> <p>4 Place du Bouffay 44000 Nantes Tél.: 02 40 47 41 25 Fax: 02 51 72 03 99 www.hotel-saintdaniel.com E-mail: hotel.st.daniel@wanadoo.fr Price: from 30€ to 50€ Breakfast: 3 €</p>	<p>Le Richebourg *</p> <p>16, rue Richebourg 44000 Nantes Tél.: 02 40 74 08 32 Fax: 02 51 12 43 38 www.hotel-le-richebourg.com E-mail: info@hotel-richebourg.com Price: from 29 to 40 € Breakfast: 4,50 €</p>
<p>Hôtel Abat-Jour *</p> <p>17 rue Geoffroy Drouet 44000 Nantes Tel: 02 40 74 35 95 Fax: 02 40 74 34 92 www.hotelabatjour.fr E-mail: abat.jour@wanadoo.fr Price: from 28 to 34 € Breakfast: 5 €</p>	<p>Hôtel du Château *</p> <p>5 place de la Duchesse Anne 44000 Nantes Tél.: 02 40 74 17 16 Fax: 02 40 14 01 15 Price: from 28 to 40 € Breakfast: 5 €</p>
<p>Le Saint Patrick *</p> <p>7 rue Saint Nicolas 44000 Nantes Tél.: 02 40 48 48 80 Fax: 01 58 16 57 87 www.hotel-saintpatrick.com E-mail: hot.saint-patrick@wanadoo.fr Price: from 32 to 49€ - Breakfast: 5,20€</p>	<p>Hôtel Rénova *</p> <p>11 rue Beauregard 44000 Nantes Tél.: 02 40 47 57 03 Fax: 02 51 82 06 39 www.hotel-renova.com E-mail: hotelrenova@hotmail.com Price: from 32 to 55€ - Breakfast: 3 €</p>
<p>Hôtel du Tourisme *</p> <p>5 allée Duquesne 44000 Nantes Tél.: 02 40 47 90 26 Fax: 02 40 35 57 25 www.hotel-dutourisme.com E-mail: hotel.du.tourisme@wanadoo.fr Price: from 30 to 50€ Breakfast: 3€ - Parking: 2 €</p>	<p>Hôtel d'Orléans *</p> <p>12 rue du Marais 44000 Nantes Tél.: 02 40 47 69 32 Fax: 02 51 82 34 66 Price: 36 € Breakfast: 4,85€</p>

International Symposium on Audit Research 22-23 June, 2006

Australia



SYMPOSIUM PROGRAMME

Day 1: Thursday, 22 June 2006

Time	Programme
8.00 – 8.30 am	REGISTRATION
8.30 – 8.45	OPENING COMMENTS Theodore Mock, <i>University of Southern California, USA</i> Ken Trotman, <i>University of New South Wales, Australia</i>
8.45 – 10.00	PLENARY Mark Peecher, <i>University of Illinois at Urbana-Champaign, USA</i> Chair: Ken Trotman, <i>University of New South Wales, Australia</i>
10.00 – 10.30	Morning Break
10.30 – 12.15	SESSION 1 – The Effect of Client Characteristics on the Negotiation Tactics of Auditors Richard Hatfield, <i>University of Alabama, USA</i> Christopher Agoglia, <i>Drexel University, USA</i> Maria Sanchez, <i>Rider University, USA</i> Assessing France's Joint Audit Requirement: Are Two Heads Better Than One? Jere Francis, <i>University of Missouri-Columbia, USA</i> Chrystelle Richard, <i>Universite Paris Dauphine, France</i> Ann Vanstraelen, <i>Universiteit Antwerpen, Belgium and Maastricht Universiteit, Netherlands</i>
12.15 – 1.15	Luncheon
1.15 – 3.00	SESSION 2 – A Longitudinal Comparison of Auditors' Response to Client Risk in the Sarbanes-Oxley Era Jean Bedard, <i>Bentley College, USA</i> Karla Johnstone, <i>University of Wisconsin, USA</i> Is Self-Regulated Peer Review Effective at Improving Audit Quality? Jeffrey Casterella, <i>University of Florida, USA</i> Kevan Jensen, <i>University of Florida, USA</i> Robert Knechel, <i>University of Auckland, New Zealand</i>

