

THURSDAY JULY 7 - PARALLEL SESSIONS 1

16.30-18.30	BANK ACCOUNTING <i>Sala San Galgano</i>	HARMONISATION AND STANDARD SETTING <i>Sala Rocca</i>	REPRESENTATION AND LOBBYING <i>Sala Multimediale</i>
	Chair: Günther Gebhardt	Chair: Carien Van Mourik	Chair: Stuart McLeay
	<p>ZAMPELLA, ANNAMARIA THE VALUE RELEVANCE OF IFRS 7: AN ANALYSIS OF THE EUROPEAN BANKING SYSTEM</p> <p>MORA, ARACELI THE ROLE OF PRUDENTIAL SUPERVISORS ON INCOME SMOOTHING OF EUROPEAN BANKS</p> <p>FRANTZ, PASCAL HIDDEN EFFECTS OF BANK RECAPITALISATIONS</p> <p>PETTINICCHIO, ANGELA SEC SUPERVISORY ACTIVITY IN THE FINANCIAL INDUSTRY</p>	<p>ALEXANDER, DAVID ACCOUNTING HARMONISATION IN EUROPE - MERE FORM WITHOUT SUBSTANCE?</p> <p>PALEA, VERA STANDARDIZING FINANCIAL REPORTING REGULATION: WHAT IMPLICATIONS FOR VARIETIES OF CAPITALISM?</p> <p>OGATA, KENSUKE STRATEGIC ACCOUNTING STANDARD SETTING BY THE ACCOUNTING STANDARDS BOARD OF JAPAN IN ITS INITIAL FOUR YEARS</p> <p>NAKAMURA, MIHO PREPARERS' PERCEIVED COSTS AND BENEFITS OF IFRS: WHAT FACTORS DETERMINE PREPARERS' ATTITUDE TOWARDS IFRS?</p>	<p>MORLEY, JULIA READING BETWEEN THE LINES: THE COMPLEMENTARITY OF QUALITATIVE AND QUANTITATIVE METHODOLOGIES FOR RESEARCH ON THE LOBBYING OF STANDARD SETTERS</p> <p>CHANTIRI, ROUBA POWER IN INTERNATIONAL ACCOUNTING STANDARD-SETTING : THE WEIGHT OF THE ACCOUNTING PROFESSION</p> <p>NEWBERRY, SUE UNDERSTANDING COMPLEXITIES IN INTERNATIONAL ACCOUNTING STANDARD SETTING: AGENDA ENTRANCE AND THE CASE OF IFRS FOR SMES</p> <p>PELGER, CHRISTOPH A CLASH OF ACCOUNTING CULTURES – CONSTITUENTS' VIEWS IN THE IASB'S AND FASB'S FRAMEWORK REVISION 2004-2010</p>

FRIDAY JULY 8 - PARALLEL SESSIONS 2

9.00-11.00	ANALYST FORECASTS, MANAGEMENT FORECASTS AND EXECUTIVE REMUNERATION <i>Sala San Galgano</i>	THE IFRS MANDATE, AND ITS CONSEQUENCES <i>Sala Rocca</i>	'ECONOMIA AZIENDALE', PRIVATE FIRMS AND DIFFERENTIAL REPORTING <i>Sala Multimediale</i>
	Chair: Araceli Mora	Chair: Anne d'Arcy	Chair: Massimiliano Bonacchi
	<p>RAPP, MARC ALLOWING SHAREHOLDERS TO VOTE ON EXECUTIVE REMUNERATION: LESSONS FROM THE GERMAN VOLUNTARY SAY-ON-PAY REGIME</p> <p>CIESLAK, KATARZYNA EXECUTIVE COMPENSATION DISCLOSURE INCENTIVES: THE CASE OF SWEDEN</p> <p>CLAASSEN, DEBBIE MANAGERIAL CONSERVATISM AND FORECASTING STYLE: EVIDENCE FROM GERMANY</p> <p>RAONIC, IVANA ANALYSTS' STRATEGIC USE OF ACCRUAL COMPONENTS</p>	<p>HITZ, JOERG-MARKUS MANDATORY IFRS ADOPTION: DATABASE COVERAGE AND POTENTIAL SELECTION EFFECTS</p> <p>MORAIS, ANA IS ACCOUNTING QUALITY AFTER THE MANDATORY ADOPTION OF IFRS A RANDOM WALK?</p> <p>SPRING, SOPHIE NORMATIVITY AND R&D IFRS ACCOUNTING IN FRANCE: A STUDY OF JOINT DISCLOSURES BY MANAGERS AND AUDITORS</p> <p>AUST, VIKTORIA ON THE RELATIONSHIP BETWEEN STEWARDSHIP AND VALUATION: EMPIRICAL EVIDENCE FROM GERMAN FIRMS</p>	<p>FASIELLO, ROBERTA BESTA AND ZAPPA ARE ALIVE AND WELL: HISTORICAL CONTRIBUTIONS TO 21ST CENTURY PROBLEMS</p> <p>KOSI, URSKA ACCOUNTING QUALITY IN PRIVATE FIRMS DURING THE TRANSITION TOWARDS INTERNATIONAL STANDARDS</p> <p>RAM, RONITA EXAMINING AUSTRALIA'S NEW DIFFERENTIAL REPORTING INITIATIVE: WHY IFRS FOR SMES WAS NOT ADOPTED</p> <p>ABUROUS, DINA IFRS AND INSTITUTIONAL WORK IN THE ACCOUNTING DOMAIN</p>

FRIDAY JULY 8 - PARALLEL SESSIONS 3

11.30-13.00	FINANCIAL AND NON-FINANCIAL DISCLOSURES <i>Sala San Galgano</i>	FAIR VALUES <i>Sala Rocca</i>	NATIONAL CONSTRAINTS ON HARMONISATION <i>Sala Multimediale</i>
	Chair: Alfred Wagenhofer	Chair: Ivana Raonic	Chair: Sue Newberry
	<p><i>BERTHELOT, SYLVIE</i> RISK DISCLOSURE AND FIRM RISK: EVIDENCE FROM CANADIAN OIL AND GAS COMPANIES</p> <p><i>OLSEN, CARSTEN</i> COMPLIANCE WITH MANDATORY DISCLOSURE REQUIREMENTS IN IAS 12, IAS 36 AND IFRS 3 ACROSS 18 EUROPEAN COUNTRIES AND FACTORS AFFECTING THE COMPLIANCE LEVEL</p> <p><i>GARDINI, SILVIA</i> THE EFFECT OF INSTITUTIONAL CONTEXT ON THE OPPORTUNISTIC DISCLOSURE OF NON-GAAP FINANCIAL MEASURES</p>	<p><i>SUNDGREN, STEFAN</i> ANALYST COVERAGE, MARKET LIQUIDITY AND DISCLOSURE QUALITY: A STUDY OF FAIR-VALUE DISCLOSURES BY EUROPEAN REAL ESTATE COMPANIES UNDER IAS 40 AND IFRS 13</p> <p><i>BECKER, KIRSTIN</i> PROBLEMATIZATION OF ACCOUNTING RULES: EVIDENCE FROM THE PUBLIC MEDIA DEBATE ON FAIR VALUE ACCOUNTING</p> <p><i>MARTIN LOZANO, FRANCISCO</i> THE ACCOUNTING VALUATION OF THE MOST RELEVANT ASSETS OF SOCCER CLUBS PLC - PLAYERS' TRANSFER FEES: TOWARDS A VALUATION MODEL</p>	<p><i>GROTTKE, MARKUS</i> A TRUE AND FAIR VIEW ON HARMONISATION IN EUROPE</p> <p><i>MARADONA, AGUS</i> IMPACT OF CULTURE AND RISK PROPENSITY ON THE JUDGEMENTS OF ACCOUNTANTS: A COMPARATIVE STUDY OF AUSTRALIA AND INDONESIA</p> <p><i>RAMASSA, PAOLA</i> TEAM PLAY FOR STRETCHING IFRS IN THE EUROPEAN ENFORCEMENT SYSTEM</p>

