

Volume 26, No. 2
Spring 1998



PUBLIC INTEREST

Public Interest Section, American Accounting Association
Paul F. Williams, Editor, North Carolina State University

TABLE OF CONTENTS

- [Message From The Chair](#)
- [1998 ABO Research Conference](#)
- [ABO Reporter Has Switched From Hard Copy to the World Wide Web](#)
- [1999 AAA Western Regional Conference](#)
- [Letter to the Editor](#)
- [Have You Read...? - Sarah D. Stanwick](#)
- [International Conference on Accounting and Governance](#)
- [Accounting for the Public Interest: Money, Arms and Tax - Pren Sikka and Hugh Wilmott](#)
- [Research on Accounting Ethics](#)
- [Public Interest Sessions Scheduled During the AAA Annual Meeting](#)
- [About the Public Interest Section](#)
- [Public Interest Section Officers For 1997-1998](#)

AAA Annual Meeting updates posted weekly on the web

Check <http://AAA-edu.org> for late-breaking news about the Annual Meeting and other Association activities. Since April 3, 1998, staff have relaunched the AAA web site with weekly updates on the AAA front page. Click the "AAA Annual Meeting" button for updates on Annual Meeting Activities.



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

What You See and What You Don't in Accounting Research

Timothy J. Fogarty

MESSAGE FROM THE CHAIR

One of the great rewards of academic life is the freedom of intellectual inquiry. If we are interested in something, we can ask others to share our interest by conducting research and sharing its results by publishing. Perhaps equally important, we do not have to do work on questions that we find inherently unconvincing or use methodologies that force us to make more assumptions than we feel comfortable with. This great privilege, historically embedded in our roles, is now under attack more so than ever before. Moreover, for every one that has been dissuaded from unfettered choice, many have unwittingly, but voluntarily, sacrificed it.

The pattern of the collective choices made by accounting academics suggests something very different from the fruits of many personal journeys into the unknown. We know quite a bit about a carefully selected little at the cost of knowing almost nothing about everything else. While some of this can be attributed to the relative immaturity of the accounting literature, such an explanation can account for less and less of the variation. Given another 20 years, I suspect we will find ourselves at the same point. While accounting will always be a relatively young academic pursuit, when will we stop using it as an excuse to deny the consequences of our choices?

Consider the most obvious disproportionality—the concentration on public accounting as the only legitimate object of study. Why is it that the study of other groups, such as internal auditors and management accountants, faces an uphill struggle in the review process? In the name of homogeneity, we cut away the vast majority of those who do accounting work. Along with their neglect as researchable bodies, comes their exclusion from our curricula in a vicious cycle of disinterest and marginalization.

Naturally, we are not interested in all of public accounting, but just those that work for the five large firms. Virtually nothing is known about local and regional practice except to the extent that it can be speculated about in tangency to the Big 5. Increasingly, given the difficulties of negotiating access, we know of the Big 5 only that which they want us to know. More importantly, we have come to not want to know about anybody else.

Another dimension of our narrowed visage is in our predilection for economic reductionism. If it can be expressed in terms of that discipline, many of us are willing to do it. If this proves tricky or unconvincing, the research effort often moves elsewhere. This necessarily obscures the qualitative and the interactional, and enshrines the obverse. Furthermore, the violence necessary to take non-economic issues and ideas and make them economic is gradually forgotten in the *stare decisis* tradition of citation and self-fulfilling

prophecy. The hierarchy that places those that can do this in its pure analytic form atop those that need data attests to this systematic process of exclusion and reification.

I believe that when the 1990s are looked back upon they will become known for the point at which capital triumphed over labor. The accounting literature has been so steadfast and consistent in the prioritization of managerial concerns over those of employees that the latter is barely recognizable as distinct from the former, except as a remediable dysfunction. That no one cares about employees is apparent whether those employees work for corporations, professional service firms or universities. Workers appear as a group of people whose lifeworld is ready for further colonization, or as a set of costs to be minimized.

Recognizing the consequences of our research attention and neglect, shakes the often spoken, and sometimes believed, idea that academics are without impact. This thinking buys into the hierarchy of a "real" and an "unreal" world, with only that which impacts the former as influential. That which is studied, looms larger and more grandiose in the minds of academics. We can make what is a social construction into a thing more real than that which we experience through our senses. Insofar as our research is a *de facto* statement of our values, we transmit these same values in the classroom and through our service engagements. We actively reproduce through our work with doctoral students. Here, we can choose to reinforce the prejudices of our heritage or work against them. That which we choose to ignore is made less in many different ways.

The status quo in academic accounting does not just exist, but is manufactured by a highly artificial set of mechanisms modulated by the institutions that benefit from it. There are rewards and punishments that make adherence seem rational. Sometimes these incentives are so clear that they apparently project the lack of any alternatives. However, the system is rather loosely administered so that the actuality of constraint is less than what it is made out to be. There are ample rewards in a career devoted to research that names the unnamable and does not toady to the conventional wisdom. For that matter, research that explores the way "the powers that be" remain so, is not unduly risky for those whose ambitions are not unlimited. Outlets exist, for those not bent by the counsel of the mainstream gatekeeper. An escape from the parochialism of the U.S. also provides a breath of fresh air. Think about rejecting the entire mindset of "What's in it for me?" and you will find plenty.