International Symposium on Audit Research 22-23 June 2006

Australia



SYMPOSIUM PROGRAMME

Day 1 (Continued): Thursday, 22 June 2006

Time	Programme
3.00 – 3.30	Afternoon Break
3.30 – 4.45	PLENARY: Ian McPhee – Auditor General, Australian National Audit Office
5.00 – 6.00 pm	Research Roundtable 1 An Examination of Auditor Planning Judgments in a Complex AIS Environment: The Moderating Role of Auditor AIS Expertise Joseph Brazel, <i>North Carolina State University, USA</i> Christopher Agoglia, <i>Drexel University, USA</i> Audit Litigation and Negligence: The Courtroom Connection Karen Van Peurse, <i>University of Waikato, New Zealand</i> Neil Harnisch, <i>University of Waikato, New Zealand</i>
	Research Roundtable 2 The Effects of Auditor Rotations and Client Pressure on Proposed Audit Adjustments Richard Hatfield, <i>University of Alabama, USA</i> Scott Jackson, <i>University of South Carolina, USA</i> Scott Vandervelde, <i>University of South Carolina, USA</i> Audit Firm Tenure and Perceived Audit Quality Jeff Boone, <i>Louisiana State University, USA</i> Inder Khurana, <i>University of Missouri-Columbia, USA</i> K.K. Raman, <i>University of North Texas, USA</i> The Association between Partnership Financial Integration and Risky Audit Client Portfolios David Hay, <i>University of Auckland, New Zealand</i> Rachel Baskerville-Morley, <i>Victoria University of Wellington, New Zealand</i> Travis Hui Qiu, <i>Victoria University of Wellington, New Zealand</i>
7.00 for 7.30 pm	Dinner

International Symposium on Audit Research 22-23 June 2006

Australia



SYMPOSIUM PROGRAMME

Day 2: Friday, 23 June 2006

Time	Programme
8.45 – 10.15	SESSION 3A – INTERNAL CONTROL Accruals Quality and Internal Control Over Financial Reporting Jeffrey Doyle, <i>University of Utah, USA</i> Weili Ge, <i>University of Michigan, USA</i> Sarah McVay, <i>New York University, USA</i> Reported Internal Control Deficiencies and Earnings Control Jean Bedard, <i>Universite Laval, Canada</i>
8.45 – 10.15	SESSION 3B – CORPORATE GOVERNANCE AND AUDIT JUDGMENT The Effects of the Structural Strength of the Board of Directors and Recurring Non-Audit Services on Independence Risk Colleen Hayes, <i>Edith Cowan University, Australia</i> Gary Monroe, <i>Australian National University, Australia</i> Audit Judgments Using Belief Versus Probability Assessment Hironori Fukukawa, <i>Nagasaki University, Japan</i> Theodore Mock, <i>University of Southern California, USA, and Universiteit Maastricht, Netherlands</i>
10.15 – 10.45	Morning Break
10.45 – 12:00	PLENARY: Mark DeFond, <i>University of Southern California, USA</i>
12.00 – 1.00 pm	Luncheon
1.00 – 2.30 pm	SESSION 4A – FRAUD The Impact of Risk-Based Information Order and a Fraudulent Management Explanation on Analytical Procedure Judgments William Wright, <i>University of Illinois, USA, and University of Waterloo, Canada</i> Leslie Berger, <i>University of Waterloo, Canada</i> What Can Non-Financial Measures Tell Us About the Likelihood of Fraud? Joseph Brazel, <i>North Carolina State University, USA</i> Keith Jones, <i>George Mason University, USA</i> Mark Zimbelman, <i>Brigham Young University, USA</i>

