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Accounting & Finance Association of Australia and New Zealand

2017 AFAANZ CONFERENCE

PROGRAM AND ABSTRACTS

SUNDAY, 2 JULY–TUESDAY, 4 JULY 2017

ADELAIDE, SOUTH AUSTRALIA, AUSTRALIA

Platinum Sponsors:

CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

CPA AUSTRALIA

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WELCOME

ON BEHALF OF THE BOARD OF DIRECTORS, WE WOULD LIKE TO WELCOME YOU TO THE 2017 AFAANZ CONFERENCE.

The AFAANZ mission is to promote and maintain excellence in the fields of pedagogy, practice, and policy in accounting, finance, and other related subjects through the development of teaching and research in Australia and New Zealand. The 2017 conference is an opportunity to advance this mission and to showcase the skills and contributions of our diverse membership.

Once again, we received a large number of research papers from across the world and across a broad range of topics. These include auditing, accounting education, accounting history, corporate governance, corporate social responsibility, finance, financial accounting, interdisciplinary accounting, international accounting, management accounting, public-sector/not-for-profit accounting, and tax. The broad scope of research streams continues to reflect our desire to ensure that AFAANZ reaches out to all accounting and finance academics in our region.

We thank all of you who have submitted papers and who have indicated your willingness to chair sessions and discuss papers. The conference continues to provide a variety of outstanding speakers and topics including keynote addresses from Professor April Klein, Leonard N. Stern School of Business New York University; Professor Doug Foster, The University of Sydney Business School and Professor Steven Cahan, University of Auckland.

Our Special Interest Groups (SIGs) will also be holding their symposia at the conference. Most will be holding this on Saturday or Sunday, i.e., Auditing and Assurance, Accounting History, Accounting Standards, Qualitative Research in Accounting Network, Accounting Education, Behavioural Finance and Management Accounting. The Calibration of Learning Standards SIG will have their meeting on the 5th of July. The SIGs provide valuable professional development and excellent networking opportunities with leading members of the profession.

The very successful Women's Mentoring Program will again be offered on Sunday morning. This year, the workshop will focus on Engagement & Impact research proposals and working in research teams. We are running a 'Rookie Camp' for the first time in 2017. The Rookie Camp is designed for PhD students who are finishing up their theses and are on the job market. Rookies will be provided with 15 minutes to present a summary of their research. In this way the conference provides an opportunity for rookies and schools to meet each other.

We would like to take this opportunity once again to thank our platinum sponsors, the Chartered Accountants Australia and New Zealand; and CPA Australia for their continued sponsorship of AFAANZ. We also gratefully acknowledge the support of CIMA's General Charitable Trust. The conference is the culmination of the work of some very committed and selfless individuals who strive to ensure that the experience is one that you will enjoy and find inspirational. The AFAANZ Board thanks all who have worked so hard to put this very special conference together.

RAY DA SILVA ROSA (AUSTRALIA)
CHRIS VAN STADEN (NEW ZEALAND)
Presidents

ANDREW JACKSON
CHARL DE VILLIERS
Co-Chairs, AFAANZ Conference 2017 Technical Committee

PREETA PHILIP
Manager

GENERAL INFORMATION

REGISTRATION

Please go to the registration desk located in the Exhibition area on level one to collect conference materials.

Open times:

Sunday, 2 July 10:00am–6:00pm

Monday, 3 July 7:30am–5:30pm

Tuesday, 4 July 7:30am–5:30pm

MEETING ROOMS

The conference meeting rooms are located on level one of Hilton Adelaide.

SPEAKERS PREP ROOM

The speakers prep room is located in Suite 4. Please ask the staff at the registration desk for directions.

The Prep Room will be open at the following times:

Sunday, 2 July, 10:00am–5:00pm

Monday, 3 July, 7:30am–5:30pm

Tuesday, 4 July, 7:30am–4:30pm

Upon registration, all speakers will be directed to the speakers prep room to load presentation material. As a speaker, you are responsible for your own material. It must be loaded correctly and checked into the speakers prep room at least two hours prior to your presentation time. An audio/visual technician will be in the speakers prep room at all times to assist. No personal laptops are permitted.

REFRESHMENT BREAKS

Refreshment breaks will take place within the trade exhibition area, located in the Exhibition area on level one.

SPECIAL DIETARY REQUIREMENTS

Every effort has been made to accommodate all special dietary requirements however advance notification is required. If you did not provide this information at the time of registering, please notify the registration desk as soon as possible. Please make yourself known to venue staff during refreshment breaks.

NAME BADGES

All delegates will receive a name badge upon registration. This badge is the official pass and must be worn to obtain entry to all conference sessions, the trade exhibition area and social events.

PEOPLE WITH SPECIAL NEEDS

Every effort has been made to ensure people with special needs are catered for. Should you require any specific assistance, please advise the registration desk as soon as possible to enable us to make your time at the conference a pleasant and comfortable experience.

MESSAGE BOARD

A message board is located at the registration desk. Please check this from time to time to ensure that you pick up your messages. Urgent messages may be directed to the registration desk (Telephone Number +61 3 9363 6111) where conference management will do their best to find the recipient. However, it is normally best to have messages left at your hotel for collection.

PRE AND POST TOURS

If you are planning on extending your stay in Adelaide or have some free time to explore all that South Australia has to offer www.southaustralia.com is a useful website that may assist in your planning

MOBILE PHONES AND PAGERS

Please turn off your mobile devices while you are in sessions.

CPD HOURS CLAIM

The Chartered Accountants Australia and New Zealand; and CPA Australia recognise that AFAANZ conference participation may count towards Continuing Professional Development (CPD) hours to the extent that learning activities have taken place. To claim your hours you will need to maintain records confirming your participation, which may consist of receipts, attendance lists, or a confirmation notice from AFAANZ.

SOCIAL FUNCTIONS

Entry to all social functions is by name badge and/or entry ticket. If you indicated your intention to attend a particular social function at the time of registration but are no longer able to attend, please advise the registration desk. Additional tickets for social functions can be purchased at the registration desk (subject to availability).

GENERAL INFORMATION

WELCOME RECEPTION

Sponsored by CPA Australia

Sunday, 2 July from 6pm to 7pm

Hilton Adelaide,
Level one Exhibition area

Additional tickets: $55.00

End your first day of the conference with a cold beverage and a bite to eat. This will give you the perfect chance absorb your day, meet, and catch up with exhibitors

NETWORKING HOUR

Sponsored by Chartered Accountants Australia and New Zealand

Monday, 3 July at 6pm to 7pm

Hilton Adelaide,
Level one Exhibition area

Additional tickets: $50.00

The perfect opportunity to build new networks and enjoy the company of exhibitors, colleagues and peers in a relaxed and informal setting over drinks

CONFERENCE DINNER

Tuesday, 5 July,

Hilton Adelaide Ballroom

Pre-Dinner drinks 7:30pm to 8pm

Dinner/Dance & Awards Ceremony 8pm to 11.45pm

Dress code: Business attire (with jacket)
Theme: Hollywood

Additional tickets: $140.00

Step out in "Hollywood" style and join the anticipated AFAANZ Awards Dinner. A night of celebration where the finalists and winners are recognised and announced. This evening will impress!

All prices quoted are in Australian Dollars and are inclusive of GST

INSURANCE

Delegates are strongly advised to secure appropriate travel and health insurance. Delegate registration fees do not provide any such insurance coverage. The organising Committee and the Conference office accept no responsibility for any loss in this regard.

SMOKING POLICY

Hilton Adelaide is a non-smoking hotel and has a 'no smoking' policy in all rooms. Smoking is permitted outdoors in designated areas, please ensure you check the signage around the hotel.

TIME ZONE

Adelaide's AEST is UTC/GMT +9:30 hours

ACCOMMODATION

Check-in is available from 3.00pm

Check-out is at 12.00pm

TRANSPORT

13CABS – phone 13 2227

Adelaide Independent Taxis – 13 22 11

Fares and Charges – http://bit.ly/2r1KB5A

CAR HIRE

All the major car hire companies operate from Adelaide including:

Avis – www.avis.com.au

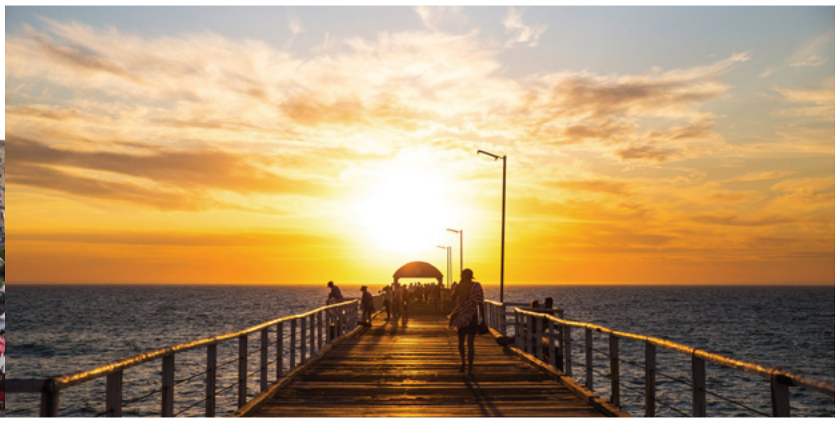
Budget – www.budget.com.au

Europcar – www.europcar.com.au

Hertz – www.hertz.com

Thrifty – www.thrifty.com.au

Red Spot Car Rentals – www.redspot.com.au



GENERAL INFORMATION

TRADE EXHIBITION AREA

Entry to the conference's comprehensive exhibition is included in delegate registration fees.

The trade exhibition is located on level one of the Hilton Adelaide and is open as follows:

Sunday, 2 July, 3:00pm–7:00pm

Monday, 3 July, 8:30am–6:30pm

Tuesday, 4 July, 8:30am–4:00pm

THE FOLLOWING ORGANISATIONS WILL BE EXHIBITING THIS YEAR:

AFAANZ
www.afaanz.org

Audit Analytics
www.auditanalytics.com

Cengage Learning
www.cengage.com.au

Chartered Accountants Australia and New Zealand
www.charteredaccountantsanz.com

Chartered Institute of Management Accountants
www.cimaglobal.com

CPA Australia
www.cpaaustralia.com.au

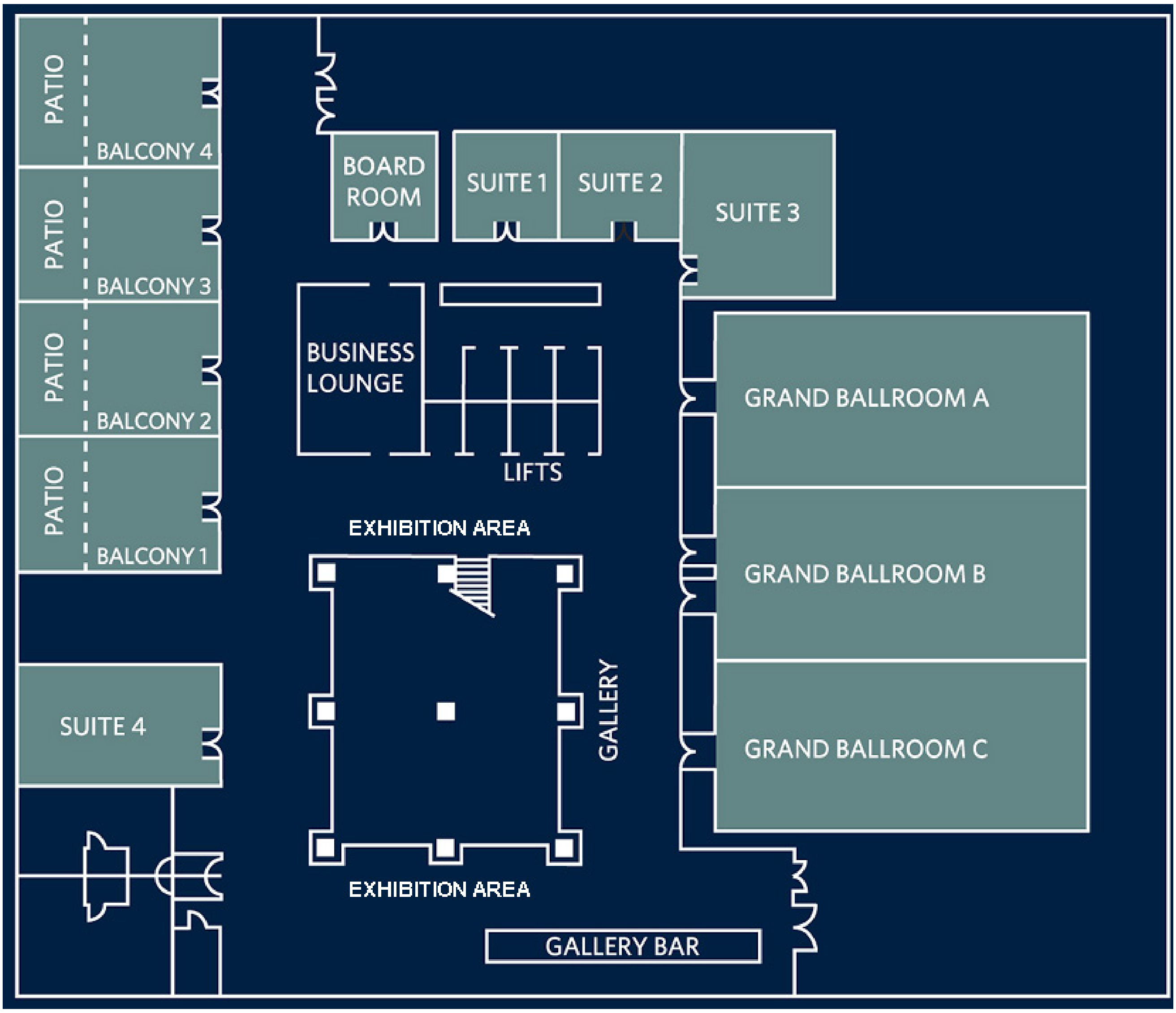
McGraw-Hill Education
www.mheducation.com.au

Pearson
www.pearson.com.au

Routledge
www.routledge.com

Wiley
www.wiley.com

LEVEL 1 FLOOR PLAN



Please note that the Victoria Room is located on the ground floor.

afaanz
Accounting & Finance Association of Australia and New Zealand

Announcing the:

2018 AFAANZ Conference

1-3 July 2018 | Auckland, New Zealand

Sponsored by

CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

CPA AUSTRALIA

CALL FOR PAPERS

This is the first call for papers for the 2018 AFAANZ Conference to be held in Auckland, New Zealand. Papers are invited in the broad areas of accounting, finance, auditing, corporate governance, accounting information systems, accounting education, ethics, corporate social responsibility, tax and related topics.

Papers should conform to the style and format of Accounting and Finance, an AFAANZ journal. All papers will be subject to blind peer review so please ensure that there are no author details mentioned in your paper.

SUBMISSION OF PAPERS

Further details regarding the submission of papers will be made available in the September 2017 issue of the AFAANZ Newsletter and on the AFAANZ website at http://www.afaanz.org/conferences

SUBMISSION DATE

Papers must be submitted by **Sunday, 18 February 2018**, 5pm AEST. Late submissions will NOT be accepted under any circumstances so please allow adequate time to complete our online submission process.

EVENT SPONSORS

WE ARE GRATEFUL TO THE FOLLOWING ORGANISATIONS FOR SPONSORING THE EVENTS BELOW:

WELCOME RECEPTION

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NETWORKING HOUR

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BEST PAPER: AUDITING

SPONSORED BY

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Australian National Centre for Audit and Assurance Research and Research School of Accounting

BEST PAPER: SIRCA

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sirca

EXHIBITION:

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2017

AFAANZ CONFERENCE

PLENARY PANEL PROGRAM

PLENARY SESSIONS

PLENARY SESSION 1 – WRITING ON SOMETHING NEW (SORT OF)

SUNDAY, 2 JULY 2017: 2.45PM – 4.00PM
ROOM: BALLROOM B/C

APRIL KLEIN

Professor of Accounting,
Leonard N. Stern School of Business,
New York University

BIOGRAPHY

April holds the title of WBS Distinguished Research Environment Professor at the Warwick Business School. Her research focuses on corporate governance, hedge fund activism and trading, earnings management, valuation, and corporate finance issues. Her latest research deals with the use of semi-public information by market participants. Currently, she is on the editorial and advisory board of The Contemporary Accounting Research and The Journal of Corporate Finance.

PLENARY SESSION 2 – BELIEFS

MONDAY, 3 JULY 2017: 11.40AM – 1.10PM
ROOM: BALLROOM B/C

DOUG FOSTER

Professor of Finance
The University of Sydney Business School

BIOGRAPHY

Doug's research interests include the use of information-based techniques in market design, funds management, investment banking, corporate finance, and risk management.
His research interests include the use of information-based techniques in market design, funds management, investment banking, corporate finance, and risk management. He has also written experimental and qualitative papers in behavioural finance with a growing focus on individual retirement savings decisions.

PLENARY SESSION 3 – FROM CSR TO IR

TUESDAY, 4 JULY 2017: 11.10AM – 12.40PM
ROOM: BALLROOM B/C

STEVEN CAHAN

Professor of Financial Accounting
University of Auckland Business School

BIOGRAPHY

Steven's current research interests include financial reporting, auditing, extra-financial information, the media, and social norms. He has published over 65 academic research articles and currently serves on nine editorial boards. Steven is a Chartered Accountant and is a Fellow of Chartered Accountants Australia New Zealand. At a global level, he has been involved with the International Federation of Accountants as a member of the Consultative Advisory Group for the International Accounting Education Standards Board.

PANEL DISCUSSIONS

WHAT DOES THE NEXT GENERATION WANT (OR NEED)?

SUNDAY, 2 JULY 2017: 4.30 – 5.30pm, Ballroom B/C

MODERATOR:

PROFESSOR RAY DA SILVA ROSA, The University of Western Australia

PANEL MEMBERS:

CPA AUSTRALIA

CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

AASB ACADEMIC ADVISORY PANEL UPDATE

MONDAY, 3 JULY: 10.30 – 11.30am, at Ballroom A

MODERATOR:

PROFESSOR BALJIT SIDHU, UNSW Sydney

PANEL MEMBERS:

ASSOC. PROFESSOR BRAD POTTER, The University of Melbourne

ASSOC PROFESSOR BRYAN HOWIESON, The University of Adelaide

INSIDERS VIEWS ON THE ERA AND PBRF RESEARCH ASSESSMENT

MONDAY, 3 JULY: 4.30 – 6.00pm, at Ballroom B/C

MODERATOR:

PROFESSOR BALJIT SIDHU, UNSW Sydney

PANEL MEMBERS:

PROFESSOR STEPHEN TAYLOR, University of Technology, Sydney

PROFESSOR STEVEN CAHAN, University of Auckland

PROGRAM AT A GLANCE

SATURDAY, 1 JULY

AFAANZ Special Interest Group Symposia

08.30–14.00	Behavioural Finance Special Interest Group (SIG7)	Balcony 1
08.30–17.00	Accounting Education Special Interest Group (SIG5)	Ballroom C
08.30–17.00	Accounting Standards Special Interest Group (SIG3)	University of Adelaide
09.00–16.00	Accounting History Special Interest Group (SIG2)	Balcony 2
18.00–21.30	Management Accounting Special Interest Group (SIG8)	Balcony 2

SUNDAY, 2 JULY

AFAANZ Special Interest Group Symposia

08.00–13.00	Qualitative Research in Accounting Network Interest Group (SIG4)	Balcony 3
08.30–13.00	Auditing and Assurance Special Interest Group (SIG1)	Balcony 1 & 2
09.00–12.30	Women's Mentoring Program	Balcony 4
13.00–17.00	Registration Desk open	Exhibition Area
13.30–14.30	Heads of Departments Meeting	Balcony 1 & 2
14.30–14.45	President's Welcome - Ray da Silva Rosa and Chris van Staden	Ballroom B/C
14.45–16.00	Plenary Session 1: "Writing on Something New (sort of)"	Ballroom B/C
15.00–19.00	Exhibitions open	Exhibition Area
16.00–16.30	Afternoon Tea	Exhibition Area
16.30–17.30	Panel Discussion "What does the next generation want (or need)?"	Ballroom B/C
17.30–18.00	First time AFAANZ Conference Attendees Meeting	Balcony 1 & 2
18.00–19.00	Welcome Reception Sponsored by CPA Australia	Exhibition Area

MONDAY, 3 JULY

08.30–18.30	Exhibitions open	Exhibition Area
08.30–10.00	Concurrent Sessions 1 – with discussants	
	Auditing – Audit Quality	Ballroom A
	Corporate Governance - Board of Directors	Balcony 4
	Corporate Social Responsibility - Corporate Social Responsibility	Ballroom B/C
	Education – Cultural Accounting Education	Victoria Room
	Finance – Behavioural Finance	Balcony 1
	Financial Accounting – Financial Analysts	Balcony 2
	Financial Accounting – Disclosure	Balcony 3
	Management Accounting – Perspectives on Performance	Suite 3
09.30–16.30	Research Interactive Sessions	Exhibition Area
	■ Modifying VAIC model to measure intellectual capital efficiency: evidence from developed and emerging markets of the World: Muhammad Nadeem	
	■ Board Composition and Executive Directors' Remuneration in Malaysian Listed Family Companies: Ling Jong; Poh-Ling Ho	
	■ Base Erosion and Profit Shifting in Indonesia: Arnaldo Purba; Alfred Tran	
	■ Academic Accounting in Transition: From Teaching College to Teaching and Research University: Maryam Safari; Lee Parker	
10.00–10.30	Morning Tea	Exhibition Area
10.30–11.30	Panel Session: "AASB Academic Advisory Panel Update"	Ballroom A
10.30–11.30	Concurrent Sessions 2 – without discussants	
	Auditing – Audit Fees	Victoria Room
	Corporate Governance – Governance and Communication	Balcony 1
	Corporate Social Responsibility – Gambling and Taxes	Ballroom B/C
	Critical Perspectives – Critical Perspectives	Suite 3
	Finance – Financial Institutions	Balcony 4
	Financial Accounting – Managers and Disclosure	Balcony 3
	International Accounting - International Accounting	Balcony 2
11.40–13.10	Plenary Session 2: "Beliefs"	Ballroom B/C
13.10–13.50	Lunch	Exhibition Area
13.50–14.50	Concurrent Sessions 3 – Forum	
	Auditing – Audit Fees Forum	Balcony 1
	Corporate Governance – Executive Employment	Balcony 2
	Corporate Social Responsibility – CSR and Financial Reporting	Victoria Room
	Financial Accounting – Earnings Quality	Suite 3
	Finance – Finance Forum	Balcony 3
	Financial Accounting – Disclosure	Ballroom B/C
	International Accounting – International Accounting Forum	Balcony 4
	Management Accounting – Management Accounting Forum	Ballroom A

PROGRAM AT A GLANCE

MONDAY, 3 JULY CONTINUED

15.00–16.00	Concurrent Sessions 4 – without discussants	
	Auditing – Qualitative Auditing Research	Balcony 3
	Corporate Governance – Corporate Governance and Ownership	Balcony 4
	Corporate Social Responsibility – CSR Disclosures	Ballroom A
	Finance – Uncertainty	Victoria Room
	Financial Accounting – Accounting Standards	Balcony 1
	Financial Accounting – Forecasts	Balcony 2
	Management Accounting – Managerial Performance	Suite 3
	Public Sector/Not for Profit – Public Sector	Ballroom B/C
16.00–16.30	Afternoon Tea	Exhibition Area
16.30–18.00	Panel Discussion: "Insiders Views on the ERA and PBRF Research Assessment"	Ballroom B/C
18.00–19.00	Networking Hour Sponsored by CAANZ	Exhibition Area

TUESDAY, 4 JULY

08.30–16.00	Exhibitions open	Exhibition Area
08.30–09.30	Concurrent Sessions 5 – Forum	
	Auditing – Audit Quality and the Value of Auditing	Balcony 3
	Corporate Governance – Corporate Governance	Balcony 2
	Corporate Social Responsibility – Corporate Social Responsibility Forum	Balcony 4
	Education – Education Forum	Ballroom A
	Financial Accounting – Valuation	Balcony 1
	Management and History – Performance and Accountability	Ballroom B/C
	Public Sector/Not for Profit – Public Sector	Suite 3
	Panel – Research in China Panel	Victoria Room
09.40–10.40	Concurrent Sessions 6 – without discussants	
	Auditing – Audit Quality	Suite 3
	Corporate Governance – CEO and Corporate Governance	Balcony 4
	Corporate Social Responsibility – Issues in Corporate Social Responsibility	Ballroom B/C
	Education – Learning Strategies	Victoria Room
	Finance – Finance	Balcony 1
	Financial Accounting – Managers and Directors	Balcony 2
	Financial Accounting – Disclosure	Balcony 3
	Management Accounting – Management Control Systems	Ballroom A
10.40–11.10	Morning Tea	Exhibition Area
11.10–12.40	Plenary Session 3: "From CSR to IR"	Ballroom B/C
12.40–13.30	Lunch	Exhibition Area
13.30–15.00	Concurrent Sessions 7 – with discussants	
	Accounting History – Accounting History	Ballroom B/C
	Auditing – Judgement and Decision Making	Balcony 2
	Corporate Governance – Behavioural Corporate Governance	Balcony 3
	Education – Approaches to Learning	Ballroom A
	Finance – Corporate Finance	Victoria Room
	Financial Accounting – Earnings Management	Balcony 1
	Public Sector/Not for Profit – Public Sector	Suite 3
	Taxation – Tax	Balcony 4
15.00–15.30	Afternoon Tea	Exhibition Area
15.30–17.00	Concurrent Sessions 8 – with discussants	
	Corporate Governance – Corporate Finance and Governance	Balcony 2
	Corporate Governance – CEO and Performance Evaluation	Balcony 3
	Corporate Social Responsibility – CSR Case Studies	Suite 3
	Critical Perspectives – Critical Perspectives	Balcony 4
	Finance – Finance	Ballroom A
	Financial Accounting – Information and Investors	Balcony 1
	International Accounting – International Accounting	Ballroom B/C
	Management Accounting – Experimental Management Accounting	Victoria Room
19.30–20.00	Pre-dinner Drinks	Ballroom Foyer
20.00–23.45	Conference Dinner/Dance and Awards Ceremony	Ballroom

WEDNESDAY, 5 JULY

AFAANZ Special Interest Group Symposia

09.30-16.00	Calibration of Learning Standards (SIG 9)	University of Adelaide

TECHNICAL PROGRAM

PLENARY SESSION 1 **"Writing on Something New (sort of)" – Professor April Klein** **Sunday 2 July - 14:45-16:00** Ballroom B/C

PANEL SESSION 1 **"What Does the Next Generation Want (or Need)?"** **Sunday 2 July – 16:30-17:30** Ballroom B/C

Chair: Raymond da Silva Rosa, The University of Western Australia

Panel members: CPA Australia; Chartered Accountants Australia and New Zealand

CONCURRENT SESSIONS 1: with Discussants			**Monday 3 July - 08.30-10.00**
AUDITING Room: Ballroom A	**CORPORATE GOVERNANCE** Room: Balcony 4	**CORPORATE SOCIAL RESPONSIBILITY** Room: Ballroom B/C	**EDUCATION** Room: Victoria Room
Audit Quality	**Board of Directors**	**Corporate Social Responsibility**	**Cultural Accounting Education**
Session Chair David Hay	**Session Chair** Harjinder Singh	**Session Chair** Carol Tilt	**Session Chair** David Bond
Competitive Rivalry in Audit Markets	**Evidence on compensation consultant fees and CEO pay in a mandatory disclosure setting**	**Materiality as a patchwork: The users' perspective of Integrated Reporting**	**Communities of practice in a transnational teaching environment**
Authors Simon DeKeyser; Ann Gaeremynck; Robert Knechel; Marleen Willekens	**Authors** Matthew Grosse; Nelson Ma; Tom Scott	**Authors** Anna Young-Ferris; Yan-Yun Chen	**Authors** Meredith Tharapos; Brendan O'Connell
Discussant Andrew Ferguson	**Discussant** Reza Monem	**Discussant** Nam Tran	**Discussant** Gary Oliver
Auditor Response to Client Litigation Risk and the Impact on Audit Quality	**Guardians not Watchdogs in the Boardroom: Conceptualising the Role of Non-Executive Directors**	**Corporate environmental reporting and power in business networks**	**The development and nurturing of judgement skills in accounting programs**
Authors Szu-Fan Chen; Kevin C.W. Chen	**Authors** Collette E. Kirwan; Niamh M. Brennan	**Authors** Lyndie Bayne; Sharon Purchase; Ann Tarca	**Authors** Marie Kavanagh; Jac Birt; Diane McGrath; Nicholas McGuigan; Janine Muir; Adewuyi Ayodele Adeyinka
Discussant Peter Carey	**Discussant** Sue Wright	**Discussant** Lisa Barnes	**Discussant** Meredith Tharapos
The implications of having a common Big4 firm to attest to both financial and non-financial information	**Non-GAAP Earnings and Board Independence: An Investigation of Independent Directors' Other Board Seats**	**Corporate Social Responsibility and Corporate Payout Policy**	**An Alternative Perspective for Engaged Scholarship: Rapprochement Through Research-led Teaching**
Authors Meiting Lu; Roger Simnett; Shan Zhou	**Author** Cheng-Hsun Lee	**Authors** Adrian Cheung; Mostafa Hasan	**Author** Carla Wilkin
Discussant Robert Knechel	**Discussant** Matthew Grosse	**Discussant** Chris van Staden	**Discussant** Jonathan Tyler

CONCURRENT SESSIONS 1: with Discussants continued			**Monday 3 July - 08.30–10.00**
FINANCE Room: Balcony 1	**FINANCIAL ACCOUNTING** Room: Balcony 2	**FINANCIAL ACCOUNTING** Room: Balcony 3	**MANAGEMENT ACCOUNTING** Room: Suite 3
Behavioural Finance	**Financial Analysts**	**Disclosure**	**Perspectives on Performance**
Session Chair Danika Wright **Herding behavior in equity crowd funding** **Authors** Xue Chen; Juan Huang; Jinru Liu; Le Ma **Discussant** Arvid Hoffmann	**Session Chair** Norman Wong **Analysts' Social Connections to Firms and Analyst Earnings Forecasts** **Authors** Yi (Ava) Wu; Yu Flora Kuang; Gladys Lee; Kerui Zhai **Discussant** K.C. Lin	**Session Chair** Majella Percy **Is Missing R&D Material?** **Authors** Ping-Sheng Koh; David Reeb; Wanli Zhao **Discussant** Lixin (Nancy) Su	**Session Chair** Jennifer Grafton **Accounting, financial managing and attachments in affective nets: The case of a Swedish football club** **Authors** Jane Baxter; Martin Carlsson-Wall; Wai Fong Chua; Kalle Kraus **Discussant** Matthew Hall
Individual and Peer Effects in Retirement Savings Investment Choices **Authors** Paul Gerrans; Maria Strydom; Carly Moulang; Jimmy Feng **Discussant** Joey Yang	**Underlying Risk Preferences and Analyst Behavior** **Authors** Jonathan Jona; Sean Cleary; Gladys Lee; Joshua Shemesh **Discussant** Lili Dai	**Effects of Legal Protection of Trade Secrets on Voluntary Disclosure of Forward-Looking Financial Information** **Authors** Dan Dhaliwal; Yan Li; Yutao Li **Discussant** Belen Blanco	**Corporate social responsibility executive compensation and corporate social performance – evidence from US energy and utility companies** **Authors** Cherry (Zhuoyi) He; Colleen Hayes **Discussant** Naomi Soderstrom
Wall Street Crosses Memory Lane: How Witnessed Returns Affect Professionals' Expected Returns **Authors** Arvid Hoffmann; Zwetelina Iliewa; Lena Jaroszek **Discussant** Raymond da Silva Rosa		**Voluntary capex guidance, analyst feedback and capital investment efficiency** **Authors** Jihun Bae; Gary Biddle; Chul Park **Discussant** Lily Chen	**Questioning the numbers: Epistemic authority, narrative and performance evaluation** **Authors** Robert Chenhall; Matthew Hall; David Smith **Discussant** Jane Baxter

RESEARCH INTERACTIVE SESSION **9:30-16:30** Exhibition Area

Modifying VAIC model to measure intellectual capital efficiency: evidence from developed and emerging markets of the World: Muhammad Nadeem
Board Composition and Executive Directors' Remuneration in Malaysian Listed Family Companies: Ling Jong; Poh-Ling Ho
Base Erosion and Profit Shifting in Indonesia: Arnaldo Purba; Alfred Tran
Academic Accounting in Transition: from Teaching College to Teaching and Research University: Maryam Safari; Lee Parker

Morning Tea **10.00–10.30** Exhibition Area

TECHNICAL PROGRAM

PANEL DISCUSSION: AASB Academic Advisory Panel Update **Monday 3 July – 10.30–11.30** Ballroom A

Chair: Baljit Sidhu, UNSW Sydney

Panel members: Assoc. Professor Brad Potter, The University of Melbourne, Assoc Professor Bryan Howieson, The University of Adelaide

PREETA PLS CONFIRM SPEAKERS

CONCURRENT SESSIONS 2: without Discussants			**Monday 3 July - 10.30–11.30**
AUDITING	**CORPORATE GOVERNANCE**	**CORPORATE SOCIAL RESPONSIBILITY**	**CRITICAL PERSPECTIVES**
Room: Victoria Room	Room: Balcony 1	Room: Ballroom B/C	Room: Suite 3
Audit Fees	**Governance & Communication**	**Gambling & Taxes**	**Critical Perspectives**
Session Chair Pam Kent **Audit Fees and Corruption** Noor Houqe; Andrew Mahoney; AKM Waresul Karim; Tony van Zijl **The Effects of Financial Statement Disaggregation on Audit Pricing** Kevin Koh; Yen H. Tong; Zinan Zhu **Does the Audit Market Recognize and Reward Auditor Quality?** James Moon; Jonathan Shipman; Quinn Swanquist; Robert Whited	**Session Chair** Victoria Clout **The UK Stewardship Code and Investee Earnings Quality** Chun Lu; Jacqueline Christensen; James Routledge; Janice Hollindale **Corporate Lobbying, Religiosity And Firm Risk Taking** Yik Pui Low; Ferdinand A Gul; Yee-Boon Foo **The Effect of Clawback Adoptions on Management Earnings Forecasts** Simon Fung; KK Raman; Lili Sun; Li Xu	**Session Chair** Abdul Razeed **How Australia's Biggest Carbon Emitting Companies Responded to the Carbon Tax** Jayanthi Kumarasiri **Talking the Talk or Walking the Talk? Corporate Social Responsibility & Tax Avoidance** Abdullah Alsaadi; M. Shahid Ebrahim; Aziz Jaafar; Doris Merkl-Davies **Corporate Social Responsibility and Corporate Financial Fraud** Lin Liao; Guanting Chen; Dengjin Zheng	**Session Chair** Cristina Neesham **Discursive accounting and the advertising of financial performance** Gary Oliver **Offshoring Structures in Accounting Firms: Spoiled for Choice** Silvia Caratti; Brian Perrin; Glennda Scully **The Silk Road and the origins of double entry** Jenny Wang; Keith Hooper