FRIDAY JULY 8 - PARALLEL SESSIONS 4

16.30-18.30	ANALYTICAL METHODS <i>Sala San Galgano</i>	AUDIT AND OVERSIGHT <i>Sala Rocca</i>	LEGITIMACY AND THE 'PUBLIC INTEREST' <i>Sala Multimediale</i>
	Chair: Joshua Ronen	Chair: Christina Dargenidou	Chair: Julia Morley
	<p><i>WAGENHOFER, ALFRED</i> EFFECTS OF INCREASING ENFORCEMENT ON FIRM VALUE AND FINANCIAL REPORTING QUALITY</p> <p><i>INSTEFJORD, NORVALD</i> RULES VS PRINCIPLES BASED FINANCIAL REGULATION</p> <p><i>LABRENZ, HELFRIED</i> EQUITY DISCRIMINATION AS A RESULT OF COUNTRY-SPECIFIC MAJORITY REQUIREMENTS – ACCOUNTING-BASED IMPLICATIONS</p> <p><i>SCHNEIDER, GEORG</i> BENTHAM'S PANOPTICON AND REAL EFFECTS OF VOLUNTARY DISCLOSURE</p>	<p><i>PAQUETTE, SUZANNE</i> AUDITOR INDEPENDENCE, AUDIT COMMITTEE CHARACTERISTICS, AND AUDITOR-PROVIDED TAX SERVICES</p> <p><i>HATTENBACH, THOMAS</i> AUDIT FIRM ROTATION VS. CENTRALIZED AUDITOR-CLIENT MATCHING – EXPERIMENTAL EVIDENCE ON THE QUALITY OF AUDITED FINANCIAL STATEMENTS</p> <p><i>CAMPA, DOMENICO</i> IS THERE SYSTEMATIC INTER-PARTNER VARIATION IN AUDIT OUTCOMES AND PRICING?</p> <p><i>BAR-HAVA, KEREN</i> THE ASYMMETRIC MARKET REACTION OF STOCKHOLDERS AND BONDHOLDERS TO THE IMPLEMENTATION OF EARLY-WARNINGS PRE GOING CONCERN OPINION</p>	<p><i>VAN MOURIK, CARIEN</i> THE IASB'S CONCEPT OF THE PUBLIC INTEREST IN IFRS</p> <p><i>SERVALLI, STEFANIA</i> ACCOUNTING REGULATION: SOCIALLY CONSTRUCTING THE 'PUBLIC INTEREST'</p> <p><i>KILLIAN, SHEILA</i> PROFESSIONAL EXPERTISE, REGULATION AND THE PUBLIC INTEREST</p> <p><i>EISENSCHMIDT, KARSTEN</i> RESPONSIVENESS AS A CHALLENGE FOR THE LEGITIMACY OF THE IASB: AN EVALUATION OF CURRENT INTERNATIONAL ACCOUNTING REGULATION AND OF ALTERNATIVE APPROACHES</p>

SATURDAY JULY 9 - PARALLEL SESSIONS 5

9.00-11.00	IMPAIRMENT, CAPITALISATION AND RESTATEMENT <i>Sala San Galgano</i>	PUBLIC SECTOR ACCOUNTING <i>Sala Rocca</i>	ALTERNATIVE APPROACHES <i>Sala Multimediale</i>
	Chair: Daniel Coulombe	Chair: Sheila Ellwood	Chair: David Alexander
	<p><i>MAUL, STEFAN</i> SURPRISE OF ENFORCEMENT RELEASES AND INVESTOR REACTION: EVIDENCE FROM THE GERMAN CAPITAL MARKET</p> <p><i>HART, DAPHNE</i> MULTIPLE REGULATORS AND ACCOUNTING RESTATEMENTS: EVIDENCE FROM CANADA</p> <p><i>PÜNDRICH, GABRIEL</i> THE PREDICTIVE ABILITY OF CAPITALIZED EXPLORATION AND EVALUATION EXPENDITURE UNDER IFRS 6</p> <p><i>STENHEIM, TONNY</i> THE ROLE OF CASH-GENERATING UNITS IN ACCOUNTING FOR GOODWILL IMPAIRMENTS</p>	<p><i>WÜSTEMANN, SONJA</i> INSTITUTIONAL PRESSURES IN PUBLIC SECTOR ACCOUNTING: THE EUROPEAN COMMISSION'S PROPOSAL TO HARMONIZE PUBLIC SECTOR ACCOUNTING IN THE EUROPEAN UNION</p> <p><i>TAGESSON, TORBJORN</i> DOES MUNICIPAL OWNERSHIP AFFECT AUDIT FEES?</p> <p><i>DARGENIDOU, CHRISTINA</i> EARNINGS MANAGEMENT THROUGH REAL ACTIVITIES IN SPANISH MUNICIPAL SUBSIDIARIES: IMPLICATIONS FOR THE IMPLEMENTATION OF THE BUDGETARY STABILITY POLICY</p> <p><i>RUGGIERO, PASQUALE</i> EARNING MANAGEMENT IN STATE OWNED COMPANIES: BRINGING THE PUBLIC BACK IN</p>	<p><i>LOEHLEIN, LUKAS</i> FROM SMALL AUDITOR DISSATISFACTION TO ACTIVE RESISTANCE: A PRACTICE THEORETICAL PERSPECTIVE ON THE "PALACE REVOLT" IN THE GERMAN AUDITING PROFESSION</p> <p><i>BALDI, RACHELE</i> VISUALIZING IFRS-COMPLIANT FINANCIAL STATEMENTS: PRELIMINARY EXPERIMENTS ADOPTING EYE-TRACKING METHODOLOGIES</p> <p><i>HJELSTRÖM, TOMAS</i> THROUGH THE LOOKING GLASS: CAPITAL MARKET ACTORS' USE OF FINANCIAL REPORTING INFORMATION</p> <p><i>DAVID ALEXANDER / STUART MCLEAY</i> LINGUISTIC TRANSLATION IN ACCOUNTING – DISCUSSION FORUM</p>