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

1998 ABO Research Conference

October 16–17, 1998

The Accounting, Behavior and Organizations Section of the American Accounting Association invites you to attend and participate in the 1998 ABO Research Conference. The Conference will be held on Friday and Saturday, October 16–17, 1998, in Orlando, Florida. Final registration details will be available in future editions of the [ABO Reporter](#) and *Accounting Education News*.

Call for Papers

Academicians, practitioners and doctoral students are invited to submit research papers for possible presentation at the meeting. Papers in all areas of behavioral accounting will be considered. Theoretical papers and papers based upon empirical research are appropriate. Diverse methodologies are encouraged, including field, experimental and critical research. Replications and extensions of previously published studies will be considered. Special consideration will be given to papers that address the efficiency and effectiveness of performance in accounting and auditing contexts.

Call for Participants

Persons interested in serving as paper reviewers, paper discussants, or session chairs should send a letter or email with name, position and affiliation, complete address, telephone number, email address and areas of interest to Professor Jeff Cohen at Boston College, at the address below.

Conference Facilities

The Conference will be held at Disney's newest resort, the Disney Coronado Springs Resort. A very reasonable rate of \$115 per night (plus applicable taxes) has been negotiated for Conference participants. The resort features a Southwestern motif and is highlighted by colorful plazas, palm-shaded courtyards, and a rocky shoreline surrounding a shimmering lake. There is a full-service restaurant and lounge, as well as a themed food court, on site. The resort is centrally located near Epcot, Disney-MGM Studios, and is a neighbor to Disney's new Animal Kingdom Park. Airport shuttle service is available, and there is free transportation from the Resort to all Disney venues. The reservation telephone number is (407) 939-1020.

Conference Updates

Check the ABO's web site often for updates and further information on the conference. You can find the web site at http://business.baylor.edu/Charles_Davis/abo/home.htm.

Guidelines for Submission of Papers

1. Papers should not have been published prior to the Conference.
2. An original and four copies must be submitted. The four copies should not contain any author identification.

3. The cover page should indicate the following information:
 - a. Full name of author(s).
 - b. Position and affiliation.
 - c. Complete address.
 - d. Telephone and fax numbers.
4. Papers should be prepared according to the reference and footnote guidelines of the American Accounting Association (see *Behavioral Research in Accounting*).
5. Papers accepted for presentation may, at the option of the author, be considered for publication in *Behavioral Research in Accounting (BRIA)* or *Advances in Accounting Behavioral Research (AABR)*. Authors should indicate at the time of conference submission if the paper should also be considered for journal publication. Authors should indicate if they would like the paper to be considered for publication in *BRIA*, *AABR*, or both journals. Papers considered for journal publication will be reviewed in accordance with the review procedures for the selected journal.
6. Papers should be sent to Professor Jean Bedard, Northeastern University, at the address below.

Conference Coordinators

Professor Jean C. Bedard
Northeastern University
Department of Accounting
404 Hayden Hall
Boston, MA 02115
Phone: (617) 373-8368
Fax: (617) 373-8814
Email: bedard@neu.edu

Professor Jeffrey Cohen
Boston College
Carroll School of Management
Fulton Hall
Chestnut Hill, MA 02167
Phone: (617) 552-3165
Fax: (617) 552-2097
Email: cohen@bc.edu

Professor Dennis Hanno
University of Massachusetts
School of Management
Department of Accounting
Amherst, MA 01003
Phone: (413) 545-5658
Fax: (413) 545-3858
Email: dhanno@acctg.umass.edu

Important Dates

Sept. 11, 1998	Deadline for conference registration. Early registration fee is \$195 (\$145 for submitting authors, one per paper; \$65 for doctoral students).
Oct 16–17, 1998	Conference dates.



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

Important Announcement!!

The ABO REPORTER Has Switched
From Hard Copy to the World Wide Web

At its November meeting, the ABO Executive Council decided to discontinue producing a hard copy of the *ABO Reporter*. Instead, all future newsletters will be available on the World Wide Web. This change is effective with the Winter 1998 issue and will result in a significant cost savings to the Section and its members.

The Winter 1998 is available online; the Summer 1998 issue should be available soon. I apologize for the delay, but since this is the first section newsletter to go totally online, we are learning as we go.

There are two ways you can access the *ABO Reporter* on the web:

1. Set your browser to <http://hsb.baylor.edu/html/davisc/abo/home.htm>. This is the official web site of the ABO Section, maintained by Charles Davis at Baylor University.
2. Access the home page of the American Accounting Association at <http://aaa-edu.org>. Once there, hit the button for Sectional organizations, and then the button for the Behavioral Section.

If you have any comments or suggestions on the ABO web site, please contact Charles Davis at 254-710-6138 or email him at charles_davis@baylor.edu.

Please contact me at jrigsby@cobilan.msstate.edu if you have any comments, recommendations, working papers, articles, or other matters of interest which you would like to see in the newsletter. Thanks!

John T. Rigsby, Editor
The ABO Reporter



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

1999 AAA Western Regional Conference

April 29–May 1, 1999
Newport Beach, California

The AAA's 1999 Annual Western Regional Conference will be held at the [Westin South Coast Plaza Hotel](#) in Newport Beach, California, April 29–May 1, 1999. Now in its 34th year, the Western Regional Meeting brings together 250–300 scholars—faculty, administrators and doctoral students—for presentations of papers, panels and workshops on new developments in accounting. The theme of the conference will be “Electronic Commerce.”