CONCURRENT SESSIONS 2: without Discussants continued			**Monday 3 July – 10.30–11.30**
FINANCE	**FINANCIAL ACCOUNTING**	**INTERNATIONAL ACCOUNTING**	**PANEL**
Room: Balcony 4	Room: Balcony 3	Room: Balcony 2	Room: Ballroom A
Financial Institutions	**Managers and Disclosure**	**International Accounting**	**AASB Academic Panel Update**
Session Chair Stephen Gong **Mandating risk disclosure in crowdfunding** Xi Zhao; Tom Smith; Qing Zhou; Yushu Zhu **Dual-Track Taylor Rule, Deposit Insurance and Monetary Policy Transmission in China** Xiaoxing Liu; Xu Zhang **Who starts a self-managed superannuation fund and why?** Ron Bird; Douglas Foster; Jack Gray; Adrian Raftery; Susan Thorp; Danny Yeung	**Session Chair** Dharmendra Naidu **Directors' and Officers' Legal Liability Insurance and Internal Control Weaknesses** Guang-Zheng Chen; Edmund Keung **The Effect of Chief Operating Officers on Real Earnings Management** Cory Cassell; Andrew Doucet; E. Scott Johnson; Linda Myer	**Session Chair** Elaine Evans **CEO Ability and Accounting Conservatism** Imran Haider; Nigar Sultana; Harjinder Singh **The Effect of Eliminating the Form 20-F Reconciliation for Firms Following IFRS on Accounting Restatements: The Role of Auditor Industry Specialists** Yi-Hung Lin; Mai Dao; Hua-Wei Huang; Ting-Chiao Huang **The Impact of Labor Power on Stock Price Synchronicity: International Evidence** Brian Lam; Desmond Yuen; Morris Liu	**Session Chair** Baljit Sidhu **Panellists**: Bryan Howieson, University of Adelaide; Brad Potter, University of Melbourne

TECHNICAL PROGRAM

PLENARY SESSION 2: "Beliefs" - Professor Douglas Foster	**Monday 3 July – 11:40-13:10** Ballroom B/C
Lunch	**13.10–13.50** Exhibition Area

CONCURRENT SESSIONS 3: Forum			**Monday 3 July – 13.50–14.50**
AUDITING	CORPORATE GOVERNANCE	CORPORATE SOCIAL RESPONSIBILITy	FINANCIAL ACCOUNTING
Room: Balcony 1	Room: Balcony 2	Room: Victoria Room	Room: Suite 3
Audit Fees Forum	**Executive Employment**	**CSR and Financial Reporting**	**Earnings Quality**
Session Chair David Lont	**Session Chair** Greg Shailer	**Session Chair** Ana Marques	**Session Chair** Le Ma
Accounting complexity, audit fees and audit industry specialization - Australian evidence Muhammad Shahin Miah; Haiyan Jiang; Asheq Rahman; Warwick Stent	**The Benefits of Directors' and Officers' Insurance: A Test of the Talent Attraction Hypothesis** Kuei-Fu Li; Yi-Ping Liao	**The Effects of Corporate Social Disclosure on Firm Performance: Empirical Evidence from Bangladesh** Mohammed Bhuyan; Sudhir C Lodh; Nelson Perera	**An Empirical Investigation into Compliance over Time by Australian Firms with IFRS Disclosure Requirements** Xiaojiao (Jo) Wang
Influence of Islamic religiosity and gender of the information source on auditors' assessment of audit evidence reliability Nazia Adeel; Chris Patel; Nonna Martinov-Bennie	**Board gender diversity and corporate innovation strategies** Alireza Vafaei; Mohammad Alipour; Darren Henry	**The Economic Consequences of Carbon Emissions** Sudipta Bose; Jyotirmoy Podder	**Analysts' Cash Flow Forecasts and Earnings Benchmark Beating** Jeff Coulton; Naibuka Saune; Stephen Taylor
Managerial ownership, audit fees and audit firm size Yuan George Shan; Indrit Troshani; Ann Tarca	**Disclosure and Reporting of Governance Practices by Australian Residential Aged Care Providers: Accountability to Stakeholders** Erin Poulton; Lisa Barnes; Frank Clarke	**Sustainability reporting and integrated reporting perspectives of Thai-listed companies** Neungruthai Petcharat; Mahbub Zaman	**Predictive Power of Comprehensive Income for New Zealand Firms** Shahwali Khan; Michael Bradbury
Audit Pricing in Australian Private Firms: The Effects of Ownership Structure Shireenjit Johl; Peter Carey; Christine Contessotto	**Diversity and compensation inequality within board of directors: Evidence from Australia** Maryam Safari	**A longitudinal analysis of us companies' environmental disclosure practices - a change in the air?** Abdul Razeed	**Identifying Earnings Overstatements: A Practical Test** Zhuoan Feng; Yaowen Shan; Stephen Taylor
The Effects of Ownership Structure Shireenjit Johl; Peter Carey; Christine Contessotto			

CONCURRCURRENT SESSIONS 3: Forum continued			Monday 3 July – 13.50–14.50
FINANCE Room: Balcony 3	FINANCIAL ACCOUNTING Room: Ballroom B/C	INTERNATIONAL ACCOUNTING Room: Balcony 4	MANAGEMENT ACCOUNTING Room: Ballroom A
Finance Forum	**Disclosure**	**International Accounting Forum**	**Management Accounting Forum**
Session Chair Millicent Chang	**Session Chair** Phil Hancock	**Session Chair** Dianne Massoudi	**Session Chair** Kelsey Dworkis
Limited Loan Rate Differentiation and the Determination of Loan Terms in the Chinese Commercial Credit Market Wei Yin; Kent Matthews	**Product Market Rivalry and Strategic Disclosure** Christo Karuna	**The Influence of China's Institutional Environment on IFRS Convergence and Earnings Quality with Conditional Heteroscedasticity** June Cao; Chris Patel; Tak Kuen Siu	**Are Inter District Flows between New Zealand's District Health Boards an Efficient Resource Allocation Mechanism? The Transfer Pricing Conundrum** Matthew Van Kesteren; Carolyn Fowler; Ken Bates
Is there a "Smart Money" effect during recessions? Yimeng (Emon) Chen; Tariq Haque ; Shan Li	**The determinant of corporate selective hedging: Product market competition** Wei Xu; Robyn Davidson; Chee Cheong	**The adoption of International Financial Reporting Standard for Small and Medium-sized Entities: Relevance for SMEs in a Developing Country** Nisansala Wijekoon; Grant Samkin; Umesh Sharma	**The impacts of bonus and penalty on creativity: insights from an eye-tracking study** Yasheng Chen; Bingyi Huang
Investment committees and corporate cash holdings: Evidence from the GCC Baban Eulaiwi; Ahmed Al-Hadi; Ahsan Habib; Grantley Taylor; Khamis Al-Yahyaee	**The Utility of the True and Fair Concept in the Context of University Financial Reporting** Yanxi Xu; Matthew Egan	**Voluntary versus Mandatory Implementations of China SOX and Analyst Forecasts** Xudong Ji; Wei Lu; Wen Qu	**Uncertainty Avoidance, Legal System and Cost Stickiness** Michael S. C. Tse; Zahirul Hoque
	The October 2008 Amendment to IFRS 7: A Black Hole for Disclosure Stephani Mason	**Some theoretical and methodological suggestions for studies examining global convergence of financial reporting** A F M Mainul Ahsan; Chris Patel	**An Integrated Analysis of the Relationship between Productivity, Service Quality, Customer Satisfaction and Financial Performance in the US Airline Industry** Belaynesh Teklay Gebremariam; Kevin Dow; Jeffrey Wong; Yun Shen

TECHNICAL PROGRAM

CONCURRENT SESSIONS 4: without Discussants			**Monday 3 July – 15.00–16.00**
AUDITING Room: Balcony 3	**CORPORATE GOVERNANCE** Room: Balcony 4	**CORPORATE SOCIAL RESPONSIBILITY** Room: Ballroom A	**FINANCE** Room: Victoria Room
Qualitative Auditing Research	**Corporate Governance and Ownership**	**CSR Disclosures**	**Uncertainty**
Session Chair Sarowar Hossain **The Impact of Material Weakness Remediation on Audit Fees: An Intertemporal Comparison Between It-Related and Other Material Weaknesses** Patricia Navarro-Velez; Sean Robb; Steve Sutton; Martin Weisner **Diversity in professional teams: structuring the ideal diverse audit team** Karin Barac; Elizabeth Gammie; Bryan Howieson; Marianne van Staden **Barriers to Transferring Accounting and Auditing Research to Standard Setters** Kris Hoang; Steven Salterio; Jim Sylph	**Session Chair** Niamh Brennan **Family Ownership and Executive Compensations: The Effect of Expense Recognition on Share-based Compensations** I-Cheng Lin; Ming-Cheng Wu **Investor Reaction to the Stock Gifts of Controlling Shareholders** Su Jeong Lee **Board Gender Diversity and Dividend Policy in Australian Listed Firms: The Effect of Ownership Concentration** Ernest Gyapong; Ammad Ahmed	**Session Chair** Yuyu Zhang **Carbon Controls, Climate Change Strategy and Firm Performance – New Zealand Evidence** Binh Bui; Phuong Truong **Carbon risk responses and disclosures during periods of high state uncertainty** Ingrid Millar **The influence of civil liberty and external assurance on corporate social and environmental transparency: a study of financial services companies** Muhammad Azizul Islam; Jianan (John) Guo; Ameeta Jain; Chris van Staden	**Session Chair** Chelsea Liu **Market Sentiment, Uncertainty and Liquidity Provision** Karl Sarich; Marvin Wee; Joey Yang **Futures Crude Oil Prices as Predictors of Spot Prices: Lessons from the Foreign Exchange Market** Imad Moosa **Economic Policy Uncertainty and Corporate Cash Holdings** My Nguyen; Huu Nhan Duong; Hung Nguyen; Rhee Ghon

TECHNICAL PROGRAM

CONCURRENT SESSIONS 4: without Discussants			**Monday 3 July - 15.00–16.00**
FINANCIAL ACCOUNTING Room: Balcony 1	**FINANCIAL ACCOUNTING** Room: Balcony 2	**MANAGEMENT ACCOUNTING** Room: Suite 3	**PUBLIC SECTOR/NOT FOR PROFIT** Room: Ballroom B/C
Accounting Standards	**Forecasts**	**Managerial Performance**	**Public Sector**
Session Chair Richard Morris	**Session Chair** Jonathan Tyler	**Session Chair** David Smith	**Session Chair** Matthew Hall
Financial Statement Comparability, Readability and Accounting Fraud Belen Blanco; Sandip Dhole	**Why Do Managers Issue Sales Forecasts?** Mark Wallis	**The effect of bonus deferral on managers' self-interest: An experimental examination of investment decisions and effort provision** Mandy Cheng; Tami Dinh; Wolfgang Schultze; Maria Assel	**Analysis on the Role of University Budgeters in Iran, Using Wildavsky's Budgetary** RolesFarzaneh Jalali Aliabadi; Graham Gal; Bita Mashayekhi
Accounting for financial instruments with characteristics of debt and equity: Finding a way forward Warrick van Zyl; Neil Fargher; Baljit Sidhu; Ann Tarca	**Determinants of Financial Analysts' Cash Flow Forecasts in Australia** Charlene Chen; Meiting Lu; Yaowen Shan; Yizhou Zhang	**Access to information, empowerment and managerial performance: An empirical analysis** Vincent Bicudo de Castro; VG Sridharan	**A Different Point of View: Australian Not-for-profit Sector Perceptions of a Common Conceptual Framework, Sector Neutrality and Financial Information Usefulness** Ralph Kober; Janet Lee; Juliana Ng
The Relevance of Lease Asset Accounting under SFAS No. 13 and an Implication for Capitalizing Operating Leases under ASU 2016-02 Roger Graham; K.C. Lin	**Why the long-run market value is a multiplicative power law of accounting variables and the implications for fundamental analysis** Martien Lubberink; Roger Willett	**Strategising and Accounting at an Australian University** Esin Ozdil	**The economic consequences of IFRS adoption on Public Private Partnerships** Phuc Nguyen; Demi Chung; Gary Monroe

Afternoon Tea — 16.00–16.30 Exhibition Area

PANEL DISCUSSION "Insiders Views on the ERA and PBRF Research Assessment" — **16:30-18:00** Ballroom B/C

Chair: Baljit Sidhu, UNSW Sydney

Panel members: Professor Stephen Taylor, University of Technology, Sydney; Professor Steven Cahan, University of Auckland

NETWORKING HOUR — **18.00–19.00** Exhibition Area

TECHNICAL PROGRAM

CONCURRENT SESSIONS 5: Forum			**Tuesday 4 July - 8.30–9.30**
AUDITING	**CORPORATE GOVERNANCE**	**CORPORATE SOCIAL RESPONSIBILITY**	**EDUCATION**
Room: Balcony 3	Room: Balcony 2	Room: Balcony 4	Room: Ballroom A
Audit Quality and the Value of Auditing	**Corporate Governance**	**Corporate Social Responsibility Forum**	**Education Forum**
Session Chair Shan Zhou	**Session Chair** Sue Wright	**Session Chair** Caroline Bridges	**Session Chair** Nicola Beatson
The Impact of CSR Assurance and Explicit Assessment on Investor Valuation Judgments Hien Hoang; Roger Simnett; Ken Trotman	**Managerial ownerhsip audit committees and non-audit services** George Shan; Indrit Troshani; Janice Loftus	**Ban Public Accountability, University Characteristics and Voluntary Disclosures: A Comparative Review of Australia, South Africa & Kenya** Erick Outa	**The One-Minute Paper: Exploring the benefits from the student's perspective** Patricia Everaert; Evelien Opdecam
Auditors' going concern reporting accuracy during and after the global financial crisis Kanyarat Sanoran	**Twice as good: the real impact of women in the boardroom** Attila Balogh; Danika Wright	**Institutional influences upon implementation of workplace safety governance: a study of the Bangladesh ready-made garment industry from an NGO perspective.** Suraiyah Akbar; Craig Deegan; Robert Inglis	**An Examination of Financial Literacy Levels amongst Owner/Managers of Small and Medium-Sized Enterprises** Michael ACampo; Lisa Barnes
Evidence from Audit Partner Switches on the Effects of Audit Partner Characteristics on Audit Quality Kris Hardies; Sarowar Hossain; Ellie Chapple	**Group problem solving: Evidence from Internal Control Weaknesses** Bright Gershion Godigbe; Chin Man Chui; Novrys Suhardianto	**Socially responsible investing by trustees of self-managed superannuation funds: towards a conceptual framework** Roger Colbeck; William Maguire	**Exploring the association between effective university teaching and student approach to learning, and the impact on satisfaction with the learning experience of accounting students** Belete Bobe; Barry Cooper
Client Importance and Auditor Independence: A Test of Gray's Secrecy Theory Md. Jahidur Rahman	**Is Executive compensation fair? A review of Remuneration Reporting trends through Say On Pay and Pay Ratios analysis** Will Mackay; George Shan; Bryan Howieson	**Integrated Reporting: Techniques of materiality determination for non-financial information** Lakshan A.M.I. ; Martin Kelly; Mary Low; Charl de Villiers	**Academic MacGyverism: overcoming problems and improvising solutions** Amanda J. Carter; Heather E.G. Prider; Philip A. Johnson; Scott T. Copeland

TECHNICAL PROGRAM

CONCURRENT SESSIONS 5: Forum continued			**Tuesday 4 July - 8.30–9.30**
FINANCIAL ACCOUNTING Room: Balcony 1	**MANAGEMENT AND HISTORY** Room: Ballroom B/C	**PUBLIC SECTOR/NOT FOR** Room: Suite 3	**PANEL** Room: Victoria Room
Valuation	**Performance & Accountability**	**Public Sector**	**Research in China Panel**
Session Chair Nam Tran	**Session Chair** Wai Fong Chua	**Session Chair** Ralph Kober	**Session Chair** Jeff Coulton
IFRS 8 Segment Reporting and the cost of capital Yi Xiang; Jacqueline Birt	**The effectiveness of Performance Management Systems and the impact on work-related attitudes** Aleksandra Pop-Vasileva; Kevin Baird	**New Zealand public sector health delivery: selection of topics for performance audits.** Nirmala Nath; Radiah Othman; Fawzi Laswad	**Panellists:** Professor Xinmin Zhang, University of International Business and Economics; Professor Gary Biddle, University of Melbourne
IFRS and the value relevance of fundamental signals for Growth and Value stocks Nandana Pathiranage; Christine Jubb	**Research productivity of Australian accounting academics** David Bond; Robert Czernkowski; Anna Wright	**Charities' Accountability – Financial and Non-Financial Reporting Disclosures** Daniel Farrell; Mary Low; Umesh Sharma	
Financial Reporting Quality and Alternaitive Route to Financing: Evidence from Chiense Firms Seeking Major US Stock Exchange Listings Tina Wang; Stephen Miller	**The Storytelling as a Mechanism of Accountability: Insights from the Past** Eleonora Masiero; Alessandro Lai; Riccardo Stacchezzini	**Procurement practices and the municipality auditing market** Ana Marques; Ana Pinto	
Incremental Information Content of the Disaggregation of Other Comprehensive Income Neal Arthur; Xueying Chen; Victoria Clout; Tina Huynh	**Decoding Effort: Toward A Measure of Effort Intensity in Management Accounting Research** Gary Hecht; Kristian Rotaru; Axel Schulz; Kristy L. Towry; Alan Webb	**Use of pictures in annual reports of New Zealand's universities to portray their intellectual capital** Paul Davis; Jackie Allen; Mary Low	

CONCURRENT SESSIONS 6: without Discussants			**Tuesday 4 July - 09.40–10.40**
AUDITING Room: Suite 3	**CORPORATE GOVERNANCE** Room: Balcony 4	**CORPORATE SOCIAL RESPONSIBILITY** Room: Ballroom B/C	**EDUCATION** Room: Victoria Room
Audit Quality	**CEO & Corporate Governance**	**Issues in Corporate Social Responsibility**	**Learning Strategies**
Session Chair Elizabeth Carson	**Session Chair** Belen Blanco	**Session Chair** Naomi Soderstrom	**Session Chair** Mary Low
Auditor rotation and perceived audit quality: The effect of audit fees and industry specialization Roger Kamath; Ting-Chiao Huang; Robyn Moroney	**The Impact of a Remuneration Guideline in the Australian Banking Industry** Cheok Man Ng; Sue Wright; Shane Magee	**The Value Relevance of Corporate Social Responsibility (CSR) Assurance in Australasia** Manal Salman; Chris van Staden	**Team-learning or Lecture-based learning? A choice, but nothing to lose** Evelien Opdecam; Patricia Everaert
What have we learnt from 12 Years of PCAOB inspection outcomes? Ashna Prasad; Ru Gao	**Asymmetric Role of Corporate Governance Quality in CEO Pay** Ernest Gyapong; Reza Monem	**The Implicity Assurance of Carbon Risk by Banks** Kathleen Herbohn; Tina Gao; Peter Clarkson	**Enlightening the Research Supervision Process** Luisa Unda; Amrinder Khosa; Steven Burch; Carla Wilkin
Audit Firm Transparency Disclosures and Audit Quality: Evidence from Australia Shireenjit Johl; Mohammad Muttakin; Dessalegn Mihret; Nathan Gioffre	**Can Compensation Committees Effectively Mitigate the CEO Horizon Problem? The Role of Co-opted Directors** Ruonan Liu; Zhenfeng Liu	**Do good employee treatment policies reduce external whistleblowing?** Charl de Villiers; Gladys Lee; Xinning Xiao	**Using Applications on Personally Owned Devices to Enhace Student Engagement in Large Lectures: Learning Adviser Perspectives** Trevor Nesbit; Billy O'Steen; Tim Bell

TECHNICAL PROGRAM

CONCURRENT SESSIONS 6: without Discussants continued			**Tuesday 4 July - 09.40–10.40**
FINANCE Room: Balcony 1	FINANCIAL ACCOUNTING Room: Balcony 2	FINANCIAL ACCOUNTING Room: Balcony 3	MANAGEMENT ACCOUNTING Room: Ballroom A
Finance	**Managers and Directors**	**Disclosure**	**Management Control Systems**
Session Chair Attila Balogh	**Session Chair** Yan Li	**Session Chair** Lisa Barnes	**Session Chair** Zahirul Hoque
CEO Ability and Analyst Forecasts Properties Imran Haider; Nigar Sultana; Harjinder Singh; Asheq Rahman	**Firm culture, internal control system and financial reporting quality** Margaret Abernethy; Wei Li; Hanzhong Shi; Yunyan Zhang	**Unexpected Dividend Change Announcements and Corporate Bond Price Reactions** Xiaoting Wei	**Management Control Systems, Heterarchy and Innovation: A Case Study of a Start-Up Company** David Taylor; Robyn King; David Smith
Experiences of current and former members of self-managed superannuation funds Susan Thorp; Ron Bird; Douglas Foster; Jack Gray; Adrian Raftery; Danny Yeung	**Investment Committee Characteristics and Investment Efficiency** Ahmed Al-Hadi; Baban Eulaiwi; Khamis Al-Yahyaee; Grantley Taylor	**Earnings management using OCI recycling: Australian Evidence** Neal Arthur; Victoria Clout; Ava Wu; Xiao Zhou	**Strategy, Carbon Accounting and Firm Carbon Performance: An International Study** Binh Bui; Noor Houqe; Tri Nguyen
Politically connected boards, family business groups and cost of capital: Evidence from Indonesia Joni Vendi; Kamran Ahmed; Jane Hamilton	**Underpricing of Female CEO: The Role of Delta and Vega** Kumari Ranjeeni; Farshid Navissi; Dharmendra Naidu	**The Relationship Between Corporate Social Responsibility, Financial Misstatements and SEC Enforcement Actions** Nam Tran; Don O'Sullivan	**Enterprise Social Media and Control System Design** Peter Roetzel; Dennis Fehrenbacher

Morning Tea	Tuesday 4 July - 10.40–11.10 Exhibition Area
Plenary Session 3 - "From CSR to IR" - Professor Steven Cahan	**11:10-12:40** Ballroom B/C
Lunch	12.40–13.30 Exhibition Area

TECHNICAL PROGRAM

CONCURRENT SESSIONS 7: with Discussants			**Tuesday 4 July - 13.30–15.00**
ACCOUNTING HISTORY Room: Ballroom B/C	**AUDITING** Room: Balcony 2	**CORPORATE GOVERNANCE** Room: Balcony 3	**EDUCATION** Room: Ballroom A
Accounting History	**Judgement & Decision Making**	**Behavioural Corporate Governance**	**Approaches to Learning**
Session Chair Maryam Safari **Accounting professionalization in Brazil: resistance, co-optation and alliances in the introduction of an accreditation examination (1999-2010)** **Authors** Vincent Bicudo de Castro; Dessalegn Mihret **Discussant** Carolyn Fowler	**Session Chair** Robert Knechel **Framing and Professional Skepticism: The combined effect of tone and context** **Authors** Edward Stevens; Robyn Moroney; John Webster **Discussant** Hien Hoang	**Session Chair** Szu-fan Chen **Being in the Wrong Place at the Wrong Time? Labor Market Implications for Non-implicated CFOs of Fraud Firms** **Authors** Karla Johnstone; Eric Condie; Amanda Convery **Discussant** Chelsea Liu	**Session Chair** Paul De Lange **An investigation into student satisfaction, approaches to learning and the learning context in Auditing** **Authors** Christina Chiang; Paul Wells; Peter Fieger **Discussant** Scott Copeland
The development of accounting and financial reporting practices in Sri Lanka: An exploratory investigation **Authors** Nadana Abayadeera; Jayasinghe Hewa Dulige; Muhammad Jahangir Ali; Paul Mather **Discussant** Alena Golyagina	**The relationship between auditor industry specialisation and audit fees: An analysis of partner-level specialisation in the context of fraud** **Authors** Shannon Sidaway; Basioudis Ilias; Brendan O'Connell **Discussant** Steven Salterio	**The effect of compensation structure and accountability on whistleblowing investigation** **Authors** Gladys Lee; Xinning Xiao **Discussant** Jap Efendi	**Accounting student or Asian earner? Exploring learning outcome of Post-graduate Asian accounting students in Australia** **Authors** Asit Bhattacharyya; Suzanne Ryan **Discussant** Christine Helliar
The shifting and permeable boundaries of auditing: Evidence from early Australian examination papers **Authors** Brian West; Phillip Cobbin; Monica Keneley; Brad Potter **Discussant** Elaine Evans	**Weakened Reporting: The Effects of Bonus Compensation, Clawback Regime, and Narcissism on Whistleblowing** **Author** Kelsey Dworkis; Adam Greiner; Lisa Victoravich **Discussant** Gary Monroe		**Confidence matters: Self-efficacy beliefs in accounting education** **Author** Nicola Beatson; David Berg; Jeffrey Smith **Discussant** Paul Wells

FINANCE Room: Victoria Room	**FINANCIAL ACCOUNTING** Room: Balcony 1	**PUBLIC SECTOR/NOT FOR PROFIT** Room: Suite 3	**TAXATION** Room: Balcony 4
Corporate Finance	**Earnings Management**	**Public Sector**	**Tax**
Session Chair Imad Moosa **Asymmetric modelling of the adjustment speed of cash holdings** **Authors** Yanhao Chang; Karen Benson; Robert Faff **Discussant** Xiaoting Wei	**Session Chair** Xiu-Ye Zhang **Estimation Bias in Residuals: An Analysis in the Context of Earnings Management Literature** **Authors** Demetris Christodoulou; Le Ma; Andrey Vasnev **Discussant** Adrian Gepp	**Session Chair** Janet Lee **Financial Determinants of Local Government Debt Financing in New Zealand** **Authors** Dimu Ehalaiye; Nives Botica Redmayne; Fawzi Laswad **Discussant** Wei Qian	**Session Chair** K.C. Lin **A curious case of Benford's Law: a tax transparency experiment** **Authors** Elizabeth Morton **Discussant** Sam Sherry
Capacity Constraints, Fund Flows and Hedge Fund Alpha: Emerging Market Evidence **Authors** Mui Kuen Yuen; Martin Young; Jianguo Chen **Discussant** Tariq Haque	**Unexpected Inventory Purchase Obligations and CEO Equity Incentives** **Authors** Ferdinand A. Gul; Dharmendra Naidu; Farshid Navissi **Discussant** Yunyan Zhang	**Developing Mobility Management Controls by local governments: A case of Belgium** **Authors** Nathalie Crutzen; Wei Qian; Djida Bounazef **Discussant** Zahirul Hoque	**Standard Business Reporting (SBR): A Disruptive Technology?** **Authors** Mayada Hansnata; Christine Jubb **Discussant** Elizabeth Morton
Convertible Debt, Shareholder Rights and Creditor Rights **Author** Kin Wai Lee **Discussant** Xiaoxing Liu	**Competition and Earnings Management** **Authors** Christo Karuna; KR Subramanyam; Feng Tian **Discussant** Le Ma	**A longitudinal study of Aboriginal images in annual reports: Evidence from the Australia Council for the Arts** **Authors** Ruth Rentschler; Nava Subramaniam; Brian Martin **Discussant** Ralph Kober	**Research and Development Tax Incentives in the Mining Industry** **Authors** Andrew Ferguson; Sam Sherry **Discussant** Adrian Raftery

Afternoon Tea	15.00–15.30 Exhibition Area

CONCURRENT SESSIONS 8: with Discussants			**Tuesday 4 July - 15.30–17.00**
CORPORATE GOVERNANCE Room: Balcony 2	**CORPORATE GOVERNANCE** Room: Balcony 3	**CORPORATE SOCIAL RESPONSIBILITY** Room: Suite 3	**CRITICAL PERSPECTIVES** Room: Balcony 4
Corporate Finance and Governance	**CEO and Performance Evaluation**	**CSR Case Studies**	**Critical Perspectives**
Session Chair Jap Efendi **Who acquires toxic targets?** **Authors** Chelsea Liu; Alfred Yawson **Discussant** Millicent Chang	**Session Chair** Nigar Sultana **CEO renown and its impact on CEO pay** **Authors** Christo Karuna; Ken Merchant **Discussant** Greg Shailer	**Session Chair** Charl de Villiers **Building Ethical Capability for Accounting Professionals: A Needs Analysis Study** **Authors** Cristina Neesham; Mohammad Azim **Discussant** Conor Clune	**Session Chair** Sandra Van Der Laan **Follow the money: the rise of the Blockchain** **Authors** Christine Helliar; Louise Crawford; Monica Veneziani **Discussant** Doris Merkl-Davies
Corporate Governance Regulation and Corporate Risk-taking: Evidence from a Quasi-Experiment **Authors** Santosh Koirala; Andrew Marshall; Suman Neupane; Chandra Thapa **Discussant** Mui Kuen Yuen	**Does pay influence performance more or does performance influence pay more?** **Authors** Nader Elsayed; Hany Elbardan **Discussant** Yuan George Shan	**Accounting and the Measurement of Unstable Objects: A Case-Study of the Measurement of Greenhouse Gas Emissions** **Authors** Tanya Fiedler; Wai Fong Chua; Christina Boedker **Discussant** Charl de Villiers	**Changing logics of Russian higher education in accounting** **Author** Alena Golyagina **Discussant** Sandra Van Der Laan
Creditor Control Rights and Corporate Payout Policy **Author** Qingbo Yuan **Discussant** Attila Balogh	**Explanations for Corporate Governance Non-Compliance: A Rhetorical Analysis** **Authors** Philip J. Shrives; Niamh M. Brennan **Discussant** Victoria Clout	**The institutional work of suppression: a case study of the corporate responsibility coalition** **Authors** Conor Clune; Brendan O'Dwyer **Discussant** Binh Bui	**The impact of digital innovation on professional public accounting practice: The Australian experience** **Authors** Mayada Hansnata; Colleen Hayes **Discussant** Matthew Egan

CONCURRENT SESSIONS 8: with Discussants continued			Tuesday 4 July - 15.30–17.00
FINANCE Room: Ballroom A	FINANCIAL ACCOUNTING Room: Balcony 1	INTERNATIONAL ACCOUNTING Room: Ballroom B/C	MANAGEMENT ACCOUNTING Room: Victoria Room
Finance	**Information and Investors**	**International Accounting**	**Experimental Management Accounting**
Session Chair Joey Yang **Decomposing the value premium: the role of intangible information in the Chinese stock market** **Authors** Kin-Yip Ho; Jiyoun An **Discussant** Wei Yin	**Session Chair** John Webster **Corporate Name-dropping and the Cost of Equity** **Authors** Jiao Jing; Linda A. Myers; Jeffrey Ng; Lixin (Nancy) Su **Discussant** Jeff Coulton	**Session Chair** Helen Kang **Operational Risk Disclosure Quality and National Culture: evidence from the EU banking industry** **Authors** Florence Basto; Ana Marques **Discussant** Stephani Mason	**Session Chair** Wei Qian **Decreasing strategy surrogation by building flexibility in strategic performance measurement systems** **Authors** Kelly Wang; Linda Chang; Mandy Cheng **Discussant** Jennifer Grafton
Game changer? The impact of the VW emission cheating scandal on the co-integration of large automakers' securities **Authors** Paul Griffin; David Lont **Discussant** Imad Moosa	**Do Markets Accurately Price Earnings Momentum?** **Authors** Sarayut Rueangsuwan; Somchai Supattarakul **Discussant** Martien Lubberink	**Mandatory IFRS Adoption and Trade Credit** **Authors** Xiao (Amanda) Li; Jeffrey Ng; Walid Saffar **Discussant** Richard Morris	**Asymmetric Responses to Multiple Performance Measures: the Role of Non-Pathological Narcissism** **Authors** Kelsey Dworkis; Lorenzo Patelli **Discussant** Dennis Fehrenbacher
Takeover Competition and Acquisition Choices in Australia **Authors** Robert W. Faff; Abeyratna Gunasekarage; Syed M.M. Shams **Discussant** Danika Wright	**Non-Professional Investor's Judgments of the Reliability of Fair Value Estimates - The Impact of Investor Mood** **Authors** Wei Chen; Noel Harding; Wen He **Discussant** Karla Johnstone	**Presentation and disclosure of IFRS earnings, adjusted earnings and subtotals: Relevance to market participants and implications for standard setters** **Authors** Greg Clinch; Ann Tarca; Marvin Wee **Discussant** Tom Scott	**The Impact of Incentives and Costing Precision on Inter-firm Negotiations** **Authors** Linda Chang; Nicole Ang **Discussant** Kelsey Dworkis

Pre-Dinner Drinks	19.30–20.00 Ballroom Foyer
Conference Dinner/Dance and Awards Ceremony	20.00–23.45 Ballroom

2017

AFAANZ CONFERENCE

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THE DEVELOPMENT OF ACCOUNTING AND FINANCIAL REPORTING PRACTICES IN SRI LANKA: AN EXPLORATORY INVESTIGATION

Nadana Abayadeera, Deakin University

Jayasinghe Hewa Dulige, Australian Technical & Management College

Muhammad Jahangir Ali, La Trobe University

Paul Mather, La Trobe University

The principal purpose of our study is to examine the environmental factors that influence the development of accounting practices in Sri Lanka. We also investigate how different institutions contribute to the development of financial reporting. While prior studies investigated colonialism (external) pressure on the development of accounting and reporting in various underdeveloped and developing countries, the role of internal and external institutional pressure in this context has not been their main objective and focus. We document that accounting and reporting practices in Sri Lanka are influenced by political, legal, economic and cultural factors. Our empirical evidence from a qualitative field study supported by archives data and information indicates that over the past three decades, Sri Lanka's financial reporting practices underwent significant changes to its institutional and regulatory settings. While these changes were indirectly driven by external pressures from various international agencies, the Institute of Chartered Accountants of Sri Lanka played a key role as professional institution in developing and implementing accounting standards and best practices in financial reporting in Sri Lanka. Moreover, we observe that although the Sri Lankan government has taken many initiatives to improve financial reporting quality, the monitoring and enforcement of regulation is significantly weak. Therefore, we suggest that the existing regulatory mechanism needs to be effectively strengthened to build investors' confidence.

FIRM CULTURE, INTERNAL CONTROL SYSTEM AND FINANCIAL REPORTING QUALITY

Margaret Abernethy, University of Melbourne

Wei Li, University of Melbourne

Hanzhong Shi, Nanjing University

Yunyan Zhang, University of Melbourne

There is anecdotal and empirical evidence that a firm's culture matters to the choices a firm makes. Regulators have attempted to address problems associated with financial reporting quality by legislating for increased disclosure, for example, increased disclosure of internal control weaknesses. There are, however, differences in the practices and processes that firms implement. We examine if the values and believes of the top management team influences the decision to invest in effective internal control systems. We predict that it is this choice that influences financial reporting quality. Drawing on a large sample of US firms we find support for our predictions.