SATURDAY JULY 9 - PARALLEL SESSIONS 6

11.30-13.30	<i>Sala San Galgano</i>	<i>Sala Rocca</i>	<i>Sala Multimediale</i>
	Chair: Rashad Abdel Khalik <i>International Journal of Accounting</i>	Chair: Bharat Sarath <i>Journal of Accounting, Auditing and Finance</i>	Chair: Roberto Di Pietra <i>Journal of Management and Governance</i>
	<p><i>D'ARCY, ANNE</i> REVIEWING GOODWILL ACCOUNTING RESEARCH: WHAT DO WE REALLY KNOW ABOUT IFRS 3 AND IAS 36 IMPLEMENTATION EFFECTS? Discussant: Massimiliano Bonacchi</p> <p><i>RADHAKRISHNAN, SURESH</i> CORPORATE SOCIAL RESPONSIBILITY RESEARCH IN ACCOUNTING: A FRAMEWORK AND REVIEW Discussant: David Alexander</p> <p><i>TRABELSI, SAMIR</i> SHOULD WE TRUST FUND MANAGERS? EVIDENCE FROM THE CANADIAN MUTUAL FUND INDUSTRY Discussant: Hamid Pourjalali</p>	<p><i>POURJALALI, HAMID</i> DOES CONSOLIDATION OF VARIABLE-INTEREST-ENTITIES IMPROVE THE PRICING OF FINANCIAL REPORTING IN BANK HOLDING COMPANIES? EVIDENCE FROM FAS 166/167 Discussant:</p> <p><i>HE, LI</i> REGULATORY SCRUTINY AND REPORTING OF INTERNAL CONTROL DEFICIENCIES: EVIDENCE FROM THE SEC COMMENT LETTERS Discussant: Bharat Sarath</p> <p><i>ANDERSON, MARK</i> IFRS ADOPTION AND LIQUIDITY: A COMPARATIVE ANALYSIS OF CANADA WITH AUSTRALIA AND THE UNITED KINGDOM Discussant: Sue Newberry</p>	<p><i>KARAIBRAHIMOGLU, YASEMIN</i> MARKET REACTIONS TO MANDATORY CORPORATE GOVERNANCE PROVISIONS: AN EMERGING MARKET CASE Discussant: Araceli Mora</p> <p><i>DREFAHL, CHRISTIAN</i> CORPORATE GOVERNANCE AND THE EXECUTIVE-EMPLOYEE PAY RATIO: EVIDENCE FROM GERMAN FIRMS Discussant: Katarzina Cieslak</p> <p><i>MAHANEY, MARY</i> GREAT EXPECTATIONS: A REGULATORY PROMISE UNFULFILLED Discussant: Michela Cordazzo</p>

SUMMARY OF PAPER PRESENTATIONS, INDICATING RESEARCH THEMES IN ACCOUNTING AND REGULATION, TOGETHER WITH RESEARCH DESIGN OR, WHEN EMPIRICAL, THE EVIDENCE BASE
(Name of submitting author listed first, followed by co-authors)

Thursday, 7th July 2016

13:00 - 13:45

Registration

13:45 - 14:00

Welcome address

14:00 - 16:00

Plenary Session

Sala San Galgano

TEN YEARS IN: WHAT HAVE WE LEARNT FROM ACADEMIC RESEARCH ON IFRS?

Luzi Hail

THE IFRS EFFECTS ON DEBT MARKETS: THE KNOWN AND THE UNKNOWN

Lakshmanan Shivakumar

16:00 - 16:30

Coffee Break

16:30 - 18:30

Parallel Sessions 1

Sala San Galgano

BANK ACCOUNTING

THE VALUE RELEVANCE OF IFRS 7: AN ANALYSIS OF THE EUROPEAN BANKING SYSTEM

Annamaria Zampella, Alessandra Allini, Begoña Giner Inchausti, Riccardo Macchioni

Focuses on the value relevance of financial instrument disclosure in the European banking sector, testing whether information required by IFRS 7 is value relevant to investors in order to support them in assigning appropriate risk levels in their investment decisions, using a financial disclosure index based on the requirements in IFRS 7, and distinguishing between qualitative and quantitative disclosures.

(427 bank-years, listed in London, Paris, Frankfurt, Madrid and Milan, 2007–2013)

THE ROLE OF PRUDENTIAL SUPERVISORS ON INCOME SMOOTHING OF EUROPEAN BANKS

Araceli Mora, Luis Porcuna

Investigates cross-country differences in income smoothing by European banks, before and after IFRS adoption, analyzing in particular the interaction between the power of national Prudential Supervisors and their independence from both their national governments and the supervised entities. Although previous findings suggest a lower impact of IAS 39 on decreasing bank income smoothing in countries where the power of the national prudential supervisor is higher, this is mitigated with a positive impact of independence of the Prudential Supervisor on accounting quality. Also concerns IFRS 9, and the Single Supervisory Mechanism in banking in the eurozone.

(625 local GAAP & 1,125 IFRS bank-years, 125 European banks 2000-2013)

HIDDEN EFFECTS OF BANK RECAPITALISATIONS

Pascal Frantz, Elena Beccalli, Francesca Lenocci

Investigates the effects of bank recapitalization on profitability, the degree of interconnectedness with the financial system, and specialization in traditional banking activity, finding a reduction in profitability, with the reduction becoming stronger over time, and in loan activity in the year following the recapitalization, although increasing afterwards. Recapitalizations increase systemic risk, a negative externality of recapitalizations that may not have been fully taken into account by regulators when imposing tougher Basel III capital

requirements. Hence, concerns the effect of capital regulation on performance, with bank regulators assuming that, by having higher capital levels, a bank may be able to reduce insolvency risk and increase loss-absorbance capacity.

(306 seasoned equity offers by listed European banks, 2002-2014)

SEC SUPERVISORY ACTIVITY IN THE FINANCIAL INDUSTRY

Angela Pettinicchio

Investigates whether the manipulation of loan loss provisions is associated with higher chances of receiving a Comment Letter from the SEC, and whether these letters are followed by improvements in financial reporting quality, showing a higher incidence of SEC Comment Letters among financial institutions characterized by abnormal levels of Loan Loss Provisions, and stronger for banks overestimating Loan Loss Provisions, with banks receiving an SEC Comment Letter changing the way they account by basing their loan loss provision computation more on historical data, thereby reducing the level of discretion embedded in their calculation. Concerns the effectiveness of SEC supervisory activity in monitoring and enhancing financial information quality in banking (see Section 408c of the Sarbanes-Oxley Act 2002, which requires SEC review at least once every three years).

(27,162 listed bank-quarters, 2003-2014, USA)

HARMONISATION AND STANDARD SETTING

ACCOUNTING HARMONISATION IN EUROPE - MERE FORM WITHOUT SUBSTANCE?

David Alexander, H  l  ne De Br  bisson, Cristina Circa, Eva Eberhartinger, Roberta Fasiello, Markus Grottko, Joanna Krasodomska

Analyses the theoretical framework which may underlie the evolution of principles such as ‘substance over form’, with its differing roots in various European jurisdictions, where European and international influences are confounded and reflected in different wording of the principle. The paper contributes to the debates around the homogenisation of accounting standards, developing a theory on the specific application of one common principle to various member state environments. Concerns Article 6 of the EU Accounting Directive (2013/34/EU), amongst others, relating to ‘substance over form’.

(Multilingual research team, 7 countries, text analysis)

STANDARDIZING FINANCIAL REPORTING REGULATION: WHAT IMPLICATIONS FOR VARIETIES OF CAPITALISM?

Vera Palea

Views accounting as a calculative practice that shapes the socio-economic environment, where financial reporting affects a great variety of constituencies including not only market actors such as firms, investors, bankers and auditors but also ordinary citizens, employees and states. The paper argues that financial information serves as a basis for determining a number of rights, and challenges the idea that financial reporting is risk-neutral to the economy and society, considering risk related to financial disclosure not at a firm, but at a systemic level. The paper also highlights the role of financial reporting in affecting economic development over the long run within an institutional context that is provided for the European Union by the Lisbon Treaty that sets out the constitutional framework and fundamental objectives for the advancement of European society.