The Westin is a well-located business hotel, nestled in the heart of Southern California's Orange County. Close to fine beaches and attractions like Disneyland, the hotel is a short, free shuttle ride from the John Wayne Orange County, California, International Airport. There also are a host of shuttles connecting the hotel with the Los Angeles International Airport and other airports serving Southern California. The American Accounting Association has negotiated special discount rates for the hotel and airfares.

Papers submitted for presentation will be blind refereed, and authors of accepted papers can choose to have either an abstract or an up-to-eight-page version published in the *Proceedings*. Five copies of completed manuscripts conforming to *The Accounting Review* style guidelines are to be submitted; the submission deadline is November 1, 1998. Papers will be presented in 90-minute concurrent sessions on Friday, April 30 and Saturday, May 1.

For further information and updates, visit the Western Region's web page at aaahq.org/western/western.htm, or contact:

John E. Karayan, J.D., Ph.D.
Professor and Associate Chair
Department of Accounting
School of Business Administration
California State Polytechnic University, Pomona
Pomona, CA 91768
Phone: (909) 869-2367

Fax: (909) 869-4353
Email: jekarayan@supomona.edu



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

Letter to the Editor

This comes from Dwight Owsen, doctoral student, University of Portsmouth, U.K.:

I have some comments for my fellow Public Interest members. I wish many thanks to Dr. Barbara Leonard of Loyola University Chicago for publishing both the Fall 1997 newsletter on her university web site and Dr. Joseph Schultz's moving letter of resignation from AAA's Executive Committee. His letter is another excellent study source for those concerned with AAA governance. He calls special attention to the AAA's need to account separately for its faculty development initiatives for easier evaluation.

Paid AAA Educational Specialist

Having a paid AAA specialist for educational development provokes mixed feelings. The person selected is very capable and has a good educational theory background. That can be very useful for the development of materials to aid accounting educational researchers such as providing the vast number of research articles that are already on the AAA website. She has been doing an especially good job of bringing educational psychology articles and their implications to our attention. The concerned side contains two aspects. The first aspect is that accounting educators have their own theories and hopefully accounting educational research can be conducted from the bottom up rather than imposed top down.

The second aspect is that accounting educators are in the business of research and their funding of a full-time competitor to themselves wastes their educational investment, is illogical and, ultimately inefficient. More useful is that the educational consultant aids the more than 8000 accounting educators of the AAA to develop their own diverse research, by providing research support, articles, and even electronic forums. For example, she could operate an AAA web site chat room dealing with the problems of accounting educational research.

Archive Newsletters

Our sectional and national newsletters should be treated as first order research sources, often the only commentary and information on a variety of events and topics within the accounting educational community. For example, I found myself going back to a 1980 *Accounting Education News*

for University of California Berkeley Professor Emeritus Maurice W. Moonitz's AAA report on faculty intimidation by commercial interests, including accounting practitioners. This was helpful when a few such incidents happened to colleagues last year.

In particular, our sectional newsletter has had brief but excellent articles that I consult regularly. Our sectional leaders do what they can do to archive them and make them available. First, easily available copies of the recent past should be uploaded to a newsletter web site, which may be at the AAA national web site. Second, we should use an archive indexing program. Third, we need to find the rare newsletter copies, perhaps by making a call for them through our current newsletters or web site, either for personal copies or a university collection. Fourth, we should seek ways for establishing a permanent collection in electronic and web site form.

AAA Web Site & Journal CD

The new AAA web site is very good. The national AAA has added personnel for their web site and these additional resources show in a much better web site. Such superb work in our web site is vital for our reputation as educators in information systems. Ideally, AAA's web site should archive all its regional, sectional and national newsletters for researchers. Still, it could use multiple research chat boards and archiving of its free and for pay publications, consortiums, and governance meetings. Eventually whole presentations and governance meetings could be taped in pieces or as a whole for audio or video feeds and placed at our web site as C-SPAN does now. Check out <http://cspan.org> to get the idea.

AAA Executive Director Craig Polhemus kindly informed me that the AAA is considering a yearly CD for all of its research journals, newsletters, abstracts, proceedings, etc. and, I hope, AAA governance meetings. Because this approach may be so useful to members, it may result in encouraging more accounting educators to join and become active in the AAA. Perhaps, the AAA price for these materials can be so inexpensive that all accounting educators and doctorate candidates can have their own personal copies. When there is time, perhaps other years can be archived as well as other AAA publications. CDs have cost, permanence, and search efficiencies and researchers may reach far more people this way.

Research Journals

The public interest section contains a prolific group of research writers, and thus, our letter should contain comments about the current publishing interests of the research journals. For example, JAI Press' *Advances in Accounting Education* has changed editor leadership with Villanova's David Stout going to *Issues in Accounting Education* and Penn State's Ed Ketz joining Virginia Commonwealth's Bill Schwartz as co-editors. In addition, *Accounting Education, An International Journal*, is published by Chapman-Hill, whose editor is Richard M. S. Wilson of the University of Loughborough. AE has consistently been publishing some exceptional student-centered, public interest articles in education and can be found on the web at <http://journals.routledge.com/>.