ABSTRACTS

AN EXAMINATION OF FINANCIAL LITERACY LEVELS AMONGST OWNER/ MANAGERS OF SMALL AND MEDIUM-SIZED ENTERPRISES

Michael ACampo

Lisa Barnes, Avondale College

To date there has been limited research focusing on the financial literacy of small and medium business sized business. This research looks specifically at the level of financial literacy among small business owners/mangers within an Australian context. The purposes of the hypotheses are to understand the relationship between the financial literacy of the owners/managers of small businesses against both their demographic and company characteristics. More specifically, the key research question investigated in this study is: what is the level of financial literacy among small business owners/managers, and what are the determinants of the level of literacy The research has significant implications for small business, as the reason given for many small business failures relates to the financial ability of owners/managers. Therefore, the research should provide consequential information to industry-groups, small businesses, financial institutions and policy makers. The literature review defines financial literacy and small business and looks at the literature to date with respect to the relevant hypotheses. The methodology for the dissertation will exploratory and quantitative in nature and will use a multiple choice questionnaire for a survey into business in Australia. The sampling frame will consist of professional members of the Australian Institute of Management. The findings show that overall financial literacy can improve for SME owner managers, and that education in particular can assist to increase overall financial literacy.

INFLUENCE OF ISLAMIC RELIGIOSITY AND GENDER OF THE INFORMATION SOURCE ON AUDITORS' ASSESSMENT OF AUDIT EVIDENCE RELIABILITY

Nazia Adeel, Macquarie University

Chris Patel, Macquarie University

Nonna Martinov-Bennie, Macquarie University

Auditors' judgments of source reliability are important because the inferential value of the audit evidence must always be considered in light of its source. This paper contributes to the literature by examining the influence of contextually relevant cultural variables, namely, Islamic religiosity and gender of the source of information on auditors' source reliability judgments in Pakistan. Islamic religiosity refers to the unique aspect of beliefs, commitments, and level of engagement with Islam and is selected here for examination because it provides a sharper insight into auditors' JDM, given its positive relationship with trust, credibility and social acceptance. Gender is selected for examination because Pakistan is a patriarchal society with strictly defined roles and responsibilities for women and this has resulted in significant gender inequality. Thus, a higher standard of reliability is expected for males as compared to females. Our results based on a 2x2 between-subjects experimental design support the hypothesis that highly religious source of information is perceived by auditors to be more reliable. Despite the significant impact of religiosity on auditors' source reliability judgment, there is no significant impact on their final audit adjustments. Our results also provide evidence that gender of the source of information has no effect on auditors' source reliability judgments. This result provides evidence that religiosity is an important cultural variable in Islamic contexts. Our findings have implications for global audit quality and governance with specific reference to Islamic countries.

ABSTRACTS

SOME THEORETICAL AND METHODOLOGICAL SUGGESTIONS FOR STUDIES EXAMINING GLOBAL CONVERGENCE OF FINANCIAL REPORTING

A F M Mainul Ahsan, Macquarie University

Chris Patel, Macquarie University

Global convergence of financial reporting with adoption of International Financial Reporting Standards (IFRS) by more than 125 jurisdictions has increasingly been recognized as an important and controversial topic. In this paper, a total of 395 scholarly articles are critically evaluated with the objective of providing some theoretical and methodological suggestions to more comprehensively and holistically examine global convergence of financial reporting. All the 395 papers have been grouped into six categories, namely, assessing and measuring the level of global convergence (57%), history, process and politics of standard setting (19%), accounting education (6%), issues related to international accounting research (4%), accounting system classification (3%), and, other issues related to convergence (11%). Studies under the “assessing and measuring the level of global convergence” category are the focus of this paper because of their direct relevance to the topic under examination. A total of 225 studies are in this category which are then classified into three categories, namely, de facto research (100), de jure research (10) and capital market research (115). Whilst de jure research examined uniformity and consistency in accounting standards, de facto research studied consistency in actual accounting practices. Thirty studies developed quantitative approaches, such as, H index, C index, and I index, to measure de facto level of global convergence. However, these simplistic quantitative techniques have been criticised for a range of theoretical and methodological reasons. For example, the indices used to measure convergence are very sensitive to the sample size, number of countries and number of accounting practices examined. Another strand of research, namely, capital market research, has largely examined earnings management and value relevance to gain insights into convergence. In these studies, quantitative models are simply employed and largely ignored country specific contextual factors that influence professional accountants’ judgements. Importantly, measuring convergence poses serious problems because accounting standards require extensive use of accountants’ professional judgements and applying quantitative approaches to capture this complex professional accountants’ judgements process across countries is problematic. Additionally, all these attempts to assess global convergence are concentrated mostly in the Anglo-American and European countries and have largely ignored transitional, developing and Islamic countries which substantially differ from Anglo-American countries in terms of country specific contextual factors. Therefore, these studies are narrowly focused, and have not provided adequate insights into the global convergence of financial reporting. Hence, there has been call in the literature to provide more holistic and in-depth insights into professional accountants’ judgements. By integrating multidisciplinary perspectives, this study suggests that researchers may extend this trend of research by taking into account all the relevant and important contextual factors, for example, cultural, political, colonial inheritance, legal, and economic factors, that collectively provides a more complete framework of factors that cause within- and between-country-level differences in accounting practices. This study also suggests some relevant factors, namely, religiosity, professional commitment, accountability and globalization that need to be examined with respect to global convergence to gain holistic and in-depth insights into professional accountants’ judgements.

ABSTRACTS

INSTITUTIONAL INFLUENCES UPON IMPLEMENTATION OF WORKPLACE SAFETY GOVERNANCE: A STUDY OF THE BANGLADESH READY-MADE GARMENT INDUSTRY FROM AN NGO PERSPECTIVE

Suraiyah Akbar, RMIT University

Craig Deegan, RMIT University

Robert Inglis, RMIT University

The Rana Plaza accident, considered one of the world's worst industrial disasters, led to the introduction of new workplace safety governance for the Bangladesh ready-made garment (RMG) industry. The purpose of this paper is to examine the state of the RMG industry following implementation of new workplace safety governance, specifically looking at apparent changes in factory safety, the institutional factors which influence effective implementation of governance, as well as requirements for long-term sustainability of the new governance initiatives. To investigate the impact of the new safety governance, interviews were conducted with representatives of prominent international and Bangladeshi non-government organisations working to improve safety conditions in the RMG industry. The study findings suggest that despite recent improvements in factory safety, inadequate enforcement and monitoring of governance and the realities of the Bangladeshi socio-cultural environment may impede long-term improvements to workplace safety in RMG factories. The research findings emphasise that continued efforts of local and international stakeholders are essential for lasting improvement in RMG industry safety, and imply that apparel industry sustainability practices represent a trade-off between comparative and competitive cost advantage.

INVESTMENT COMMITTEE CHARACTERISTICS AND INVESTMENT EFFICIENCY

Ahmed Al-Hadi, Curtin University of Technology

Baban Eulaiwi, Curtin University of Technology

Khamis Al-Yahyaee, Sultan Qaboos University

Grantley Taylor, Curtin University of Technology

This study investigates the association between board investment committee characteristics and corporate investment efficiency. Using a sample of industrial firms from six Gulf Cooperation Council (GCC) countries over the 2005–2013 period, we find that the existence of an investment committee reduces both under- and overinvestment by these firms. We also find that the financial expertise of committee members affects firms' investment efficiency. These findings are consistent with the assertion that a specialized board investment committee provides additional insight into a firm's investments and monitors them more efficiently. We also find that the existence of an investment committee is likely to reduce over- and underinvestment in firms with high levels of foreign ownership concentration. The tenets of agency theory suggest that the existence of an investment committee aligns a firm's investment activities with the objective of shareholder wealth maximization. These results are robust to a battery of additional tests that use alternative measures of investment efficiency and tests relating to self-selection bias and endogeneity.

ABSTRACTS

ANALYSIS ON THE ROLE OF UNIVERSITY BUDGETERS IN IRAN, USING WILDAVSKY'S BUDGETARY ROLES

Farzaneh Jalali Aliabadi, University of Tehran - School of Accounting

Graham Gal, University of Massachusetts Amherst - Isenberg School of Management

Bita Mashayekhi, University of Tehran - School of Accounting

As Iranian public universities obtain most of their funds through a public allocation, it is critical to understand the budgeting process that is used. This paper presents the results of a survey on intellectual perception of individuals who are responsible for the budgeting process at Iranian public universities. We analyze the results using a Grounded Theory approach from Wildavsky's budgetary roles (hereafter WBR) perspective. Participants were chosen from the budget departments at universities and research institutes; Ministry of Science, Research and Technology (MSRT) and also Management and Planning Organization (MPO) of Iran. Based on the research result, two groups of "Guardians" and "Spenders" are recognized according to the WBR. The results indicate that universities and research institutes, as budget spenders, understand budgeting as a negotiation process that leads to slack in budgeting. On the other hand, the intellectual perception of budgeting at MSRT and MPO is "budgeting as an output oriented process" and "budgeting as an information based process" respectively. The consequence of this budget perceptions among budget guardians is standardizing university's' practice.

TALKING THE TALK OR WALKING THE TALK? CORPORATE SOCIAL RESPONSIBILITY AND TAX AVOIDANCE

Abdullah Alsaadi, Umm Al-Qura University

M. Shahid Ebrahim, Durham University

Aziz Jaafar, Bangor University

Doris Merkl-Davies, Bangor University

Drawing on competing positions on stakeholder orientation (O'Higgins, 2010) which result in different approaches to corporate tax policy and CSR engagement, we examine how firms maintain legitimacy when faced with conflicting pressures exerted by the prevailing economic system, which emphasises profitability, market share, and stakeholder returns, and the concerns of civil society with human, environmental and social issues. Firms may balance the contradictory demands of heterogeneous stakeholders by aligning their CSR engagement and tax policy (engaged stakeholder orientation). Alternatively, firms may engage in organised hypocrisy (pragmatic stakeholder orientation) which involves placating some stakeholders with less costly activities (CSR engagement), while focusing more significant resources on actions that address the expectations of shareholders who are most interested and affected by its core operations (tax avoidance). Using a cross-country dataset over the period 2006 to 2014, the empirical results show a significant and positive association between CSR engagement and tax avoidance. Our findings are robust using alternative measures of CSR engagement and tax avoidance. Results imply that firms predominantly adopt a pragmatic stakeholder orientation, which involves placating stakeholders with CSR engagement, while focusing on meeting the demands and expectations of shareholders for profits by means of reducing tax obligations. This suggests an inconsistency between corporate talk, decisions, and action and thus provides evidence in support of organised hypocrisy. The additional analysis shows that home-country characteristics and industry membership are important in determining the association between CSR engagement and tax avoidance.

ABSTRACTS

EARNINGS MANAGEMENT USING OCI RECYCLING: AUSTRALIAN EVIDENCE

Neal Arthur, University of Sydney

Victoria Clout, UNSW Sydney

Ava Wu, University of Sydney

Xiao Zhou, Yintech Investment Holding Ltd

This study investigates Other Comprehensive Income Recycling (OCIR) as a tool for earnings management. Based on a sample of Australian companies, we find a positive association between OCIR gains and meeting or beating both prior year's earnings and analysts' forecasts. Further, we find a positive relationship between financial performance (loss making) and OCIR. In additional analysis we find that, consistent with income smoothing hypothesis, firms with pre-OCIR-managed earnings well above earnings benchmarks use OCIR to reduce earnings. Finally, additional evidence was provided of a significant and positive association between OCIR and discretionary accruals activity, suggesting OCIR and discretionary accruals are complementing rather than competing with each other. Together this evidence indicates that the traditional focus on discretionary accruals and real earnings management through expenditure decisions captures only part of earnings management activity.

INCREMENTAL INFORMATION CONTENT OF THE DISAGGREGATION OF OTHER COMPREHENSIVE INCOME

Neal Arthur, University of Sydney

Xueying Chen, Independent

Victoria Clout, UNSW Sydney

Tina Huynh, University of Sydney

We examine incremental information content of disaggregation of other comprehensive income (OCI). OCI has been reported amid a debate about whether all OCI items should be reclassified into income or all not reclassified into income in subsequent periods. Our contribution to this literature is to investigate the disaggregated realised and unrealised components and their predictive ability. The results suggest that the disaggregated components of cash flow hedge, available for sale, and foreign currency reserve gains and losses all have differential predictive ability. These gains and losses do have predictive ability for firm operating performance measured by operating income and cash flow from operating activities. Additionally, asset revaluation gains and losses were found to be significantly positively associated with future firm performance, there was no significant association between defined benefit gains and losses and future firm performance. The inferences are robust to a number of sensitivity analysis and included controls firm size, leverage, market-to-book ratio, dividends, sales growth, year, industry, GDP growth, loss, and post-2013.

ABSTRACTS

VOLUNTARY CAPEX GUIDANCE, ANALYST FEEDBACK AND CAPITAL INVESTMENT EFFICIENCY

Jihun Bae, Tilburg University

Gary Biddle, University of Hong Kong

Chul Park, University of Hong Kong

Using newly available data we document that managers voluntarily disclose capex guidance with comparable frequency and continuity to earnings guidance. To explain why, we hypothesize and find that capex guidance is positively related to capital investment efficiency and long-term abnormal stock returns, that managers learn from analyst feedback when making capital investments, that analyst feedback which deviates from capex guidance informs capital investments and improves capital investment efficiency more than confirming feedback, and that CEOs receiving stock-based compensation are more likely to issue capex guidance, consistent with value creation incentives. Considered collectively, our findings are consistent with capex guidance being a prevalent voluntary disclosure commitment that creates firm value via transparency, analyst monitoring and feedback learning that informs and incentivizes capital investment efficiency.

TWICE AS GOOD: THE REAL IMPACT OF WOMEN IN THE BOARDROOM

Attila Balogh, The University of Sydney

Danika Wright, The University of Sydney

Our study provides evidence that female directors have a significant impact on the overall human capital of boards. In a large sample, long horizon study of directorships, we find that women appointed to boards hold significantly more academic and professional qualifications than men. Consistent with status characteristics theory, we conclude that standards of ability are higher for directors who are female. As a result, boards who appoint female directors benefit from a higher increase in human capital. We also highlight the interaction of director gender and skill, where firms that appoint female directors and the boards that women select are not random. This endogeneity is examined by employing a Heckman selectivity correction process in analyzing the impact of female directors on board human capital at appointment.

ABSTRACTS

DIVERSITY IN PROFESSIONAL TEAMS: STRUCTURING THE IDEAL DIVERSE AUDIT TEAM

Karin Barac, University of Pretoria

Elizabeth Gammie, Robert Gordon University

Bryan Howieson, University of Adelaide

Marianne van Staden, University of South Africa

Although a wide body of knowledge exists across a variety of fields on team diversity, there is little research on diversity of teams within a professional domain such as an audit firm. This study sets out to investigate the structure of the ideal diverse audit team for complex multinational audit engagements. Using a qualitative approach, data are gathered in three Commonwealth countries (United Kingdom, Australia and South Africa) from 84 stakeholders with an interest in complex multinational audit engagements. The study explores what constitutes an ideal team for functioning in a cohesive manner as an integrated unit and presents diversity as a complex context-driven construct. It focuses on the informational background attributes of team members. Diversity can manifest on a surface-level and/or a deep-level. Simultaneously or in isolation three types of diversity, namely variety, separation and/or disparity, are identified. The contribution of the study is both theoretical and applied. Theoretically, it expands the understanding of the construct "diversity" within teamwork by locating this study in a professional field as opposed to the extant body of knowledge that is dominated by scholars in management, psychology and sociology. The study found that in order to perform the complex task of auditing complex multinational companies, diversity is needed to bring unique perspectives to the table, creating a larger pool of available knowledge, experience and expertise, but that simultaneously coordination challenges emerge. Practically, it presents a framework that can be applied for structuring ideal diverse audit teams for complex multinational clients.

OPERATIONAL RISK DISCLOSURE QUALITY AND NATIONAL CULTURE: EVIDENCE FROM THE EU BANKING INDUSTRY

Florence Basto, ISEG

Ana Marques, Nova School of Business and Economics & Indian Institute of Management Bangalore

We study the association between national culture and voluntary operational risk disclosure quality in the EU banking industry, using a unique hand-collected dataset of that covers 2008 to 2014. We predict and find that banks in societies that score higher on individualism disclose higher quality risk disclosures. Additionally, we explore the association between long-term orientation and risk disclosure and also find a positive association. These associations between the headquarters' national culture values and risk disclosure are weaker for global banks, where board members interact with different cultures. Our results are robust to a battery of sensitivity tests and the use of alternative measures of cultural dimensions.

ABSTRACTS

ACCOUNTING, FINANCIAL MANAGING AND ATTACHMENTS IN AFFECTIVE NETS: THE CASE OF A SWEDISH FOOTBALL CLUB

Jane Baxter, UNSW Sydney

Martin Carlsson-Wall, Stockholm School of Economics

Wai Fong Chua, The University of Sydney

Kalle Kraus, Stockholm School of Economics

Affect, as an aspect of organizing, is a neglected area of research in accounting. Adapting a notion of “passionate interests” (Latour, 2013; Tarde, 1902), this paper theorises organizations as nets of affective attachments. Accounting then is embedded within affective nets. Consequently, accounting does not only embody and/or generate affect, as has been the focus in previous research, but affective attachments materially influence money flows, resource allocations, and the trajectory and valency of accounting numbers. The empirical setting for our study is a long-standing elite Swedish football club. We show that passionate struggles over ‘the production of atmosphere’, rights, and influence limited the relevance of budgets as a forecasting and control device, contributed to persistent funding uncertainties and impacted on a consequent ‘strategic’ project seeking financial and sporting stability. Affective practices embodied, engineered and enabled the circulation of diverse affects – love, solidarity, frustration, and in particular, anxiety and a sense of vulnerability among key stakeholders. Also, affective engineering was not the sole province of club management; other stakeholders were also engaged in the manipulation of affect, at times, counter to the efforts of management. Finally, performance metrics, such as sport rankings, travelled out of stadiums and generated affect (pride, frustration) in numerous arenas of daily life, while the club’s financial performance metrics did not have a similar effect. The study therefore points to affective contestation among actors and an uneven financialization of daily life. It calls for future research on the accounting-affect nexus and a ‘performance-centricity’ in contemporary everyday living.

CORPORATE ENVIRONMENTAL REPORTING AND POWER IN BUSINESS NETWORKS

Lyndie Bayne, University of Western Australia

Sharon Purchase, University of Western Australia

Ann Tarca, University of Western Australia

The purpose of this paper is to investigate the role of organisational power in business networks in relation to corporate environmental practices and disclosures. A network case study was undertaken in the Western Australia agrifood sector, with the two large, dominant supermarkets (Coles (Wesfarmers) and Woolworths) as focal actors. Data was drawn from 34 in-depth interviews in 2011 to 2013 and a documentary review of relevant source documents.

Although the supermarkets were found to wield considerable power in the Australian agrifood sector, they did not always utilise this power in relation to requiring additional environmental practices and disclosures by suppliers. The supermarkets exercised their power with foreign, high risk, house-brand suppliers but not with Australian suppliers of branded products. In turn, Australian first-tier suppliers did not require additional environmental practices and disclosures of their own suppliers and generally pursued a minimum compliance regime, although some embraced more environmental practices and disclosure.

The study provides an in-depth and holistic consideration of the role of the dominant entity’s use of power in relation to environmental disclosure in a network context. Using the business network lens, corporate disclosure behaviour is analysed by considering direct and indirect relationships and multiple perspectives, thus contributing to prior voluntary disclosure as well as power literature.

CONFIDENCE MATTERS: SELF-EFFICACY BELIEFS IN ACCOUNTING EDUCATION

Nicola Beatson, University of Otago

David Berg, University of Otago

Jeffrey Smith, University of Otago

This research examines both self-efficacy beliefs and prior learning of accounting to determine how useful these variables are for predicting academic success in tertiary level accounting courses. Data were collected from 567 students over two semesters with different cohorts. Regression analysis showed that confidence in one's ability to succeed is the most powerful predictor of academic success. This study contributes evidence from an accounting context which supports Bandura's (1997) claim that self-efficacy beliefs are a better predictor of achievement than actual ability.

ACCOUNTING STUDENT OR ASIAN EARNER? EXPLORING LEARNING OUTCOME OF POST-GRADUATE ASIAN ACCOUNTING STUDENTS IN AUSTRALIA

Asit Bhattacharyya, University of Newcastle

Suzanne Ryan, University of Newcastle

Australia has a higher percentage of international students undertaking higher education than any other country. The international students are mainly from Asia and the Middle-East. The paper aims to better understand the process of Asian students achieving learning outcomes by exploring their perceptions of the relative influence of endogenous as well as exogenous factors affecting their learning. The study broadens the meaning of learning outcomes beyond grades awarded to encompass other critical factors such as skills, knowledge and personal development for employability. We employ both quantitative and qualitative measures for greater breadth and depth of understanding the students. The result show that English language ability critically affects various learning constructs. Contrary to stereotypes of the Asian leaner, lower levels of English ability encourage higher levels of desire to engage with class activities and more class activities result in satisfactory learning outcomes. Although deep learning approaches were preferred by Asian students, lower English ability plus conventional teaching and assessment methods force them to spend more time for preparing for class and confines them to the text books and surface learning method. This in turn hinders them to achieve desired learning outcomes. Student focus on lower level learning typologies are driven more by the teaching and assessment methods rather than students' desire to learn. Overall, the student observations of the program and its learning outcomes were not reflective of passive learners, despite the program itself appearing to encourage such learning.

ABSTRACTS

THE EFFECTS OF CORPORATE SOCIAL DISCLOSURE ON FIRM PERFORMANCE: EMPIRICAL EVIDENCE FROM BANGLADESH.

Mohammed Bhuyan, University of Wollongong

Sudhir C Lodh, University of Wollongong

Nelson Perera, University of Wollongong

This study examines the influence of corporate social disclosure on firm performance within the context of Bangladesh.

This study develops hypotheses with the light of legitimacy and signalling theory using top 200 firms listed on the Dhaka Stock Exchange, Bangladesh. Corporate social disclosure (CSD) data are based on the period from 2011 to 2013, and the firm performance (FP) is based on the respective following year 2012 to 2014. A corporate social disclosure index (CSDI) including three categories (long-term, short- term and general disclosure) is constructed to measure the extent of social disclosures in annual reports. Firm performance is measured based on three indicators including Return on Asset (ROA), Market Capitalization, and Tobin Q. Ordinary Least Square (OLS) and Two Stage Least Square (2SLS) are used in analysing the data.

It is found that there is a significant relationship between corporate social disclosure and the following year's firm performance for every performance indicator. It is also found that long-term disclosure plays a key role in influencing the firm performance. Originality/ value: CSD is country-specific and, hence, the effects of corporate social disclosure on firm performance can vary from country to country. This study enhances understating of such relationship as it considers within the context of a developing country. The finding of this study is robust as every indicator of firm performance is found to be related positively to firm performance.

ACCESS TO INFORMATION, EMPOWERMENT AND MANAGERIAL PERFORMANCE: AN EMPIRICAL ANALYSIS

Vincent Bicudo de Castro, Deakin University

VG Sridharan, Deakin University

This study examines the relations between managers' access to information and psychological empowerment and how several dimensions of empowerment are associated with managerial performance. The motivation arises with the sparse evidence on the power of organizational and business-unit related information in enhancing empowerment. Analysing a survey sample of 102 managers, this study finds positive support for the effect of access to information on all dimensions of empowerment. However, if access to information is interacted with frequent change of deadlines, the effect on empowerment turns negative. Finally, only two dimensions, impact and competence, seem to be strongly associated with managerial performance.

ABSTRACTS

ACCOUNTING PROFESSIONALIZATION IN BRAZIL: RESISTANCE, CO-OPTATION AND ALLIANCES IN THE INTRODUCTION OF AN ACCREDITATION EXAMINATION (1999-2010)

Vincent Bicudo de Castro, Deakin University

Dessalegn Mihret, Deakin University

By drawing on the sociology of translation, this study investigates how the Accounting Federal Council (CFC) in Brazil morphed into a fully-fledged professional accounting body with control of entry into the profession. The study examines the process by which the CFC introduced a certification system in 2010 despite lacking this market control mechanism since council's legal recognition as a professional body in 1946. The CFC's move to institutionalize a professional accreditation examination requirement in 1999 failed due to a resistance from tertiary accounting students and the Brazilian Ministry of Education, which resulted in the suspension of exam requirement in 2004. Post-2004, the CFC pursued a co-optation strategy to create rapport with the resisting actors and re-framed its move by linking its goals to an emerging national agenda of international financial reporting standards (IFRS) adoption in 2010, which gained momentum following the Global Financial Crisis. Accompanying this shift in strategy with reframing the agenda around the need to make the accounting regulatory landscape in Brazil on par with international best practice suited to IFRS-based reporting facilitated state support for the CFC. The new framing eschewed the exclusionary overtone of the 1999 framing and instead pitched the agenda on issues of economic policy significance, thereby dissolving potential resistance to the new move. This enabled the CFC to re-draw a boundary for who is eligible for professional practice.

WHO STARTS A SELF-MANAGED SUPERANNUATION FUND AND WHY?

Ron Bird, University of Technology Sydney

Douglas Foster, The University of Sydney

Jack Gray, University of Technology Sydney

Adrian Raftery, Deakin University

Susan Thorp, The University of Sydney

Danny Yeung, University of Technology Sydney

Self-managed superannuation funds (SMSFs) – small retirement savings funds with four or fewer members – now manage almost one third of retirement savings in Australia, and serve over one million members. The number of SMSFs has increased to more than half a million in two decades. Yet little is known about the reasons people start the funds and how they operate. We use a survey of more than 500 SMSF members and 500 large superannuation fund members to analyse why SMSF members commence and manage their own fund, compared to similar people who stay with a large fund. We find that control over investments and tax minimisation are the most common reasons for starting a SMSF while satisfaction with large funds and unwillingness to take on the administrative burden of self-management are the most common reasons for not doing so. SMSF members do not show any greater financial skills than non-members, but they do display overconfidence, a higher risk tolerance and a more trusting attitude to financial professionals. Model results show that the majority of SMSF members start their funds at the suggestion of financial professionals. We also show that those who say they are thinking about starting a SMSF are different in significant ways from the eventual SMSF members, further evidence of the influence that the advice industry holds.

FINANCIAL STATEMENT COMPARABILITY, READABILITY AND ACCOUNTING FRAUD

Belen Blanco, The University of Adelaide

Sandip Dhole, The University of Melbourne

This study examines the association between two important characteristics of annual reports – financial statement comparability and readability, and the likelihood of committing accounting fraud. Prior research documents that the likelihood of accounting fraud is negatively associated with the quality of a firm's information environment. We build on this literature, and show that firms with less comparable and less readable financial statements are more likely to commit fraud. We also examine whether managers respond to fraud by improving the quality of information they provide in their annual reports subsequent to accounting fraud, and find that readability and comparability improve four years after fraud.

EXPLORING THE ASSOCIATION BETWEEN EFFECTIVE UNIVERSITY TEACHING AND STUDENT APPROACH TO LEARNING, AND THE IMPACT ON SATISFACTION WITH THE LEARNING EXPERIENCE OF ACCOUNTING STUDENTS

Belete Bobe, Deakin University

Barry Cooper, Deakin University

This study is concerned with the ways to improve the quality of learning outcomes of accounting students. Drawing on the effective teaching and student approach to learning literatures, we hypothesise that effective teaching and students' approach to learning are two important predicators of the quality of the learning outcome of accounting education. Using a survey data of 404 second year undergraduate students at an Australian university, we find that effective teaching inspires a deep approach to learning as well as leading to overall student satisfaction, regardless of the gender or cultural background of students. Not so with the surface approach to learning.

ABSTRACTS

RESEARCH PRODUCTIVITY OF AUSTRALIAN ACCOUNTING ACADEMICS

David Bond, University of Technology Sydney

Robert Czernkowski, University of Technology Sydney

Anna Wright, University of Technology Sydney

The research environment in universities has been subject to substantial changes in recent decades (Guthrie et al. 2015). Driving this has been increased competition for students, as a consequence of the greater mobility of this customer base (Guthrie and Parker, 2014). A major part of this change in the research environment has been the increasing use of key performance metrics in assessing research output.

Our objective is to first extend prior research to provide more recent and broad based statistics on publishing in accounting journals. Second we seek to document the research productivity of Australian accounting academics. In particular, we seek to document the reasonableness of performance metrics.

We find that overall, accounting research in top tier journals is heavily dominated by US based authors, especially for A* ranked journals. We also find that the majority of research output by Australian based academics is published in A journals, with only a small percentage of A* journals featuring an Australian author. Finally, we document that nearly 50 percent of the research productivity of Australian based academics is produced by the top 20 percent of authors in the sample.

THE ECONOMIC CONSEQUENCES OF CARBON EMISSIONS

Sudipta Bose, The University of Newcastle

Jyotirmoy Podder, Torrens University Australia

We examine the economic consequences of carbon emissions. Using the data from 36 countries across the world, we find that carbon emissions and cost of equity are positively associated implying a higher cost of equity for firms with a higher level of carbon emissions. Moreover, we document two important mechanisms, institutional ownership and analyst coverage, through which the impact of carbon emissions reflects in higher cost of equity capital. Carbon emissions are negatively associated with institutional ownership and analyst coverage. This suggests that firms with more carbon emissions have a higher level of information asymmetry and more financial constraints that might be plausible reasons for their higher cost of equity capital.

CARBON CONTROLS, CLIMATE CHANGE STRATEGY AND FIRM PERFORMANCE – NEW ZEALAND EVIDENCE

Binh Bui, Victoria University Of Wellington

Phuong Truong, Victoria University Of Wellington

Our study aims to understand the impact of carbon-focused management control systems (carbon MCS) on firm performance and the effect of a proactive climate change strategy on this impact. We investigate six types of carbon controls, and three types of proactive climate change strategy (innovation strategy, compensation strategy, strategic integration). We conduct a survey into 85 New Zealand organisations that are either a compliance obligation under the ETS or not across a number of industries. Results suggest a significant positive association between carbon MCS and organisations' environmental and economic performance. The association is stronger when a whole carbon MCS package is used rather than individual carbon controls. Carbon MCS performs a substituting role in relation to proactive climate change strategy, with the impact of carbon MCS on performance decreasing in the presence of a proactive strategy. Our findings have significant implications for decision makers in formulating their strategic and MCS responses to climate change issues.

STRATEGY, CARBON ACCOUNTING AND FIRM CARBON PERFORMANCE: AN INTERNATIONAL STUDY

Binh Bui, Victoria University of Wellington

Noor Houqe, Victoria University of Wellington

Tri Nguyen, Victoria University of Wellington

Despite the perceptive positive implication of carbon accounting system on organisational performance, extant academic literature on this field remains under-researched and limits to single jurisdiction or nation. Furthermore, although the significance of strategy in influencing the design and application and management control system (MCS) has been discussed extensively, not much attention has been drawn to the interplay between carbon strategy and Carbon Accounting Systems (CAS). Using a sample consisting of 1181 firms participating in Carbon Disclosure Project (CDP) 2015, our research analysed a three-way relationship between carbon strategy-accounting-performance in a multinational setting. We found that the tightness of CAS is significantly influenced by organisational proactive strategy choices, with more number of proactive strategies adopted leading to the cumulative effect of increasing control tightness. A weak association of CAS and performance is also found, with a stringent target significantly enhancing carbon performance while managerial incentives and carbon reporting have no impact. Additionally, we found that organisational strategic choice can influence its performance with strategic integration and reduction initiatives having a positive impact and emission trading a negative impact.

ABSTRACTS

THE INFLUENCE OF CHINA'S INSTITUTIONAL ENVIRONMENT ON IFRS CONVERGENCE AND EARNINGS QUALITY WITH CONDITIONAL HETEROSCEDASTICITY

June Cao, Macquarie University

Chris Patel, Macquarie University

Tak Kuen Siu, Macquarie University

This paper contributes to the literature on global convergence of international financial reporting standards (IFRSs) by examining the influence of China's unique institutional environment on earnings quality during the pre-IFRS convergence (2000-2006) and the post-IFRS convergence (2007-2015). By comparing earnings quality of companies listed only in mainland China (A companies) with companies listed in both mainland China and Hong Kong (AH companies), this paper provides new insights into understanding how the stronger versus weaker institutional environment influences IFRS convergence and earnings quality. Another contribution of this paper is to incorporate conditional heteroscedasticity and evidence is provided by statistically testing ARCH/GARCH effects on real accounting data. The main results of our study indicate that it is important to take into account the unique institutional environment of a country as well as conditional heteroscedasticity to examine IFRS convergence and earnings quality. Overall, we find that after IFRS convergence, earnings quality has improved. We also find that there are significant differences in earnings quality within China. Our results are consistent with Ke, Lennox and Xin (2015) that the stronger institutional environment of Hong Kong has a positive spillover effect on AH companies in mainland China. Further evidence of the positive spillover effect is provided by comparing SOEs with non-SOEs within A and AH companies and revealing that the negative effect of SOEs is less in AH companies. Our findings may be of interest to global standard setters, national regulators, practitioners and academic researchers.

OFFSHORING STRUCTURES IN ACCOUNTING FIRMS: SPOILED FOR CHOICE

Silvia Caratti, Curtin University

Brian Perrin, Curtin University

Glennda Scully, Curtin University

Once a decision to offshore has been made, accounting firms then face a myriad of options in how they structure their offshoring operations. This study investigates offshoring structuring options available to accounting firms using a case study qualitative approach. It addresses some of the unanswered questions relating to the choices available to accounting firms in terms of both the ownership models and the interaction frameworks that they adopt. This includes issues of ownership interest, level of engagement and who constitutes the "team". Using data collected from Australian accounting firms involved in offshoring to India, this study finds that the choices are complex and interrelated. Decisions made are affected by many factors such as firm size, prior experience with offshoring, initial investment size, domestic change management practices and the level of control desired in the process.

ABSTRACTS

ACADEMIC MACGYVERISM: OVERCOMING PROBLEMS AND IMPROVISING SOLUTIONS

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Heather E.G. Prider, University of South Australia

Philip A. Johnson, University of South Australia

Scott T. Copeland, University of South Australia

One of the features of the modern university is its ever-changing circumstances; none more so than the increasing digitalisation of academic work. Electronic submission of assignments is a well-established practice which allows, amongst other things, the use of plagiarism-checking programs. Electronic marking of assignments, with the exception of multiple choice questions, has lagged by comparison. This paper considers the process of adapting to an institutional requirement to mark all assignment in an electronic environment, whilst maintaining or improving feedback, in terms of volume and consistency. Using (classroom) justice theory as a framework, and action research design, the development and refinement of a marking tool using the functionality of Word, and auto-text marking tool, is explored. Following five iterations of refinement, it was found that student satisfaction with feedback improved and markers were able to focus on more constructive elements of this process rather than technical material. With Word being readily accessible, the use of auto-text and templates for electronic marking, provides an opportunity for educators to provide consistent feedback whilst preserving the ability to tailor comments to individual needs.

THE EFFECT OF CHIEF OPERATING OFFICERS ON REAL EARNINGS MANAGEMENT

Cory Cassell, University of Arkansas

Andrew Doucet, University of Tennessee

E. Scott Johnson, Virginia Tech University

Linda Myers, University of Tennessee

Because Chief Operating Officers (COOs) are responsible for internal operations and because the use of real earning management (REM) can have negative consequences on long-term operating performance, we posit that firms with COOs will be less likely to use REM to inflate near-term earnings. Consistent with this, we find that the level of REM is lower for firms employing COOs than for other firms. In subsequent tests, we investigate whether the use of REM varies with the likelihood that COOs are heir apparent to the Chief Executive Officer (CEO) position and find that heir apparent COOs engage in more REM than do non-heir apparent COOs. Overall, our results suggest that the presence of a COO restricts the use of REM on average, and that this effect is driven by COOs who are less likely to ascend to the CEO role in the near term.