(Institutional analysis)

STRATEGIC ACCOUNTING STANDARD SETTING BY THE ACCOUNTING STANDARDS BOARD OF JAPAN IN ITS INITIAL FOUR YEARS

Kensuke Ogata

Explains the influence of the Financial Services Agency of Japan on the Accounting Standards Board of Japan, together with the role of business actors and the effects of prior financial system reform on the consensus-based standard setting system introduced to converge to IFRS.

(Institutional analysis)

Sala Rocca

PREPARERS' PERCEIVED COSTS AND BENEFITS OF IFRS: WHAT FACTORS DETERMINE PREPARERS' ATTITUDE TOWARDS IFRS?

Miho Nakamura, Kyoko Nagata, Chikako Ozu

Investigates Japanese firms in the process of converging J-GAAP to IFRS, with questionnaire responses demonstrating that transition to IFRS involves significant costs that cause reluctance to converge, although larger firms and firms with high foreign investor ownership are positive to the implementation of IFRS. However, the substantial majority of Japanese listed companies are not large and mostly raise capital from domestic markets.

(Survey, 288 respondents)

REPRESENTATION AND LOBBYING

READING BETWEEN THE LINES: THE COMPLEMENTARITY OF QUALITATIVE AND QUANTITATIVE METHODOLOGIES FOR RESEARCH ON THE LOBBYING OF STANDARD SETTERS

Julia Morley

Combines a quantitative analysis of IASB comment letters on the exposure drafts of its project to revise IAS 37 (the Liabilities Project), and a qualitative analysis of their content and of interviews with individuals central to the process, revealing new factors influencing the motivation of lobbyists and the effectiveness of their lobbying activity. The paper identifies implicit standard assumptions that are unrealistic: letter length as a proxy for intensity of lobbyist attitude, equal influence of all lobbyists, the IASB's rational response to comment letter objections, and the integrity of objections made in comment letters.

(333 comment letters, plus interviews)

POWER IN INTERNATIONAL ACCOUNTING STANDARD-SETTING: THE WEIGHT OF THE ACCOUNTING PROFESSION

Rouba Chantiri, Anouar Kahloul

Evaluates international accounting standard-setting by analysing the distribution of power through IASB governance mechanisms and notably through representation in the inter-related organisations (IASB, IFRS Interpretation Committee, IFRS Foundation, Monitoring Board), including technical staff. The purpose is to assess the extent to which the logic and discourse of the accounting profession has infused the work of international standard-setters, showing that, whilst the institutionalised accounting profession lost ground after the 2001 reform, big firms have strengthened their position, and regulators seem to be gaining prominence.

(IFRS/IASB documentation - IFRS Foundation annual report, Constitution, IASB UpdateMonthly, InsightQuarterly, press releases - and professional web sites (iasplus, IOSCO...))

UNDERSTANDING COMPLEXITIES IN INTERNATIONAL ACCOUNTING STANDARD SETTING: AGENDA ENTRANCE AND THE CASE OF IFRS FOR SMES

Sue Newberry, Ronita Ram

Shows the power and influence wielded by influential board members to overcome within-IASB opposition and secure agenda entrance by extending jurisdictional boundaries, differentiating between relative powers of board members and staff. Concerns IASB structures and processes, specifically the development of the IFRS for SMEs standard, but more generally re IASB agenda entrance.

(Interviews with 16 IASB members)

A CLASH OF ACCOUNTING CULTURES – CONSTITUENTS' VIEWS IN THE IASB'S AND FASB'S FRAMEWORK REVISION 2004-2010

Christoph Pelger, Carsten Erb

Investigating comment letters received by the IASB and FASB in their joint revision of the conceptual framework that took place between 2004 and 2010, with a focus on two controversial debates:- whether stewardship should be stated as a separate objective, and whether reliability should be replaced by faithful representation. The paper exploits the IASB/FASB convergence setting to examine differences in

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opinions, showing that constituents' views on conceptual issues such as the importance of stewardship and prudence differ substantially between the US and the rest of the world, which is in line with the importance these concepts had in the former IASB framework vis-à-vis the FASB framework, whilst there seem to be no geographical differences for concepts that were prominent in both former frameworks. (321 comment letters on Discussion Paper and the Exposure Draft)

Friday, 8th July 2016

09:00 - 11:00

Sala San Galgano

Parallel Sessions 2

ANALYST FORECASTS, MANAGEMENT FORECASTS AND EXECUTIVE REMUNERATION

ALLOWING SHAREHOLDERS TO VOTE ON EXECUTIVE REMUNERATION: LESSONS FROM THE GERMAN VOLUNTARY SAY-ON-PAY REGIME

Marc Steffen Rapp, Daniel Powell

Shows how, in the first four years of the German voluntary Say on Pay regime, one in two firms has opted for such a vote at the AGM, increasing with firm size, abnormal executive compensation and the free float of shares, whilst smaller firms with concentrated ownership not only have a lower propensity for a Say on Pay vote, but are also characterised by limited disclosure of executive compensation. The results suggest that boards use the voluntary Say on Pay vote to legitimise executive remuneration policies in firms with low ownership concentration, where small shareholders might consider executive compensation a part of the agency problem. (1,164 listed firm AGMs, 2010–2013, Germany)

EXECUTIVE COMPENSATION DISCLOSURE INCENTIVES: THE CASE OF SWEDEN

Katarzyna Cieslak, Mattias Hamberg, Derya Vural

Addresses the increase in requirements on executive compensation disclosure, and shows the effect of disclosure incentives following regulatory reform in Sweden, with agency problems and corporate visibility increasing disclosure, although Swedish firms also seem to be seeking legitimacy by disclosing more information when CEOs are paid in excess of their peers, whilst disclosure is poorer when a controlling owner has disproportionate control rights. Concerns rules on executive compensation disclosure first established in Sweden in 1993 by the Industry Stock Exchange Committee and substantially tightened in 2002, with the Swedish Stock Exchange making the rules binding for all listed firms in 2006, when regulations on compensation disclosure were introduced in the Annual Accounts Act, with the Swedish stock exchange also publishing guidance by way of a template for the notes to the financial statement, including descriptions of targets to be achieved for bonuses, maximum bonuses, and achieved bonuses.

(2245 listed firm-years, 2001-2010, Sweden)

MANAGERIAL CONSERVATISM AND FORECASTING STYLE: EVIDENCE FROM GERMANY

Debbie Claassen, Sara Bormann, Christian Hofmann

Examines whether conservatism as a managerial trait (signature style) exerts a significant influence on management forecast strategy, finding that a tendency to avoid uncertainty and resistance to change both impact management forecasting behavior, with conservative managers tending to make forecasts that are more specific but less timely. The decision when to issue the forecast is mostly driven by the conservatism of the CEO, with CEO and CFO conservatism increasing the likelihood of providing a forecast about the same KPI every year, and the CFO having more influence on the forecast basis than the CEO. Concerns German Accounting Standard 20 (2012) 'Group Management Report' where firms listed in the regulated market in Germany must provide a management forecast in the group management report for the most important financial and non-financial KPIs.

(649 firm-years, hand-collected CEO and CFO signatures and management forecast data, German firms listed 2008–2014)

ANALYSTS' STRATEGIC USE OF ACCRUAL COMPONENTS

Ivana Raonic, Ali Sahin

Examines whether analyst optimism with respect to operating accruals triggers incentives to strategically infuse financial accruals with pessimism to offset the overoptimistic error. By dividing total accruals into components with varying degrees of reliability, analyst optimism is seen to be a function of the reliability level of the particular accrual component, rather than its magnitude, moderated by firm-specific unconditional and conditional reporting conservatism. The findings suggest that analysts understand the nature of accrual information, and use this information strategically in their earnings forecasts. These results are robust after controlling also for regulatory changes such as the enactment of Regulation Fair Disclosure promulgated by the SEC and the Global Analyst Research Settlement enforcement agreement between the SEC, NASD, NYSE, and ten investment firms in the US to address issues of conflict of interest regarding recommendations made by analysts.