Special notice should go to University of Idaho's Jeffrey Harkins who seems to be a master of the low cost economics and product pricing for

independent, nonprofit academic publishing. His low journal price, the many authors' contributions in each issue, and a precise list of charges including those for authors, carefully spreads the burden of independent, nonprofit publishing lightly to all participants including libraries. For those who value independent publishing and who think the prices of paper journals are rising so fast that only electronic journals are in our future should take a look at his journal.

Vargo's New Author's Guide

Dr. Dick Vargo, of the University of the Pacific, and his son have published the 1998–1999 edition of the *Author's Guide to Accounting and Financial Reporting Publications*. Their web site URL is: <http://lodinet.com/authguid/>. This author's guide comes on one floppy disk and has more than 225 journals— a rather stupendous feat—at an amazing price. A copy for a single user is \$20.95, pretty good by itself. However, a site license for making independent copies for a whole department is \$28.95 + \$4. Now every faculty member can have this reference to journal editors and what they want in detail. Time and time again, I have seen an article with scientific merit be scrapped by its author after only a few rejections because it was sent to the wrong journals, or simply to not enough journals to have it find its “home”. Now there is really no reason why every faculty member should not have their own author's guide copy “at their elbow” like their dictionary and thesaurus.

Special thanks should go to Dick Vargo and his son who have created an important research instrument independently and, thus, done a great service to our profession. Reviewing articles and books, developing indexes, creating nonprofit publishing alternatives, providing leadership to sectional committees, and putting on conferences and websites are exceptional contributions to the profession. These efforts often cost their perpetrators time from their own university research publishing at their universities. We should thank the people who attend to the service functions of our profession. If you have comments on this piece, write me at [dwight@qtm.net](mailto:dwright@qtm.net).



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

Have You Read...?

Sarah D. Stanwick, Auburn University

The following articles should be of interest to members of the Public Interest Section of the American Accounting Association. Thanks to all who continue to send in articles to be included in this column.

Corporate Governance

Anand, V. 1998. The names that made corporate governance. *Pensions and Investments* 26 (4): 30–31.

Keywords: Shareholder relations; Corporate governance; Institutional investments.

Buchholtz, A., M. Young, and G. Powell. 1998. Are board members pawns or watchdogs? The link between CEO pay and firm performance. *Group and Organization Management* 23 (1): 6–26.

Keywords: Executive compensation; Corporate governance; Organization theory.

Kim, K., and P. Limpaphayom. 1998. A test of the two-tier corporate governance structure: The case of Japanese keiretsu. *The Journal of Financial Research* 21 (1): 37–51.

Keywords: Financial leverage; Corporate governance; Ownership structure.

Ruhnka, J., and H. Boerstler. 1998. Governmental incentives for corporate self-regulation. *Journal of Business Ethics* 17 (3): 309–326.

Keywords: Business ethics; Corporate responsibility; Regulation.

Ward, R. 1998. Corporate accountability: 10 things you know about corporate boards that are wrong. *Vital Speeches of the Day* 64 (13): 409–411.

Keywords: Corporate governance; Accountability; Boards of directors.

Environmental Issues

Hartman, C., and E. Stafford. 1998. Crafting 'enviropreneurial' value chain strategies through green alliances. *Business Horizons* 41 (2): 62–72.

Keywords: Green marketing; Environmental protection; Corporate responsibility.

Stanwick, P. and S. Stanwick. 1998. The relationship between corporate social performance and organizational size, financial performance, and environmental performance: An empirical examination. *Journal of Business Ethics* 17 (2): 195–204.

Keywords: Social responsibility; Environmental management; Corporate responsibility.

Walton, S., R. Handfield, and S. Melnyk. 1998. The green supply chain: Integrating suppliers into environmental management processes. *International Journal of Purchasing and Materials Management* 34 (2): 2–11.

Keywords: Strategic planning; Environmental management; Supply chains.

Ethics

Brien, A. 1998. Professional ethics and the culture of trust. *Journal of Business Ethics* 17 (4): 391–409.

Keywords: Professional ethics; Corporate culture; Business ethics.

Sethi, S. and L. Sama. Ethical behavior as a strategic choice by large corporations: The interactive effect of marketplace competition, industry structure and firm resources. *Business Ethics Quarterly* 8 (1): 85–104.

Keywords: Corporate culture; Business ethics; Strategic planning.

Gender Issues

Hoffman, J. 1998. Are women really more ethical than men? Maybe it depends on the situation. *Journal of Managerial Issues* 10 (1): 60–73.

Keywords: Ethical dilemmas; Situational dynamics; Business ethics.

Ragins, B., B. Townsend, and M. Mattis. 1998. Gender gap in the executive suite: CEOs and female executives report on breaking the glass ceiling. *The Academy of Management Executive* 12 (1): 28–42.

Keywords: Career advancement; Employment discrimination; Sex discrimination

Simpson, K. 1998. Finding the way up. *Australian Accountant* 68 (1): 18–19.

Keywords: Career advancement; Accounting profession; Gender issues.

Social Responsibility

Reyes, M. and T. Grieb. 1998. The external performance of socially responsible mutual funds. *American Business Review* 16 (1): 1–7.