International Symposium on Audit Research 22-23 June 2006

Australia



SYMPOSIUM PROGRAMME

Day 2 (Continued): Friday, 23 June 2006

1.00 – 2.30 pm	<p>SESSION 4B – AUDIT QUALITY</p> <p>Auditor Capacity Stress and Audit Quality: Market-Based Evidence from Andersen's Indictment</p> <p>Stephen Hansen, <i>The George Washington University, USA</i> Krishna Kumar, <i>The George Washington University, USA</i> Mary Sullivan, <i>The George Washington University, USA</i></p> <p>Earnings Management and the Pricing and Production of Audit Services</p> <p>Caren Schelleman, <i>Universiteit Maastricht, Netherlands</i> Robert Knechel, <i>University of Auckland, New Zealand</i></p>
2.30 – 3.00 pm	<p>Afternoon Break</p>
3.00 – 4.30 pm	<p>SESSION 5A – AUDIT ENVIRONMENT</p> <p>The Value of Internal Audit in Fraud Detection</p> <p>Paul Coram, <i>The University of Melbourne, Australia</i> Colin Ferguson, <i>The University of Melbourne, Australia</i> Robyn Moroney, <i>Monash University, Australia</i></p> <p>The Impact of Changes in the Reporting Environment, Client Characteristics, and Misstatement Type on the Disposition of Proposed Audit Adjustments</p> <p>Jennifer Joe, <i>Georgia State University, USA</i> Arnie Wright, <i>Boston College, USA</i> Sally Wright, <i>University of Massachusetts, Boston, USA</i></p>
3.00 – 4.30 pm	<p>SESSION 5B – GOING-CONCERN OPINIONS</p> <p>Threats to Auditor Independence: The Impact of Non-Audit Services, Tenure and Alumni Affiliations</p> <p>Ping Ye, <i>Fudan University, China</i> Elizabeth Carson, <i>University of New South Wales, Australia</i> Roger Simnett, <i>University of New South Wales, Australia</i></p> <p>Strategic Viability and Going-Concern Audit Opinions</p> <p>Liesbeth Bruynseels, <i>Katholieke Universiteit Leuven, Belgium</i> Marleen Willekens, <i>Katholieke Universiteit Leuven, Belgium</i></p>
4.30 – 4.45	<p>SESSION 6</p> <p>CLOSING: CONCLUDING COMMENTS</p> <p>Theodore Mock, <i>University of Southern California, USA</i> Juan Peng, <i>Shanghai Jiao Tong University,</i> Roger Simnett, <i>University of New South Wales, Australia</i></p>



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of Accounting Historians
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André Vanoli, *Institut national de la Statistique et des études économiques- INSEE*