(142,821 nonfinancial firm-years, 1976-2013, USA)

Sala Rocca

THE IFRS MANDATE, AND ITS CONSEQUENCES

MANDATORY IFRS ADOPTION: DATABASE COVERAGE AND POTENTIAL SELECTION EFFECTS

Joerg-Markus Hitz, Sebastian Kaumanns, Nico Lehmann

Investigates the steady decline in the number of listed firms that adopt IFRS, asking about the effects of regulation, but also documenting research design implications whereby database coverage as well as real effects (such as delisting and downlisting behavior) induce a correlated omitted variable bias in research on mandatory IFRS adoption.

(578,604 firm-years, 1996-2014, 54 countries)

IS ACCOUNTING QUALITY AFTER THE MANDATORY ADOPTION OF IFRS A RANDOM WALK?

Ana Fialho Silva, Ana Morais, Andreia Dionisio

Further empirical analysis following the IFRS mandate, with respect to accounting quality, showing as reported elsewhere that the mandate did not lead to convergence of accounting quality, but evaluating also the classification of accounting systems of the countries involved and finding these different to previous classifications.

(12,104 firm years, 14 EU member states)

NORMATIVITY AND R&D IFRS ACCOUNTING IN FRANCE: A STUDY OF JOINT DISCLOSURES BY MANAGERS AND AUDITORS

Sophie Giordano-Spring, Guillaume Dumas

Investigates compliance with IAS 38 by French firms, specifically with respect to research and development expenditure, exploring how firms may seek to appear compliant with a mandatory standard. The results show that a majority of firms account for R&D as an asset, some not justifying the decision. Strict compliance with the requirements of the standard seems to be lower than that expected.

(1,190 annual reports from 225 firms, post adoption of IFRS, 2005-2011, France)

ON THE RELATIONSHIP BETWEEN STEWARDSHIP AND VALUATION: EMPIRICAL EVIDENCE FROM GERMAN FIRMS

Viktoria Aust, Christoph Pelger, Christian Drefahl

Reports empirical findings using data from German firms preparing IFRS financial statements between 2006 and 2013, showing a positive relation between valuation and stewardship. Of relevance to IASB, currently reconsidering the importance of stewardship in its conceptual framework.

(615 firm years, Germany)

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'ECONOMIA AZIENDALE', PRIVATE FIRMS AND DIFFERENTIAL REPORTING

BESTA AND ZAPPA ARE ALIVE AND WELL: HISTORICAL CONTRIBUTIONS TO 21ST CENTURY PROBLEMS

Roberta Fasiello, David Alexander

This paper builds on the early theoretical framework of *Economia Aziendale*, with reference to income measurement and asset valuation, taking into consideration regulatory positions concerning the business model, prudence, capital maintenance, historical costs and fair values, and user needs, and seeks normative conclusions.

(Normative accounting theory)

ACCOUNTING QUALITY IN PRIVATE FIRMS DURING THE TRANSITION TOWARDS INTERNATIONAL STANDARDS

Urška Kosi, Aljosa Valentincic, Ales Novak

Shows how accounting quality in private firms in Slovenia has increased over time, with decreasing accounting discretion and less earnings smoothing, comparable to private firms elsewhere. Although asymmetric timeliness of earnings, the ability of earnings to predict future cash flows, ability of accruals to mitigate mismatching, and revenue/expense matching are all present throughout, accruals do not (always) facilitate timely recognition of losses, which can be attributed to the overwhelming influence of reporting incentives (e.g. taxation, debt, size) rather than to (lower) quality of accounting standards. Concerns Slovenian Accounting Standards since 1994, characterised first by 'prudence', then by the 'true and fair view'.

(148,362 private firm-years, 1995-2014, Slovenia)

EXAMINING AUSTRALIA'S NEW DIFFERENTIAL REPORTING INITIATIVE: WHY IFRS FOR SMES WAS NOT ADOPTED

Ronita Ram, Sid Gray

Shows why the Australian Accounting Standards Board did not adopt the IFRS for SMEs standard but instead devised its own differential reporting framework (Reduced Disclosure Requirements), even though large private entities are allowed to use full IFRS in Australia. The paper shows that development of the differential reporting framework in Australia reflects the local standard setter's focus on retaining its transaction-neutral approach.

(Document analysis and interviews with the key players)

IFRS AND INSTITUTIONAL WORK IN THE ACCOUNTING DOMAIN

Dina Aburous

Examines how the technical disruption presented by IFRS is addressed by corporate accountants, in a context of minimal readiness and knowledge shortfall, and analyzes the discourse of accountants, focusing attention on practices surrounding the production of financial statements in Jordan, with corporate accountants delegating the more complex aspects to auditors, thus renegotiating the boundaries of their field.

(31 interviews, interpretive discourse analysis)

Coffee Break

Parallel Sessions 3

FINANCIAL AND NON-FINANCIAL DISCLOSURES

RISK DISCLOSURE AND FIRM RISK: EVIDENCE FROM CANADIAN OIL AND GAS COMPANIES

Sylvie Berthelot, Gabrielle Lanthier, Michel Coulmont

Examines the relationship between the risks a firm discloses in its financial report and the actual risk the firm incurs, finding a positive correlation between risk disclosures and market beta. Concerns in particular the Ontario Securities Commission adoption in 2003 of National Instrument 51-102 on continuous disclosure obligations requiring public companies to report on risks that can materially affect their future performance in their Management Discussion and Analysis (MD&A), followed in 2004 by the Canadian Performance

11:00 - 11:30

11:30 - 13:00

Sala San Galgano

Reporting Board (mandated by the Canadian Institute of Chartered Accountants) MD&A guidelines, amplified in 2009.
(Canadian oil and gas industry financial reports for 2013, 63 firms)

COMPLIANCE WITH MANDATORY DISCLOSURE REQUIREMENTS IN IAS 12, IAS 36 AND IFRS 3 ACROSS 18 EUROPEAN COUNTRIES AND FACTORS AFFECTING THE COMPLIANCE LEVEL

Carsten Allerslev Olsen

Examines the extent to which leading listed companies in 18 European countries comply with the mandatory disclosure requirements in standards that contain sensitive, controversial or challenging disclosures of particular interest to EC enforcement authorities, and considers how country and company level attributes (size, industry, ownership structure, governance structure, and the strength of the enforcement) may influence the compliance level of the mandatory disclosure requirements. Relates to IAS 12 – Income taxes, IAS 36 – Impairment of Assets and the International IFRS) 3 – Business Combinations.

(438 European firm financial statements for 2014)

THE EFFECT OF INSTITUTIONAL CONTEXT ON THE OPPORTUNISTIC DISCLOSURE OF NON-GAAP FINANCIAL MEASURES

Silvia Gardini, Francesca Marta, Lilja Di Lascio, Franco Visani

Shows how, when regulation increases the use of non-GAAP financial measures, a strong institutional environment based on stricter law enforcement, higher investor protection rights and harder regulation constrains opportunistic behaviour, with regulation based on soft laws greatly offsetting this effect. Uses proxies for hard versus soft regulation, and considers as opportunistic those adjustments that increase the financial results, are based on a recurring motive, or are the consequence of an incoherent approach to adjustment. The introduction of regulation regarding non-GAAP measures increases the disclosure of adjusted measures, but does not moderate their opportunistic use across different institutional contexts.