Keywords: Social investing; Social responsibility; Performance evaluation.

Stanwick, P. and S. Stanwick. 1998. The determinants of corporate social performance: An empirical examination. *American Business Review* 16 (1): 86–93.

Keywords: Corporate responsibility; Financial performance; Performance evaluation.



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

Second Call For Papers

International Conference on Accounting and Governance

October 23–24, 1998

Università di Napoli, International Accounting Section, Italy

In association with the Journal of Management & Governance

The International Conference on Accounting and Governance will be held at the University of Naples, Faculty of Economics, on October 23–24, 1998 (the date published on the first call for papers has been changed for organizational reasons). The main topic of the Conference is the relationship between Accounting and Corporate Governance.

Papers presented should focus on Management/Financial Accounting and Governance models in entities of all types and size, such as public and private companies, subsidiary and associated companies, family firms, government enterprises and non-profit-making organizations. Both theoretical studies and empirical researches, including case studies, are welcome. An important aim of the Conference is to offer an international and comparative perspective of topic, taking into account the key factors that affect accounting theory and practice, and governance models (i.e., interaction of securities markets).

Themes of particular interest include:

- The Role of Accounting Information in Financial Decisions
- Auditing Practice in Different Countries
- Acquisitions and Merger Accounting
- Ownership Structure and the Performance of the Firm
- Management Accounting and Governance Structures
- Bankruptcy Accounting
- Accounting Implications in the Theory of the Firm
- Accounting Standards for Small/Medium Size Companies
- Performance-Related Incentive Scheme
- The Governance Structures of Auditing Firms

Prospective contributors are invited to submit initial abstracts of papers by April 5, 1998. Full conference papers must be submitted by June 10, 1998. Papers presented will be considered for publication in *The Journal of Management and Governance*, published by Kluwer.

Special facilities will be available for participants and accompanying persons for visiting Naples and its surroundings (Pompei, Capri, Sorrento, Positano, Ischia are less than an hour away).

There are direct flights to Naples from many European cities and regular trains from Rome (journey time by Eurostar train is an hour and a half).

Conference Scientific Committee:

*Christopher Nobes - University of Reading, U.K.
Umberto Bertini - Università di Pisa, I
Giuseppe Bruni - Università di Verona, I
Peter Miller London School of Economics, U.K.
Giuseppe Catturi Università di Siena, I
Roland Paemeleire University of Gent, B
Vittorio Coda Università Bocconi, I
Arne Fagerstrom University of Goteborg, S
Rosella Ferraris Franceschi Università di Pisa, I
Giuseppe Galassi Università di Parma, I
John M. Samuels University of Birmingham, U.K.
Lucio Potito Università di Napoli Federico II, I
Enrico Viganò Università di Napoli Federico II, I
Stephen Zeff Rice University, U.S.
Fabio Corno LIUC Castellanza, I
Michele Pizzo Seconda Università di Napoli, I
Angelo Riccaboni Università di Siena, I*

Inquiries and Submission of papers to:

Michele Pizzo
Università di Napoli Federico II
Department of Business Economics
International Accounting Section
Via Cinthia Monte S. Angelo
80126 Napoli
ITALY
Phone: +39 81 7645429
Fax: +39 81 7645389
Email: pizzomi@unina.it

Participation Fee

The participation fee for the workshop is 300.000 Italian Lire (approx. U.S.\$175), accompanying persons 100.000 lire (before September 15, 1998). Special price for AIDEA and AIDEA GIOVANI members Lit. 100.000 (before September 15, 1998). The fee includes: participation in the conference, documents, coffee breaks, lunch and dinner on Friday, lunch on Saturday, free transport service to and from the hotels (not guaranteed in case of late registration). See [application form](#).

Note:

A research workshop on accounting regulation has been organized at the University of Siena, to take place in March 1998. Appropriate papers at the Siena workshop will be published in a special section on Accounting Regulation in forthcoming issues of the *Journal of Management and Governance*.

For further details, contact Angelo Riccaboni:

Dipartimento di Studi Aziendali e Sociali
Facoltà di Economia -Università di Siena
Piazza San Francesco, 17 - 53 100 Siena
Phone: +39/577/298658
Fax: +39/577/298641
Email: riccaboni@unisi.it

[Application Form](#) (Printable with [Adobe Acrobat Reader](#))



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

Accounting for the Public Interest: Money, Arms and Tax

Pren Sikka, University of Essex, U.K.

Hugh Wilmott, University of Manchester Institute for Science and
Technology, U.K.

Over the past 20 years “critical” accounting has helped to highlight the role of accounting practices in the distribution of income, wealth, power and influence. Increasingly, we have become aware that people's life chances are governed not by some invisible hand of fate, but by the very visible hand of social and institutional arrangements, of which accountancy is an important part.

At the same time, accounting academics have rarely focused upon the predatory and anti-social role of accounting practices, institutions and accountants. Such activities include arms trading, drug-trafficking, money laundering and tax avoidance/evasion schemes. The latter are directly connected with the increasing shift (at least in the Western world) from industrial capitalism to finance capitalism where huge global financial deals can be transacted almost instantaneously. The emergence of more “flexible” forms of global production has pitched people, countries and societies against each other as businesses and wealthy individuals and corporations search for profits, tax breaks and even tax evasion. In this emerging economy, accountancy firms themselves have become a vehicle for anti-social and predatory actions. These actions present a relevant focus of research for accounting academics.