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4:00 pm Concurrent Sessions

5:45 pm Business meeting of the Academy of Accounting Historians

8:00 pm Gala Dinner

Saturday, July 22, 2006

9:00 am Concurrent Sessions

10:30 am Refreshment Break

11:00 am Plenary Session

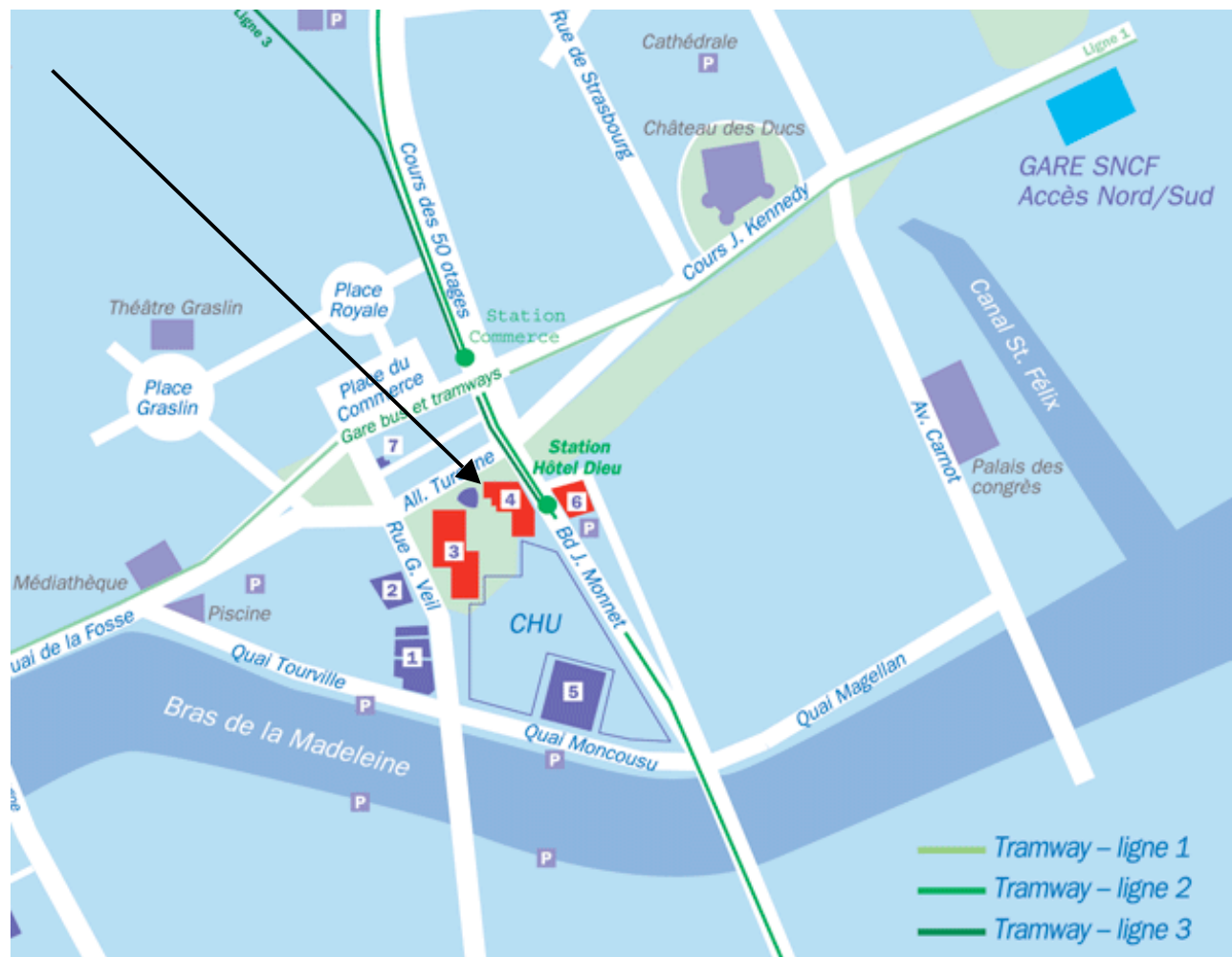
Stephen A. Zeff, Rice University

40 years of change in the accounting Academy

12:00 pm Closing Lunch

Location map

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1, place Alexis Ricordeau (n. 4 on the map)



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11th World Congress of Accounting Historians

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Registration Form

Surname First name

Title.....

Institution

Address

City/State.....

Postal Code/Country.....

Email address

Telephone Facsimile

Accompanying Person: Surname First name.....

Registration fee €

Accompanying Person fee €

Total €

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International Symposium on Audit Research 22-23 June, 2006

Australia



SYMPOSIUM PROGRAMME

Day 1: Thursday, 22 June 2006

Time	Programme
8.00 – 8.30 am	REGISTRATION
8.30 – 8.45	OPENING COMMENTS Theodore Mock, <i>University of Southern California, USA</i> Ken Trotman, <i>University of New South Wales, Australia</i>
8.45 – 10.00	PLENARY Mark Peecher, <i>University of Illinois at Urbana-Champaign, USA</i> Chair: Ken Trotman, <i>University of New South Wales, Australia</i>
10.00 – 10.30	Morning Break
10.30 – 12.15	SESSION 1 – The Effect of Client Characteristics on the Negotiation Tactics of Auditors Richard Hatfield, <i>University of Alabama, USA</i> Christopher Agoglia, <i>Drexel University, USA</i> Maria Sanchez, <i>Rider University, USA</i> Assessing France's Joint Audit Requirement: Are Two Heads Better Than One? Jere Francis, <i>University of Missouri-Columbia, USA</i> Chrystelle Richard, <i>Universite Paris Dauphine, France</i> Ann Vanstraelen, <i>Universiteit Antwerpen, Belgium and Maastricht Universiteit, Netherlands</i>
12.15 – 1.15	Luncheon
1.15 – 3.00	SESSION 2 – A Longitudinal Comparison of Auditors' Response to Client Risk in the Sarbanes-Oxley Era Jean Bedard, <i>Bentley College, USA</i> Karla Johnstone, <i>University of Wisconsin, USA</i> Is Self-Regulated Peer Review Effective at Improving Audit Quality? Jeffrey Casterella, <i>University of Florida, USA</i> Kevan Jensen, <i>University of Florida, USA</i> Robert Knechel, <i>University of Auckland, New Zealand</i>