ASYMMETRIC MODELLING OF THE ADJUSTMENT SPEED OF CASH HOLDINGS

Yanhao Chang, UQ Business School

Karen Benson, UQ Business School

Robert Faff, UQ Business School

This study examines the adjustment speed of cash holdings. Our sample comprises all nonfinancial firms listed on the NYSE, over a period from 1962 to 2014. We employ a multi-faceted empirical strategy including: (1) a dummy variable approach; (2) a cubic model; (3) a threshold regression model. Our core findings show that there exists an optimal range of cash holdings where firms optimally allow it to deviate from the theoretical cash target. Moreover, we provide evidence that speedy cash adjustment will occur if firms go outside the optimal cash range. We also confirm that cash adjustment is not only partial but also asymmetric, in the sense that cash-rich firms make speedier cash adjustment than cash-poor firms.

THE IMPACT OF INCENTIVES AND COSTING PRECISION ON INTER-FIRM NEGOTIATIONS

Linda Chang, UNSW Sydney

Nicole Ang, UNSW Sydney

Using an experimental approach, we examine costing system precision and incentives on customer-supplier negotiations. Research indicates that negotiators commonly view the benefits from negotiation to be fixed, and seek to maximise their share of those benefits. However, improved outcomes can often be obtained by adopting a riskier approach and using collaborative (integrative) negotiation tactics that facilitate information exchange and a better understanding of what each negotiator values. We predict and find that because negotiators who are responsible for another persons' remuneration are more risk adverse, they use less integrative negotiation tactics and earn lower joint profits than negotiators who are responsible for their remuneration only. We further find that costing system precision moderates this relationship. Specifically, negotiators who are responsible for a colleague's remuneration earn higher joint profits when they are provided with precise costing information and lower joint profits when they are provided with imprecise costing information.

ABSTRACTS

AUDITOR RESPONSE TO CLIENT LITIGATION RISK AND THE IMPACT ON AUDIT QUALITY

Szu-fan Chen, The Hong Kong University of Science and Technology

Kevin C.W. Chen, The Hong Kong University of Science and Technology

We show that the relationship between litigation risk and audit quality is conditional on the litigation risk management strategies taken by auditors. Auditor resignation in the face of imminent client risk is followed by auditors who allow more income-increasing accruals, have shorter audit lag, and issue fewer going concern opinions than those who stay with risky clients. Moreover, the fees of new auditors reflect a risk premium as they are positively related to ex post auditor litigation. In contrast, auditors who stay with risky clients charge higher audit fees and reduce non-audit services, and the audit fees reflect efforts as they are negatively related to auditor litigation. In summary, we find that auditor switch leads to different relation between litigation risk and audit quality.

DETERMINANTS OF FINANCIAL ANALYSTS' CASH FLOW FORECASTS IN AUSTRALIA

Charlene Chen, Macquarie University

Meiting Lu, Macquarie University

Yaowen Shan, University of Technology Sydney

Yizhou Zhang, Macquarie University

Using a sample of Australian firms over the period 1993-2014, this paper examines the determinants of analysts' issuance and accuracy of cash flow forecasts. We predict and find that analysts' decisions to disseminate cash flow forecasts are affected by analyst general cash flow forecasting experience and firm characteristics such as firm size and risk. In addition, using the two-stage Heckman model, we find that the accuracy of cash flow forecasts is jointly determined by the brokerage resources available to the analyst, firm size and information uncertainty, but is not associated with analyst experience. Overall, despite extensive evidence in the US-based research, this study contributes to the literature by providing the first evidence on analysts' cash flow forecasts in Australia, a market with different institutional, regulatory and market structures.

ABSTRACTS

DIRECTORS' AND OFFICERS' LEGAL LIABILITY INSURANCE AND INTERNAL CONTROL WEAKNESSES

Guang-Zheng Chen, Feng Chia University

Edmund Keung, National University of Singapore

Directors' and officers' (D&O) legal liability insurance releases directors and officers from the threat of litigation and personal liability stemming from their decisions on behalf of the corporation. While researchers have examined some of the determinants of internal control weaknesses, the implications of carrying excess coverage on internal controls are not clear. This study examines whether excess D&O coverage affects the effectiveness of internal controls. Based on a sample of Taiwanese listed firms for the period 2008 to 2012, we find that firms with excess D&O coverage exhibit a greater likelihood of internal control weaknesses. This finding is driven mainly by company-level weaknesses rather than by account-level weaknesses. Excess D&O coverage encourages opportunistic behaviors and motivates managers to weaken the quality of firms' internal controls.

THE EFFECT OF BONUS DEFERRAL ON MANAGERS' SELF-INTEREST: AN EXPERIMENTAL EXAMINATION OF INVESTMENT DECISIONS AND EFFORT PROVISION

Mandy Cheng, UNSW Sydney

Tami Dinh, St. Gallen University

Wolfgang Schultze, University of Augsburg

Maria Assel, University of Augsburg

We examine the impact of deferred bonus payments and clawbacks on managers' self-interest in two experiments. Deferred bonus and clawbacks are an important element of a "bonus bank" scheme designed to motivate managers to act in the best interest of the firm. Consistent with construal level theory from psychology, we find that bonus deferral mitigates managerial self-interest. It increases managers' willingness to make a bonus-decreasing investment by encouraging managers to place greater importance on advancing their company's long-term interests and on improving their reputation within the company. These mediation effects are significant only when participants have a short employment horizon. The second experiment examines the combined effect of bonus deferrals and clawbacks on managers' willingness to exert personally costly effort to advance their company's interests. We expect to find that bonus deferral and clawback provisions work as complements and encourage managers to place greater importance on advancing their company's interests. Our study contributes to the debate on effective managerial compensation by showing that a simple deferral of bonus payments can reduce the negative consequences of managerial self-interest and opportunism.

NON-PROFESSIONAL INVESTOR'S JUDGMENTS OF THE RELIABLITY OF FAIR VALUE ESTIMATES - THE IMPACT OF INVESTOR MOOD

Wei Chen, UNSW Sydney

Noel Harding, UNSW Sydney

Wen He, The University of Queensland

Accounting standards require, with reference to the underlying reliability of the valuations, the disclosure of fair values across three levels within a fair value hierarchy. We find that investor mood, a factor that should be of no consequence to the assessment of reliability across the fair value hierarchy, is associated with differences in the extent to which Level 1 fair values are more reliable than Level 3 fair values. That is, investors in a more positive mood perceive the difference in reliability between Level 1 and Level 3 fair values to be more extreme than is the case for those in a less positive mood. Encouragingly, we find that including brief definitions in the headings under which fair values are prioritized reduces variation in the way in which reliability is perceived across those experiencing more positive and less positive mood states, and likely improves the effectiveness of fair value disclosures

HERDING BEHAVIOR IN EQUITY CROWDFUNDING

Xue Chen, Shenzhen University

Juan Huang, Shenzhen University

Jinru Liu, Shenzhen University

Le Ma, University of Technology Sydney

Equity crowdfunding enables entrepreneurs to directly seek capital from capital providers via the Internet. Despite its increasing popularity in recent years, limited research has investigated the crowd impact on investors' choices in contributing equity fundings to different campaigns. Based on an unique dataset manually collected from JD.com, this paper empirically investigates whether herding behavior exists in equity crowdfunding. Findings suggest that ordinary investors indeed exhibit herding behavior as higher accumulated amount of capital in a campaign leads to more subsequent incremental capital contribution from investors. Herding is rational if investors perceive investment momentum as signals of private information possessed by other investors. Herding is irrational if investors blindly follow others' investment decisions regardless of campaign quality. Evidence reveals that rational herding dominates irrational herding on JD.com as herding behavior is generally stronger in campaigns where investors face a high level of information asymmetry.

THE IMPACTS OF BONUS AND PENALTY ON CREATIVITY: INSIGHTS FROM AN EYE-TRACKING STUDY

Yasheng Chen, School of Management, Xiamen University

Bingyi Huang, School of Management, Xiamen University

This study explores the impacts of incentive contracts on the creative process and the resulting creativity of a design job. Using an eye-tracking device to track the designers' eye movements during an artwork design task, we found that designers working under a piece-rate plus competitive bonus plan allocated more effort to the idea generating process than designers under a piece-rate minus penalty for defectives plan. We also found that the effort allocated to idea generating and the intensity of the effort devoted to design improvement are critical for producing creative designs. In contrast, the effort allocated to the design evaluating process contributes to product quantity, but cripples design output creativity. The findings of this study suggest that properly-designed incentive contracts can increase employees' creativity by directing their efforts towards the idea-generating process in a creative task.

IS THERE A "SMART MONEY" EFFECT DURING RECESSIONS?

Yimeng (Emon) Chen, The University of Adelaide

Tariq Haque, The University of Adelaide

Shan Li, Xiamen University

Moskowitz (2000) and Glode (2011), among others, document that US mutual funds achieve higher alphas in recessions compared to non-recessions. Another strand of literature on the smart money effect documents that simple fund selection algorithms, based on past flows, do not generate significantly positive unconditional alphas. We combine these strands of literature to investigate whether simple fund selection algorithms can achieve significantly positive alphas in recessions, when investors most value outperformance. Our results show that the smart money algorithm successfully identifies both small- and large-funds that perform well in recessions. Furthermore, these same funds perform well in non-recessions consistent with Kacperczyk et al. (2014) and the empirical results of Glode (2011).

QUESTIONING THE NUMBERS: EPISTEMIC AUTHORITY, NARRATIVE AND PERFORMANCE EVALUATION

Robert Chenhall, Monash University

Matthew Hall, Monash University

David Smith, University of Queensland

Prior research has devoted limited attention to considering how narrative and quantitative performance information operate in combination, specifically, how managers use these forms of information to make claims and counter-claims about performance, and how these managers determine the relative authority that each of these forms of information will have in their decision making. In this study, we draw on the concept of epistemic authority, defined by Kruglanski et al. (1995: 351) as "the extent to which an individual is prepared to rely on a source's information and accept it" to examine this issue. Using a case study of a non-government organization, we demonstrate how junior managers use narrative information to question the epistemic authority of quantitative performance indicators, and how senior managers use a combination of quantitative performance information, narrative information about performance, and their own knowledge to evaluate the performance of organizational subunits.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE PAYOUT POLICY

Adrian Cheung, Curtin University

Mostafa Hasan, Curtin University

Using a dataset of 22,746 firm-year observations over 1991-2014, we examine whether corporate social responsibility (CSR) is an important determinant of corporate payout policy. We have three primary findings. First, we find that firms with higher (lower) CSR scores tend to have a higher (lower) corporate payout. Second, we provide evidence that CSR affects not only dividend payout but also stock repurchases. Third, we also find that the impact of CSR is found to be more pronounced with stock repurchases than with dividend policy. The findings are robust to different estimation methods, alternative measures of corporate payouts, CSR, dividend payout, stock repurchase and endogeneity.

ABSTRACTS

AN INVESTIGATION INTO STUDENT SATISFACTION, APPROACHES TO LEARNING AND THE LEARNING CONTEXT IN AUDITING

Christina Chiang, Auckland University of Technology

Paul Wells, Auckland University of Technology

Peter Fieger, University of New England

This study responds to calls for changes to the learning context to be monitored and assessed. It examines the effectiveness of the mini-audit as an alternative learning context in terms of student satisfaction and whether it encourages students to adopt a deep approach to learning, Questionnaire responses from 99 third year auditing students studying at a NZ university provided the data to explain factors which influenced student satisfaction and their approach to learning in the completion of a mini-audit. The results suggest that students positively perceived the learning experience and were encouraged to adopt a deep approach to learning. The findings have implications for accounting educators in the design and development of learning and assessment strategies.

ESTIMATION BIAS IN RESIDUALS: AN ANALYSIS IN THE CONTEXT OF EARNINGS MANAGEMENT LITERATURE

Demetris Christodoulou, University of Sydney

Le Ma, University of Technology Sydney

Andrey Vasnev, University of Sydney

A fundamental design issue in the investigation of earnings management is the unobservability of managerial intervention in financial reporting or the normal course of business. Intentionally manipulated accruals, reduced R&D/SG&A spending or overproduction are difficult to quantify through observed financial information. This is the reason why studies use aggregate proxies for the expected levels of accruals or investments, and the deviation from these levels (the residual) is posited to indicate an overall manipulation. This paper investigates whether the current methodology of using residuals is indeed a good approach in capturing the manipulation. It applies an error-in-variables framework to assess the performance in using residuals for identifying suspect cases and in estimating the average magnitude of earnings management. This study makes a methodological contribution to the earnings management literature by evidencing the poor ability of estimated residuals in accurately capturing manipulations and in identifying earnings management suspects. The study also shows that while both one-step and two-step estimation procedures of earnings management models give the same consistent estimators, the two-step estimator can be significantly biased in finite samples. Hence, a one-step estimation model should be preferred.

ABSTRACTS

PRESENTATION AND DISCLOSURE OF IFRS EARNINGS, ADJUSTED EARNINGS AND SUBTOTALS: RELEVANCE TO MARKET PARTICIPANTS AND IMPLICATIONS FOR STANDARD SETTERS

Greg Clinch, The University of Melbourne

Ann Tarca, The University of Western Australia

Marvin Wee, The University of Western Australia

Using value relevance models based on Ohlson (1995), we investigate the usefulness of various earnings measures and reconciliation items presented by IFRS adopting firms in their annual reports and financial statements. We hand collect data from 400 listed companies from eight countries (Australia, France, Germany, Hong Kong, Italy, Singapore, Sweden and the UK) during the years 2005, 2008, 2011 and 2013 (1,595 firm-years). We find that underlying earnings is value relevant in pooled models and in year and country models. In addition, we find the difference between the firm's selected underlying earnings subtotal (e.g., EBIT or operating profit) and IFRS consolidated profit or loss (i.e., IFRS net income) is also value relevant, pointing to the complementary nature of the information contained in underlying earnings and IFRS earnings. Considering the individual adjusting items, we find those relating to depreciation, disposals, discontinued operations and mergers and acquisitions are not value relevant while items relating to impairment, fair value remeasurements, share of profit of associates and share-based payments are value relevant. This suggests the information content of adjusting items varies between items.

THE INSTITUTIONAL WORK OF SUPPRESSION: A CASE STUDY OF THE CORPORATE RESPONSIBILITY COALITION

Conor Clune, UNSW Sydney

Brendan O'Dwyer, University of Amsterdam

Drawing on the concept of institutional work, the paper examines the organisational level dynamics surrounding a corporate accountability campaign instigated by the Corporate Responsibility Coalition (CORE) during the process of UK company law reform between 2000 and 2007 in an effort to embed stringent social and environmental standards in UK companies' legislation. The paper examines the interactional nature of the form of work instigated by CORE and the Government during the company law reform process and offers the following contributions: First, it directs attention to the concept of suppression in the institutional work framework, deepening our understanding of how dominant actors exploit their field position to instigate forms of suppression work that exclude and marginalise subordinate actors' claims. Second, it advances the existing application of institutional work by introducing three new forms of work: work refutation, subdual and marginalisation work, and justification and acclamation work. Third, it responds to calls for further examination of the role non-business actors' play in shaping the nature of CSR policies enacted in an institutional context (Rasche, De Bakker and Moon 2013), nuancing existing criticisms of the role that these actors play in influencing processes of CSR reform (Archel, Husillos and Spence 2011, Bebbington, Kirk and Larrinaga 2012).

ABSTRACTS

SOCIALLY RESPONSIBLE INVESTING BY TRUSTEES OF SELF-MANAGED SUPERANNUATION FUNDS: TOWARDS A CONCEPTUAL FRAMEWORK

Roger Colbeck, Tasmanian School of Business and Economics

William Maguire, Tasmanian School of Business and Economics University of Tasmania

This paper works towards a conceptual framework to examine socially responsible investing (SRI) by trustees of self-managed superannuation funds (SMSF-trustees) and to suggest research questions to encourage empirical research.

Mind-mapping reveals four substantive variables, namely: advice, control, investor-profiles and decision frames, that potentially influence investment decisions. The authors elaborate by drawing on academic, industry and regulatory-body sources, supported by exploratory, semi-structured interviews with SMSF-trustees.

SMSFs are unique to Australia, are of relatively recent origin and represent a significant pool of funds. Preliminary indications are that: the investor-profile of SMSF-trustees differs from that of SR investors in that SRI features to a limited extent, if at all, in the investment strategies of SMSF-trustees; SMSF-trustees have a low awareness of SRI; and neither trustees nor their advisers are well educated about SRI. A conceptual framework emerges from the literature review and interviews, which leads to two research questions.

The conceptual framework and the research questions provide a focus for future SRI-research, amenable to a range of methods including surveys and interviews. The study highlights the opportunity to grow SRI by encouraging SMSF-trustees to invest in a socially responsible manner, subject to regulatory and/or industry bodies' taking responsibility for improving the education of SMSF-trustees and advisers.

ANALYSTS' CASH FLOW FORECASTS AND EARNINGS BENCHMARK BEATING

Jeff Coulton, UNSW Business School

Naibuka Saune

Stephen Taylor, University of Technology, Sydney

Security analysts are widely viewed as leaders in communicating the implications of complex financial information to investors and also sophisticated information intermediaries who improve market efficiency. This paper investigates whether analysts play a monitoring role in firm's reporting behaviour. Specifically, by examining whether the provision of cash flow forecasts by analysts impair the earnings management and benchmark beating behaviour of Australian firms. In contrast to studies that highlight the disciplining implication of analyst cash flow forecasts on accruals and benchmark beating behaviour, we find no improvement in accrual quality after the release of cash flow information by analysts across our sample period.

DEVELOPING MOBILITY MANAGEMENT CONTROLS BY LOCAL GOVERNMENTS: A CASE OF BELGIUM

Nathalie Crutzen, University of Liege

Wei Qian, University of South Australia

Djida Bounazef, University of Liege

This study aims at exploring the current development of management control practice in support of local government mobility strategy. More specifically, we use institutional theory as our theoretical lens to analyze how social institutional pressures and structures (such as regulation, culture or norms) have influenced (either enabled or constrained) the development of management controls for mobility in local government.

An exploratory case study method was applied for the purpose of this study. The package of mobility controls developed by local governments in Belgium is explored with reference to the model proposed by Malmi and Brown (2008). Semi-structured interviews were conducted with senior manager(s) responsible for mobility issues and secondary data were collected in two local governments in Belgium.

The research shows that the package of mobility controls is still underdeveloped in Belgian local governments. There are significant diversities between the two regions (Wallonia and Flanders) in terms of implementation, execution and development of mobility controls. Although regulatory, cultural and social normative influences are either enabling or constraining the development of mobility controls, local cultural support and mobility actors’ collaboration appear to be the most important institutional factors for mobility development.

Prior studies suggest that management controls play a key role in strategy implementation and formulation. While the public sector such as local government organisations are encouraged to use sustainability management accounting and control tools, understanding of their management control practices and the inherent difficulties in operationalizing EMCS remains limited. A timely exploration of institutional enablers/ constraints and similarities/differences of Flemish and Walloon mobility controls contributes to our understanding of EMCS issues in practice. It also provides policy implications for future improvement of EMCS development.

ABSTRACTS

USE OF PICTURES IN ANNUAL REPORTS OF NEW ZEALAND'S UNIVERSITIES TO PORTRAY THEIR INTELLECTUAL CAPITAL

Paul Davis, University of Waikato

Jackie Allen, University of Waikato

Mary Low, University of Waikato

This research project seeks to ascertain an understanding and contribute to the literature on the influence pictorial images have to disclose intellectual capital in a New Zealand university reporting context. Perceived intellectual capital disclosures for each university between the academic annual report years of 2012 and 2014 are identified and analysed. Trends in the proportion of pictures being perceived to show IC items from the total number of pictures that presented, and analysed in the subclassification of IC pictorial disclosures (concerning external, internal and human capital). The research uses context analysis using a framework of analysis and coding rules which were established to guide interpretation of perceived intellectual capital in photographic images. The following findings were made: through pictorial disclosures, six New Zealand universities disclosed more human capital, whilst two universities disclosed more external capital. Human capital included portraying employees of the university through the knowledge and experience they contributed to their institution, as well recognising staff success stories. In aggregate over the three years for all New Zealand universities, it was found that 79% of all images disclosed intellectual capital items. The number of pictures being used to portray intellectual capital increased over the period of the three years, from an average of 22 images per university in 2012 to 35 images per university in 2014.

DO GOOD EMPLOYEE TREATMENT POLICIES REDUCE EXTERNAL WHISTLEBLOWING?

Charl de Villiers, The University of Auckland, and University of Pretoria

Gladys Lee, The University of Melbourne

Xinning Xiao, Monash University

This study examines the effect of employee treatment policies on whistleblowing behavior. We find that firms with better employee treatment policies are associated with a lower likelihood of external whistleblowing, that this association is driven by having better cash profit sharing programs, retirement benefits, health and safety programs, supply chain policies, and professional development. We further show that better employee treatment policies mitigate the negative financial consequences of an external whistleblowing event. Specifically we find that while firms subject to a substantive external whistleblowing allegation have a lower return on assets, we this effect is reduced when firms have better employee treatment policies. We also find that when firms experience a substantive external whistleblowing allegation, firms with better employee treatment policies have higher subsequent labor productivity compared to firms with poorer employee treatment policies. These findings contribute to the literature on the determinants and economic consequences of whistleblowing, and inform managers that employee-friendly policies can help to manage the risk of external whistleblowing.

ABSTRACTS

COMPETITIVE RIVALRY IN AUDIT MARKETS

Simon DeKeyser, KU Leuven

Ann Gaeremynck, KU Leuven

Robert Knechel, University of Florida

Marleen Willekens, KU Leuven

In this paper we argue that audit firms compete rationally and consider the potential actions of other firms when deciding how fiercely to compete with market rivals. Based on prior literature in the field of industrial organization, we hypothesize that competing with the same audit firms across different industries within a geographical region (which we label "multi-industry contact") leads to less competition overall, which suggests mutual forbearance among rivals. However, client concentration within an industry increases the immediate benefits of vigorous competition inducing audit firms to compete more aggressively. Further, a drop in quality for an audit firm can adversely affect the firm's reputation, making the firm more vulnerable to aggressive competition from other audit firms. We measure rivalry using two dynamic measures of competition (i.e., market-share mobility and leader dethronement) and find that multi-market contact, market concentration and reputation damage all affect competitive rivalry as predicted.

EFFECTS OF LEGAL PROTECTION OF TRADE SECRETS ON VOLUNTARY DISCLOSURE OF FORWARD-LOOKING FINANCIAL INFORMATION

Dan Dhaliwal, University of Arizona

Yan Li, University of Melbourne

Yutao Li, University of Lethbridge

Using U.S. state courts' recognition of the Inevitable Disclosure Doctrine (IDD), this study simultaneously tests the proprietary-costs and agency-costs hypotheses of voluntary disclosure. We find that the frequency and horizon of firms' annual earnings forecasts increase after the state where a firm is based recognizes the IDD. Cross-sectional analyses indicate that the effect of IDD recognition on management forecasts is more pronounced for firms with intensive R&D, better sales and profits, and employees who are likely to know their firms' trade secrets. Furthermore, we find that, after the recognition of the IDD, management earnings forecasts are more informative and firms' information environments improve. Finally, we find that the recognition of the IDD leads to more frequent disclosure of product-related news. Overall, our findings support the proprietary-cost hypothesis that firms disclose more forward-looking financial information when the legal environment is employer friendly.

ASYMMETRIC RESPONSES TO MULTIPLE PERFORMANCE MEASURES: THE ROLE OF NON-PATHOLOGICAL NARCISSISM

Kelsey Dworkis, University of Denver

Lorenzo Patelli, University of Denver

We conduct two experiments to determine whether non-pathological narcissistic personality affects individual performance under multidimensional performance evaluation systems (PES). In our first experiment (86 participants), we investigate whether narcissism intervenes in the relationship between the design of PES (i.e., number of measurement dimensions and dispersion of measurement weights) and individual performance. In our second experiment (90 participants), we introduce feedback valence to determine how it affects performance in relationship with narcissistic personality and the design of PES. For both experiments, we use participants recruited through Amazon Mechanical Turk. We find that individuals with a high level of narcissistic personality perform better under PES with more dimensions. Also, we find that independent from narcissism, individuals perform better when provided with positive feedback in the presence of multidimensional PES; yet, this effect is stronger for individuals with a narcissistic personality. These results are consistent with our hypotheses that narcissism and feedback valence influence the syphoning of cognitive resources towards self-regulatory processes caused by PES that balance multiple dimensions. Hence, this study contributes to the existing research on the effectiveness of multidimensional PES by introducing the role of personality traits.

WEAKENED REPORTING: THE EFFECTS OF BONUS COMPENSATION, CLAWBACK REGIME, AND NARCISSISM ON WHISTLEBLOWING

Kelsey Dworkis, University of Denver

Adam Greiner, University of Denver

Lisa Victoravich, University of Denver

The Dodd-Frank Act (DF) broadens the range of executives susceptible to clawback provisions beyond the CEO and CFO as originally required by the Sarbanes Oxley Act (SOX). This study examines how this broader clawback provision interacts with an observer's level of bonus compensation and whether the interactive effects of clawback and bonus compensation are more pronounced for individuals who exhibit higher levels of narcissism. We find that the likelihood of reporting fraud decreases when an observer receives a higher bonus under the DF clawback regime relative to the SOX clawback regime and that this effect is stronger for observers with higher levels of narcissism. These results indicate that a decrease in fraud reporting from internal sources may be an unintended consequence of the DF clawback provision. Our findings are especially important given that tips from within an organization are a common source of detecting fraud.

ABSTRACTS

FINANCIAL DETERMINANTS OF LOCAL GOVERNMENT DEBT FINANCING IN NEW ZEALAND

Dimu Ehalaiye, School of Accountancy, Massey University

Nives Botica Redmayne, School of Accountancy, Massey University

Fawzi Laswad, School of Accountancy, Massey University

The purpose of this paper is to investigate the financial determinants of local government debt financing in New Zealand.

To investigate the financial determinants of local debt financing in New Zealand we analyse the relationship between financial variables identified in previous empirical studies on municipalities' borrowing with local government debt in New Zealand using a panel data methodology, specifically the pooled OLS regression model.

The findings suggest that council income is the major financial determinant of local government borrowing in New Zealand rather than infrastructural spending and that the global financial crises (GFC) did not impact the borrowing behaviour of local councils in New Zealand significantly. However, low interest rates post the GFC could have stimulated increased borrowing activity by New Zealand local governments to fund infrastructure.

This paper is the first to examine the determinants of local government debt in New Zealand. The findings of this study will contribute to better understanding of local government debt financing and will inform local government authorities, central government and ministries, New Zealand Treasury, Office of the New Zealand Auditor General and regulators. In that way it is anticipated that the findings of this study are to affect business practice and government policy.

DOES PAY INFLUENCE PERFORMANCE MORE OR DOES PERFORMANCE INFLUENCE PAY MORE?

Nader Elsayed, Qatar University

Hany Elbardan, American University of the Middle East

While there have been extensive empirical investigations of pay-performance sensitivity, the perspective of performance-pay has received less attention to date. Additionally, while executive compensation is sensitive to firm performance, firm performance would be enhanced by providing a prospective reward scheme to board members. Adopting multiple theoretical perspectives, the authors examine whether executive compensation has a greater influence on firm performance or whether the latter has a greater influence on compensation. Using data from a five-year period (2010-2014) for Financial Times and Stock Exchange (FTSE 350) companies, the authors employ a set of simultaneous equation modelling to jointly investigate the mutual association of executive compensation and firm performance by employing data available for four control variables (board size, non-executive directors, leverage and boardroom ownership). The authors find strong evidence for the greater influence of executive compensation on firm performance than the pay-performance framework. This finding supports the stewardship and/or tournament theories compared with the agency perspective. The study results provide evidence that using the tournament perspective by remuneration committees as a guide for deciding executive compensation helps in achieving better performance. This helps in developing appropriate mechanisms for setting executive remuneration. This paper combines an empirical investigation of the frameworks of pay-performance and performance-pay and develops a system of six simultaneous equations to examine the associations between executive compensation and firm performance.

ABSTRACTS

INVESTMENT COMMITTEES AND CORPORATE CASH HOLDINGS: EVIDENCE FROM THE GCC

Baban Eulaiwi, Curtin University of Technology

Ahmed Al-Hadi, Curtin University of Technology

Ahsan Habib, Massey University

Grantley Taylor, Curtin University of Technology

Khamis Al-Yahyaee, Sultan Qaboos University

We investigate the association between voluntary formation of a board investment committee (IC) and corporate cash holdings for a large sample of Gulf Cooperation Council firms over the 2005–2013 period. We provide evidence to support the assertion that the existence of a specialized IC increases corporate cash holdings. We also find that several characteristics of ICs comprising member experience, independence, number of meetings and committee size are associated with an increase in firms' cash holdings. Further, the local institutional and foreign ownership of GCC firms moderates the IC-cash holdings relationship. These results remain robust to alternative specifications of cash holdings and endogeneity tests. We contribute to the literature on firms' incentive to hold cash and the governance literature in an emerging markets context in several important ways.

THE ONE-MINUTE PAPER: EXPLORING THE BENEFITS FROM THE STUDENT'S PERSPECTIVE

Patricia Everaert, Ghent University

Evelien Opdecam, Ghent University

The one-minute paper (OMP) is an assessment tool that increases student engagement during lectures. It is announced at the beginning of the lecture that the student at the end, will have to write (anonymous) a few sentences (1) on the main message of the lecture and (2) eventually ask a question on a confusing concept. The instructor collects the papers and can come back on it in a next class. The objective is to investigate student satisfaction, to explore the reasons why students like (dislike) the OMP and to investigate whether the benefits are related to gender and ability. A survey was administered in two settings, a small class (65 students) and a large class (670 students) at two different universities. The results learn that the technique of the OMP was appreciated because of focusing on active learning. Especially, by the low ability students this advantage of active learning was rated higher than for the high ability students. Furthermore, it provided a way to ask a question to the instructor, especially in a large lecture hall, where no one ever dares to raise the hand. For female students, more than for male students, the OMP was perceived as providing personal contact with the instructor. The results are explained from a goal setting theory perspective, predicting that a specific goal (here: the OMP) focuses the student more to the lecture. Experiences are shared for the teaching practice and more high tech alternatives are discussed.

ABSTRACTS

TAKEOVER COMPETITION AND ACQUISITION CHOICES IN AUSTRALIA

Robert W. Faff, The University of Queensland

Abeyratna Gunasekarage, Monash University

Syed M.M. Shams, University of Southern Queensland

This paper extends our knowledge on acquisition decisions by examining whether takeover competition affects the acquisition choices of companies. To this end, we investigate four choices: (i) acquisition of a public versus a private firm; (ii) using stock versus cash as the method of payment; (iii) increasing the business focus versus diversification; and (iv) acquiring high tech firms versus non-high tech firms. As predicted, we find that Australian managers prefer to acquire public targets, use stock as the payment method, increase business focus and purchase high tech firms when confronted with potential takeover competition. However, among these four decision choices, the acquisition of public targets and the use of stock as the method of payment are penalised by the capital market with significantly lower returns for small acquirers. Somewhat in contrast, the acquisition choices of large acquirers are not associated with significantly low returns. A similar picture emerges from the analysis of long run operating performance of acquirers. The findings remain insensitive to a number of robustness tests.

CHARITIES' ACCOUNTABILITY - FINANCIAL AND NON-FINANCIAL REPORTING DISCLOSURES

Daniel Farrell, University of Waikato

Mary Low, University of Waikato

Umesh Sharma, University of Waikato

Charitable organisations are of significant importance to society, and are crucial in furthering social objectives. Charities receive significant levels of funding from the Government, both in the form of tax relief and grants. Further, funding comes from community organisations and donations from the public. This creates an expectation upon the charities that they will be accountable to the public and this accountability discharged through financial and non-financial reporting. However, prior research studies have found that charities report inadequate and inaccurate information. This research investigates the level of accounting standards and generally accepted accounting principles compliance charities have. It does so by exploring charities' publicly available annual reports. For the purposes of this research, the framework for reviewing financial reporting compliance were the New Zealand Equivalents to the International Accounting Standards for Public Benefit Entities (NZIAS (PBE)) and for reviewing non-financial reporting, the 2008 framework from the Office of the Auditor-General. Overall, the key finding was that the reporting compliance level of the charities investigated was poor and therefore lending support to the viewpoint that charities are not discharging their accountability to stakeholders and society adequately.

ABSTRACTS

IDENTIFYING EARNINGS OVERSTATEMENTS: A PRACTICAL TEST

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Yaowen Shan, UTS Business School, University of Technology Sydney

Stephen Taylor, UTS Business School, University of Technology Sydney

We measure the power of simple financial statement analysis techniques for identifying instances of significant earnings overstatements, and then contrast the results with those from several measures of unexpected accruals. Our results suggest that relative to a group of matched control firms, those firms identified by the SEC as having overstated earnings outside the boundaries of GAAP have significantly different financial statement characteristics. We also find that a simple measure of accruals, supplemented by a few financial statement indicators, has comparable success in identifying these earnings overstatements than measures of unexpected accruals on which researchers typically rely. Because SEC enforcement actions likely represent the most extreme forms of upwards earnings management, they are a reflection of where most practical concerns are directed about the existence of accounting manipulation. Our results highlight a low of power among widely used measures of unexpected accruals, consistent with the view that methods based on the approach of Jones (1991) are primarily a response to researchers' concerns with type I errors, rather than what we characterise as practical concerns with type II errors. We conclude that future research directed at improved measures of earnings management for practical purposes might profitably focus on insights from financial statement analysis rather than incremental refinement of models used to identify unexpected accruals.

RESEARCH AND DEVELOPMENT TAX INCENTIVES IN THE MINING INDUSTRY

Andrew Ferguson, University of Technology Sydney

Sam Sherry, University of Technology Sydney

This paper examines the impact of the introduction of the R&D tax incentive in 2011 on R&D expenditure by Australian mining firms. The R&D tax incentive was introduced to address limitations of the existing R&D tax concession which prevented small, innovative companies in a tax loss position from benefiting from the concession, and to remedy the very tight targeting of the existing refundable R&D tax offset by removing restrictions on eligibility to make cash refunds accessible to more small to medium sized companies. We examine the effect of the new R&D tax incentive in a setting where small to medium sized companies with accumulated losses are prevalent, namely the Australian mining sector. Using a sample of 882 unique companies in the mining and energy sectors that were listed on the ASX during the period 2008 to 2015, we find that the number of companies receiving R&D tax refunds after 1 July 2011 increased significantly, and the average refund received increased from $182,666 in 2008 to $1.01 million in 2015. We find that firms with accumulated losses are more likely to access the R&D tax incentive and that qualifying R&D expenditure by firms eligible for the incentive has increased since 2011, providing prima facie evidence that the R&D tax incentive has been effective.