With increasing liberalization of financial markets, money laundering has emerged as a major financial crime. In 1994, the United Nations estimated that about \$750 billion of hot money passed through Western financial systems every year. Drug traffickers, arms smugglers, gangsters, human

organ smugglers, bootleggers, intelligence services, robbers and gangsters transfer their illicit gains from one location to another and launder the proceeds. The processing of such large amounts has the potential to impoverish national economies, international relations and the quality of economic, social and political life. While some accountants may be unwittingly caught up in moneylaundering, it is relevant to ask how much of this activity cannot easily take place without the active/passive involvement of accountants. Accountants know the international financial systems, can create nominee (or shell) companies to receive the proceeds of money laundering and create a labyrinth of misleading audit trails.

Episodes such as BCCI shed some light on organized money laundering. However, evidence of direct accountant involvement is hard to come by as accountants rarely volunteer to divulge the details. An exception was the 1990 High Court case of AGIP (Africa) Limited v. Jackson & Others (1990) 1, Ch. 26. It highlighted the involvement of U.K. accountants in money laundering. In this case, an accountancy firm was judged to have used a series of shell (or cut-out) companies to launder money through ordinary banks. The judge concluded that "[Accountants] knowingly laundered money....It must have been obvious to them that their clients could not afford their activities to see the light of the day. Secrecy is the badge of fraud. They must have realized that their clients might be involved in a fraud ..." The judge also named a Big 8 firm and one of its partners for facilitating shell companies and related facilities. Despite the damning court judgement, the case has not prompted any government investigation. No report or fine has been exacted by any professional body or regulator (Mitchell et al., 1996).

Arms trading is another expanding activity. In the new global economy, nations of the world spend more per capita on armaments, weapons of death and destruction than on food, water, shelter, health, education or protecting the ecosystem (French 1992). Accountants are caught up in the arms trade as well. Commenting on a major scandal the "Iraqi Supergun Affair" that rocked Britain (Scott 1996), the chairman of the company (James 1996) at the center of the affairs argued that accountancy firms are also implicated in this trade. He accused auditors and receivers of facilitating a cover-up. It is difficult to recall any scholarly paper on the direct/indirect involvement of accountancy firms in the arms trade.

The quality of life has been declining for many marginalised groups. There are increasing national and international inequalities in the distribution of income. Hunger, homelessness and disease are on the increase. Across the world, health care and other public services are being squeezed and reduced in an effort to limit public expenditure and thereby compete effectively for the allocation of capital. Alongside this, a thriving tax avoidance industry exists (McBarnet 1991). Major accountancy firms have profitably traded upon their reputation of being able to shave tax bills. Some of the schemes could be considered to be simple tax planning whilst others are very elaborate and seem to push "avoidance" to new limits. An example of this is to be found in the U.K. where accountancy firms have specialised in developing tax avoidance schemes. One such scheme involved elaborate corporate structures and the use of shell companies in offshore tax havens. In October 1997, Britain's Inland Revenue obtained a series of search warrants and raided the offices of EY and Coopers & Lybrand (*The Times*, October 20, 1997; *Accountancy Age*, October 23, 1997). It is the first time that any of the

Big 6 have been raided and seems to signal a widespread concern about the operations of the tax avoidance industry. Yet tax avoidance is rarely researched in accounting journals.

We have briefly considered three activities of accountants that have been the subject of critical press reports. Critical academics can contribute to an awareness of these activities by developing a research program that highlights and investigates the role of accountancy firms in anti-social and predatory actions. This can help to generate pressures for change.

REFERENCES

French, M. 1992. *The War against Women*. New York, NY: Ballantine Books.

James, G. 1996. *In the Public Interest*. London, U.K.: Warner Books.

McBarnet, D. 1991. Whiter than white collar crime: Tax, fraud insurance and the management of stigma. *British Journal of Sociology* (September): 323–344.

Mitchell, A., P. Sikka., and H. Willmott. 1996. Sweeping it under the carpet: The role of accountancy firms in money laundering. Paper presented at the Fourth Critical Perspectives on Accounting Symposium, Baruch College, The City University of New York, April 26–28.

Scott, Sir Richard. 1996. Report of the inquiry into the export of defence equipment and dual-use goods to Iraq and related prosecutions. London, U.K. HMSO (5 Vols. + index).



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

Research on Accounting Ethics

Appointment of New Editor

Call for Papers I

Call for Reviewers

Appointment of New Editor

JAI Press Inc. is pleased to announce that Bill N. Schwartz, Professor of Accounting at Virginia Commonwealth University, is the new editor of *Research on Accounting Ethics*. In addition, Dean Steven M. Mintz,

California State University–San Bernardino, will be Associate Editor in charge of the new Cases section.

Call for Papers

Research on Accounting Ethics seeks thoughtful and well-developed empirical or non-empirical manuscripts on a variety of current topics in accounting ethics, broadly defined. It examines all aspects of ethics and ethics-related issues in accounting including, for example, accountability, financial reporting, organizational control, gender issues, quality concerns, professional codes, organization and culture, judgment and decision-making litigation and regulation and social responsibility. Acceptable research methods for empirical work include action research, archival analysis, field-based studies, financial statement analysis, laboratory experiments, mathematical modeling, psychometrics and surveys.