International Symposium on Audit Research 22-23 June 2006

Australia



SYMPOSIUM PROGRAMME

Day 1 (Continued): Thursday, 22 June 2006

Time	Programme
3.00 – 3.30	Afternoon Break
3.30 – 4.45	PLENARY: Ian McPhee – Auditor General, Australian National Audit Office
5.00 – 6.00 pm	Research Roundtable 1 An Examination of Auditor Planning Judgments in a Complex AIS Environment: The Moderating Role of Auditor AIS Expertise Joseph Brazel, <i>North Carolina State University, USA</i> Christopher Agoglia, <i>Drexel University, USA</i> Audit Litigation and Negligence: The Courtroom Connection Karen Van Peurse, <i>University of Waikato, New Zealand</i> Neil Harnisch, <i>University of Waikato, New Zealand</i>
	Research Roundtable 2 The Effects of Auditor Rotations and Client Pressure on Proposed Audit Adjustments Richard Hatfield, <i>University of Alabama, USA</i> Scott Jackson, <i>University of South Carolina, USA</i> Scott Vandervelde, <i>University of South Carolina, USA</i> Audit Firm Tenure and Perceived Audit Quality Jeff Boone, <i>Louisiana State University, USA</i> Inder Khurana, <i>University of Missouri-Columbia, USA</i> K.K. Raman, <i>University of North Texas, USA</i> The Association between Partnership Financial Integration and Risky Audit Client Portfolios David Hay, <i>University of Auckland, New Zealand</i> Rachel Baskerville-Morley, <i>Victoria University of Wellington, New Zealand</i> Travis Hui Qiu, <i>Victoria University of Wellington, New Zealand</i>
7.00 for 7.30 pm	Dinner

International Symposium on Audit Research 22-23 June 2006

Australia



SYMPOSIUM PROGRAMME

Day 2: Friday, 23 June 2006

Time	Programme
8.45 – 10.15	SESSION 3A – INTERNAL CONTROL Accruals Quality and Internal Control Over Financial Reporting Jeffrey Doyle, <i>University of Utah, USA</i> Weili Ge, <i>University of Michigan, USA</i> Sarah McVay, <i>New York University, USA</i> Reported Internal Control Deficiencies and Earnings Control Jean Bedard, <i>Universite Laval, Canada</i>
8.45 – 10.15	SESSION 3B – CORPORATE GOVERNANCE AND AUDIT JUDGMENT The Effects of the Structural Strength of the Board of Directors and Recurring Non-Audit Services on Independence Risk Colleen Hayes, <i>Edith Cowan University, Australia</i> Gary Monroe, <i>Australian National University, Australia</i> Audit Judgments Using Belief Versus Probability Assessment Hironori Fukukawa, <i>Nagasaki University, Japan</i> Theodore Mock, <i>University of Southern California, USA, and Universiteit Maastricht, Netherlands</i>
10.15 – 10.45	Morning Break
10.45 – 12:00	PLENARY: Mark DeFond, <i>University of Southern California, USA</i>
12.00 – 1.00 pm	Luncheon
1.00 – 2.30 pm	SESSION 4A – FRAUD The Impact of Risk-Based Information Order and a Fraudulent Management Explanation on Analytical Procedure Judgments William Wright, <i>University of Illinois, USA, and University of Waterloo, Canada</i> Leslie Berger, <i>University of Waterloo, Canada</i> What Can Non-Financial Measures Tell Us About the Likelihood of Fraud? Joseph Brazel, <i>North Carolina State University, USA</i> Keith Jones, <i>George Mason University, USA</i> Mark Zimbelman, <i>Brigham Young University, USA</i>