(120 international listed companies, from 26 countries, quarterly financial reports 2008-2012, hand-collected)

Sala Rocca

FAIR VALUES

ANALYST COVERAGE, MARKET LIQUIDITY AND DISCLOSURE QUALITY: A STUDY OF FAIR-VALUE DISCLOSURES BY EUROPEAN REAL ESTATE COMPANIES UNDER IAS 40 AND IFRS 13

Stefan Sundgren, Juha Mäki, Antonio Somoza-Lopez

Presents evidence on disclosure quality, analyst following and share price liquidity in the real estate sector, specifically regarding the methods and assumptions applied in determining fair values of investment properties under IAS 40 and IFRS 13, showing that disclosure quality is significantly higher under IFRS 13, reflected in analyst following and bid-ask spreads. However, the absence of any significant positive economic consequences suggests that the revised disclosure requirements in IFRS 13 did not resolve market imperfections.

(289 observations for 57 publicly traded real estate companies, 2009-2014, EU)

PROBLEMATIZATION OF ACCOUNTING RULES: EVIDENCE FROM THE PUBLIC MEDIA DEBATE ON FAIR VALUE ACCOUNTING

Holger Daske, Kirstin Becker, Christoph Sextroh

Using content analysis of statements about fair value accounting to problematize lobbying, examines theoretically important framing success factors of dominance and strength in terms of credibility and relevance, finding that negative frames dominated the fair value debate not because vested interests sponsored most frames, but because seemingly impartial actors supported the financial services industry's problem definition. Whereas frames in defence of fair value accounting were on average as strong as negative frames, standard setters lacked support from other accounting stakeholders during the crucial stages of the debate, with negative frames' dominance and (perceived) higher credibility as the main reasons for the successful problematization and politicization of fair value accounting. Relates to European Parliament's ECON Committee deliberations on IFRS 9 endorsement (December 1st 2015), the Maystadt

report on the future of the EU's strategy towards IFRS, and other recent debate (eg Financial Times' online commenting platform February 2015) involving the IASB Chairman.

(1,654 statements about fair value accounting, British, French, German and US print media articles, 2007-09, content analysis)

THE ACCOUNTING VALUATION OF THE MOST RELEVANT ASSETS OF SOCCER CLUBS PLC - PLAYERS' TRANSFER FEES: TOWARDS A VALUATION MODEL

Francisco Javier Martin Lozano, Amalia Carrasco Gallego

Investigates the measurement and the prediction of the market price of soccer transfer fees, considering fair value under IRFS.

Interviews evidence the lack of transparency attributable to inadequate valuation and accounting. The paper proposes a way of disclosing these intangibles assets in the financial statements of soccer clubs. Relates to IFRS 13.

(Interviews with 20 auditors)

Sala Multimediale

NATIONAL CONSTRAINTS ON HARMONISATION

A TRUE AND FAIR VIEW ON HARMONISATION IN EUROPE

Markus Grottke, David Alexander

Analyses processes of accounting harmonisation that started with the EU Fourth Directive, showing how two member states (Great Britain and Germany) with inherently incompatible accounting systems with respect to the role of the 'true and fair' found ways that allowed them initially to continue with their traditional way of doing accounting, and how the mutually alien system was forced by four judgments of the European Court of Justice to be incorporated by the respective accounting systems. As a result of implanting alien elements in the formerly coherent accounting systems, hybrids emerged in both countries so that the ECJ judgments were heavily attacked, while, in the EU as a whole, at least certain steps towards harmonisation were reached. But the situation is complicated further by the attempt by the EU to harmonise further by implementing the already unified IFRS. Argues that the latest (2013) Directive, however, shows that the EU is on the way back to a state that lacks harmonisation, and discusses in detail the challenges and obstacles to harmonisation.

(Analysis of social construction)

IMPACT OF CULTURE AND RISK PROPENSITY ON THE JUDGEMENTS OF ACCOUNTANTS: A COMPARATIVE STUDY OF AUSTRALIA AND INDONESIA

Agus Maradona, Parmod Chand

Examines the effects of personality trait of risk propensity on the financial reporting judgements of accountants in Australia and Indonesia, indicating substantial differences in judgement, with Indonesian accountants tending to be more conservative in their judgements than Australian accountants, which is stronger for non-Big 4 firms than for Big 4 firms, and that accountants with lower risk propensity are likely to make more conservative judgements. Addresses the question whether the use of a common set of accounting standards will necessarily lead to comparable financial reporting practices across national jurisdictions.

(161 respondents)

TEAM PLAY FOR STRETCHING IFRS IN THE EUROPEAN ENFORCEMENT SYSTEM

Paola Ramassa, Alberto Quagli, Francesco Avallone, Costanza Di Fabio

Adopts the theoretical framework of the new institutional accounting to elucidate interactions between formal and informal institutions. The paper analyses a specific case, the Bank of Italy share revaluation, and the consequent accounting treatment adopted by its shareholders in their financial statement, considering the context of IAS 39.

(Interviews with Italian institutions, and extensive documentation)

13:00 - 14:00

14:00 - 16:00

Sala San Galgano

16:00 - 16:30

16:30 - 18:30

Sala San Galgano

Lunch

Conceptual Framework Symposium

MEASUREMENT AND PERFORMANCE REPORTING

Coffee Break

Parallel Sessions 4

ANALYTICAL METHODS

EFFECTS OF INCREASING ENFORCEMENT ON FIRM VALUE AND FINANCIAL REPORTING QUALITY

Alfred Wagenhofer, Ralf Ewert

Develops an agency model with a productive manager who can engage in earnings management, a strategic auditor, and an enforcement institution, also establishing equilibrium strategies and optimal management compensation, and demonstrating that firm value and financial reporting quality can decrease, typically if enforcement becomes too strong. Demonstrates that enforcement and auditing are complements under weak enforcement, but are substitutes under strong enforcement.

(Analytical)

RULES VS PRINCIPLES BASED FINANCIAL REGULATION

Norvald Instefjord, Pascal Frantz

Analyses how regulatory competition affects the cost of regulation, where the social cost of regulatory competition is lower under a rules-based, which provides clarity about compliance but is ambiguous about objectives, compared to a principles-based system, which provides clarity about objectives but is ambiguous about compliance. The private cost of regulation is lower in the rules-based system in autarky because the principles-based system imposes direct corporate costs of ambiguity, but firms experience gains from regulatory competition that may lead to lower private costs in the principles-based system.