Nonempirical manuscripts should be academically rigorous. They can be theoretical syntheses, conceptual models, position papers, discussions of methodology, comprehensive literature reviews grounded in theory, or historical discussions with implications for current and future efforts. Reasonable assumptions and logical development are essential. Most manuscripts should discuss implications for research.

For empirical reports sound research design and execution are critical. Articles should have well articulated and strong theoretical foundations. In this regard, establishing a link to the nonaccounting literature is desirable. Replications and extensions of previously published works are encouraged. As a means for establishing an open dialogue, responses to, or comments on, articles published previously are welcomed.

Submission Information

Five copies are required. Submission fee is \$40. Manuscripts should include a cover page with the author's name and address and a separate lead page with an abstract not exceeding 250 words. The author's name and address should not appear on the abstract. In order to assure an anonymous review, authors should not identify themselves directly or indirectly. Reference to unpublished working papers and dissertations should be avoided. **Submit manuscripts to:** Bill N. Schwartz, School of Business, Virginia Commonwealth University, 1015 Floyd Avenue, Richmond, VA 23284-4000. Cases: Three copies of cases and proposed teaching notes should be sent directly to Dean Mintz at California State University–San Bernardino.

Call For Reviewers

Individuals interested in being a member of the editorial review board should contact Professor Schwartz by email at bschwartz@busnet.bus.vcu.edu and explain their interests.



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

Public Interest Sessions Scheduled During the Annual Meeting of the American Accounting Association

August 16-19, 1998

Monday, August 17, 3:45 pm – 5:15 pm

Session Title: Analysis of the Practice of Auditing

Moderator: Pamela Roush, University of Central Florida

Knowing Efficiency: An Ethnographic Account of Efficiency Auditing.
Vaughan Radcliffe, Case Western Reserve University

Sweeping it Under the Carpet: The Role of Accountancy Firms in Money Laundering. Prem Sikka, University of Essex; Austin Mitchell, House of Commons, U.K.; and Hugh Willmott, University of Manchester Institute of Science and Technology.

AICPA Accreditation of CPAs in Specific Areas of Practice: An Empirical Investigation. Shawn Mauldin, Southeastern Louisiana University; W. Mark Wilder and Morris H. Stocks, both at University of Mississippi.

Discussant: Lawrence P. Kalbers, Long Island University–C.W. Post

Tuesday, August 18, 10:30 am – Noon

Session Title: Environmental Disclosures and Morality of Organizations

Moderator: Barbara Turk Uliss, Metropolitan State College of Denver

Valuation Analysis of Mandatory and Discretionary Environmental Disclosures. Kathryn A. S. Lancaster, California Polytechnic State University.

Environmental Disclosure in Annual Reports: A Legitimacy Theory Framework. Arline A. Savage, Oakland University.

Discussant: William J. Cenker, John Carroll University

Creating a Morally Driven Organization: A Model for Fostering an Epidemic of Moral Intensity. James C. Lampe, Vicky Arnold, and Steve Sutton, Texas Tech University.

Discussant: Janet Mobus, California State University–San Marcos

Tuesday, August 18, 3:45 pm – 5:15 pm

Session Title: Information Systems, Accounting Research, and Accounting and Society

Moderator: Philip H. Siegel, Long Island University–C.W. Post

The Ethical Twilight of Accounting Information Systems. Jesse Dillard, University of New Mexico.

Scientific Conversation in Accounting Research. Sara Ann Reiter, Binghamton University and Paul F. Williams, North Carolina State University.

Accounting, Postmodern Politics and the Bifurcation of Liberalism. C. Edward Arrington, University of North Carolina-Greensboro and Ann. L. Watkins, Fayetteville State University.

Discussant: Timothy J. Fogarty, Case Western Reserve University

Wednesday, August 19, 10:30 am – Noon

Session Title: Regulating Accountants, Educational Tax Reform, and History of Cost Accounting

Moderator: To be determined

Accounting Regulation: A Test of the Stigler-Peltzman Model. George D. Sanders, Western Washington University.

Discussant: Rodney Rogers, Portland State University

The Hope Scholarship Credit: How Much Will be Provided by the Tax Code? Tonya Flesher and Marilynn Young, both at University of Mississippi.

Discussant: Jean Harris, Pennsylvania State University–Harrisburg

Conditional Truth: The Rhetoric of Cost in Twentieth Century America. C. J. McNair, Babson College and Richard Vangermeersch, University of Rhode Island.

Discussant: Richard Fleischman, John Carroll University

Forum Papers to be Presented

Deconstructing the Corporate University. Timothy J. Fogarty, Case Western Reserve University and Dwight Owen, University of Portsmouth, U.K.

Accounting to the Wider Society: Towards a Mega-Accounting Theory. M. R. Mathews, Massey University.

Tax Incremental Financing: An Extended Institutional Theory Perspective of Organizational/Governmental Conflictual Relations. Mark A. Covalleski, University of Wisconsin—Madison and Mark W. Dirsmith, Pennsylvania State University, and Katrina Mantzke, University of Wisconsin—Madison.