ABSTRACTS

ACCOUNTING AND THE MEASUREMENT OF UNSTABLE OBJECTS: A CASE-STUDY OF THE MEASUREMENT OF GREENHOUSE GAS EMISSIONS

Tanya Fiedler, Discipline of Accounting, University of Sydney

Wai Fong Chua, Discipline of Accounting, University of Sydney

Christina Boedker, School of Accounting, University of New South Wales

This article problematises accounting measurement. Traditionally, accounting measurement has been seen as acts to faithfully represent and value stable objects of singular ontology. It has been assumed that other types of measurement stabilise the object in question. Emissions, for example, is an object that accountants assume is calibrated by uncontroversial rules that have been agreed to by scientists. Through the mobilisation of Actor-Network Theory, this article offers a contrasting argument. It demonstrates that the measurement practices and financial considerations from which objectification emerges can change, and that the object, and therefore the accounting values ascribed to that object can also change. The empirical context of this article is Australia's first nation-wide carbon market. Analysis of this market reveals that quantification of greenhouse gas emissions occurs within webs of relations that consist of engineers, flow meters, sludge and a $23 fixed carbon price. These webs of relations influence the capacity for emissions to be detached from their physical origins (detachment) so that their quantum can be determined (quantification) and their values attached. Detachment, in particular, is found to be contingent on the carbon price, a will to measure, and the changing knowledge or judgement of experts. Emissions are accordingly enacted variably along a spectrum of detachment. Critically, these enactments affect the accounting entity differently. This article calls for a revision of that which constitutes accounting measurement. In doing so, it challenges an uncritical acceptance of the boundaries of measurement disciplines and encourages further research to investigate the diverse effects of unstable objects.

THE EFFECT OF CLAWBACK ADOPTIONS ON MANAGEMENT EARNINGS FORECASTS

Simon Fung, Deakin University

KK Raman, University of Texas at San Antonio

Lili Sun, University of North Texas

Li Xu, Washington State University

Both clawback adoptions and management earnings forecasts (guidance) are voluntary actions by management to improve a company's information environment. Potentially, the two voluntary actions could serve as substitutes or as complements in improving the firm's information environment. Our difference-in-differences analyses suggest that clawback adopters are more likely to provide earnings guidance following clawback adoption. Our cross-sectional analyses show that the increased guidance issuance is mainly driven by clawback adopters of higher (above-median) financial reporting quality. Further, the increased propensity to issue guidance applies to long-term forecasts, and to both good news and bad news forecasts. Collectively, our findings suggest that by signaling the firm's increased commitment to more truthful financial reporting through direct monitoring by the board and increased discipline via managerial penalties for accounting misconduct, clawback adoptions induce a higher likelihood for managers to issue guidance in response to increased investor demand.

ABSTRACTS

AN INTEGRATED ANALYSIS OF THE RELATIONSHIP BETWEEN PRODUCTIVITY, SERVICE QUALITY, CUSTOMER – SATISFACTION AND FINANCIAL PERFORMANCE IN THE US AIRLINE INDUSTRY

Belaynesh Teklay Gebremariam, University of Nottingham, Business School

Kevin Dow, University of Nottingham, Business School

Jeffrey Wong, University of Nevada Reno

Yun Shen, University of Reading

Drawing on both the Resource Based View and Stakeholder Theory, we develop and test an integrative framework illustrating the relationship between productivity, service quality, customer satisfaction and financial performance. Findings show that improvements in airline productivity lead to enhancement of service quality as reflected in reductions in flight delays and mishandled baggage. These results suggest the compatibility of service productivity and service quality. Moreover, changes in service quality are reflected on future period financial performance while the link between customer satisfaction and current and future financial performance is not significant.

INDIVIDUAL AND PEER EFFECTS IN RETIREMENT SAVINGS INVESTMENT CHOICES

Paul Gerrans, The University of Western Australia

Maria Strydom, Monash University

Carly Moulang, Monash University

Jimmy Feng

This paper explores the role of a member's peers in the member's propensity to make a change to their retirement savings investment strategy. Given that evidence indicates that the majority of individuals do not seek professional financial advice, we investigate whether workplace peers may be influential in member retirement savings investment strategy behaviour. We explore three ways a peer influence may manifest. First, we examine whether the likelihood that an individual makes an investment strategy change is related to what their sub-plan peers do. Second, we explore whether the gender concentration in a sub-plan is associated with the individual member's likelihood of changing investment strategy. Third we explore if the previously documented gender effect, specifically the over propensity to trade among males, is moderated by the gender critical mass of a worker's retirement savings plan peers.

GROUP PROBLEM SOLVING: EVIDENCE FROM INTERNAL CONTROL WEAKNESSES

Bright Gershion Godigbe, City University of Hong Kong

Chin Man Chui, Xiamen University

Novrys Suhardianto, City University of Hong Kong

This study examines whether firms with well-connected directors are more likely to improve their internal controls. We report evidence supporting the hypothesis that networked firms learn from peers how to design and implement effective internal control systems. The effect of network on internal control efficiency is however limited when firms individually have supervisors/directors with financial expertise. These findings are robust to the inclusion of firm size, performance, growth, business complexity, auditor quality and litigation risk.

CHANGING LOGICS OF RUSSIAN HIGHER EDUCATION IN ACCOUNTING

Alena Golyagina, RMIT

Drawing on the institutional logics literature, the study examines the fundamental transformation of Russian higher education in accounting after the collapse of the Soviet Union. In particular, the study shows the transition from the state logic dominating accounting education in the Soviet Union period to multiple logics, namely the logic of the state, professions and markets, shaping accounting education after the collapse of the Soviet Union. We focus on the case of management accounting education, tracing the history of management accounting as an academic discipline in Russia. The paper contributes to the accounting education literature by outlining the transition from Soviet accounting education to management accounting education in contemporary Russian universities. Likewise, the study contributes to the accounting literature by connecting field-level institutional logics influencing accounting educators with the broader societal changes happening after the collapse of the Soviet Union.

THE RELEVANCE OF LEASE ASSET ACCOUNTING UNDER SFAS NO. 13 AND AN IMPLICATION FOR CAPITALIZING OPERATING LEASES UNDER ASU 2016-02

Roger Graham, Oregon State University

K.C. Lin, Oregon State University

We extend Williamson's (1973, 1987) transaction economics research to leased assets to help explain why some assets are acquired by capital lease and the use of other assets is acquired by operating lease. We look for evidence that capital leases are used for higher asset specificity assets and operating leases are used for lower asset specificity assets. Consistent with this notion, we find that returns on capital lease assets exceed the returns on operating lease assets. That the nature of capital lease assets differs from operating lease assets suggests that the lease standard SFAS 13 better categorizes assets under lease. The new lease standard ASU 2016-02 allows only one category for lease assets. From this we conclude that ASU 2016-02 will potentially have an adverse effect on the relevance of lease asset accounting.

GAME CHANGER? THE IMPACT OF THE VW EMISSION CHEATING SCANDAL ON THE CO-INTEGRATION OF LARGE AUTOMAKERS' SECURITIES

Paul Griffin, University of California, Davis

David Lont, University of Otago

This paper investigates the potential change in the securities market pricing behavior of 16 large, global automakers following disclosure of the Volkswagen emission cheating scandal. The triggering public disclosure occurred on September 18, 2015, when the EPA issued a notice of violation to VW, stating that VW had intentionally circumvented the US clean air rules for diesel car emissions. The EPA notice unleashed a torrent of responses and disclosures by the company, regulators, investigators, stakeholders, and others. We first examine and contend that this event may have unblocked what economists call an informational cascade, in that much of the information on VW diesel car emissions was already known to interested parties, yet no significant market response occurred until the September 18 EPA notice. Second, we predict and find a significant change around this event in the stochastic evolution of equity and credit default swap prices in the automobile industry. In the post-emission-cheating-scandal period, this change is consistent with increased market co-integration. A test of economic significance further supports this finding by showing a decrease in the profitability of a hypothetical arbitrage trading rule based on lead-lag pricing relations in the equity and CDS markets.

ABSTRACTS

EVIDENCE ON COMPENSATION CONSULTANT FEES AND CEO PAY IN A MANDATORY DISCLOSURE SETTING

Matthew Grosse, University of Technology Sydney

Nelson Ma, University of Technology Sydney

Tom Scott, Auckland University of Technology

Regulators and prior research have expressed concern about the effect of compensation consultants on CEO pay. We use the Australian setting, where fees for both compensation and other consulting services provided by compensation consultants are mandated disclosures for all firms, to provide evidence on the role of compensation consultants on CEO pay. We find that the use of compensation consultants and the fees for compensation services are associated with higher CEO total, bonus and equity pay. In contrast, both the provision and proportion of fees from other services by the consultants are associated with lower CEO total, bonus and equity pay. However, the negative association between the provision and proportion of fees from other services is driven by observations where a Big 4 accounting firm is the compensation consultant. Our results are of interest to both regulators and academics as they suggest that concerns over conflicts of interest for compensation consultants may be overstated.

UNEXPECTED INVENTORY PURCHASE OBLIGATIONS AND CEO EQUITY INCENTIVES

Ferdinand A. Gul, Deakin University

Dharmendra Naidu, Monash University

Farshid Navissi, Monash University

We use a sample of U.S. firms spanning the period 2003-2012 to document a positive association between the sensitivity of CEO wealth to stock return volatility (vega) and unexpected inventory purchase obligations. We also show that high CEO vega is associated with both under- and over-commitment to purchase obligations, and such effect is less pronounced for firms which are likely to have implemented just-in-time inventory system. Our results further provide evidence that CEO vega is positively associated with both short and long horizon unexpected purchase obligations, where the latter effect is seemingly stronger. Moreover, we find that the CEO vega and unexpected purchase obligation relation holds for a sub-sample of manufacturing firms and that both CFO and Top Five Managements' vega are associated with unexpected purchase obligations. We further show that unexpected purchase obligations have detrimental effect on future firm performance.

ASYMMETRIC ROLE OF CORPORATE GOVERNANCE QUALITY IN CEO PAY

Ernest Gyapong, Massey University

Reza Monem, Griffith University

Equity theory suggests that CEOs may be incentivised to pursue actions aimed at restoring equity when pay deviates from the predicted CEO labour market compensation rate. Using hand-collected data of 185 South African listed firms over a six-year period, this study investigates the effect of corporate governance (CG) quality on CEO pay deviation. Results suggest that whereas CG quality impacts negatively on total CEO pay deviation, this is only conspicuous when the CEO is overpaid. CG quality has no effect on CEO compensation when the CEO is underpaid. Also, CEO underpayment reduces firm value when the CG quality is poor. In contrast, CEO overpayment has no effect on firm value irrespective of the level of CG quality. The findings imply that recent CEO pay level agitations have resulted in the design of CG mechanisms that render CEO pay to be rigid upwards. The results are robust to alternative econometric techniques and endogeneity concerns.

BOARD GENDER DIVERSITY AND DIVIDEND POLICY IN AUSTRALIAN LISTED FIRMS: THE EFFECT OF OWNERSHIP CONCENTRATION.

Ernest Gyapong, Massey University

Ammad Ahmed, Auckland University of Technology

We examine the association between board gender diversity and corporate dividend payout. We document a positive relationship between board gender diversity and both the propensity to pay a dividend and the magnitude of dividend paid. Our results suggest that board gender diversity has no effect on dividend payout when ownership concentration is high. We demonstrate that the increase in dividend payout is greater when boards have three or more women directors. In contrast, three or more women directors reduce dividend payments when ownership concentration is high. Our results indicate that the financial crisis period was associated with high dividend payments; however, women directors restrained the payment of dividends during the crisis period. These results suggest that board gender diversity may be an effective CG mechanism for alleviating principal-agent conflicts but not principal-principal agency conflicts. Our results are robust to endogeneity, as well as alternative proxies and estimation techniques.

ABSTRACTS

CEO ABILITY AND ACCOUNTING CONSERVATISM

Imran Haider, Curtin University

Nigar Sultana, Curtin University

Harjinder Singh, Curtin University

We examine the relationship between CEO ability and accounting conservatism. Consistent with the efficient contracting hypothesis, our expectation is that high ability CEOs are likely to use their exceptional skills and superior human capital to report higher levels of accounting conservatism. Our sample consists of Australian listed firms for the period 2004 to 2013. We apply three different proxies to measure CEO ability and three measures for accounting conservatism. Our results support the hypothesis that high ability CEOs improve accounting conservatism. The results remain consistent with a battery of sensitivity tests and provide implication for a number of stakeholders including firms seeking to make CEO appointments

CEO ABILITY AND ANALYST FORECASTS PROPERTIES

Imran Haider, Curtin University

Nigar Sultana, Curtin University

Harjinder Singh, Curtin University

Asheq Rahman, Auckland University of Technology

We examine the relationship between CEO ability and properties of analyst earnings forecasts (forecast accuracy, dispersion and analyst following). Relying on the efficient contracting argument, we expect higher (lower) earnings forecast accuracy (dispersion) when CEOs have high ability and also expect analyst following to be higher for firms with high ability CEOs. Empirical results, including a series of sensitivity tests, indicate that analysts forecast accuracy is higher for firms with high CEO ability. Further, there is negative association between CEO ability and forecast dispersion and as expected, we also find that analyst following is higher for firms with high ability CEOs. Our results suggest that high ability CEOs increase the timely release of information and provide high quality disclosures to the market. Our study provides evidence on the behaviour of CEOs within the firm information environment and earnings quality and also has implications for firms, investors and analysts.

THE IMPACT OF DIGITAL INNOVATION ON PROFESSIONAL PUBLIC ACCOUNTING PRACTICE: THE AUSTRALIAN EXPERIENCE

Mayada Hansnata, The University of Canberra

Colleen Hayes, The Australian National University

This study examines the content, implications and consequences of the current wave of digital innovation, associated with Standard Business Reporting (SBR) and cloud accounting, on professional public accounting practice in Australia. The innovation involves the commodification of reporting to government entities, embedded in an ecosystem of cloud accounting, which is currently targeted at small-to-medium enterprises (SMEs). The commodification poses both threats and opportunities for small-to-medium accounting practices (SMPs) who primarily service the SME space. At the same time, however, due to its pervasive and multiple indirect effects, it has the capacity to disrupt the existing structure of public accounting practice as a whole. The outcome is a function of the interaction of the technological capacities of the digital innovation and the non-digital (social). The study finds that as a result of the innovation, the related boundaries associated with professional work, work location, firm structure, client base and professional values, which configure professional public accounting practice, have become less distinct. This is attributable to SMPs increasingly becoming multidisciplinary practices, having a tendency towards a commercial logic and expanding the scope of the services nationally and globally; and larger groups, including the Big 4, expanding their share of the market for servicing SMEs and, therefore, operating not only at the traditional global level but more thickly at the local level, including reclaiming bookkeeping as part of their portfolio of services. Firm size and the combinations of capitals that each sub-group possesses are, on the other hand, becoming more relevant in differentiating between them.

STANDARD BUSINESS REPORTING (SBR): A DISRUPTIVE TECHNOLOGY?

Mayada Hansnata, University of Canberra

Christine Jubb, Swinburne University

Standard Business Reporting (SBR), based on eXtensible Business Reporting Language (XBRL), is aimed at becoming a single national taxonomy to harmonise financial reporting from business-to-government in order to eliminate overlaps and establish an integrated data collection portal. It is estimated to save Australian businesses $795 million per year once SBR is fully implemented. This study examines the adoption process of SBR, why initially it was resisted and how digital disruption in Australia, especially in the Small-Medium Enterprise (SME) segment which comprise 96 per cent of businesses, has significant implications for the success of SBR adoption. This study provides an analysis of SBR adoption from the perspective of the accounting profession, especially focusing on the professional work of accountants in public practice who service SMEs. There has been bipartisan political support for the SBR program as part of reduction of regulation and 'red tape' policies, with the Australian Taxation Office replacing its (ATO) Electronic Lodgement System (ELS) in 2015 and SBR-based superannuation reporting made compulsory. These developments, together with digital disruption, provided a compelling case for accounting software developers and businesses to engage with SBR, creating a disruptive influence on public accounting practice in Australia. However, the implementation and adoption did not go to plan. This study explains why this occurred.

ABSTRACTS

EVIDENCE FROM AUDIT PARTNER SWITCHES ON THE EFFECTS OF AUDIT PARTNER CHARACTERISTICS ON AUDIT QUALITY

Kris Hardies, University of Antwerp

Sarowar Hossain, UNSW Sydney

Ellie Chapple, QUT, Australia

Research into audit outcomes is increasingly recognizing that characteristics of the individual auditor who make the audit-related judgments is a fruitful area for research, and that different markets provide a variety of opportunities to observe and measure auditor characteristics. By reviewing the recent literature, we find that it predominantly focuses on the following six audit partner characteristics when examining potential audit partner effects on audit quality: (1) industry expertise (2) general experience (3) tenure (4) client importance (5) portfolio size, and (6) gender. We argue that the Australian audit market is an ideal setting to investigate the effects of audit partner characteristics for at least two reasons: audit reports identify the audit engagement partner and since 2006 Australian auditors have been required to rotate off engagements every 5 years. Hence, the point of the switch of auditors is an interesting setting to observe any changes in audit outcomes. In this paper, audit quality is measured as either the likelihood of receiving a going-concern opinion or as the level of discretionary accruals. Despite using a variety of measures to distinguish audit partners, we find little compelling evidence that audit quality is affected by the characteristics of individual audit engagement partners. We find a consistent positive association between audit partner industry expertise and audit quality, but no effects for general experience and audit partner tenure. Results for gender, client importance, and portfolio size are mixed. Overall, our results seem to provide little support for the existence of an effect of various audit partner characteristics when all these characteristics are controlled for simultaneously.

DECODING EFFORT: TOWARD A MEASURE OF EFFORT INTENSITY IN MANAGEMENT ACCOUNTING RESEARCH

Gary Hecht, University of Illinois at Urbana-Champaign

Kristian Rotaru, Monash University

Axel Schulz, La Trobe University

Kristy L. Towry, Emory University

Alan Webb, University of Waterloo

Bonner and Sprinkle (2002) describe the multi-faceted nature of the effort construct, and distinguish between effort direction, effort duration, and effort intensity. Distinguishing between these types of effort is important, as the effect of incentives and other variables on employee performance likely occurs through various effort types. Understanding the causal relationships involving different types of effort informs incentive system design and facilitates effective and efficient management of other factors' influence on the incentives-effort-performance relationship. Unfortunately, academics lack a direct measure of effort intensity, which threatens the theoretical and operational application of the effort construct framework. The purpose of this paper is to address this problem. Specifically, we introduce and develop a measure of effort intensity based on cognitive pupillometry, demonstrate the use of this measure in an experiment, and discuss the implications of this measure for management accounting research.

ABSTRACTS

FOLLOW THE MONEY: THE RISE OF THE BLOCKCHAIN

Christine Helliar, University of South Australia

Louise Crawford, Robert Gordon's University

Monica Veneziani, Brescia University

There is very little in the academic literature about the Blockchain, despite the tremendous disruption that this new technology could cause to society and the accounting and assurance profession. Although some articles are appearing on the Bitcoin (see Angel and McCabe, 2015; Ram et al., 2016) there appears to be very little on the impact for the profession (the exceptions are Yermack, 2015; Deloittes, 2016; Chartered Accountants Australia New Zealand, 2017). This paper explores the likely diffusion of this technology, the ethical promises surrounding it, and the impact that it might have on business, the accounting profession and society itself. Interviews were conducted with key institutional entrepreneurs in two different institutionally bound countries (Italy and UK) who are either involved with the Blockchain itself or are knowledgeable of its implications from an auditing and an accounting perspective. The findings show that the Blockchain could indeed be disruptive to certain businesses and could create an exogenous jolt to the current logics of the profession. Society itself could also find the impact either devastating or liberating. But importantly the ethics of business could be transformed as we can now "follow the money."

THE IMPLICITY ASSURANCE OF CARBON RISK BY BANKS

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Tina Gao, UQ Business School, The University of Queensland

Peter Clarkson, UQ Business School, The University of Queensland

This study examines the role of banks in providing investors with credible carbon-related information to mitigate the information asymmetry problem surrounding firms' carbon risk exposure. We investigate whether the announcement of a bank loan to a firm with higher apparent carbon risk exposure provides an implicit assurance that this risk will not adversely impact the borrower's future performance to the point of default. We use a sample of 120 bank loan announcements for ASX-listed firms over the period 2009-2015, and measure high (low) carbon risk exposure based on whether firms meet (do not meet) the reporting threshold of the NGER scheme. We document positive excess loan announcement returns for bank loan renewals for firms with high carbon risk, but not for loan initiations or bank loan announcements in general. Further, we document positive loan announcement returns irrespective of whether a foreign or domestic bank is involved. Our results are robust when we control for unobserved differences between firms with high and low carbon risk exposure using non-bank loans as a benchmark, as well as an endogenous treatment effects model. Taken together, our results confirm that investors value the information advantages enjoyed by banks in assessing their client firm's carbon risk exposure. Furthermore, our results at least partially dispel the view of banks as naïve or active facilitators of global warming, recasting them as an important information source on carbon risk.

ABSTRACTS

DECOMPOSING THE VALUE PREMIUM: THE ROLE OF INTANGIBLE INFORMATION IN THE CHINESE STOCK MARKET

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Jiyoun An, Kyung Hee University

This paper examines two potential sources of value premium – arbitrage risk and intangible information (INTANINFO) – in the Chinese stock market, which has a unique informational and trading environment different from other developed stock markets. By decomposing the value premium according to these sources, we find that arbitrage risk, which is proxied by idiosyncratic volatility (IVOL), and INTANINFO contribute significantly to the existence of the value premium over various investment horizons. Furthermore, our single and multiple decomposition analyses suggest that the impact of IVOL is subsumed by that of INTANINFO. Once we account for the impact of INTANINFO, IVOL does not significantly influence the value premium, further suggesting that arbitrage risk plays a less important role compared with INTANINFO. We further show that the likely sources of INTANINFO are related to future operating performance. Overall, our findings suggest that INTANINFO (which is orthogonal to past accounting information) is the key driver of the value premium in the Chinese stock market. We discuss the implications of our findings

BARRIERS TO TRANSFERRING ACCOUNTING AND AUDITING RESEARCH TO STANDARD SETTERS

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Steven Salterio, Smith School of Business, Queen's University

Jim Sylph, International Federation of Accountants (retired)

Auditing (accounting) researchers have published over 24,000 (75,000) academic articles (Google Scholar September 2016) using a variety of research methods since 1970. Yet accounting and auditing standard setters and regulators have frequently cited their inability to engage with and utilize this research to make evidence-informed standard setting and regulatory decisions. For society to benefit from the large research investment in accounting and auditing, the knowledge gained from that research needs to be transferred to such accounting and auditing policymakers. We draw conceptually on the knowledge creation and knowledge transfer literature to understand the barriers to utilizing academic research knowledge in applied settings. Based on this conceptual material, we then examine what the evidence-based policy and management movement holds up as the paradigmatic example of such knowledge transfer – evidence-based medicine (EBM). In particular, we focus on EBM knowledge translation approaches related to the development of evidence-based guidelines, treatment protocols and best practices. Researchers in medicine, management and policy have studied these approaches extensively and these approaches are current best practice examples of how to meet the knowledge transfer challenge that will allow the deployment of research by those who have need of it. Through this analysis of knowledge transfer theory and practice in other settings, we seek to understand and propose a tentative strategy to address the barriers between accounting and auditing research knowledge and policymaking. We provide a concrete example, based on our research in progress, of how to apply this approach to knowledge transfer in the context of a specific standard setting project – group audits.

ABSTRACTS

THE IMPACT OF CSR ASSURANCE AND EXPLICIT ASSESSMENT ON INVESTOR VALUATION JUDGMENTS

Hien Hoang, UNSW Sydney

Roger Simnett, UNSW Sydney

Ken Trotman, UNSW Sydney

This experimental study examines whether the independent assurance on CSR information can make a difference to non-professional investors' fundamental value estimates, and if this effect depends on whether investors first make an explicit assessment of the CSR information or the type of assurance (reasonable versus limited). The experiment is conducted using a 3x2 between-subjects design, with CSR assurance being manipulated at three levels (No assurance, Limited assurance and Reasonable assurance) and the explicit assessment being manipulated at two levels (Absent and Present).The study finds that investors estimate a higher fundamental value when CSR information is assured at a reasonable level when there is no prompt to explicitly assess CSR performance. Also, investors estimate a lower fundamental value when they are prompted to explicitly assess CSR information, but this impact is only significant when the information is assured at a reasonable assurance level. When CSR information is not independently assured or is assured at a limited level, investors are more cautious about letting their feelings influence their beliefs about fundamental value, and therefore there is not much upward bias caused by positive affective reactions to the CSR information on fundamental value estimates to be mitigated by the explicit assessment mechanism.

WALL STREET CROSSES MEMORY LANE: HOW WITNESSED RETURNS AFFECT PROFESSIONALS' EXPECTED RETURNS

Arvid Hoffmann, Adelaide University Business School

Zwetelina Iliewa, Centre for European Economic Research (ZEW)

Lena Jaroszek, Copenhagen Business School

Witnessing stock market history in the making leaves behind a vivid story, but does not provide valuable information. Nevertheless, well-versed finance professionals extrapolate from witnessed returns when forming beliefs about expected returns which we show by using a unique dataset regarding professionals' career start in the finance industry. This result is robust to controlling for all publicly available information and interpersonal differences. Additionally, we find that returns witnessed early on in a career are more formative than those witnessed recently. Among the potential channels through which witnessed returns might affect professionals' expectations, a judgmental bias appears the most plausible.

ABSTRACTS

AUDIT FEES AND CORRUPTION

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Andrew Mahoney, Victoria University of Wellington

AKM Waresul Karim, Victoria University of Wellington

Tony vanZijl, Victoria University of Wellington

This study examines the relationship between the level of corruption and audit fees. We analyze 41,628 firm year observations on companies from 24 countries with differing but significant levels of corruption between 1998 and 2014. Using audit fees for the sample companies and corruption as defined by Kaufmann (2014) and while controlling for firm and country level variables we find that audit fees increase with higher levels of corruption. We also find that the Big-4 fee premium increases with the level of corruption. Our results are robust to a number of sensitivity tests. Our study addresses a gap in the literature on audit fees and provides a centerpiece for future research in this field.

THE INFLUENCE OF CIVIL LIBERTY AND EXTERNAL ASSURANCE ON CORPORATE SOCIAL AND ENVIRONMENTAL TRANSPARENCY: A STUDY OF FINANCIAL SERVICES COMPANIES

Muhammad Azizul Islam, QUT

Jianan (John) Guo, Deakin University

Ameeta Jain, Deakin University

Chris van Staden, AUT

This paper systematically examines corporate social and environmental transparency within the global financial sector. Data obtained from the GRI and Bloomberg databases were used to evaluate if civil liberty at the country level and external sustainability assurance by firms influenced corporate social and environmental transparency. Using the theory of civil liberty, we find that financial companies from countries with higher levels of civil liberty had higher transparency for social and environmental practices. More importantly we find that external sustainability assurance has more influence on transparency in countries where the level of civil liberty is higher. Our findings suggest that in a country with higher civil liberty, corporations are under constant and increased surveillance by external actors. Thus external assurers are more effective, which in turn improves corporate social and environmental transparency. Therefore improving civil liberty appears to be a precondition to improve the transparency of corporate social and environmental activity. This is the first known study that examines a connection between civil liberty (at the country level) and external assurance practices (at the firm level) to influence corporate transparency.

ABSTRACTS

CORPORATE SOCIAL RESPONSIBILITY EXECUTIVE COMPENSATION AND CORPORATE SOCIAL PERFORMANCE - EVIDENCE FROM US ENERGY AND UTILITY COMPANIES

Cherry (Zhuoyi) He, Australian National University

Colleen Hayes, Australian National University

This study examines the impact of corporate social responsibility (CSR) based executive compensation on corporate social performance (CSP). Prior studies investigate the association between financial performance based executive compensation or implied CSR incentives and CSP. The latter set of studies do not incorporate variables that the broader set of executive pay to performance studies tell us influence performance outcomes, including compensation structure, task assignment, subjectivity and weighting. This study extends the prior studies by incorporating those factors to examine the explicit CSR incentives and in that way provides greater insight into the relation between executive pay and CSP. Using a sample of 718 firm-year observatons for S&P 500 energy and utility companies from 2003 to 2014, this study finds that CSR incentives are positively associated with CSP. However, we find that the effectiveness of CSR incentives is moderated by the structure of compensation plans, coherence of CSR task assignment, subjectivity, and weight embedded in the determination of the compensation plan. The study also finds that companies with poor CSP in previous years are more likely to adopt CSR incentives. Finally, this study contributes to the debate surrounding the optimal versus managerial power perspectives on compensation contracting.

CORPORATE NAME-DROPPING AND THE COST OF EQUITY

Jiao Jing, The Hong Kong Polytechnic University

Linda A. Myers, University of Tennessee

Jeffrey Ng, The Hong Kong Polytechnic University

Lixin (Nancy) Su, Lingnan University

In this paper, we investigate the benefit of corporate name-dropping in terms of a reduction in supplier firms' cost of equity. We find that on average about 22% of firms voluntarily disclose customer information that are beyond the mandatory requirements of SEC and FASB, i.e., the 10% sales to customers threshold. We refer corporate name-dropping to the case when firm voluntarily disclose reputable customers. Using four proxies to measure the reputation of customer firms, we find supplier firms that voluntarily disclosing reputable customers (i.e., name-dropping) enjoy a subsequent reduction in the cost of equity. This result holds when the sales to customers are less than 3%, 2%, or 1% of the suppliers' total sales, where such cases are more likely to reflect name-dropping. The benefit of corporate name-dropping is more pronounced when suppliers do not mandatorily disclose any major customers who are reputable. Our results are robust to alternative measure of cost of equity as well as considerations of other potential omitted variables. In summary, our study provides evidence of capital market benefit for corporate name-dropping and complements to the voluntary discourse literature.

ABSTRACTS

AUDIT FIRM TRANSPARENCY DISCLOSURES AND AUDIT QUALITY: EVIDENCE FROM AUSTRALIA

Shireenjit Johl, Deakin University

Mohammad Muttakin, Deakin University

Dessalegn Mihret, Deakin University

Nathan Gioffre, Deakin University

Mandatory audit firm governance disclosure has been introduced in some jurisdictions to enhance transparency on internal governance of audit firms. Based on a similar regulatory change introduced in Australia effective from 2013, this study examines audit quality pre- and post-regulatory change to explore possible impact of the change. It also investigates whether the level of disclosures and some firm characteristics are associated with audit quality. Our result using 2972 Australian firm-year observations for the year 2010-2015, indicate that audit quality, proxied by earnings quality, has shown statistically significant improvement after the introduction of mandatory disclosures. We also find that the levels of transparency disclosures are associated with higher earnings quality controlling for audit firm size. Further, we find that the effect of audit firm size on the association of transparency disclosures and audit quality is non-linear, i.e., this effect is more pronounced for top second-tier non-Big4 firms than Big4 and other non-Big4 firms. This suggests that top non-Big4 firms attempt to differentiate themselves by providing better disclosures about their firms while this strategy may not be appealing to Big4 firms that possess established reputation in the audit market.

AUDIT PRICING IN AUSTRALIAN PRIVATE FIRMS: THE EFFECTS OF OWNERSHIP STRUCTURE

Shireenjit Johl, Deakin University

Peter Carey, Deakin University

Christine Contessotto, Deakin University

We examine how two key ownership structure, family and foreign ownership, influence audit fees in Australian private firms. Our primary contribution is positing that variation in agency costs in private firms between owners and managers, typically representing family ownership and foreign ownership, impact audit pricing. Our results support this contention. More specifically, we find that local family firms pay lower audit fees than non-family and foreign owned family firms. This is consistent with demand-side theory which suggests lower demand for external audit services by family members and supply-side theory which implies that auditors assess lower degree of client risks due to family owners' longer investment horizon, better monitoring of management and lower information asymmetry (Anderson and Reeb, 2003). We also find that foreign owned private firms pay higher audit fees than their local counterparts, especially when the foreign owner is a USA registered corporation. This is consistent with the view that foreign owners require more scrutiny of the financial reports to reduce agency costs resulting in higher audit fees and that auditors exert more effort to comply with foreign legislative requirements.

ABSTRACTS

BEING IN THE WRONG PLACE AT THE WRONG TIME? LABOR MARKET IMPLICATIONS FOR NON-IMPLICATED CFOS OF FRAUD FIRMS

Karla Johnstone, University of Wisconsin - Madison

Eric Condie, University of Wisconsin - Madison

Amanda Convery, University of Deleware

We explore labor market penalties assessed on CFOs involved with firms committing fraud, including exploring the turnover and subsequent employment of both CFOs that committed the fraud (i.e., implicated CFOs) and those that were merely the CFO at the time the fraud was occurring (i.e., non-implicated CFOs). Using a unique dataset containing firms and CFOs revealed in AAERs between 2005 and 2014, we find that that implicated CFOs experience turnover more often than non-implicated CFOs within two years of the end of the fraud. However, non-implicated CFOs still experience turnover at a high rate. Next, we use various data sources including Capital IQ, Google, and LinkedIn to track the subsequent employment of the displaced CFOs. We find that the subsequent employment positions are better for non-implicated CFOs than implicated CFOs. However, non-implicated CFOs still obtain subsequent employment positions that are worse than their previous CFO position more than half the time and this effect persists for at least the subsequent three employers of these CFOs. Lastly, we find that firms hiring implicated CFOs are smaller, have worse external monitoring, and are more- risky than firms hiring non-implicated CFOs.

UNDERLYING RISK PREFERENCES AND ANALYST BEHAVIOR

Jonathan Jona, University of Melbourne

Sean Cleary, University of Melbourne

Gladys Lee, University of Melbourne

Joshua Shemesh, University of Melbourne

This study investigates whether underlying risk preferences affect work-related decisions which analysts make. Specifically, we examine the effect of the facial width to height ratio (fWHR), an innate personal characteristic which has been linked to financial risk tolerance, on analysts' stock coverage decisions and earnings forecasts. We find that high fWHR analysts cover firms with lower earnings predictability. We also find evidence that high fWHR analysts issue bolder forecasts. Our findings contribute to the analyst decision making literature by showing that an innate characteristic, fWHR, affects analysts' coverage decision and forecasts, thereby shedding more light on the black box of analysts' decision making. In that our findings can assist investment practitioners, which rely heavily on the information that analysts produce, in evaluating the information content of different types of analysts, and understanding the observed dispersion in analysts' forecasts.

ABSTRACTS

BOARD COMPOSITION AND EXECUTIVE DIRECTORS' REMUNERATION IN MALAYSIAN LISTED FAMILY COMPANIES

Ling Jong, Curtin University

Poh-Ling Ho, Curtin University

The panel analysis of 279 Malaysian listed family companies reveals that independent non-executive directors could not represent the minority shareholders in curbing the wealth expropriation of controlling family shareholders via executive directors' remuneration. When the CEOs are non-family directors, the influence of family shareholders over executive directors' remuneration is diluted. Controlling shareholders inflate the remuneration only when the CEOs are their family members. Thus, this study provides theoretical contribution by asserting that type II agency conflict between controlling shareholders and minority shareholders in Malaysian family companies is ameliorated when the CEOs have no affiliation with the controlling shareholders.