(Analytical)

EQUITY DISCRIMINATION AS A RESULT OF COUNTRY-SPECIFIC MAJORITY REQUIREMENTS – ACCOUNTING-BASED IMPLICATIONS

Helfried Labrenz

Analyses the recognition of investments in associates, specifically the option to block decisions such as restructurings based on a blockage options specific to jurisdictions, demonstrating the accounting implications for potential goodwill. Concerns IAS 28, and models goodwill accounting within a defined regulatory context

(Analytical)

BENTHAM'S PANOPTICON AND REAL EFFECTS OF VOLUNTARY DISCLOSURE

Georg Schneider, Michael Ebert

Examines voluntary disclosure of non-proprietary information where the manager is uncertain about the market's reaction to non-disclosure, particularly whether investors are able to identify deliberate non-disclosure or not, showing that this uncertainty increases voluntary disclosure in comparison to situations where investors are oblivious of the manager's information endowment. It is shown how voluntary disclosure increases in the probability that managers assign to being identified as non-disclosers, and how observable information endowment allows managers to commit to efficiency. The paper argues that only when possible punishment is sufficiently severe, for example through legal claims, does the uncertainty of the firm about market beliefs come into full force, given the low probability that deliberate non-disclosure is discovered. It seems that this requires two regulatory assumptions: that courts of law are able to determine the market price (given disclosure) ex post, but also that this process is prohibitively lengthy and expensive for it to be a practical remedy for non-disclosure in general. It is argued that, instead of a damage payment, a fixed penalty would lead to the same

conclusions.

(Analytical)

Sala Rocca

AUDIT AND OVERSIGHT

AUDITOR INDEPENDENCE, AUDIT COMMITTEE CHARACTERISTICS, AND AUDITOR-PROVIDED TAX SERVICES

Suzanne Paquette, Jean Bedard

Investigates empirically how audit committee members with financial and governance expertise are associated with tax-based non-audit services, finding that accounting experts are much more sensitive than others to the potential threats to auditor independence, to the point of not accepting any such non-audit services. By comparison, audit committee members with multiple directorships, although more sensitive to the potential threats to auditor independence than those with a single directorship, are more supportive of the purchase of non-audit services. Of relevance to the Public Company Accounting Oversight Board in the U.S., the Auditing Practices Board in the U.K, as well as the European Commission (Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities), and the Sarbanes-Oxley Act, and subsequent SEC regulations, which greatly expanded audit committee oversight responsibilities by requiring that they pre-approve all non-prohibited non-audit services.

(19,806 firm-years, 2003-2011, USA)

AUDIT FIRM ROTATION VS. CENTRALIZED AUDITOR-CLIENT MATCHING – EXPERIMENTAL EVIDENCE ON THE QUALITY OF AUDITED FINANCIAL STATEMENTS

Thomas Hattenbach, Ulrike Stefani

Addresses the policy of audit firm rotation introduced by the 2014 requirements of the European Parliament and Council regarding statutory audit of public-interest entities (repealing Commission Decision 2005/909/EC), and investigates the implications of mandatory audit firm rotation for the quality of audited financial statements compared with an experimental strategy of matching the highest quality auditors with companies that present financial statements of the lowest pre-audit quality, and also a setting with no restrictions on auditor-client matching.

(Experimental, 60 participants)

IS THERE SYSTEMATIC INTER-PARTNER VARIATION IN AUDIT OUTCOMES AND PRICING?

Domenico Campa, Mara Cameran, Jere Francis

Demonstrates that audit partner identification has explanatory power after controlling for client characteristics. Concerns the US Public Company Accounting Oversight Board and UK Financial Reporting Council requirements to disclose audit partner name, from 2017 in the USA, since 2009 in the UK.

(2,567 firm-years, 2009-2013, UK listed firms)

THE ASYMMETRIC MARKET REACTION OF STOCKHOLDERS AND BONDHOLDERS TO THE IMPLEMENTATION OF EARLY-WARNINGS PRE GOING CONCERN OPINION

Keren Bar-Hava, Roi Katz

Examines stockholders' and bondholders' reactions to going concern audit opinions preceded by early warnings, finding that the equity and debt markets react significantly to early warnings, which reduces the subsequent negative market reaction to the going concern opinion, indicating improvement in the timing and quality of the financial statement disclosure. Relates to FASB exposure draft (June 2013) that suggests early disclosures of uncertainties about an entity's ability to continue as a going concern.

(143 going concern warnings, Israel)

Sala Multimediale

LEGITIMACY AND THE 'PUBLIC INTEREST'

THE IASB'S CONCEPT OF THE PUBLIC INTEREST IN IFRS

Carien Van Mourik

Shows how the IASB's concept of the public interest (as set out in the Constitution, the Conceptual Framework, the Report of the Trustees' Strategy Review 2011 and the Mission Statement) contributes to the institutional legitimacy of the IASB, by determining the context in which each document was issued, the type of legitimacy it was meant to achieve, and relevance to any particular constituency, considering the logical, rhetorical and dialectical perspective in each case. The paper argues that an outdated concept of the public interest forms the normative basis for the IASB's decision-usefulness objective of general purpose financial reporting.

Develops our understanding of the social construction of regulation

(Social theory)

ACCOUNTING REGULATION: SOCIALLY CONSTRUCTING THE 'PUBLIC INTEREST'

Stefania Servalli, David Alexander

Shows how accounting regulation reshapes the 'public interest' concept, where rhetorical practices emerge from a socially constructed realm. The regulator, especially a regulator whose legitimacy is under criticism, may wish to give influential user groups what those user groups want, and any claims to be working in 'the public interest' are a rhetorical device aimed to increase legitimacy. The paper argues that the public interest is an inoperable concept, and that 'the politics of interest' cannot be prevented, but they can be exposed, and, accordingly, the socially constructed needs of the different interests should be properly and transparently defined, properly and transparently recognized, and properly and transparently addressed.

(Rhetorical analysis and social construction)

PROFESSIONAL EXPERTISE, REGULATION AND THE PUBLIC INTEREST

Sheila Killian, Philip O'Regan

Explores the way in which professional accounting expertise takes precedence over wider societal perspectives in public policy and public regulation, using tax policy formation as a nexus for analysis. Informed by Bourdieu and Beck, the paper investigates the relationship between the professional expert and the state, and barriers to wider engagement by non-expert stakeholders, in a context which is not confined to a single jurisdiction, showing how the exclusion of non-experts systematically skews regulatory input towards those groups who either have or can hire professional expertise, with an obvious social impact, and that the privileging of accounting and tax expertise is not solely achieved through the professions, but also involves the participation of the state, media and the education system.

(17 interviews, with government, international regulatory bodies, tax and accounting professionals, business and civil society)

RESPONSIVENESS AS A CHALLENGE FOR THE LEGITIMACY OF THE IASB: AN EVALUATION OF CURRENT INTERNATIONAL ACCOUNTING REGULATION AND OF ALTERNATIVE APPROACHES

Karsten Eisenschmidt, Matthias Schmidt

Relates the legitimacy of standard setting by the IASB as a private authority to the process of standard development, where the provision of procedural elements in the standard setting process that assure responsiveness vis-à-vis constituents is the key to legitimacy.

Standard setting processes are evaluated as stable social systems involving the current due process of the IASB as well as the endorsement process for IFRS within the EU, considering whether specific market approaches to standard setting offer process alternatives that comply with the theoretical legitimacy framework, and showing that a particular element of stable regulation processes (that would tie norm development to the political process) is missing.

(Social system analysis)

20:30

Dinner at the Piazza del Campo (Ristorante La Speranza)

Saturday, 9th July 2016

09:00 - 11:00

Sala San Galgano

Parallel Sessions 5

IMPAIRMENT, CAPITALISATION AND RESTATEMENT

SURPRISE OF ENFORCEMENT RELEASES AND INVESTOR REACTION: EVIDENCE FROM THE GERMAN CAPITAL MARKET

Stefan Maul

Examines whether unexpected disclosure of an accounting misstatement influences investor reaction. Audit quality and firm growth are significant predictors of an accounting misstatement and a subsequent enforcement release, with investors seeming to expect no violation of accounting standards by firms with Big 5 auditors and good performance. The enforcement system in Germany screens compliance of published financial statements of firms listed on the regulated market (§37 German Securities Trading Act), and involves the Deutsche Prüfstelle für Rechnungslegung (the German financial reporting enforcement panel) and the Bundesanstalt für Finanzdienstleistungsaufsicht (the German securities regulator), with formal executive powers to enforce the disclosure of further substantial information in the electronic Federal Gazette if an erroneous financial statement is uncovered. Investor reaction is significantly influenced by the unexpectedness of the disclosure, and one possible explanation is that an expected misstatement induces stronger penalties if they are detected by these agencies (DPR, BaFin). The results suggest a weakness in the monitoring system to detect and correct misstatements.