Criteria Used by Students for Ethical Judgements. Lourdes Ferreira White, University of Baltimore.

God Scores a "4" on the DIT: Arguments for Lower Stages of Ethical Development as Optimal for the Public Accounting Profession. John M. Thornton, United States Air Force Academy.

Historians' CPE

The Academy of Accounting Historians will sponsor a CPE workshop in New Orleans from 8:00 a.m. to noon on Sunday, August 16. A panel of three scholars, including Richard Fleischman of John Carroll University, Barbara Merino of the University of North Texas, and Vaughan Radcliffe of Case Western Reserve University, will provide an introduction to accounting history as a discipline.

The panel will walk participants through the research process as they have themselves pursued it, going from the inception of an idea through the mobilization of theoretical and empirical materials to the mechanics of bringing the manuscript to successful publication. Research approaches that will be discussed include archival research, critical theory and new history. Several journal editors or their representatives have agreed to discuss the types of analyses that might be appropriate for their journals.

The session is designed for all with an interest in accounting history, but will especially welcome those who may have no experience in the area, but are eager to better understand accounting history, to contextualize studies in their own research areas of interest, or to add historical work to their research portfolios.



PUBLIC INTEREST

Vol. 26, No.2 Spring 1998

About the Public Interest Section

Objectives

- Promote interaction among members of the academic and professional communities interested in the interface of accounting with social, economic, ethical and political consequences of corporate activity, and in exploring the social and ethical roles and responsibilities of the accounting profession.
- Encourage research in public interest accounting by identifying areas in need of research, providing a forum for the exchange of ideas and

findings, and providing opportunities for exposure of research results.

- Present programs which create and expand an awareness of the profession's responsibility to society.
- Develop and promote educational materials which foster an awareness of social and ethical issues in accounting students.
- Encourage interdisciplinary exchanges between accountants and members of other learned groups.

Activities

- Participation in national meetings
- Participation in regional meetings
- Newsletters
- Annual research retreat
- Workshops

History

The Public Interest Section of the American Accounting Association was founded in 1979 to advance awareness of the social responsibilities of the profession. The Section seeks to advance and support: social, ethical, and public policy accounting and reporting research; the assessment and recommendation of social measurement and reporting standards; the development of social and ethical curricula; and to provide assistance on public issues in which the accountant's unique expertise can be brought to bear.

Benefits of Membership

The Public Interest Section provides opportunities to:

- Stay current on the latest developments in social and ethical accounting and other Public Interest issues.
- Receive the newsletter of the Section containing information on current activities, research and education in Public Interest areas.
- Discuss research ideas with individuals with whom you share similar research interests.
- Participate in seminars, retreats, workshops and programs addressing Public Interest issues, both regionally and nationally.
- Contribute to the development of the professional accountant's sense of responsibility with respect to the Public Interest.

[Membership Application Form](#) (Printable with [Adobe Acrobat Reader](#))

OFFICERS

CHAIR

Timothy J. Fogarty
Department of Accounting
Weatherhead School of
Management
Case Western Reserve University
10900 Euclid Avenue
Cleveland, OH 44106-7235
Phone: (216) 368-3938
Fax: (216) 368-4776
Email: tjf@po.cwru.edu

CHAIR-ELECT

Lee D. Parker
Faculty of Economics and Commerce
University of Adelaide
Adelaide, South Australia 5005
Phone: (61) 83034755
Fax: (61) 83034368
Email:
lparker@economics.adelaide.edu.au

VICE-CHAIR/DIRECTOR OF RESEARCH AND CPE COORDINATOR

Leslie Oakes
R.O. Anderson School of
Management
University of New Mexico
1924 Las Lomas
Albuquerque, NM 87131
Phone: (505) 277-8442
Fax: (505) 277-7108
Email: oakes@anderson.unm.edu

SECRETARY/TREASURER

Mary Beth Armstrong
Accounting Department
College of Business
California Polytechnic State University
San Luis Obispo, CA 93407
Phone: (805) 756-2084
Fax: (805) 756-1473

NEWSLETTER EDITOR

Paul F. Williams
Department of Accounting
Box 8113
College of Management
North Carolina State University
Raleigh, NC 27695-8113
Phone: (919) 515-4436
Fax: (919) 515-4446
Email: paul_williams@ncsu.edu

MEMBERSHIP COORDINATOR

Vaughan Radcliffe
Department of Accountancy
Weatherhead School of Management
Case Western Reserve University
10900 Euclid Avenue
Cleveland, OH 44106-7235
Phone: (216) 368-2051
Fax: (216) 368-4776
Email: vsr3@po.cwru.edu

COORDINATOR OF REGIONAL ACTIVITIES

Pamela B. Roush
School of Accounting
College of Business
Administration
University of Central Florida
4000 Central Florida Boulevard
Orlando, FL 32816-1400
Phone: (407) 823-2958

NATIONAL MEETING PROGRAM COORDINATOR

Lawrence P. Kalbers
Department of Accounting
College of Business
John Carroll University
20700 North Park Boulevard
Cleveland, OH 44118
Phone: (216) 397-4454

Fax: (407) 823-5741 Email: proush@pegasus.cc.ucf.edu	Fax: (216) 397-3063 Email: kalbers@javaxa.jcu.edu	