AUDITOR ROTATION AND PERCEIVED AUDIT QUALITY: THE EFFECT OF AUDIT FEES AND INDUSTRY SPECIALIZATION

Roger Kamath, Monash University

Ting-Chiao Huang, Monash University

Robyn Moroney, Monash University

Regulators and practitioners argue the relative merits of firm and partner rotation, while researchers report mixed results on the link between rotation and audit quality. In this study we examine the effect of an upcoming rotation (firm or partner) on investor assessments of competence and independence drivers of audit quality. We also consider how a concurrent significant change in audit fees and whether the rotation is to an industry specialist impact investor assessments. We find no significant difference in investor perceptions of auditor competence or independence in anticipation of either a firm or partner rotation. Auditor competence and independence (specifically attention to detail, effort and skeptical attitude) are assessed as being higher when audit fees increase rather than decrease significantly at the time of a rotation. Auditor competence is assessed as being higher when rotation is to an industry specialist rather than a non-industry specialist. Our findings contribute to the debate on the relative merits of firm versus partner rotation. Investors appear to be indifferent to rotations at the firm and partner level, only reacting to concurrent changes in fees and the industry specialization status of the new auditor.

CEO RENOWN AND ITS IMPACT ON CEO PAY

Christo Karuna, Monash University

Ken Merchant, University of Southern California

This study examines how Chief Executive Officer (CEO) renown influences CEO pay. For our archival analysis on companies of different sizes from the Compustat, CRSP, Factiva, and BoardEx databases covering the 1992 to 2012 period, we use CEO press coverage and CEO-of-the-year awards to capture different dimensions of CEO renown, namely, renown for boldness, which is earned by taking bold actions that challenge the status quo, and renown for task competence, which is associated with predictable actions. We also use a field study to enrich our theory and findings. We find that CEOs with greater renown for boldness (CEOs renowned for task competence) receive higher (lower) pay-stock return relative to pay-earnings sensitivity compared to other CEOs. Further tests reveal that CEOs renowned for task competence receive higher salaries than other CEOs, even when controlling for standard economic determinants of pay at the CEO, firm, and industry levels. CEO renown for boldness is not related to pay levels. These findings show that these two dimensions of CEO renown are important determinants of the observed heterogeneity in pay structures across firms.

COMPETITION AND EARNINGS MANAGEMENT

Christo Karuna, Monash University

KR Subramanyam, University of Southern California

Feng Tian, Hong Kong Polytechnic University

We examine the relation between product market competition and the extent of earnings management in an industry. We use several determinants of competition (product substitutability, market size, and entry costs), and accruals-based measures as well as the incidence of accounting irregularities flagged through SEC's AAERs to proxy for the extent of earnings management. Cross-sectional tests suggest a significant positive relation between the intensity of competition and the extent of earnings management in an industry. We provide confirmatory evidence of this positive relation by showing that increases to competition—via deregulation in the telecommunications industry and tariff reductions due to NAFTA—result in a significant increase in earnings management levels. Finally, we show that one underlying mechanism via which competition affects earnings management is that more intense competition increases financial pressure on managers to avoid losses, which in turn leads to earnings management. We add to the nascent literature that documents perverse effects of competition.

PRODUCT MARKET RIVALRY AND STRATEGIC DISCLOSURE

Christo Karuna, Monash University

This study examines how three determinants of industry product market competition, product substitutability, market size, and entry costs, affect strategic disclosure by firms. At low competition levels, I find evidence of a positive relation between competition and disclose of research and development expenditure, order backlog, and number of employees by firms at the industrial segment level. However, at high competition levels, this relation becomes negative. This study provides empirical evidence that suggests that the Strategic deterrence (Proprietary costs) force dominates at low (high) competition levels, showing that these forces are not mutually exclusive as typically assumed in the literature. This study's findings also shed some light on observed heterogeneity in strategic disclosure practices across firms.

THE DEVELOPMENT AND NURTURING OF JUDGEMENT SKILLS IN ACCOUNTING PROGRAMS

Marie Kavanagh, University of Southern Queensland

Jac Birt, The University of Queensland

Diane McGrath, Charles Sturt University

Nicholas McGuigan, Monash

Janine Muir, Swinburne University

Adewuyi Ayodele Adeyinka, University of Southern Queensland

This paper discusses the need to measure academic standards and promote teaching and learning of the skill of professional judgement in accounting, through practise and assessment. We report on a pilot study using a survey instrument developed to allow pre and post measurement of the ability of students at a large Australian university to exercise judgement skills. We investigate methods to scaffold the learning of judgement skills to a professional level across undergraduate business and commerce curricula. We find that appropriate learning strategies, interventions and assessment must be in place in courses such as auditing to promote skills development in students. The paper empowers academics to enable students to make self-managed decisions to improve and document their own standard of learning of the skill of judgement.

ABSTRACTS

PREDICTIVE POWER OF COMPREHENSIVE INCOME FOR NEW ZEALAND FIRMS

Shahwali Khan, Institute of Management Sciences, Peshawar

Michael Bradbury, Massey University

In this paper we examine the predictive power of comprehensive income relative to net income for a sample of non-financial firms over the period 2003-2010. We also examine the predictive power of individual other comprehensive income components. Contrary to earlier studies, comprehensive income proves to be a better measure compared to net income for predicting future operating cash flows and future net income. The higher predictive power of comprehensive income is driven by asset revaluation reserves. These results have important implications for the standard setters in deciding whether to report comprehensive income in a single statement of performance.

CORPORATE GOVERNANCE REGULATION AND CORPORATE RISK-TAKING: EVIDENCE FROM A QUASI-EXPERIMENT

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Suman Neupane, Department of Accounting, Finance and Economics, Griffith University

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Theory suggests that corporate governance regulation (CGR) that empowers minority shareholders, should improve corporate risk-taking by reducing insiders' private benefits. However, recent empirical evidence in developed markets contradicts this view. This is explained by either the cost-implication of compliance or the short-term opportunism of shareholders' empowerment that discourages decision-makers to undertake value-enhancing risky projects. This tension between theory and empirical evidence motivates us to exploit a quasi-experimental regulatory shock in the emerging capital market and investigate how CGR drives the corporate risk-taking of firms. Although legal reforms aimed at more disclosures and independence could act as a cost in developed countries where market-based governance is already in place, we find similar reforms in a relatively weaker governance regime actually increase a firm's risk-taking by reducing the private consumption of dominant insiders.

GUARDIANS NOT WATCHDOGS IN THE BOARDROOM: CONCEPTUALISING THE ROLE OF NON-EXECUTIVE DIRECTORS

Collette E. Kirwan, Waterford Institute of Technology

Niamh M. Brennan, University College Dublin

Adopting agency and stewardship theoretical perspectives, prior literature has highlighted the existence of conflicts between non-executive directors' (NEDs') monitoring and advisory roles. Taking an opposite perspective, the paper examines how NEDs combine and balance their monitoring roles and advisory roles and resolve conflicts between shareholders, directors, managers and the firm. Twenty-four in-depth interviews are conducted with (i) directors, (ii) shareholders and (iii) firm professional advisors.

Contrary to prior literature, the paper finds that NEDs do not experience role conflicts. Rather, NEDs understand that their higher-order duty is to protect the interests of the firm, and thus they conceptualise their role by reference to their guardianship of the firm. When NEDs mis-conceptualise their higher-order duty more towards (i) protecting shareholders' interests (monitoring role) or (ii) supporting management (advisory role), they are judged to be less effective by managers and shareholders, respectively. NEDs' higher-order duty to protect the interests of the firm resolves conflicts arising from NEDs' position as agents of shareholders and advisors of managers.

A novel alternative perspective is invoked – that of guardianship – to explain how NEDs' cognitive processes resolve the perceived conflicts between NEDs' monitoring and advisory roles.

A DIFFERENT POINT OF VIEW: AUSTRALIAN NOT-FOR-PROFIT SECTOR PERCEPTIONS OF A COMMON CONCEPTUAL FRAMEWORK, SECTOR NEUTRALITY AND FINANCIAL INFORMATION USEFULNESS

Ralph Kober, Monash University

Janet Lee, The Australian National University

Juliana Ng, The Australian National University

With the growth in importance of the not-for-profit (NFP) sector, there has been debate surrounding the appropriateness of a sector-neutral approach for the preparation of NFP financial statements and the usefulness of the financial information contained therein. Australia, as the only country that applies a sector-neutral approach to the preparation of financial statements, provides a unique opportunity to explore these issues. Based on the questionnaire responses of 242 Australian NFP managers and financial statement preparers, we find support for a common conceptual framework and for the inclusion of accountability in the framework. We also find support for a single set of accounting standards with additional standards or paragraphs to recognise differences between sectors. Our findings differ from prior research that has argued strongly against a common conceptual framework and a single set of standards. One possible explanation for the difference in results is that the managers and preparers in the Australian NFP organisations have become familiar with the sector-neutral accounting standards and are accepting of this approach. Consequently, it may be possible for standard setters to develop a common conceptual framework and a single set of accounting standards that meet the needs of both the for-profit and NFP sectors.

ABSTRACTS

IS MISSING R&D MATERIAL?

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David Reeb, National University of Singapore

Wanli Zhao, Southern Illinois University; Hanqing Advanced Institute of Economics and Finance, Renmin University of China

Widespread noncompliance with mandatory disclosure requirements for reporting material R&D seems improbable. Firms that do not disclose R&D may obtain patents; yet presumably their nonzero R&D expenditures represent an immaterial expenditure. More specifically, seeking a patent falls outside of the regulatory evaluation of R&D materiality. We test the materiality of innovation in missing R&D firms by investigating the revealed assessments of three different constituents: capital market participants, information intermediaries, and corporate managers. A series of tests reveal these stakeholders view the underlying innovation activity of these missing R&D firms as an important component of the firms' information environment. We interpret the results to indicate that the concept of materiality for reporting purposes, in practice, differs from the materiality of the underlying innovation activities. Additional analysis implies the resulting opacity creates an uneven playing field for investors, allowing insiders to obtain abnormal profits. We conclude that mandatory disclosure regulations without explicit guidance on assessing materiality appear difficult for managers and auditors to consistently implement across time and firms.

THE EFFECTS OF FINANCIAL STATEMENT DISAGGREGATION ON AUDIT PRICING

Kevin Koh, Nanyang Technological University

Yen H. Tong, Nanyang Technological University

Zinan Zhu, National University of Singapore

We examine whether the extent of financial statement disaggregation affects the pricing of audit engagements. We hypothesize and find that auditors assess higher engagement risk and charge higher audit fees for clients with more disaggregated financial statements. We also find that the higher audit fees are not the result of (i) increased auditor effort to mitigate detection risk, or (ii) heightened inherent and control risks as reflected in lower financial reporting quality. Instead, we document that greater financial statement disaggregation is positively associated with the likelihood of lawsuits filed for alleged financial misstatements. This result suggests that the higher audit fees arise from auditors' assessments of heightened client and auditor business risks associated with litigation. While we provide evidence that financial statement disaggregation has beneficial effects on the quality of financial information, we also document that financial statement disaggregation can impose costs on firms in terms of higher audit fees and higher likelihood of litigation. Our study is informative to the standard setters, firms, and auditors as they debate on the costs, benefits, and extent of disaggregation to be presented in financial statements.

ABSTRACTS

HOW AUSTRALIA'S BIGGEST CARBON EMITTING COMPANIES RESPONDED TO THE CARBON TAX

Jayanthi Kumarasiri

This study investigated how large emitters of carbon in Australia responded to the Carbon Tax and describes any visible changes in their internal emissions management practices due to the tax. The study also examined how those changes affect the carbon emissions management actions of these companies.

Semi-structured interviews were conducted with 18 senior managers directly responsible for carbon emissions management of nine large high-emitting Australian companies. Analysis of the interview data was undertaken with the intention of gaining some insights into the influence of the Carbon Tax on the internal emission management practices of these companies.

The study found that the Carbon Tax, which imposed a heavy financial burden on high-emitting companies, had had a significant influence on internal emissions management practices. The Carbon Tax was an effective emissions management mechanism which stimulated significant emissions management actions within the companies that formed the sample for the study.

The study presents practical implications by highlighting the features that a government needs to have in an effective emissions policy to prompt strong emissions management actions from companies.

This is the first exploratory study in which the influence of the Carbon Tax on internal emissions management practices of high emitting companies has been examined. As such, the study provides insight into the extremely important and insufficiently researched area of carbon emission management practices within companies and the factors that influence this practice.

INTEGRATED REPORTING: TECHNIQUES OF MATERIALITY DETERMINATION FOR NON-FINANCIAL INFORMATION

Lakshan A.M.I. , The University of Waikato

Martin Kelly, The University of Waikato

Mary Low, The University of Waikato

Charl de Villiers, The University of Auckland and University of Pretoria

The purpose of this paper is to explore the techniques companies use to determine materiality levels of non-financial information in integrated reports. This study is based on a thematic analysis of 55 semi-structured interviews with managers involved in integrated reporting in twelve Sri Lankan companies representing various industries. Managers perceive that it is not easy to determine materiality levels for non-financial information in IR. It was found that a lack of guidance and experience from relevant authorities on materiality makes materiality determination more challenging. However, they wish to convert that difficulty into a business opportunity. Several strategies are used to determine materiality levels of non-financial information. While most of the case companies utilise GRI guidelines to determine materiality levels only few companies use both GRI guidelines and IIRC guidelines to determine the materiality of non-financial information in integrated reports.

THE IMPACT OF LABOR POWER ON STOCK PRICE SYNCHRONICITY: INTERNATIONAL EVIDENCE

Brian Lam, University of Macau

Desmond Yuen, University of Macau

Morris Liu, University of Macau

In this study, we examine the impact of labor power on stock price synchronicity. We refer to labor power as the labor union power proxied by the collective relation law index, and measure the stock price synchronicity by the level of co-movement between a firm's stock price and market index. Our study provides empirical evidence to the fact that: the higher degree a firm's information is incorporated into its stock price through the firm's disclosure, the lower the stock price synchronicity is. Using a sample of 37 countries between 1996 and 2015, we find that labor union power is positively associated with stock price synchronicity, indicating that firms in countries where labor union power is strong tend to disclose less information. This phenomenon is more pronounced in countries where shareholders are well protected. In contract, we find that firms tend to disclose more information in countries where individual labor protection is strong, demonstrating that firms are less threatened by the labor and tend to disclose more information when the overall protection of individual labor is strong. This phenomenon is conspicuous in countries where protection of shareholders is weak.

CONVERTIBLE DEBT, SHAREHOLDER RIGHTS AND CREDITOR RIGHTS

Kin Wai Lee, Nanyang Technological University

We examine the effect of investor protection on convertible debt financing across a sample of 8076 firms from 42 countries. We find that convertible debt usage is higher in countries with weak creditors rights. This suggests that the conversion feature in convertible debt is more valuable in countries with weak creditors rights where straight debt financing may be too costly. We also document that convertible debt usage is positively associated with protection of shareholders rights. Thus, holders of convertible debt are less concerned on the expropriation of their wealth as potential shareholders in countries with strong shareholders rights.

NON-GAAP EARNINGS AND BOARD INDEPENDENCE: AN INVESTIGATION OF INDEPENDENT DIRECTORS' OTHER BOARD SEATS

Cheng-Hsun Lee, National Cheng Kung University

This paper examines the association between non-GAAP earnings and the number of other board seats held by independent directors. I investigate whether the number of other board seats held by independent directors would be associated with earnings management. Results show that firms are more likely to opportunistically manage earnings when a firm's board has fewer independent directors who hold either one or two other board seats.

I find that exclusions from non-GAAP earnings are more associated with future earnings when a firm's board has fewer independent directors who serve on at least one and no more than two other board seats than when the board has more of these independent directors. I also find that earnings management would be reduced when the board has more independent directors who hold either one or two other board seats. Overall, results suggest that a number of other board seats held by independent directors is associated with the quality of non-GAAP earnings.

THE EFFECT OF COMPENSATION STRUCTURE AND ACCOUNTABILITY ON WHISTLEBLOWING INVESTIGATION

Gladys Lee, University of Melbourne

Xinning Xiao, Monash University

Whistleblowing as a mechanism to detect fraud is effective when whistleblowing allegations are properly managed and investigated. One key decision that needs to be made when handling a whistleblowing investigation is the allocation of resources to investigating the whistleblowing allegation. Our study examines whether compensation structure and accountability affect the amount of resources allocated to investigation a whistleblowing allegation involving financial statement fraud. We find that compensation structure (greater short-term versus long-term incentives) significantly interacts with accountability (weak versus strong) such that individuals allocate fewer amount of resources to investigate the whistleblowing allegation when they have weak accountability and greater short-term incentives. Our results have implications on the remuneration of individuals charged with handling whistleblowing allegation and the design of whistleblowing systems.

ABSTRACTS

INVESTOR REACTION TO THE STOCK GIFTS OF CONTROLLING SHAREHOLDERS

Su Jeong Lee, Inha University

The controlling shareholders of Korean firms usually attempt to pass on the firm to the next generation and stock gifts are the most evident form of the ownership transfer. I examine how equity market investors react to the announcement of stock gifts given by controlling shareholders. Prior literature documents evidence that controlling shareholders use their private information and discretionary power to time stock gifts at lower stock prices in order to reduce gift taxes. I observe significant positive excess returns when controlling shareholders transfer stocks to their related parties as gifts, suggesting that investors interpret stock gifts as a signal that stock prices are relatively low at the time of the transfer. The evidence implies that the disclosure of stock gifts reveals the private information of controlling shareholders. In addition, in order to explain the positive market reaction to the gift announcement, I show the economic significance of tax planning strategies conducted by controlling shareholders to reduce gift taxes.

THE BENEFITS OF DIRECTORS' AND OFFICERS' INSURANCE: A TEST OF THE TALENT ATTRACTION HYPOTHESIS

Kuei-Fu Li, Ming Chuan University

Yi-Ping Liao, Ming Chuan University

Most of the existing literature suggests that directors' and officers' (D&O) insurance reduces the incentive to act in the best interests of shareholders (i.e., the managerial opportunism hypothesis). This calls into question the benefits of D&O insurance policies in corporate governance mechanisms. In this study, we examine whether the purchase of D&O insurance help firms recruit more qualified individuals as directors/officers (i.e., the talent attraction hypothesis). The results indicate that the purchase of D&O insurance attract more financial/accounting experts, well-connected or highly educated persons, to serve as corporate directors. We also find that the level of D&O insurance coverage is negatively associated with board meeting attendance rates, but that this negative association is less pronounced in the case of boards with more talented directors. Collectively, this study provide direct evidence regarding the benefits of D&O insurance in recruiting talented individuals, which also explains the wide prevalence of D&O insurance in practice.

ABSTRACTS

MANDATORY IFRS ADOPTION AND TRADE CREDIT

Xiao (Amanda) Li, The Hong Kong Polytechnic University

Jeffrey Ng, The Hong Kong Polytechnic University

Walid Saffar, The Hong Kong Polytechnic University

Trade credit is an important type of informal financing provided by suppliers to a firm. While it has been suggested that financial reports would be of use to trade creditors, there is no evidence about how changes in accounting standards can affect the supply of trade credit. In this paper, we document that IFRS adoption led to an increase in trade credit, consistent with theories on information and trade credit. In further analyses, we find that the IFRS adoption increases trade credit more when trust is low, suggesting that the increased quality of public information has a greater effect on informal financing when there is less trust between parties. In addition, in finding that IFRS adoption results in a greater increase in trade credit for more opaque and financially constrained firms, we provide evidence that a reduction in information asymmetry and credit substitution are two channels through which IFRS adoption increases trade credit.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE FINANCIAL FRAUD

Lin Liao, Southwestern University of Finance and Economics

Guanting Chen, Tsinghua University

Dengjin Zheng, Tsinghua University

This paper investigates the relation between corporate social responsibility (CSR) and corporate financial fraud in China. Previous literature argues that CSR is a two-edged strategy. On one hand, CSR is considered as a moral commitment that effectively curtails firm’s misconduct. On the other hand, CSR is alleged as a symbolic activity that potentially covers up manager’s opportunistic behaviours. Following these competing arguments, we test the impact of CSR on firm’s propensity to financial fraud by using a sample of Chinese listed firms over the period 2009-2014. We find empirical evidence that CSR is significantly and negatively associated with corporate financial fraud, suggesting that socially responsible firms are less likely to engage in fraudulent activities. Our result is robust to (1) linking different types of corporate fraud to CSR; (2) considering voluntary and mandatory CSR firms; (3) comparing high versus low levels of CSR performance, (4) separating State-Owned Enterprises (SOEs) and non-SOEs, and (5) controlling for various identification and endogenous issues. Overall, the evidence presented in this paper supports the notion that CSR is an ethical behaviour which constrains corporate misconduct.

ABSTRACTS

FAMILY OWNERSHIP AND EXECUTIVE COMPENSATIONS: THE EFFECT OF EXPENSE RECOGNITION ON SHARE-BASED COMPENSATIONS

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Ming-Cheng Wu, Department of Finance, National Changhua University of Education

This paper examines the difference of executive compensations (cash, stock and stock options) between family firms and non-family firms and further takes into account the policy effect of expensing share-based compensations. Using the Difference-in-Differences (DID) analysis, the empirical results reveal that family firms reduce the executive compensations in the form of stocks and options; meanwhile, family firms also increase cash grants. This paper finds that family firms reduce stock and option grants by more narrow margins than non-family firms. Also, non-family firms increase cash grant by wider margins than family firms. This paper then examines the industry effect, and the results are consistent. According to the empirical results, family firms and non-family firms have different levels of responses on the grants of executive compensations when they face with the policy of expensing share-based compensations.

THE EFFECT OF ELIMINATING THE FORM 20-F RECONCILIATION FOR FIRMS FOLLOWING IFRS ON ACCOUNTING RESTATEMENTS: THE ROLE OF AUDITOR INDUSTRY SPECIALISTS

Yi-Hung Lin, Monash University

Mai Dao, University of Toledo

Hua-Wei Huang, National Cheng Kung University

Ting-Chiao Huang, Monash University

Our paper investigates whether the incidence of accounting restatement is influenced by the Securities and Exchange Commission (SEC)'s decision to eliminate form 20-F reconciliation requirement for foreign cross-listed companies that follow International Financial Reporting Standards (IFRS). Using 7,851 foreign cross-listed firm-year observations from Compustat, our results show that the elimination reduced accounting restatements, and that this association is more prominent when the cross-listed companies engaged auditor industry specialists. Comparing from Kim et al. (2012), our study can provide more significant evidence that IFRS reporting quality which disclosed from cross-listed firms has been well-recognized and judged by investors or reports users further. The results also support FASB's (2002) and the SEC's (2003) expectations that professional judgments provided by auditor industry specialists result in more meaningful and informative financial statements, which is extremely indispensable to more principles-based accounting standards (i.e., IFRS).

WHO ACQUIRES TOXIC TARGETS?

Chelsea Liu, The University of Adelaide

Alfred Yawson, The University of Adelaide

We examine the impacts of corporate environmental lawsuits in the mergers and acquisitions (M&A) market. Environmental violations can give rise to significant and potentially unlimited liability. Using a sample of environmental lawsuits filed against the Standard and Poor's 1500 firms in the U.S. Federal Courts during 2000-2007, we examine the sued firms' subsequent M&A activities, and explore what bidders tend to acquire such targets tainted by environmental allegations. We document a number of novel findings with significant policy and practical implications. First, firms with poorer corporate governance are more likely to acquire a 'toxic' target previously sued for environmental violations, constituting a source of value-destruction for the bidders. This is evidenced by the significantly more negative announcement date returns experienced by bidders when acquiring sued targets. Consequently, our evidence shows that sued firms are generally avoided by potential bidders, with a reduced likelihood of becoming takeover targets. Finally, a sued firm is also less likely to engage in subsequent bidding activities to acquire other firms, curbing their growth potential.

CAN COMPENSATION COMMITTEES EFFECTIVELY MITIGATE THE CEO HORIZON PROBLEM? THE ROLE OF CO-OPTED DIRECTORS

Ruonan Liu, University of the Pacific

Zhenfeng Liu, University of Michigan-Flint

Co-opted directors, that is directors appointed after the CEO assumes office, are less independent. They tend to bias their decisions in favor of the CEO (Coles et al., 2014). In CEOs' final years before retirement, Compensation Committees design CEO compensation in such way that reduce CEO horizon problem. However, compensation committees dominated by co-opted directors may not be as effective as those with fewer co-opted directors. We find evidence of opportunistic R&D reduction and accruals management in firms with retiring CEOs and compensation committees dominated by co-opted directors, indicating compensation committees dominated by co-opted directors are less effective in mitigating CEO horizon problem.

ABSTRACTS

DUAL-TRACK TAYLOR RULE, DEPOSIT INSURANCE AND MONETARY POLICY TRANSMISSION IN CHINA

Xiaoxing Liu, Southeast University

Xu Zhang, Southeast University

This paper develops a Taylor rule under the dual-track interest rate system and a DSGE model that includes such factors as regulated interest rate shock, actual interest rate shock, monetary shock, liquidity shock, deposit insurance and financial frication, and examines the impact of interest rate liberalization on monetary policy efficiency. The results show that the traditional Taylor rule does not work well under the dual-track interest rate system in China, and the interest rate liberalization significantly improves the monetary policy efficiency by strengthening the macroeconomic effect of monetary shock and weakening the macroeconomic effect of regulated rate shock. Also, a rise in deposit insurance rate leads to the increase in output effect of monetary policy, but has no effect on liquidity shock.

CORPORATE LOBBYING, RELIGIOSITY AND FIRM RISK TAKING

Yik Pui Low, Monash University Malaysia

Ferdinand A Gul, Deakin University

Yee-Boon Foo, Monash University Malaysia

This study examines whether corporate lobbying (CL) is associated with firm risk taking. CL is defined as the firm's total annual lobbying expenses arising from the engagement of internal and external lobbyists. Risk taking is measured as: (1) the variance of firm returns (SDROA); (2) research and development (RD); (3) capital expenditure (CAPEX); and (4) growth (GROWTH). In addition, this study also considers whether the association between lobbying and corporate risk taking is conditional on religiosity. Using a sample of about 7000 U.S. observations, this study shows that CL is positively associated with firm risk taking, thereby supporting the argument that politically active firms are more likely to engage in riskier behavior. However, when the joint effects of CL and religiosity are considered, the positive association between lobbying and risk taking is weaker for firms headquartered in strong religious counties. The findings remain robust to a battery of other additional tests.

THE UK STEWARDSHIP CODE AND INVESTEE EARNINGS QUALITY

Chun Lu, Bond University

Jacqueline Christensen, Southern Cross University

James Routledge, Hitotsubashi University

Janice Hollindale, Bond University

The UK Stewardship Code was the first voluntary governance code specifically for institutional investors. The Code sets out the principles of effective stewardship by institutional investors toward their investee companies with the aim of improving long-term risk-adjusted returns to shareholders. This paper examines whether compliance by institutional investors with UK Stewardship Code is related to the earnings quality of their investee companies.We investigate the association between institutional investor Code compliance and Code compliance quality and investee company accruals quality.For a sample of large UK listed companies from 2013 we find reasonably high levels of compliance with the Code by both UK and foreign institutional investors. Our analysis does not suggest that Code compliance is positively related to investee company earnings quality. The study offers valuable insights regarding the efficacy of the Stewardship Code's policy approach to improving corporate governance by institutional investors.

THE IMPLICATIONS OF HAVING A COMMON BIG4 FIRM TO ATTEST TO BOTH FINANCIAL AND NON-FINANCIAL INFORMATION

Meiting Lu, Macquarie University

Roger Simnett, UNSW Sydney

Shan Zhou, The University of Sydney

Recent years have witnessed the reporting and assurance of non-financial information (NFI), such as the Environmental, Social and Governance (ESG) information becoming mainstream practices for large organizations. However, little is known about whether and how NFI is used by financial statement auditors. This study utilizes a setting where companies have engaged Big4 accounting firms to attest to their financial and NFI, but some choose to engage a common firm on both information while others decides to go with different firms. We study the implications of using the same Big4 firm attesting to both financial and NFI, where the knowledge transfer, if any, is mostly likely to happen. We find that companies using the same firm attesting to both financial and NFI pay higher audit fees and have less discretionary accruals, which we interpret as evidence of knowledge spillover from providing NFI assurance services to financial statement audit. We do not find evidence of knowledge spillover the other way, i.e. from providing financial statement audit to NFI assurance services. Exploratory analyses suggest that the phenomenon of having a common provider on both types of information may be associated with the trend of producing more integrated reports.

ABSTRACTS

WHY THE LONG-RUN MARKET VALUE IS A MULTIPLICATIVE POWER LAW OF ACCOUNTING VARIABLES AND THE IMPLICATIONS FOR FUNDAMENTAL ANALYSIS

Martien Lubberink, Victoria University of Wellington

Roger Willett, University of Tasmania

This paper presents a theory which demonstrates that a multiplicative power law describes the long-run relation between market values and fundamentals. The theory is based on a small number of testable assumptions. Models based on this theory produce elasticities that accurately reflect the value relevance of accounting variables. More importantly, the elasticities are valid, long-run market response coefficients. We estimate these elasticities in the cross-section for the entire data set of Compustat 31 December year end firms for the years 1963 – 2015. We compare our multiplicative model estimates to estimated parameters of traditional, additive models that relate market and accounting values. Our results demonstrate the superiority of using elasticities to measure market response coefficients.

IS EXECUTIVE COMPENSATION FAIR? A REVIEW OF REMUNERATION REPORTING TRENDS THROUGH SAY ON PAY AND PAY RATIOS ANALYSIS

Will Mackay, UNISA

George Shan, University of Western Australia

Bryan Howieson, The University of Adelaide

This article attempts to shed further light on the efficacy of “say on pay” (SOP) voting regulation to improve corporate governance and curb the exploitation of shareholders’ funds by powerful CEOs through excessive remuneration schemes. Australia introduced “two strikes” SOP regulation in July 2011, the only country to do so. Two years after the introduction of binding SOP, this study of 3,477 companies provides early evidence on its impact. We identify changes in shareholder voting patterns, changes to executive remuneration following shareholder dissent, and a willingness by the board to engage in management renewal following higher levels of shareholder dissatisfaction.

ABSTRACTS

PROCUREMENT PRACTICES AND THE MUNICIPALITY AUDITING MARKET

Ana Marques, Nova School of Business and Economics & Indian Institute of Management Bangalore

Ana Pinto

In this article we study the determinants of (i) audit services' public procurement criteria, and (ii) the audit fees of Portuguese municipalities. Our dataset is unique, resulting from merging new survey data with data that is not usually publicly available. We find that the majority of municipalities acquire auditing services based upon the lowest price selection criterion. However, this practice is less frequent in municipalities with higher public procurement sophistication and with higher political competition. Our analysis of the audit fees charged indicate these are higher in municipalities with more sophisticated procurement processes, higher political competition, and more citizens' interest. Audit fess are also lower in municipalities with an internal auditing office.

THE STORYTELLING AS A MECHANISM OF ACCOUNTABILITY: INSIGHTS FROM THE PAST

Eleonora Masiero, University of Padova

Alessandro Lai, University of Verona

Riccardo Stacchezzini, University of Verona

The paper questions whether a storytelling focused on the past may help to overcome some of the limits of accountability that critical accounting research ascribes to formal accountability mechanisms. The research is based on the analysis of a book that, published in 1898, describes the activities of a foundling hospital, from its origins to 1807. Drawing on the critical accounting literature on accountability, the research inspects the power relations occurring between the narrator and the addressees and compares the discourses emerging from the storytelling (informal media of accountability) with the ones of the annual reports (formal media).

THE OCTOBER 2008 AMENDMENT TO IFRS 7: A BLACK HOLE FOR DISCLOSURE

Stephani Mason, DePaul University

We examine the relation between disclosure compliance with the 2008 amendment to IFRS 7 and several monitoring characteristics such as auditor specialization, analyst following, and institutional investors using a sample from the S&P 1200 of firms from 32 developed countries. We hypothesize that specialist auditors, analysts, and institutional investors do not constrain disclosure non-compliance. Additionally, we examine the relationship between disclosure compliance and fair value exposure and find that greater exposure results in greater disclosure compliance. Our results show that reporting practices continue to differ systematically across countries despite the use of a common accounting standard.

ANALYST FORECAST AND FIRM REPORTING

Yan Meng, University of Melbourne

This paper develops a model of managerial reporting in which the manager has hidden price incentives, a meet or beat incentive and a cost for biasing, and analyst forecasting in which the analyst has two signals: one on the firm's fundamental value and the other on the manager's hidden price incentives, and an objective to forecast both reported and unmanaged true earnings. I study how the analyst forecast and the manager's report interact to affect the firm's information environment. I find that when the analyst's objective is to minimize forecast error the quality of the analyst's information about the manager's hidden reporting incentives reduces her forecast's information content but increases forecast accuracy although it generally counters the effect of the analyst's information about the firm's fundamentals on the properties of the manager's report and the analyst's forecast and should accordingly decrease forecast accuracy, providing support for why the analyst might want to make use of such information. Further, I show that both the price responsiveness of the manager's report and the manager's reporting bias are higher when the analyst's objective is to minimize forecast error than when her objective is to minimize forecast bias. Another interesting finding from my model is that investors' residual uncertainty after the release of the analyst forecast and the financial report is non-monotonic in the quality of the analyst's information about either the firm's fundamentals or the manager's hidden price incentives.

ACCOUNTING COMPLEXITY, AUDIT FEES AND AUDIT INDUSTRY SPECIALIZATION - AUSTRALIAN EVIDENCE

Muhammad Shahin Miah, Massey University
Haiyan Jiang, University of Waikato
Asheq Rahman, Auckland University of Technology (AUT)
Warwick Stent, Massey University

This paper investigates whether IFRS, especially certain parts of them, are more complex as claimed by critics and thereby result in an increase in audit fees in the year when firms convert from local accounting standards to IFRS. In addition, we examine whether the effect of complexity on audit fees differs between industry specialized auditors and non-specialized auditors.

Australia is selected for our inquiry for the following reasons. First, Australia adopted IFRS word for word in 2005 and is one of the countries outside the European Union (EU) pioneering IFRS adoption worldwide (IASB, 2016). IFRS adoption in Australia is mandated for all types of entities, including private and public for-profit that meet the definition of a "reporting entity" under AASB. Therefore, the impact of IFRS on the Australian economy is widespread, necessitating deep understanding and research. Although ample evidence on the benefits and challenges of IFRS adoption is provided from the EU, IFRS issues in Australia are comparatively under-researched. Second, Australia is one of a few countries in which the benefits of adopting IFRS may not be guaranteed. As a developed country where domestic GAAP are well developed and rightly enforced, Australia has relatively high financial reporting quality, which may diminish the oft-repeated benefits of adopting IFRS. Ahmed et al. (2013b) find that the financial reporting quality of IFRS adopters, measured as income smoothing and earnings aggressiveness, in general deteriorates after adoption, particularly for adopters in countries with strong legal regimes. This is possibly due to the ambiguity and flexibilities stemming from certain IFRS standards, such as Fair Value Measurement. In a similar vein, a few studies present country-specific evidence showing little advantage of moving to IFRS.In Australia, Goodwin, Ahmed, and Heaney (2008) empirically demonstrate that AGAAP earnings and equities are more value relevant than IFRS-based earnings and equities. We posit that in the presence of complexity due to adopting some (all) of those challenging accounting standards, audit fees will increase as a result of increased audit effort and/or audit risks. In addition, this effect of complexity on audit fees may vary between industry-specialized versus non-specialized auditors. The findings demonstrate that audit fees are significantly associated with accounting complexity at an aggregate level. Nevertheless, not all standards are equally complex and not all may result in high audit fees. The analysis of individual standards' complexity reveals that several standards are highly complex, explaining the positive relation between complexity and audit fees. The results also reveal that the incremental effect of IFRS complexity on audit fees is more pronounced when firms are audited by city-level industry specialists than non-industry specialists, although this effect is not significant for national level specialists. Additional analyses demonstrate that our main analysis results hold after controlling for self-selection.

