

HAVE YOU SEEN?

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Editorial Note: If you have an abstract or know of an abstract that would be of interest to the members of the AAA International Accounting Section, please email the reference information and abstract to Chris Hodgdon at chodgdon@bsad.uvm.edu

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Have you Seen?... (continued from page 37)

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

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

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

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

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

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American Accounting Association International Accounting Section

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Editorial Policy

The *Journal of International Accounting Research* publishes articles that increase our understanding of the development and use of international accounting and reporting practices or attempt to improve extant practices. International accounting is broadly interpreted to include the reporting of international economic transactions; the study of differences among practices across countries; the study of interesting institutional and cultural factors that shape practices in a single country but have international implications; and the effect of international accounting practices on users. The *Journal* has a diverse readership and is interested in articles in auditing, financial accounting, managerial accounting, systems, tax, and other specialties within the field of accounting. The *Journal* is open to research using a wide variety of research methods, including empirical-archival, experimental, field studies, and theoretical. The *Journal* may include sections for Notes (shorter articles) and Commentaries. Education articles should be sent to a journal such as *Issues in Accounting Education*.

All manuscripts are sent to two reviewers, although one or more additional reviewers may be consulted in some instances. Reviews will be double-blind (i.e., to both the author and reviewer). A strong effort will be made to complete the initial review within two to three months. The review process is intended to provide constructive comments that improve the quality of manuscripts by focusing on critical issues. The editorial team recognizes that the nuances of a paper are better left to the authors.

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2. To expedite the process, an electronic submission and review process is preferred. To preserve anonymity, it is advised that the cover page and the remainder of the document be placed in separate Microsoft® Word or PDF files. In the case of manuscripts reporting on field surveys or experiments, the instrument (e.g., questionnaire, case, interview plan) should also be submitted in a separate file, with the identity of the author(s) deleted. The cover page, manuscript, and, if applicable, the instrument should be emailed as attached files to Kenneth Ferris, Editor, at: kenneth.ferris@asu.edu. There is no submission fee for members of the AAA International Section, but \$35.00 for others, made payable to the American Accounting Association. The submission fee is nonrefundable. To charge the fee, access the AAA web site at: <https://aaahq.org/AAAforms/journals/jiarsubmit.cfm>. Alternatively, (although this is not encouraged) the submission fee also may be paid by check to the American Accounting Association, and mailed to Kenneth Ferris, Editor, *Journal of International Accounting Research*, School of Global Management and Leadership, Arizona State University, P.O. Box 37100, Phoenix, AZ 85069-7100.
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International Financial Reporting Standards and Fair-Value Accounting & Workshop on Integrating IFRS into the Financial Accounting Curriculum

June 3-5, 2009

Temple University Main Campus, Philadelphia, PA

Sponsored by the Department of Accounting and the Center for International Business Education and Research (CIBER) at the Fox School of Business at Temple University in collaboration with the International Accounting Section of the American Accounting Association.

Wednesday, June 3

A full day of training sessions geared towards accounting educators and focused on incorporating IFRS into introductory financial accounting, intermediate accounting I, and intermediate accounting II courses. Experts from academia, public accounting and industry will conduct these sessions.

Thursday, June 4

For practitioners and educators, presentations in the morning covering revenue recognition under IFRS, fair value accounting and IFRS, and first time IFRS adoption. Panel discussions in the afternoon on the current status of IFRS in the US, and issues with fair value accounting under IFRS and US GAAP.

Friday, June 5

Research presentations by invited guests and Temple faculty. Featured invited presenters this year are:

- S.P. Kothari, Massachusetts Institute of Technology
- Mark Lang, University of North Carolina
- Stephen Penman, Columbia University

Featured Presenters & Panelists:

- John Brozovsky, Virginia Tech University
- David Cairns, London School of Economics
- Fred Choi, New York University
- Trevor Harris, Columbia University
- Scott Hartman, Ernst & Young
- John Hepp, Grant Thornton
- S.P. Kothari, Massachusetts Institute of Technology
- Mark Lang, University of North Carolina
- Cheryl Linthicum, University of Texas - San Antonio
- Liza McAndrews-Moberg, Securities and Exchange Commission
- Paul Munter, KPMG
- Stephen Penman, Columbia University
- Ray Pfeiffer, Financial Accounting Standards Board Academic Fellow
- Jenice Prather-Kinsey, University of Missouri
- Sherif Sakr, Deloitte & Touche
- Terry Warfield, University of Wisconsin - Madison
- Mark Watermasysk, PricewaterhouseCoopers

Registration

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

Please contact Foxacctg@temple.edu if you need further information.

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