International Symposium on Audit Research 22-23 June 2006

Australia



SYMPOSIUM PROGRAMME

Day 2 (Continued): Friday, 23 June 2006

1.00 – 2.30 pm	<p>SESSION 4B – AUDIT QUALITY</p> <p>Auditor Capacity Stress and Audit Quality: Market-Based Evidence from Andersen's Indictment</p> <p>Stephen Hansen, <i>The George Washington University, USA</i> Krishna Kumar, <i>The George Washington University, USA</i> Mary Sullivan, <i>The George Washington University, USA</i></p> <p>Earnings Management and the Pricing and Production of Audit Services</p> <p>Caren Schelleman, <i>Universiteit Maastricht, Netherlands</i> Robert Knechel, <i>University of Auckland, New Zealand</i></p>
2.30 – 3.00 pm	<p>Afternoon Break</p>
3.00 – 4.30 pm	<p>SESSION 5A – AUDIT ENVIRONMENT</p> <p>The Value of Internal Audit in Fraud Detection</p> <p>Paul Coram, <i>The University of Melbourne, Australia</i> Colin Ferguson, <i>The University of Melbourne, Australia</i> Robyn Moroney, <i>Monash University, Australia</i></p> <p>The Impact of Changes in the Reporting Environment, Client Characteristics, and Misstatement Type on the Disposition of Proposed Audit Adjustments</p> <p>Jennifer Joe, <i>Georgia State University, USA</i> Arnie Wright, <i>Boston College, USA</i> Sally Wright, <i>University of Massachusetts, Boston, USA</i></p>
3.00 – 4.30 pm	<p>SESSION 5B – GOING-CONCERN OPINIONS</p> <p>Threats to Auditor Independence: The Impact of Non-Audit Services, Tenure and Alumni Affiliations</p> <p>Ping Ye, <i>Fudan University, China</i> Elizabeth Carson, <i>University of New South Wales, Australia</i> Roger Simnett, <i>University of New South Wales, Australia</i></p> <p>Strategic Viability and Going-Concern Audit Opinions</p> <p>Liesbeth Bruynseels, <i>Katholieke Universiteit Leuven, Belgium</i> Marleen Willekens, <i>Katholieke Universiteit Leuven, Belgium</i></p>
4.30 – 4.45	<p>SESSION 6</p> <p>CLOSING: CONCLUDING COMMENTS</p> <p>Theodore Mock, <i>University of Southern California, USA</i> Juan Peng, <i>Shanghai Jiao Tong University,</i> Roger Simnett, <i>University of New South Wales, Australia</i></p>





American Accounting Association

THE AUDITING SECTION

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The Auditing Section of the American Accounting Association gives greater attention to the area of auditing via objectives in three areas:

[Education](#): To discuss, test and disseminate various ways of teaching auditing and audit-related topics.

[Research](#): To encourage, facilitate, and publicize research interest and projects in the audit area.

[Practice](#): To create an opportunity for closer association between the profession and those who instruct in the field.

In all of these objectives, auditing is defined in the broadest sense and is not limited solely to public accounting.

Current Calls for Nominees and Papers

Please be sure to review several Auditing Section calls for nominees and submissions that are currently outstanding. Take a moment to submit names of individuals you would like to nominate for:

- Auditing Section Officers (Read more...<http://aaahq.org/audit/Pubs/Audrep/06spring/call04.htm>)
- Auditing Section Awards (Read more...<http://aaahq.org/audit/Pubs/Audrep/06spring/call0.htm>)
- AJPT Editor Nominations (Read more...[CALL FOR NOMINATIONS](#))

What's New

- [2006 Mid-Year Conference Program w/ papers](#)
- [ASC's comment letter on the COSO Internal Control document](#)
- IIA Research Foundation seeks proposals for [Public Sector Study](#).
- Click on [ISAR 2006](#) to see call for proposals.
June 22 - 23, Sydney.
- Slides for [Midyear Editors' panel](#)
- New feature: [Search The Auditor's Report](#)
- [Auditor's Report, FALL 2005](#)
- ASC [Comment Letter on Proposed PCAOB's Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees.](#)

Also, please consider submitting a paper for the [2007 Mid-Year Auditing Section Conference](#) program to be held January 11-13, 2007 in Charleston, South Carolina.

PCAOB Research Syntheses Teams Announced

The Executive Committee of the AAA Auditing Section announces the selection of seven research teams that will be responsible for preparing academic research syntheses for the Public Company Accounting Oversight Board (PCAOB) related to seven current PCAOB standards-setting topics.

1. Audit Confirmations
2. Audit Firm Quality Control
3. Audit Reporting Model
4. Auditing Related Party Transactions
5. Communications with Audit Committees
6. Engagement Quality Review
7. Financial Fraud

Each team is responsible for preparing a synthesis of relevant existing academic research for the team's assigned topic for submission to the PCAOB by late spring 2006. [Read more about these projects and view the listing of team members.](#)

IIA Research Foundation *Call for Proposals*

IIA Research Foundation and Advanced Technology Committee Call for Papers

The IT Audit Research Topics Symposium will be held in Houston, Texas, in June 2006 during The IIA 2006 International Conference. The Symposium will allow scholars, researchers, educator, and practitioners around the world to exchange and discuss potential solutions for significant internal auditing issues. You are invited to share your ideas, thoughts, working and teaching experiences on internal auditing by submitting a paper for the Symposium. This major event brings together globally some of the best and brightest in Internal Auditing. Be part of the excitement and solution. We are looking for individuals who are solving big IT Audit related issues. [Read the details for the topics and requirements.](#)