This study contributes to the IFRS literature by constructing a standard-based complexity measure gauging the difference between domestic accounting standards and IFRS. The degree of complexity is not only measured at aggregate level, but also at the individual standard level. The findings highlight that not all standards are equally complex and they therefore require different levels of auditor effort. In the presence of more complex standards, financial reporting quality may be compromised as a result of unintentional errors and misunderstanding. Pinpointing specific standards with high complexity is informative to standard setters who are responsible for standard setting, implementation and emendation. Being aware of which standards are challenging to accountants and auditors, standard setters or other professional bodies, can provide additional guidance and training. Understanding why audit fees have increased as a result of a change in certain accounting standards also helps audit firms to make decisions about planning, staffing and training. In addition, although prior Australian accounting literature has identified a few accounting standards that are perceived as more complex and thus difficult to be understood by practitioners (Chalmers et al., 2012; De George et al., 2013; Matolcsy and Wyatt, 2006), this study extends the literature by emprically testing this proposition and investiging the consequences for audit fees. More importantly, the results also highlight a few complex IFRS standards that have been neglected by piror Austrlian studies, including AASB 121 The Effects of Changes in Foreign Exchange Rates and AASB 117 Leases. Thus, this study complements and completes the extant Australian IFRS literature by providng an in-depth standard-based investigation.

CARBON RISK RESPONSES AND DISCLOSURES DURING PERIODS OF HIGH STATE UNCERTAINTY

Ingrid Millar, University of Queensland

An increasing number of firms choose to voluntarily disclose carbon-related information and there is an increasing demand for such information by investors. In an attempt to advance our understanding of the carbon performance-disclosure relationship, I propose an alternative theoretical lens by drawing on prior work in uncertainty (Milliken, 1987) and the resource-based view of the firm (Toms, 2002; Hart, 1995; Miller & Shamsie, 1999). Using a cross-sectional field study approach, I find that the high level of state uncertainty and response uncertainty impacts the propensity to disclose, the content of those disclosures and how analysts interpret the voluntary carbon disclosures of the firm.

DOES THE AUDIT MARKET RECOGNIZE AND REWARD AUDITOR QUALITY?

James Moon, Georgia State University

Jonathan Shipman, University of Arkansas

Quinn Swanquist, Georgia State University

Robert Whited, University of Massachusetts – Amherst

Basic economic theory suggests that the demand for a good or service, and consequently price, should increase with quality. Despite this intuitively appealing expectation, prior research finds mixed evidence on the relation between audit fees and audit quality. Under the assumption that product differentiation between auditors is based, in large part, on audit quality, we propose more refined measures of excess audit fees that distinguish auditor- and engagement-level fee premiums. Our findings indicate the existence of significant between firm variation in audit pricing (i.e., auditor premiums) that is negatively related to client restatements, indicating that high-priced auditors perform higher quality audits. We find no evidence that within audit firm variation in audit pricing (i.e., engagement premiums) is related to audit quality. In fact, some of our evidence suggests engagement premiums relate negatively to reporting quality, possibly explaining the conflicting findings in prior literature. Together, these findings suggest that expensive auditors provide superior audit quality but paying the same auditor more (less) is not associated with improved (diminished) quality. We also find evidence that clients generally avoid audit fee premiums during our sample period, particularly engagement premiums. In additional analyses, we show that variation in audit quality between auditors has diminished over time, though the variation in auditor premiums has not. Consistent with this, the relation between auditor premiums and quality has diminished in recent years and clients have become less willing to accept auditor premiums. Our findings are robust to alternative measures of audit quality and a variety of specifications for estimating fee premiums.

FUTURES CRUDE OIL PRICES AS PREDICTORS OF SPOT PRICES: LESSONS FROM THE FOREIGN EXCHANGE MARKET

Imad Moosa, RMIT

In the international finance literature it is no longer universally accepted that the forward exchange rate is an accurate, unbiased and efficient forecaster of the spot exchange rate. However, the proposition that futures prices of crude oil can be used to forecast spot prices seems to be accepted without much scrutiny. This proposition is challenged both theoretically and empirically, suggesting instead that futures prices have nothing to do with forecasting. Since spot and futures prices are related contemporaneously, futures prices are as good or as bad forecasters as spot prices, in which case it is not sound to use the futures price as a forecaster and the spot price as a benchmark. The results show that spot and futures prices are not as good forecasters as they are portrayed to be. While futures prices produce small forecasting errors, because they are related contemporaneously to spot prices, they fail to capture turning points and exhibit signs of biasedness and inefficiency. Adjusting the random walk and the unbiased efficiency equations, by including a time-varying risk premium or a drift factor, does not make the models better in terms of predicting turning points.

A CURIOUS CASE OF BENFORD'S LAW: A TAX TRANSPARENCY EXPERIMENT

Elizabeth Morton, RMIT University

Motivated by the release of the 2014-15 Corporate Tax Transparency Report by the Australian Taxation Office, this paper analyses the potential for abnormal digit frequency in the disclosures utilising the Benford's Law phenomenon. The Benford distribution is compared with the observed frequencies for Total Income, Taxable Income and Tax Payable. Total Income presents significant variation to Benford's distribution for the first digit position, whilst all other frequencies are compliant with Benford's Law. This research provides insight into the intermingling of the accounting and tax systems and the 'naturalness' – or 'reasonableness' – of numbers within such social and political systems.

ABSTRACTS

MODIFYING VAIC MODEL TO MEASURE INTELLECTUAL CAPITAL EFFICIENCY: EVIDENCE FROM DEVELOPED AND EMERGING MARKETS OF THE WORLD

Muhammad Nadeem, Auckland University of Technology

The aim of this study is to critically discuss the taxonomy of the Value Added Intellectual Coefficient (VAIC) model, evaluate earlier modifications, and make new adjustments in the VAIC model to overcome the criticism. This study introduces Adjusted-VAIC (A-VAIC) model and tests empirically, to measure value-added efficiency and its impact on firm's financial performance in ten developed and emerging markets for the period 2005-2014. The results reveal significant positive relationship between IC efficiency and firm performance in almost all the markets under study. The insignificant (positive) or significant (negative) relationship between human capital and firm performance in the original VAIC model became significantly positive when the A-VAIC model is applied. These results endorse the resource-based, resource-dependency and organization learning theories, and verify the usefulness of the adjustments in the VAIC model. The A-VAIC model introduces and tested in this study can be used by the future researchers, to measure IC efficiency and benchmark the value-added efficiency of firm's resources.

NEW ZEALAND PUBLIC SECTOR HEALTH DELIVERY: SELECTION OF TOPICS FOR PERFORMANCE AUDITS

Nirmala Nath, Massey University

Radiah Othman, Massey University

Fawzi Laswad, Massey University

This study on perceptions of stakeholders (NZOAG, MOH and DHBs) on why and how performance audits topics were selected for public health sector services delivery between 2007-2013, explores accountability relationships between auditors (NZOAG) and auditees (DHBs). The study aims to provide insights into selection of topics for such audits for NZOAG to hold DHBs to account.

This paper uses evidence gathered from interviews with representatives of DHBs, MOH and NZOAG staff and publically available documentary evidence over a 7-year period and draws on Stewart's (1984) accountability framework to inform research findings. Findings: NZOAG is influenced by internal, external and controversial factors in choosing areas for performance auditing. Topics are selected using a consultative approach, the outcome is dependent on: risk assessment, assessment for themes, and international benchmarks. The final decision is the NZOAG's. The auditors held the auditees to account using: process and performance accountability modes. Research limitations/implications: The focus is on only public sector health delivery services between the 2007 - 2013 period and conclusions cannot be generalised. Implications: A consultative approach is used to select topics for performance audits yet independence of the NZOAG is upheld. Practitioners and policy makers therefore should participate, encouraging auditee participation to improve outcomes for: auditee performance, policy makers' decision on setting priority area, in public sector health delivery services. Socially, lead to improvements in quality of life.

The choice of area and selection of topics for performance auditing in itself contributes to different forms of accountability relationship between the auditor and the auditee in the public health sector.

THE IMPACT OF MATERIAL WEAKNESS REMEDIATION ON AUDIT FEES: AN INTERTEMPORAL COMPARISON BETWEEN IT-RELATED AND OTHER MATERIAL WEAKNESSES

Patricia Navarro-Velez, University of Central Florida

Sean Robb, University of Central Florida

Steve Sutton, University of Central Florida

Martin Weisner, The University of Melbourne

We conduct a study of audit fee premium differences associated with various categories of material weaknesses in internal controls. Using propensity score matched samples, we provide evidence that the fee premium charged to firms reporting IT-related material weaknesses (ITMW), after remediation, lingers longer than the fee premium imposed on firms reporting non-IT entity-level material weaknesses (NITELMW), or firms reporting account-specific material weaknesses (ASMW). Moreover, we show that the association between audit fee premiums and type of material weakness remediated is strongest for ITMW linked to data processing integrity. Our findings, which are based on more robust contemporary research methods, underscore the importance of distinguishing not only between entity-level material weaknesses and ITMW, but also between different types of ITMW as identified in prior data quality research.

BUILDING ETHICAL CAPABILITY FOR ACCOUNTING PROFESSIONALS: A NEEDS ANALYSIS STUDY

Cristina Neesham, Swinburne Business School, Swinburne University of Technology

Mohammad Azim, Swinburne Business School, Swinburne University of Technology

This study reports on the ethical capability needs experienced by Australian accounting professionals in the last five years. Defining ethical capability as the ability to bridge the gap between actual and desirable professional behaviours, and using content and thematic analyses, the study identifies ethical capability needs in the areas of regulation and enforcement, education and training, advice and mentoring, and advocacy. These needs were justified by the respondents in terms of: fear of losing independence; adoption of either a legal compliance view or a collaborative, trust based view of ethics; and a multi-level understanding of problems and solutions as interdependent.

ABSTRACTS

USING APPLICATIONS ON PERSONALLY OWNED DEVICES TO ENHANCE STUDENT ENGAGEMENT IN LARGE LECTURES: LEARNING ADVISER PERSPECTIVES

Trevor Nesbit, ARA Institute of Canterbury

Billy O'Steen, University of Canterbury

Tim Bell, University of Canterbury

Much has been written about the desire to increase student interaction and engagement in large lectures. This paper presents a further phase in a study that is being conducted into the use of applications on personally owned devices to increase student engagement in large lectures. Previous phases of the study have included a pilot study reporting on the initial development and use of text-messaging based systems and smart phone applications and the interviewing of lecturers. regarding their perceptions regarding this approach to increasing engagement in large lectures. This paper presents the results of interviewing learning advisers across four higher education institutions in New Zealand and Australia regarding their perceptions of the benefits and challenges of this approach and how these relate to themes emerging from the literature. The findings from this phase of the study regarding the benefits and challenges are consistent with the literature and highlight the importance of support for lecturers who are not innovators or early adopters. Some ongoing challenges are identified, as are some areas for further research, particularly relating to exploring challenges from a student perspective.

THE IMPACT OF A REMUNERATION GUIDELINE IN THE AUSTRALIAN BANKING INDUSTRY

Cheok Man Ng

Sue Wright, University of Newcastle

Shane Magee, Macquarie University

This study investigates the performance sensitivity of the remuneration of the Chief Executive Officer (CEO) and Top 5 highest paid executives in Australian banking institutions in the pre- and post-Global Financial Crisis (GFC) periods. Pay-performance sensitivity is influenced by remuneration policy, and is based on agency theory. In the face of many studies identifying poor remuneration practices by financial firms as a cause of the GFC, there was international encouragement to redesign their managerial remuneration in the post-GFC period. Australia's implementation of the remuneration guideline (Prudential Practice Guide: PPG 511 - Remuneration) in 2009 was designed to align pay-performance sensitivity with prudent risk-taking through properly structured remuneration. For all Australian banks listed on the Australian Securities Exchange (ASX) between 2003 and 2015, we find no alignment between bank CEO remuneration and risk-taking in the pre-guideline period, but alignment for both CEO and top executive remuneration in the post-guideline period. A potential cause of this change is the introduction of the remuneration practice guide.

ABSTRACTS

ECONOMIC POLICY UNCERTAINTY AND CORPORATE CASH HOLDINGS

My Nguyen, RMIT University

Huu Nhan Duong, Monash University

Hung Nguyen, RMIT University

Rhee Ghon, University of Hawaii

We analyse the impact of policy uncertainty on corporate cash holdings using the Baker et al. (2016) policy uncertainty index. We find that an increase in policy uncertainty leads to higher cash holdings, and the association is stronger for those firms who are more dependent on government spending. The results also show that policy uncertainty positively affects value of cash holdings and cash-cash flows sensitivity. We further document that firms hold more cash when policy uncertainty increases to mitigate the negative impact of policy uncertainty on investment, and the mitigating role of cash holdings is more pronounced for more financially constrained firms. These results shed more light on the unsettled debate over the economic impact of policy uncertainty.

THE ECONOMIC CONSEQUENCES OF IFRS ADOPTION ON PUBLIC PRIVATE PARTNERSHIPS

Phuc Nguyen, UNSW Sydney

Demi Chung, UNSW Sydney

Gary Monroe, UNSW Sydney

Accounting for Public-Private Partnerships (PPPs) has entered a new paradigm since the UK government adopted International Financial Reporting Standards (IFRS) with public sector variations in 2009/10. Under the IFRS framework, while private sector grantors follow IFRIC 12 to account for PPPs, there is no accounting standard for PPPs from the public sector grantor's perspective. The UK government developed a public sector variation based on the mirror image of IFRIC 12. In this paper we examine the economic consequences of MIIFRIC 12, specifically on the cost of PPP financing and on earnings management by the public sector grantor. We find that the majority of public sector grantors that switched the accounting treatment of existing PPPs from off- to on-balance sheet experience a lower PPP debt spread after the adoption. Furthermore, we find evidence of earnings management because grantors possessing high-value PPP depreciable assets are more likely to impair PPP assets after the adoption. The results are robust across several model specifications and sensitivity tests. Collectively, these results suggest that there are both benefits and costs of MIIFRIC 12.

DISCURSIVE ACCOUNTING AND THE ADVERTISING OF FINANCIAL PERFORMANCE

Gary Oliver, The University of Sydney

An advertisement placed by a councillor criticising the Mayor uses accounting terms and makes accounting judgements on behalf of the public. The advertisement is analysed discursively to highlight the message being communicated to ratepayers

TEAM-LEARNING OR LECTURE-BASED LEARNING? A CHOICE, BUT NOTHING TO LOSE

Evelien Opdecam, Ghent University

Patricia Everaert, Ghent University

This instructional paper is intended to share our experiences on an alternative approach to the one size fits all approach, mostly used in university teaching. In this study, students are given a choice between lecture-based learning and team learning for the tutorials of a financial accounting course. The characteristics of each learning path (lecture-based and team learning) are addressed and a detailed description of the implementation process is provided. The experiences are highlighted from different points of views: students, instructors and university. Finally, based on academic research and the authors' experiences, suggestions concerning implementing a choice-based learning method are stipulated.

ABSTRACTS

BAN PUBLIC ACCOUNTABILITY, UNIVERSITY CHARACTERISTICS AND VOLUNTARY DISCLOSURES: A COMPARATIVE REVIEW OF AUSTRALIA, SOUTH AFRICA AND KENYA

Erick Outa, R and C

We examine public accountability and University characteristics in Australia, South Africa and Kenya following a period of rapid changes in regulation and operating environment in the higher education sector. We regard disclosures in annual reports as mechanisms for Public accountability.

We apply public accountability models similar to Coy and Dixons in New Zealand, UNESCO and OECD to examine the relationship between public accountability and firm characteristics of universities in Australia, South Africa and Kenya .We apply not for profit theories and variants of corporate governance theories to test the hypothesis that public accountability is related to university characteristics.

There is large variability in the level of public accountability by universities with overall levels of 88%, 46 % and 10% in Australia, South Africa and Kenya respectively. The results show low disclosures on completion rates, research income, and destination of students, admission qualifications and budgetary controls which are critical information to many stakeholders.

This study adds to the literature on public accountability and extends existing studies by including composite governance variables and university characteristics as possible explanatory variables for public accountability in an area which has not been examined before. We also aim to stimulate debate on university accountability and provide a basis for a more extensive survey disclosure practices. As policy implications, we document how when a country's university characteristics aimed at improving public accountability, can strengthen better utilization of resources and build trust and confidence in the institutions which may result in higher quality that universities yearn for.

STRATEGISING AND ACCOUNTING AT AN AUSTRALIAN UNIVERSITY

Esin Ozdil, La Trobe University

This paper examines the role and impact of accounting in universities' strategic management processes. It considers how strategy and accounting practices are developed and implemented in a university and investigates the relationships between these practices. A qualitative case study of an Australian university demonstrates how strategy and accounting practices were primarily constituted and implemented through a series of strategic and calculative doings and performativity's. In particular, accounting was an engine (MacKenzie, 2006) for strategising and financialising at the university level and operational levels through the various rules, understandings and teleoaffective structures (Schatzki, 2002) it created. As upstream fuels, information garnered through calculative practices were essential in providing the main information and knowledge for a new strategy. They revved up the engine for new strategic considerations and pathways. Accounting was not merely an output of strategy: it was a vital catalyst, input and transformer of strategy whereby the university's new strategic objectives were primarily made strategic through their mobilisation with accounting.

IFRS AND THE VALUE RELEVANCE OF FUNDAMENTAL SIGNALS FOR GROWTH AND VALUE STOCKS

Nandana Pathiranage, Swinburne University of Technology

Christine Jubb, Swinburne University of Technology

This study examines the usefulness of earnings and non-earnings fundamentals in terms of value relevance for Growth and Value stocks, together with the impact of International Financial Reporting Standards (IFRS) on these signals, for 11 European countries plus Australia. Most of the selected fundamental signals are found to be significantly different between Growth and Value stocks on both univariate and multivariate bases; and earnings and many non-earnings signals are value relevant for contemporaneous abnormal returns for both Growth and Value stocks, with more being so for Value stocks. The value relevance of several signals, including earnings, is significantly different between Growth and Value stocks and between Winners and Losers. An aggregated fundamental score (F_Score) also is value relevant for abnormal returns for Winners and Losers for both groups of stocks. In terms of the impact of IFRS, IFRS has significant impact for Growth rather than Value stocks. Value relevance decreased for earnings in respect of Growth stocks, in particular for Losers, while it increased for Cash flows for both Value and Growth stocks, following adoption of IFRS. The value relevance of some non-earnings signals individually, in combination, and for F_Score is decreased for both Winners and Losers, especially for Growth stocks, after adoption of IFRS. These findings will be of interest particularly to analysts, investors and standard setters in better understanding the behaviour of fundamental signals after adoption of IFRS.

SUSTAINABILITY REPORTING AND INTEGRATED REPORTING PERSPECTIVES OF THAI-LISTED COMPANIES

Neungruthai Petcharat, Sripatum University

Mahbub Zaman, Queensland University of Technology

This paper examines reporting on sustainability and the level of the level of compliance with international best practice, the Global Reporting Initiative (GRI), aimed at improving communicative value to users. Using a qualitative approach, comprising interviews with senior managers and analysis of disclosures in annual reports of Thai listed companies, this paper contributes to the literature by providing evidence from an emerging market setting. We find companies incorporate business information together with good corporate governance, fair business operation, respect of human rights and fair treatment of labour, consumer responsibility, social development, and environmental conversation in annual report for value creation. Sustainability disclosures are related to some aspect of integrated reporting principles but not all. Also, there is limited reporting on future outlook. Our findings suggest that while sustainability and integrated reporting is being adopted very widely, in many countries, there is much variation in reporting practice especially in our emerging country context adopting a ‘comply or explain’ approach.

THE EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEMS AND THE IMPACT ON WORK-RELATED ATTITUDES

Aleksandra Pop-Vasileva, Monash University

Kevin Baird, Macquarie University

This study examines the effectiveness of Performance Management Systems from the perspective of the achievement of organisational process outcomes (performance-related and staff-related). In addition, the study provides the first empirical analysis of the association between alternative conceptualisations of PMS effectiveness, examining the association between the achievement of organisational process outcomes with two employee work-related attitudes, job satisfaction and Employee Organisational Commitment (EOC). Data was collected from middle and senior managers from 190 Australian corporate professional service organisations (financial and legal) and revealed that the performance-related outcomes were found to be associated with both job satisfaction and EOC, while the staff-related outcomes were associated with EOC. Furthermore, the results also revealed an association between staff-related outcomes and performance-related outcomes, and provided an insight into the specific performance-related and staff-related outcomes that were associated with job satisfaction and EOC. The study highlights the importance of the effective functioning of PMS processes due to their influence on individual work-related attitudes.

DISCLOSURE AND REPORTING OF GOVERNANCE PRACTICES BY AUSTRALIAN RESIDENTIAL AGED CARE PROVIDERS: ACCOUNTABILITY TO STAKEHOLDERS

Erin Poulton, University of Newcastle

Lisa Barnes, Avondale College of Higher Education

Frank Clarke, University of Sydney

The Residential Aged Care (RAC) Sector in Australia is significant in terms of the ageing population (consistent with most developed countries), and the fact that it will affect the majority of the population in terms of the need for RAC at some stage in their lives. Having access to information for stakeholders to make informed and timely decisions regarding the comparison of RAC providers is often difficult due to there being higher demand than supply, small timeframe to make decisions with a high emotional content and the difficulty in changing providers. Information was gathered from the RAC provider's website, reports and other publicly available information, to determine their level governance disclosure, over a three year period. It was found that the RAC providers should not just be limited to their legal reporting requirements (mandatory), but instead should also endeavour to disclose additional voluntary information, in order for their stakeholders to make informed decisions. In addressing the Australian RAC Sector's stakeholder governance information needs, a governance framework (RAC Sector Governance Framework) and the G-CARD (Governance Checklist Aged Residential Disclosure) Model were developed for this sector to improve governance disclosure. This research provides new insights and a basis for further research to determine whether the Australian RAC Sector have improved their consistency and adequacy of their governance disclosure through the use of the proposed G-CARD Model and associated framework.

WHAT HAVE WE LEARNT FROM 12 YEARS OF PCAOB INSPECTION OUTCOMES?

Ashna Prasad, Monash University

Ru Gao, Monash University

The PCAOB inspection program has existed for over a decade but long-term trends in their inspection outcomes providing holistic insight into the nature and frequency of audit deficiencies has not been researched. Using 2,542 firm-level inspection reports issued by the PCAOB over the period 2004–2015, we categorise the publicly reported Part I deficiencies into either GAAP departures (indicative of absence of audit evidence) or audit deficiencies (related to insufficient and inappropriate audit evidence gathered by the inspected audit firms). We find that GAAP departures are significantly less common over the period compared to audit deficiencies. We find recurring audit deficiencies for specific audit firm categories as well as for all firms in a number of areas for both GAAP and audit deficiencies. Our findings suggest the need for the PCAOB to tailor their audit guidance for these areas by audit firm type to reduce these recurring audit deficiencies.

BASE EROSION AND PROFIT SHIFTING IN INDONESIA

Arnaldo Purba, Australian National University

Alfred Tran, Australian National University

Multinational enterprises are alleged to shift profits from both developed and developing countries. However, empirical study that uses a developing country's tax return data is almost none. This paper fills the gap by investigating whether foreign-owned Indonesian companies (FOICs) shift profits out of Indonesia by examining the impact of difference in statutory corporate tax rates (STR) between Indonesia and the source country of investment on taxable income reported by FOICs in their Indonesian tax returns. The results show that the lower the parent's STR, the lower is the taxable income reported by FOICS, indicating that FOICs shift profits to parents located in low tax countries.

CLIENT IMPORTANCE AND AUDITOR INDEPENDENCE: A TEST OF GRAY'S SECRECY THEORY

Md. Jahidur Rahman, Wenzhou-Kean University

The purpose of this study is to investigate whether auditors compromise their independence for economically important clients in countries with a secrecy culture. The secrecy measurement used in this study was developed by Hope et al. (2008) who follow guidelines provided by Gray (1988) and Hofstede (1980). I use multiple proxies for auditor independence, including the propensity to issue modified audit opinions and signed abnormal accruals. Using a very large sample of firms from 33 countries and controlling for a number of firm- and country-level factors, I find evidence that Big N auditors do not compromise their independence for economically important clients located in countries where a secrecy culture prevails. On the other hand, I find some evidence of compromise for non-Big N auditors. The results are consistent and robust in endogeneity tests and sensitivity analyses.

UNDERPRICING OF FEMALE CEO: THE ROLE OF DELTA AND VEGA

Kumari Ranjeeni, Monash University

Farshid Navissi, Monash University

Dharmendra Naidu, Monash University

This study examines whether investors underprice firms with female CEO, and whether equity risk incentives such as delta or vega influence such underpricing. Our results suggest that a female CEO is associated with increased underpricing, and that the underpricing of female CEO becomes less (more) pronounced in the presence of high delta (vega) incentives. Our analysis of high technology industries, which are well-known for high levels of risk-taking and domination by male CEOs, shows that investors profoundly underprice high-technology firms with female CEO, and that delta moderates and vega exacerbates such effect. Our results are robust to a battery of sensitivity analyses including propensity score matching and two-stage regression procedure. In our additional analysis, we find that it is costlier to finance with equity for firms with female CEO, and delta (vega) attenuates (exacerbates) the financing cost.

A LONGITUDINAL ANALYSIS OF US COMPANIES' ENVIRONMENTAL DISCLOSURE PRACTICES - A CHANGE IN THE AIR?

Abdul Razeed, University of Sydney

An investigation of the disclosure of voluntary environmental information post 2000 Dotcom crisis and post 2007 financial crisis on a sample of resource companies listed in the New York Stock Exchange reveals some controversial findings. The periods of analysis are financial years ending 31 December 2000, 31 December 2004, 31 December 2007 and 31 December 2011. The voluntary environmental disclosure (VED) disclosure behaviour in three media (namely, corporate website, standalone annual report and standalone environmental report) was surveyed in the year (for exposition) of a recognised 'crisis' followed by another investigation 3 years after the crisis. Clearly limiting a crisis to a year is problematic – this paper thereby circumvents a 12-year period so as to capture VED behaviour in the crisis and post-crisis periods.

Whilst some researchers noted that corporate social disclosures (CSR) have increased from 1996 to 2002; and from 1979 to 1991 respectively, it should be noted that these studies took place in periods of economic stability. Several scholars have argued that the current economic and financial crisis is seen by many as the worst since the Second World War. A call by John White (Ex-director of SEC) that "U.S companies should consider completely revamping their management discussion and analysis...to give investors in this economic crisis as complete picture as possible of the challenges affecting their companies" (John White, ex-director, Securities and Exchange Commission's Division of Corporation and Finance, Dec 9, 2003) provides further justification and highlights the importance of this study.

The results reported here suggest that US resource companies are disclosing more VED information in response to a crisis. However, other factors seem more critical for increased VED. The VED information increase in levels peaked in 2004 and have seen a less than proportionate increase to 2012 indicating perhaps that US resource companies are becoming weary of disclosing VED. There is also a gradual migration of VED information from standalone annual reports to the Internet. The above results indicate a differential strategy that US resource companies adopt in disclosing VED information. Further research is necessary to understand what motivates managers of US resource companies to choose different mediums for their corporate disclosure.

A LONGITUDINAL STUDY OF ABORIGINAL IMAGES IN ANNUAL REPORTS: EVIDENCE FROM THE AUSTRALIA COUNCIL FOR THE ARTS

Ruth Rentschler, University of South Australia

Nava Subramaniam, RMIT University

Brian Martin, Deakin University

This paper provides a longitudinal analysis of the pattern of Aboriginal (i.e. Aboriginal and Torres Strait Islander) visual imagery use in the annual reports of the Australia Council for the Arts (ACA), the Australian Federal government's premier arts funding and advisory body. Guided by impression management theory, we assess how the nature and extent of Aboriginal images systematically vary in relation to textual disclosures and various socio-political, economic and organisational governance factors as well as funding outcomes. Content analysis of the annual reports over 42 years (1973-2015) reveals that the extent of Aboriginal images differs substantially from (i) the amount of text representation of Aboriginal issues; (ii) the pattern of ACA's annual funding, and (iii) the internal budget allocation by the ACA to Aboriginal arts programs. Further, such variations in imagery use are found to vary markedly across three distinct time periods over the four decades: increasing usage (1973 -1989), followed by a declining trend (1990 -1999), and plateauing thereafter (2000 -2015). Our analysis also suggests that the nature and extent of Aboriginal visual imagery varies with several socio-political developments such as Aboriginal rights and land claim activism, macro-economic conditions, public management policies, and organisational governance, suggesting use of visual imagery for impression management. We contend that this study offers an additional perspective on the motivation for impression management practices related to use of visual imagery in annual reports within the arts sector which is referred to as aspirational impression management strategy.

ENTERPRISE SOCIAL MEDIA AND CONTROL SYSTEM DESIGN

Peter Roetzel, University of Aschaffenburg

Dennis Fehrenbacher, Monash University

This paper provides an additional rationale why subjective performance evaluation is more prominent in creative industries. We show that the use of enterprise social media (ESM) is wider spread in creative industries and discuss how the use of ESM in companies fundamentally changes the relationship between supervisor and subordinate. Somewhat counterintuitively, despite an increase in quantification possibilities through information from ESM, information from ESM is little used for performance evaluation and the extent of subjectivity increases with the use of ESM. We provide rationale that explains these associations. Our research implies that the use of ESM needs to be accompanied by a thorough review of how control systems are designed.

ABSTRACTS

DO MARKETS ACCURATELY PRICE EARNINGS MOMENTUM?

Sarayut Rueangsuwan, Kasetsart University

Somchai Supattarakul, Thammasat University

Prior research on meeting or beating earnings targets documents that firms with earnings momentum are awarded with valuation premiums. However, it still leaves unclear from this literature why it is the case. This study attempts to provide the rational explanation for such market rewards. We mathematically show that earnings momentum can be obtained through high earnings persistence or strong economic shocks. However, our empirical evidence suggests that earnings momentum is a reflection of high earnings persistence. It further reveals that longer duration of earnings momentum is associated with higher fundamentals-driven earnings persistence. More importantly, our findings indicate that valuation premiums are exclusively assigned to earnings momentum determined by strong firm fundamentals, not momentum itself. Our conclusion supports the view that markets are rational.

ACADEMIC ACCOUNTING IN TRANSITION: FROM TEACHING COLLEGE TO TEACHING AND RESEARCH UNIVERSITY

Maryam Safari, RMIT University

Lee Parker, RMIT University

This paper provides a historical case study of an Australian University school of accounting during a period (1972-1992) when the school was repositioning itself in Australian and international tertiary accounting education. The study is conducted within the context of the University history within which the School operates and influences from regulatory agencies and higher education sector changes shaping accounting education and research. This historical account of the School of Accounting, RMIT University, is developed through of departmental and university reports and oral history interviews. An historical narrative analytical methodology (Napier 2001; Parker 1999; Waldman 1980) is adopted to portray a history of an academic accounting department in transition. This case study illuminates and explains the strategic implementation processes in one university during a period of significant formative change in the Australian accounting education landscape.

DIVERSITY AND COMPENSATION INEQUALITY WITHIN BOARD OF DIRECTORS: EVIDENCE FROM AUSTRALIA

Maryam Safari, RMIT University

The paper explores pay equality between male and female in leadership positions, particularly in the context of board of directors, and its influence on collective performance of board of directors. Board gender diversity can affect board dynamics and firm value. This study will examine principles of inequity, equality and distributive justice in relation to the compensation of male and female directors pre and post ASX corporate governance-diversity policy. This study then investigates the collective effect of board of directors' pay gap on firm's performance. Finally, it explores sociological aspects of pay inequality as potential barriers for females to advance in their career. The findings are of relevance to the corporate gender equality policy makers.

THE VALUE RELEVANCE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ASSURANCE IN AUSTRALASIA

Manal Salman, AUT

Chris van Staden, Auckland University of Technology

The adoption of sustainability initiatives and CSR reporting seems to be motivated by the interest to communicate the sustainable practices of the reporting organisation to the wider business community. The increase in corporate social responsibility (CSR) and the publication of social and environmental reports have been accompanied by an increasing interest in the credibility and reliability of these reports. The benefits of voluntary assurance of non-financial disclosures include reducing information asymmetry between the company and the stakeholders, greater credibility, and better reliability of information. Furthermore, signalling theory would suggest that firms adopting assurance can distinguish themselves as higher quality firms, whether their actual quality is higher or not.

We argue that assurance of CSR reports can signal information to investors regarding the credibility of the information and in that way affect the value of the company. Using an Australasian sample, we find that having assurance increase firm value while the quality of assurance does not. This could be explained by the fact that investors may be aware of the assurance standards, but may not possess the required knowledge and understanding of the standards required to conduct a comprehensive analysis of assurance quality. This result supports the hypothesis that the signalling effect of assurance is observed by market participants.

ABSTRACTS

AUDITORS' GOING CONCERN REPORTING ACCURACY DURING AND AFTER THE GLOBAL FINANCIAL CRISIS

Kanyarat Sanoran, Chulalongkorn University

The Global Financial Crisis (GFC) and subsequent inspections by several regulators and standard-setters around the world significantly affected the auditing profession. Auditors' reporting decisions would be more conservative during and after the GFC period. I examine the accuracy of going concern modifications for a sample of United States (U.S.) companies in the pre-GFC (2005–2006), GFC (2007–2008), and post-GFC (2009–2010) periods. Based on the multivariate analysis, both type I and type II error rates of going concern audit reports are significantly lower during the GFC compared with the pre-GFC and post-GFC periods. However, type I errors of going concern audit opinions are higher in the post-GFC compared with the pre-GFC and GFC periods. Moreover, the results provide evidence about Big 4 and non-Big 4 differences in audit reporting accuracy on clients' going concern problems in the post-GFC period.

MARKET SENTIMENT, UNCERTAINTY AND LIQUIDITY PROVISION

Karl Sarich, University of Western Australia

Marvin Wee, University of Western Australia

Joey Yang, University of Western Australia

This paper examines how liquidity provision is affected by market sentiment and uncertainty prior to scheduled earnings announcements. We use different measures of volatility to proxy for market-wide and stock-specific sentiment and uncertainty to examine how they affect traders' liquidity provision in the lead-up to earnings announcements. Our results show that traders reduce their provision of liquidity as volatility increases before scheduled announcements. This result is asymmetric with more pronounced effects on the bid than the ask side of the order book. We also find changes in the market depth closer to the top of the limit order book are associated with market-wide sentiment (VIX). In contrast, liquidity provision further away from the best-bid-offer price, likely by value traders, is affected by stock-specific implied volatility.

ABSTRACTS

MANAGERIAL OWNERSHIP AUDIT COMMITTEES AND NON-AUDIT SERVICES

George Shan, University of Western Australia

Indrit Troshani, University of Adelaide

Janice Loftus, University of Adelaide

In the aftermath of Enron and other high-profile scandals the practice of providing non-audit services (NAS) to the audit firm's clients attracted increased criticism and regulation. While most forms of NAS are now prohibited in the US, the practice continues in Australia where audit firms may provide NAS to their clients, provided they do not compromise auditor independence. Using a sample of 5,143 firm-year observations of ASX listed companies that purchased NAS between 2005 and 2015, we investigate the sensitivity of NAS to key corporate governance mechanisms (CGMs). We find that the association between NAS fees and management ownership is fragmented. In both low and high regions of management ownership, which are characterised by the convergence of interests between managers and shareholders, NAS fees are negatively associated with management ownership. However, in the intermediate range of management ownership, which is characterised by management entrenchment, NAS fees are positively associated with management ownership. We also find that firms with stronger audit committees have lower NAS fees regardless of how management ownership is structured. Overall, our results add to the literature by providing a nuanced understanding of the association of management ownership and audit committees with NAS.

MANAGERIAL OWNERSHIP, AUDIT FEES AND AUDIT FIRM SIZE

Yuan George Shan, The University of Western Australia, UWA Business School

Indrit Troshani, The University of Adelaide, School of Accounting and Finance

Ann Tarca, The University of Western Australia, UWA Business School

The extent of managerial ownership interest in a firm can affect management incentives concerning the type and quality of accounting information produced which, in turn, can affect auditor's assessed overall audit risk for their clients and auditor choice. This study examines the relationship between managerial ownership and external auditing. It tests the association between managerial ownership and audit fees and audit firm size in a sample of Australian listed companies. Our results indicate a negative association between management ownership on the one hand and audit fees and audit firms size on the other when management ownership is in the convergence-of-interests region of ownership. Our results also indicate that these relationships are positive when managerial ownership is in the entrenchment region of ownership. Our findings also suggest specific convergence-of-interests and entrenchment regions of managerial ownership in the Australian sample. These findings are useful in informing regulatory initiatives that attempt to improve corporate governance quality.

ABSTRACTS

EXPLANATIONS FOR CORPORATE GOVERNANCE NON-COMPLIANCE: A RHETORICAL ANALYSIS

Philip J. Shrives, Northumbria University

Niamh M. Brennan, University College Dublin

A central element of many corporate governance codes is the "comply-or-explain" system, whereby companies not complying with corporate governance codes are required to provide explanations for each item of non-compliance. This paper develops a typology for examining the rhetorical strategies companies used to persuade audiences of the need to explain rather than comply. Employing a meaning-oriented content analysis approach, the typology is applied to analyse explanations for non-compliance with the UK's Corporate Governance Code. The sample comprises non-compliance explanations of UK FTSE 100 companies over two periods (2004/05 and 2011/12). These periods were chosen as they follow substantial changes made in the UK's 2003 Code and 2010 Code.

There were 63 (43) (2004/05 with 2011/12 in brackets) companies not complying with one or more provisions of the Code and 146 (71) explanations for non-compliance. Key rhetorical strategies identified in non-compliance explanations include "minimization of negative feelings" (the damage is not too serious), the use of "weasel words" which disguise non-compliance and "transcendence" (ends justify means). The research shows there is increased use of rhetorical strategies in non-compliance explanations in 2011/12 compared with 2004/05. This is the first study of the use of rhetoric in corporate governance non-compliance explanations. Valid explanations are critical to the working of the "comply-or-explain" system and understanding the use of rhetoric can be helpful in assessing those explanations. The typology of rhetorical strategies developed in the paper is also applicable to other corporate situations requiring companies to provide reasons for non-compliance with principles or rules.

THE RELATIONSHIP BETWEEN AUDITOR INDUSTRY SPECIALISATION AND AUDIT FEES: AN ANALYSIS OF PARTNER-LEVEL SPECIALISATION IN THE CONTEXT OF FRAUD

Shannon Sidaway, RMIT University

Basioudis Ilias, University of Aston

O'Connell Brendan, RMIT University

This study examines the relationship between auditor specialisation and audit fees on a matched sample of clients who have/have not detected and reported misappropriation of assets type fraud during the period 2002-2010. The use of Australian-based data gathered by KPMG as part of their bi-annual fraud survey provides a unique opportunity to gain otherwise unobtainable insights into this type of fraud. Using an Australian setting also allows this research to investigate the relationship between auditor specialisation and audit fees by measuring auditor specialisation at the audit partner level. The information required for this type of analysis is not publicly available in many other jurisdictions. We find that companies with greater losses from misappropriation of assets pay higher audit fees than those companies with smaller losses from misappropriation of assets. Although we do not find support for the audit partner with the highest market share in a particular industry and location charging higher audit fees, we do find support for the audit partner with the second highest market share charging higher audit fees. These findings are discussed with respect to the potential offsetting impacts of specialist premiums and long-run economies of scale

FRAMING AND PROFESSIONAL SKEPTICISM: THE COMBINED EFFECT OF TONE AND CONTEXT

Edward Stevens, Monash University

Robyn Moroney, Monash University

John Webster, Monash University

Professional skepticism is an important issue in the current professional and academic literature, which has received regulatory attention and criticism regarding a perceived lack of skeptical behavior demonstrated on audit engagements. This research is motivated by current debates in the auditing profession and auditing literature as to whether a change in the nature of auditor incentives and cultural norms can encourage greater professional skepticism. Using an experimental design with Big 4 auditor participants, the study investigates whether the frame of a partner's tone (negative or positive) and the salience of an auditor's team identity (low or high) influences auditor professional skepticism as captured by their (a) skeptical judgment and (b) skeptical action. The results reveal that auditors are sensitive to the frame of a partner's tone only when team salience is high, where auditors' skeptical judgment is greater when assigned a task in a positive rather than a negative frame, and where auditors' skeptical action is greater when assigned a task in a negative rather than a positive frame. Additional analysis reveals that auditors' motivation is highest when assigned the task in a positive rather than a negative frame. Our findings indicate that team salience is a fundamental context when considering the relative merits of using a positive or negative tone when assigning a complex task requiring significant subjectivity, such as an impairments task.

MANAGEMENT CONTROL SYSTEMS, HETERARCHY AND INNOVATION: A CASE STUDY OF A START-UP COMPANY

David Taylor, University of Queensland

Robyn King, University of Queensland

David Smith, University of Queensland

Although the operation of accounting in pluralistic contexts has received increased attention in recent years, much of the nature and operation of management control systems in such contexts is still not well understood. In this study, we draw on Stark's (2009) work on heterarchy to consider how organizations with diverse, interdependent functions with differing evaluative principles, and differing ideas as to which behaviours are the most desirable, use management control systems in their efforts to achieve innovation. Using a case study of a start-up company, we demonstrate how the clash of differing evaluative principles among interdependent teams led to the organization seeking new ways of organizing, which in turn, enabled the organization to better manage the interdependencies between the diverse functional areas. Additionally, our findings show how, through the use of management control systems, the organization was able to promote idea generation and 'buy-in' across all functional areas, order competing priorities for innovation, and set the agenda as to what constituted 'acceptable' innovation for the organization to pursue.

COMMUNITIES OF PRACTICE IN A TRANSNATIONAL TEACHING ENVIRONMENT

Meredith Tharapos, RMIT University

Brendan O'Connell, RMIT University

Communities of practice (CoP), defined as groups of people working together towards achieving specific goals through the creation, sharing, harvesting and leveraging of knowledge, provide a practice-based framework for examining collaborative learning and interaction within a professional context. Scholars researching in the area of international education have frequently espoused the benefits of CoP as a source of learning and support for academics whilst teaching transnationally. Yet there is a paucity in understanding regarding the actual modus operandi of CoP in a transnational education environment, and whether the touted benefits of CoP are indeed actalised.

Utilising a qualitative approach with an ethnographic focus, the present study addressed this issue through the examination of accounting academics teaching on a short-term basis in a transnational environment. Overall, the findings indicate that, in the absence of formal pre-departure professional development programs, CoP spontaneously and informally evolve in a transnational environment to provide vital and specialised knowledge to academics while in situ.

The implications of this study relate to both policy and practice for universities involved in transnational education.

EXPERIENCES OF CURRENT AND FORMER MEMBERS OF SELF-MANAGED SUPERANNUATION FUNDS

Susan Thorp, The University of Sydney

Ron Bird, University of Technology Sydney

Douglas Foster, The University of Sydney

Jack Gray, University of Technology Sydney

Adrian Raftery, Deakin University

Danny Yeung, University of Technology Sydney

The number of self-managed superannuation funds (SMSFs) in Australia continues to grow rapidly. The 5% net annual growth over the past five years consists of 7% new SMSFs offset by 2% in closures. We survey 854 current and 147 former members to find out their aspirations for their fund, how they operate it and how they rate the experience. Members of SMSFs maintain a high level of general interest in superannuation, which continues even after the member departs. Despite this interest, the number of "detractors" of SMSFs exceeds the number of "promoters", among both current and former members. Many express frustration with administrative and compliance responsibilities. SMSF members say they enjoy "control" but the majority delegate or share most investment and operational tasks with financial professionals. Even though most SMSF members do not measure the performance of their fund adequately, three times as many members rate the performance of their fund as above, rather than below, the SMSF average. The probability of closing a SMSF is significantly higher if members use net returns to judge performance rather than other indicators such as account balance or asset allocation.

THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY, FINANCIAL MISSTATEMENTS AND SEC ENFORCEMENT ACTIONS

Nam Tran, University of Melbourne

Don O'Sullivan, University of Melbourne

This study explores the relationship between corporate social responsibility (CSR), financial misstatements and the likelihood of a firm being subject to an SEC enforcement action for financial misrepresentation (AAER). We find that firms with more CSR strengths (socially responsible conduct) are less likely to be subject to an AAER. This is both because firms with more CSR strengths are less likely to engage in financial misstatements and because the reputational impact of CSR strengths reduces the likelihood of firms being subject to an AAER. In contrast, we find evidence that firms with more CSR weaknesses (socially irresponsible conduct) are more likely to be subject to an AAER, even though these firms are no more likely to engage in financial misstatements. Collectively, our findings highlight the multidimensional nature of the relationship between CSR, financial misstatements and SEC enforcement actions.

UNCERTAINTY AVOIDANCE, LEGAL SYSTEM AND COST STICKINESS

Michael S. C. Tse, Holmes Institute

Zahirul Hoque, La Trobe University

A recent development in research on cost behaviour is the emergence of the concept of sticky cost behaviour. Anderson, Banker and Janakiraman (2003) presents an alternative theory of cost behaviour, the sticky cost hypothesis. Cost behaviour is considered as an outcome of deliberate managerial decisions on levels of committed resources rather than mechanic responses to changes in cost drivers. This study seeks to develop an understanding of the human roles in the cross-national differences in cost stickiness by examining the relationships between the level of a human attribute, uncertainty avoidance, and stickiness of costs. It contributes to the literature by examining the effects of human factor (uncertainty avoidance) and institutional factor (legal system) on cost stickiness simultaneously. Findings of the study show that international differences in the degree of cost stickiness can be attributable to the degree of uncertainty avoidance and the legal system of a country. Under each legal system, countries with higher level of uncertainty avoidance generally have higher degree of cost stickiness. In the civil law countries, the relationship between uncertainty avoidance and cost stickiness is more significant.

ABSTRACTS

ENLIGHTENING THE RESEARCH SUPERVISION PROCESS

Luisa Unda, Monash University

Amrinder Khosa, Monash University

Steven Burch, Monash University

Carla Wilkin, Monash University

The aim of this paper is to examine the supervisory practices of higher degree by research (HDR) students and these students' experiences with the supervision process. Outcomes will inform and frame the HDR student-supervisor relationship. The research is based on survey and interview data collected from accounting and finance PhD students and supervisors at Australian and New Zealand Universities. Overall, while students report being satisfied with the PhD supervision process, they describe usage of strategies to accommodate variable situations encountered in the student-supervisor relationship. The findings also indicate that situational adjustments are an important factor in the PhD student experience and overall supervision process. To the best of our knowledge this is the first study that assesses research supervisory practices, and PhD course experience, as framed by students' perceptions and supervisors' expectations.

BOARD GENDER DIVERSITY AND CORPORATE INNOVATION STRATEGIES

Alireza Vafaei, La Trobe University

Mohammad Alipour, Islamic Azad University Khalkhal Branch Iran

Darren Henry, La Trobe University

Recent regulatory changes in Australia require listed companies to implement policies for increasing board diversity and to report thereon. In this paper we examine the association between gender diversity on corporate boards and corporate innovation of a large sample of the top 500 listed companies in Australia during the period 2004–2015.Our descriptive statistics show that the proportion of female directors on boards increased markedly between 2010, when the 2nd edition ASX amended principles came into effect, and 2015. The results also show that board diversity is positively associated with corporate innovation after controlling for a number of firm-specific, ownership and governance characteristics and potential endogeneity with the two-stage least square tests. Thus, we inform the policy debate by providing empirical evidence supporting the business case for board diversity.

ARE INTER DISTRICT FLOWS BETWEEN NEW ZEALAND'S DISTRICT HEALTH BOARDS AN EFFICIENT RESOURCE ALLOCATION MECHANISM? THE TRANSFER PRICING CONUNDRUM

Matthew Van Kesteren, KPMG

Carolyn Fowler, Victoria University of Wellington

Ken Bates, Victoria University of Wellington

This study investigates the use of National Prices (a form of transfer price) within the New Zealand Public Health Sector to facilitate and account for the Inter District Flows of services between District Health Boards. A multi-case based method is used to establish how costing systems information is used to calculate these National Prices and how effective Public Health Sector managers perceive these transfer prices to be for the efficient management and reporting of Inter District Flows. Neoclassical economics based transfer pricing theory is used to interpret the case data in the light of transfer pricing literature. It is found that the current system for calculating National Prices is believed by some managers to produce artificially high transfer prices, and hence may adversely affect the reported costs of the Inter District Flows required by District Health Boards to provide appropriate patient care. Whilst this does not inhibit service accessibility, because patient welfare comes first and cost efficiency comes second, it may have adverse resource allocation consequences. Despite recognising the inadequacies of National Prices and having the authority, District Health Boards are reluctant to negotiate alternative transfer prices because of the potential extra costs involved. One alternative solution is the collaborative approach used by three District Health Boards in one region that have formed a partnership through which all their resources are used collectively to plan and provide health services to the entire region. The partnership has one bottom-line and this significantly reduces the need for Inter District Flows using National Prices in that region.

ACCOUNTING FOR FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF DEBT AND EQUITY: FINDING A WAY FORWARD

Warrick van Zyl, University of Western Australia

Neil Fargher, Australian National University

Baljit Sidhu, UNSW Sydney

Ann Tarca, University of Western Australia

Accounting for compound financial instruments, that is those with characteristics of both debt and equity, has challenged accounting standard setters for decades. The principles developed to distinguish liabilities and equity and the application of these principles in IAS 32 have been widely criticised. In 2016-2017 the IASB was engaged in a project to improve IAS 32. Our paper presents research that is relevant to the issues faced by standard setters, related to improving the definitions and enhancing presentation and disclosure of liabilities and equity. We discuss studies investigating the effects of the accounting classification requirements on firms' financing choices and on users' decision making, to examine the question "does the distinction matter?" We then explore various approaches that may be pursued by the standard setters to improve accounting in this area and identify areas for future research.

POLITICALLY CONNECTED BOARDS, FAMILY BUSINESS GROUPS AND COST OF CAPITAL: EVIDENCE FROM INDONESIA

Joni Vendi, Maranatha Christian University

Kamran Ahmed, La Trobe University

Jane Hamilton, La Trobe University

In this paper, we investigate the effect of politically connected supervisory boards (SBs) and board of directors (BODs) on cost of debt and cost of equity capital of listed companies in Indonesia for the period 2010-2013. Using 1,037 (945) firm-year observations, our main results show that firms with politically connected SBs experience lower cost of debt and cost of equity capital, whereas politically connected BODs have no association with cost of capital. We also find firms belonging to family business groups with politically connected SB enjoy lower cost of equity capital. However, both affiliated (family firms) and independent (stand-alone) firms with politically connected boards enjoy lower cost of debt but no cost of equity. Our results are robust to check for endogeneity and alternative measure.

WHY DO MANAGERS ISSUE SALES FORECASTS?

Mark Wallis, University of Melbourne

This study considers why managers issue sales guidance, which is now more prevalent than earnings guidance. I find the likelihood that a firm provides sales guidance is positively associated with revenue-expense temporal mismatching in the firm's accounting and with the credibility of the firm's earnings guidance. I also find some evidence that firms facing high proprietary costs and litigation risk substitute sales for earnings guidance. Overall, this evidence contributes to our understanding of an emerging trend in management guidance and the ability of voluntary disclosure theories to explain this phenomenon.

AN EMPIRICAL INVESTIGATION INTO COMPLIANCE OVER TIME BY AUSTRALIAN FIRMS WITH IFRS DISCLOSURE REQUIREMENTS

Xiaojiao (Jo) Wang, The University of Sydney

International Financial Reporting Standards (IFRS) are claimed to have higher quality than most national accounting standards. However, on the matter of disclosure requirements, prior literature indicates that compliance with IFRS is not complete in many countries. Australia adopted IFRS on 1 January 2005. This study examines Australian practice under the Australian version of IFRS by measuring compliance with the disclosure requirements of eight Standards. The study focuses on data drawn from the consolidated financial statements of a sample of the top 200 Australian listed companies. To enable a time-series analysis of the impact of IFRS over time, this study examines three reporting years: 2006, 2010 and 2014. This research has identified material non-compliance among Australian companies, all of which were mandatorily adopting IFRS. It finds that some disclosure items appear to be neglected by companies in their financial statements, such as some of the requirements of AASB 137 Provisions and AASB 119 Employee Benefits. This non-compliance raises questions about accounting and audit quality in Australia. It may suggest poor regulatory oversight, this leads to doubt about the integrity of reporting in Australia and the quality of decisions made by those financial statement users.

THE SILK ROAD AND THE ORIGINS OF DOUBLE ENTRY

Jenny Wang, Unitec

Keith Hooper, Unitec

The purpose of this paper is to challenge the thinking that emergence constitutes invention with reference to double entry accounting. The paper considers the literature supporting the case that various centres of business activity may have contributed to the development of double entry, in particular places that were inter-connected by the Silk Road, a trading route between East and West. The brute fact of emergence is that the first recognizably double entry document emerged in Italy around 1299 during a period when the Italian cities prospered from their trading connections with Arab and Indian merchants. Just prior to 1299, Marco Polo, a merchant-venturer returned from China with full of ideas and admiration drawn from his experiences. Bringing together various secondary sources, the paper concludes that development of double entry, like that of other inventions such as computers, owes much to practices developed in places other than the place of emergence. Raising the question: is emergence sufficient or should historians continue to quest for origins of practice, however dispersed.

DECREASING STRATEGY SURROGATION BY BUILDING FLEXIBILITY IN STRATEGIC PERFORMANCE MEASUREMENT SYSTEMS

Kelly Wang, University of New South Wales

Linda Chang, University of New South Wales

Mandy Cheng, University of New South Wales

Prior research finds that individuals who are rewarded based on the incomplete performance measures exhibit propensity to surrogate the measures for the intended strategy and consequently make suboptimal decision. We extend this literature by investigating whether building flexibility in strategic performance measurement systems (SPMS) is a remedy to mitigate the surrogation propensity, whether such mitigation will take place through the mediating mechanism - strategy engagement and is subject to the influence of environmental dynamism. In our 2x2 laboratory experiment, student participants make strategic decisions measured in three dimensions. The results reveal that flexibility of SPMS and strategy engagement are ingredients to suppress surrogation propensity, conditional on the level of environmental dynamism.

FINANCIAL REPORTING QUALITY AND ALTERNATIVE ROUTE TO FINANCING: EVIDENCE FROM CHINESE FIRMS SEEKING MAJOR US STOCK EXCHANGE LISTINGS

Tina Wang, University of Houston System

Stephen Miller, University of Houston System

We examine the ex-ante characteristics and ex-post capital market consequences of firms going public in the U.S. capital markets through reverse mergers. Consistent with the notion that firms with low financial reporting quality face severe adverse selection costs and such costs outweigh the benefits of going public through IPOs, we find that financial reporting quality is an important determinant of firms' choice of taking a reverse merger route vs. IPO to go public in the U.S. capital markets. Further, we find that reverse merger firms are small, subject to borrowing constraints, and thus more sensitive to direct IPO transaction costs than their IPO counter parts. After going public, these reverse merger firms experience alleviation in financing constraints and temporary increases in investments, but receive limited analyst coverage. Taken together, these findings suggest that private firms take reverse mergers to obtain external financing in the U.S. capital markets.

ABSTRACTS

UNEXPECTED DIVIDEND CHANGE ANNOUNCEMENTS AND CORPORATE BOND PRICE REACTIONS

Xiaoting Wei, Australian National University

Employing an event study approach, we examine 5,574 bond return reactions to unexpected quarterly dividend change announcements in the U.S. corporate bond market over the period 2002-2014. Overall, we report a significant bond price reaction in the same direction as dividend changes, which supports the hypothesis that dividend changes signal future firm performance. We also find that the bond return reaction is more pronounced if the dividends are reduced than increased. We document a wealth transfer effect when riskier bonds are issued by firms with a low cash ratio and are approaching maturity. These results stay the same after we control for the financial crisis and dividend covenants, and when we use alternative variables to capture the dividend surprise.

THE SHIFTING AND PERMEABLE BOUNDARIES OF AUDITING: EVIDENCE FROM EARLY AUSTRALIAN EXAMINATION PAPERS

Brian West, Federation University Australia,

Phillip Cobbin, The University of Melbourne

Monica Keneley, Deakin University

Brad Potter, The University of Melbourne

This historical research provides insights to the shifting and permeable character of auditing and is based on an analysis of examination papers. The study spans the period 1889 to 1952 and the examination papers are sourced from the comprehensive collection held in the archives of CPA Australia. Concepts associated with occupational boundaries provide the theoretical guidance for the mapping of the perimeter of the auditing domain that is adduced from this evidence. The examination papers studied suggest that advisory work was embedded within the auditing function during the period under study, with candidates expected to demonstrate competence in advising clients on matters such as the design of accounting systems, resolution of technical accounting issues, dividend payments, business valuations, and general business strategy. Consistent with this observation, the concept of auditor independence – often claimed to be the “cornerstone” of auditing – was completely absent from the examination papers. While concerns about audit firms compromising their independence became widespread during the latter part of the 20th century, these findings suggest that such issues have a much earlier and more innate origin. The findings also add to evidence that challenges traditional depictions of auditing developing in a simple linear trajectory from an emphasis on fraud detection to financial statement verification.

THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD FOR SMALL AND MEDIUM-SIZED ENTITIES: RELEVANCE FOR SMES IN A DEVELOPING COUNTRY

Nisansala Wijekoon, University of Waikato

Grant Samkin, University of Waikato

Umesh Sharma, University of Waikato

In their efforts to address the need for international comparability in the financial reporting of SMEs and to ease the financial reporting burden on SMEs, the International Accounting Standards Board issued the International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs) in 2009. The aim of this paper is therefore, to empirically investigate the relevance of the IFRS for SMEs to SME financial reporting needs in the Sri Lankan environment. It also aims to identify the differences between adopters and nonadopters of IFRS for SMEs based on the size and ownership structure of the firm. Using data from a questionnaire survey of 323 SMEs in Sri Lanka, the results show that Sri Lankan SMEs do not have considerable international activities and relationships and thus, do not see a need to provide internationally comparable accounting information. Most of the accounting topics addressed in the IFRS for SMEs were found to be irrelevant to Sri Lankan SMEs. Consequently, the costs of preparing financial statements in accordance with IFRS for SMEs exceeded the benefits. Size and the existence of non-manager owners of SMEs were significantly different between adopters and nonadopters of IFRS for SMEs. The results suggest that adoption of IFRS for SMEs without modification or exemptions would not be relevant and cost effective for Sri Lankan SMEs.

AN ALTERNATIVE PERSPECTIVE FOR ENGAGED SCHOLARSHIP: RAPPROCHEMENT THROUGH RESEARCH-LED TEACHING

Carla Wilkin, Department of Accounting, Monash Business School, Monash University

Engaged scholarship is widely regarded as engagement between academics and practitioners to enable meaningful research that addresses real-life complex problems. It is conceptualized as collaborative inquiry, where both parties leverage their different perspectives and capabilities to achieve such goals. Despite this dual focus, currently emphasis has been upon academics engaging with practitioners, with the latter adopting a passive role. Yet the concept is relational, and the dynamic advantaged when each party appreciates the other's perspectives. As a strategy by which to foster more active practitioner engagement with scholarship, this study reports on fostering postgraduate students' critical appreciation of research relevance and rigor as related to the disciplinary knowledge in that subject. Findings show the importance of iteratively developing critical reflection.

ABSTRACTS

ANALYSTS' SOCIAL CONNECTIONS TO FIRMS AND ANALYST EARNINGS FORECASTS

Yi (Ava) Wu, The University of Sydney

Yu Flora Kuang, The University of Melbourne

Gladys Lee, The University of Melbourne

Kerui Zhai, The University of Melbourne

In this study we investigate whether improved forecast accuracy through analysts' social connections to firms is attributable to improved information sharing between analysts and firms or analysts' increased willingness to issue more meetable or beatable forecasts due to jeopardized professionalism. Specifically, we examine the effect of analysts' social connections on the accuracy of their initial and final forecasts. We argue that if the positive effect of social ties—increased information sharing—is more dominant, the incremental value of analysts' social connections in improving their forecast accuracy will be more significant in the initial, compared to final, forecasts as other information sources are scarce in the initial forecast period. In contrast, if the negative effect of social ties—jeopardized professionalism—plays a more dominant role, we expect that analysts' social connections will improve the accuracy of the final forecasts more significantly than their initial forecasts because firms' incentive to influence analysts' judgment is stronger for final compared to initial forecasts. We find that greater social ties reduce both initial and final forecast errors; and the reduction is more significant for the initial rather than the final forecasts. Our results suggest that social connections between firms and analysts facilitate information sharing and improve analyst forecast accuracy.

IFRS 8 SEGMENT REPORTING AND THE COST OF CAPITAL

Yi Xiang, University of Queensland

Jacqueline Birt, University of Queensland

Prior research has reported that segment data is highly valued by equity markets (Chen & Zhang, 2003; Blanco et al., 2015). This paper investigates the association between segment disclosure and the cost of equity capital in Australia. Segment reporting standards provide managers much discretion (Miller & Scott, 1980; Salamon & Dhaliwal, 1980; Bradbury, 1992; Lail et al., 2014; Bugeja et al., 2015). In an Australian setting, we examine three aspects of segment disclosure practices and their relative influences on the cost of capital and find that firms with higher numbers of reportable segments show increases in the cost of capital; the number of line items disclosed can effectively reduce the cost of capital and the number of descriptive words has no significant relationship with the cost of capital. Our results provide further insight on IFRS 8 and contribute to the literature on segment disclosure and the cost of capital. The findings also provide information to assist standard setters and regulators regarding future directions in developing segment reporting standards.

ABSTRACTS

THE UTILITY OF THE TRUE AND FAIR CONCEPT IN THE CONTEXT OF UNIVERSITY FINANCIAL REPORTING

Yanxi Xu, The University of Sydney

Matthew Egan, The University of Sydney

Background Originating in the mid-19 century in the United Kingdom, the concept and requirements of true and fair have seen a large amount of contention and controversy in both industry and academic domains. Although the requirement to present a true and fair view is present in legislations governing financial reporting for both public and private sector entities in Australia, there is little guidance available to enable understanding of what this nebulous concept is intended to mean.

This study adopts a qualitative case study approach and uses interviews as a research method to uncover insights in relation to the understanding of true and fair in the context of a major university in Australia.

A true and fair view was perceived by our interviewees to be similar to the presentation of underlying economic substance in the context of this university. Compliance with accounting standards was argued to be sufficiently ‘true and fair’ in the majority of circumstances. However, exceptions existed which necessitated true and fair considerations beyond the requirements of the standards. Our study suggests that the debate of rule-based versus principle-based accounting is highly relevant to both the concept of true and fair itself and its practical implications in the university context. This study demonstrates value in the on-going retention of this concept in financial reporting.

VOLUNTARY VERSUS MANDATORY IMPLEMENTATIONS OF CHINA SOX AND ANALYST FORECASTS

Xudong Ji, School of Accounting, RMIT University

Wei Lu, Department of Accounting, Monash Business School, Monash University

Wen Qu, Department of Accounting, Deakin Business School, Deakin University

The paper investigates the effect of ICW disclosure on the properties of analyst earnings forecasts: accuracy, dispersion and following, and compares them between voluntary and mandatory regimes. All publicly listed companies in China are required from 1 January 2012, under the Basic Standard of Enterprise Internal Control (China SOX), to provide an internal control report (ICR). Prior to that, many companies had elected to voluntarily comply with this regulation.

This paper finds that ICWs are negatively associated with the quality of analyst earnings forecasts, and there is an overall improvement in the relationship between ICW disclosure and forecast quality on accuracy, dispersion but not in analyst following in the mandatory regime. The improved quality can be explained by an enhanced information quality and environment for internal control reporting under the mandatory period.

THE DETERMINANT OF CORPORATE SELECTIVE HEDGING: PRODUCT MARKET COMPETITION

Wei Xu, The University of Adelaide

Robyn Davidson, The University of Adelaide

Chee Cheong, The University of Adelaide

This paper investigates the impact of product market competition on corporate selective hedging behaviour. Panel data for US non-financial firms is formed to examine the derivatives use for hedging and speculation purposes simultaneously based on the constructed measure of speculation. We find firms hedge selectively when they encounter cash flow risk and predation risk as the result of product market competition. Moreover, Interdependence of investment opportunities leads firms not only to use derivatives to hedge but also to modify derivatives use based on manager's market view. In addition, we find firms in large size incline to use derivatives to hedge, but are reluctant to time the market. The results also indicate that firms with financial constraints are more likely to hedge selectively.

LIMITED LOAN RATE DIFFERENTIATION AND THE DETERMINATION OF LOAN TERMS IN THE CHINESE COMMERCIAL CREDIT MARKET

Wei Yin, Southeast University

Kent Matthews, Cardiff University

China has partially liberalised loan rate setting by the banks since 2004 but loan rates remain stubbornly within narrow bounds. Competition in the loan market is signalled through the variation of loan deal terms and loan duration. In this paper we examine the determinants of loan deal conditions in terms of size and maturity of a commercial loan. In particular the paper focuses on the role of single versus multiple bank relationships. We match commercial loan deal terms of listed companies to provider banks over the period 1999-2012. Controlling for firm, bank (including ownership) and market characteristics, we find that in keeping with the long tradition of guanxi in business relations in China, single firm-bank relationships are associated with larger loan size and longer loan duration. We also investigate the single firm-bank relationship in the context of the ownership status of the bank and the firm.

ABSTRACTS

MATERIALITY AS A PATCHWORK: THE USERS' PERSPECTIVE OF INTEGRATED REPORTING

Anna Young-Ferris, University of Sydney Business School

Yan-Yun Chen, University of Sydney Business School

This study explores the perspectives of the perceived long-term users of Integrated Reporting (IR) in terms of the conceptualisation and application of materiality in the IR context. This paper draws from an interpretivist case study where interviewees from superannuation funds were selected due to being the purported long term users of IR. The paper identifies that users have multiple understandings and applications of materiality that are linked to processes of: risk assessment, financial performance and the ability to operate in the future, and engagement. We use the metaphor of a 'patchwork' to help explain the diversity in how materiality is understood and applied by the long-term users. Like a patchwork, materiality in IR in the context of long term users does not necessarily add up to a whole, is not a structured and expected pattern, rather it is diverse, messy and performs in unexpected ways. With the use of the 'patchworks' metaphor, we suggest, that IR has not yet fulfilled its intended purpose of providing better quality information for company assessment and valuation decisions for long term providers of financial capital. But, far from being rendered useless, IR is used as an effective stimulus for engagement with investee companies and even staff.

CREDITOR CONTROL RIGHTS AND CORPORATE PAYOUT POLICY

Qingbo Yuan, University of Melbourne

In contrast to prior studies in the payout literature that have focussed on the role of shareholders in shaping payout policy, we explore the potential role of creditors in influencing payout decisions by managers in this study. Employing a quasi-discontinuity design, this study investigates the influence of creditors on corporate payout policy in the setting of debt covenant violation. We hypothesize that creditors use the threat of accelerating loan repayments to reduce the payout to shareholders, so that the violating firm has sufficient cash to repay their loan and to minimise the transfer of wealth from creditors to shareholders. Consistent with our hypotheses, we find that firms reduce their payout to shareholders after experiencing debt covenant violation. The effect is more pronounced in firms with higher agency cost of debt. We also find that the components (cash dividends and share repurchases) of corporate payout changed disproportionally, with more decrease in cash dividend following a debt covenant violation, which is consistent with the argument that dividends represent an implicit, ongoing distribution to shareholders, which imposes higher costs to the firm's ability to repay their loan.

CAPACITY CONSTRAINTS, FUND FLOWS AND HEDGE FUND ALPHA: EMERGING MARKET EVIDENCE

Mui Kuen Yuen, Massey University

Martin Young, Massey University

Jianguo Chen, Massey University

This paper investigates the alpha generating of the Asian hedge funds based on a recent sample compiled from the Eurekahedge, Lipper TASS and Morningstar database covering both the up and down markets and including the latest financial crisis. We find a positive average alpha in the cross-section for the majority of strategies and a positive and significant alpha for roughly half of all funds. Moreover, the alpha of three-quarter of the strategy indices is positive and significant in the time series. A comparison of the stepwise regression factor model and the widely used factor model proposed by Fung and Hsieh (2004) reveals that the estimated alpha is robust with respect to the choice of the factor model. In contrast to prior research we find little evidence of a decreasing hedge fund alpha over time except Dedicated Short Bias strategy. Moreover, we cannot confirm prior evidence pointing to capacity constraints widely documented by the Berk and Green (2004) model. We attribute this difference in finding to the lifecycle of the hedge fund industry in Asia, regulation differences and information asymmetry of investors

MANDATING RISK DISCLOSURE IN CROWDFUNDING

Xi Zhao, Xi'an Jiaotong University

Tom Smith, The University of Queensland

Qing Zhou, The University of Queensland

Yushu Zhu, The University of Queensland

This study analyses the text content of 258,000 pitches of both funded and unfunded crowdfunding campaigns on Kickstarter. We examine how unprofessional individuals respond to mandatory risk disclosures in the market without financial intermediaries. Our results show that unique risk disclosed on a project adversely affects its crowdfunding outcomes at the project level and this effect is profound in large projects. However, mandating risk disclosure does not affect funding decisions made to large technology projects which by nature with the highest uncertainties to complete. This evidence indicates that mandating risk disclosure is unnecessary on these projects. Finally, we find that entrepreneurs of fail-to-deliver projects tend to under-report risks.

NOTES