(111 enforcement releases, 2004-2012, German IFRS reporters)

MULTIPLE REGULATORS AND ACCOUNTING RESTATEMENTS: EVIDENCE FROM CANADA

Daphne Hart, Brian Burnett, Bjorn Jorgensen, Gregory Martin

Shows how Canada delegates securities regulation to the provincial level, documents the frequency of restatements across provinces, and associates this with the consistency of strength of enforcement between provinces, by investigating restatement frequency by cross listed companies, which are subject to dual regulators, locally and the SEC, which seems to affect restatements. Consistent with competition between regulators for Quebec (more restatements) but consistent with regulatory free riding for Alberta (fewer restatements), also suggesting uneven enforcement in Canada, except for those exposed to multiple provincial securities regulators.

(2,753 firm-years for 520 firms listed on provincial exchanges, 2006-2012, Canada)

THE PREDICTIVE ABILITY OF CAPITALIZED EXPLORATION AND EVALUATION EXPENDITURE UNDER IFRS 6

Gabriel Pündrich, Andrew Ferguson, Alex Feigin

Considers the predictive ability of IFRS6 disclosures owing to the pre-disposition of Australian mining firms to capitalize exploration expenditure under grandfathering provisions in the accounting standard, with the long-term price determined by capitalized exploration expenditure, suggesting capitalization. Relevant to the ongoing Intangible Assets project being conducted by the IASB on investigative, exploratory and developmental activities

(382 mining companies, 1500 firm-years, Australia)

THE ROLE OF CASH-GENERATING UNITS IN ACCOUNTING FOR GOODWILL IMPAIRMENTS

Tonny Stenheim, Erlend Kvaal

Discusses the role of cash-generating units where, under both IFRS and US GAAP, goodwill is assigned to CGUs for the purpose of assessing impairment. The corporate structure in this respect is largely at the discretion of managers, although it seems to be related in

part to the activities of the firm's audit committee. Some firms have a CGU structure consisting of a single unit, while others have a structure with a large number of CGUs. The paper reports on an empirical analysis of FTSE 350 firms that have intangible assets on their balance sheets, using information collected from annual reports about recognized goodwill, impairment losses in goodwill and cash generating units. It is found that firms with few CGUs have lower goodwill write down incidence than other firms, but the value relevance of goodwill write-downs does not seem to depend on the properties of the CGU structure of the reporting firm.

(195 FTSE 350 firms, 2010-2014, UK)

Sala Rocca

PUBLIC SECTOR ACCOUNTING

INSTITUTIONAL PRESSURES IN PUBLIC SECTOR ACCOUNTING: THE EUROPEAN COMMISSION'S PROPOSAL TO HARMONIZE PUBLIC SECTOR ACCOUNTING IN THE EUROPEAN UNION

Sonja Wüstemann, Annemarie Conrath-Hargreaves

Discusses public sector accounting in the EU, specifically the emergence of European Public Sector Accounting Standards (EPSAS), based on internationally accepted International Public Sector Accounting Standards (IPSAS). The paper uses institutional theory to explore how institutional pressures exerted by private and public sector constituents influenced the decision of the European Commission to propose EPSAS based on IPSAS rather than pursuing the idea of adopting IPSAS directly, as with IFRS in the private sector, finding that while the introduction of IPSAS is supported by a majority of private sector constituents, public sector constituents show some resistance to change. The decision to propose EPSAS suggests that the EC adopted a 'compromise' position as a strategic response to institutional pressures, thereby enabling harmonization within the EU but without threatening global standardization.

(Responses to a public consultation on the suitability of IPSAS, together with semi-structured interviews with key actors in the harmonization process)

DOES MUNICIPAL OWNERSHIP AFFECT AUDIT FEES?

Torbjorn Tagesson, Linus Axén, Azra Custovic, Anna Ojdanic, Denis Shcherbinin

Analyses whether municipal ownership determines audit fees, for samples of Swedish municipal corporations and private corporations within the real estate and housing industry, following interviews with audit firm partners. Municipal corporations are also subject to the rules of the Municipal Act, and not just the general legislation for limited companies, including THE audit requirements. In addition to effects of organizational complexity, size, audit firm and knowledge spillover, the study shows that municipal corporations are paying significantly lower audit fees than equivalent private companies, attributable to the lower perceived business risk of the municipal corporations, and as municipalities are able to influence fee levels by coordinating the procurement of audit services.

(249 municipal corporations and 240 private corporations, Sweden)

EARNINGS MANAGEMENT THROUGH REAL ACTIVITIES IN SPANISH MUNICIPAL SUBSIDIARIES: IMPLICATIONS FOR THE IMPLEMENTATION OF THE BUDGETARY STABILITY POLICY

Christina Dargenidou, Marta De Vicente Lama, Beatriz Garcia Osma

Presents evidence of municipalities guiding subsidiaries to manipulate real activities in order to meet their regulatory constraint of a non-financial surplus, with subsidies (operating grants) as a potential mechanism for setting the level of abnormal discretionary expenditures. Draws conclusions regarding the trade-off between political and regulatory risks. Of public policy interest regarding public sector accounting and the aggregation into national accounts.

(516 public corporations controlled by 145 Spanish municipalities, 2009-2013)

EARNING MANAGEMENT IN STATE OWNED COMPANIES: BRINGING THE PUBLIC BACK IN

Daniela Sorrentino, Pasquale Ruggiero, Riccardo Mussari

Focuses on key characteristics of state owned enterprises in order to explain earnings management, primarily ownership structure and external control, but also considers aspects such as red tape and goal ambiguity. The preliminary conclusions are that the prevalence of typical public values (such as promotion of public accountability, serving of common good and interests, impartiality, integrity, honesty, equity, and probity) does not necessarily make the managers of publicly-owned companies less prone to adopt EM, whereas external influences do seem to reduce the opportunity to adopt EM in SOEs.

(1,546 state owned enterprises, 2009-2014, Italy)

Sala Multimediale

ALTERNATIVE APPROACHES

FROM SMALL AUDITOR DISSATISFACTION TO ACTIVE RESISTANCE: A PRACTICE THEORETICAL PERSPECTIVE ON THE “PALACE REVOLT” IN THE GERMAN AUDITING PROFESSION

Lukas Loehlein, Markus Grottke, Hansrudi Lenz

Evaluates changes to the German auditing profession, from two professional bodies, i.e. the German Institute of Public Auditors (IDW) and the German Chamber of Public Auditors (WPK), which worked in cooperation with the Federal Ministry, to the arrival of wp.net, a third professional body, set up in 2005 for small auditors, and its subsequent takeover of the WPK. Addresses modes of regulation including self-regulation, and how regulatory reform (that introduced compulsory peer review in auditing) led to structural changes in the profession.

(Institutional analysis)

VISUALIZING IFRS-COMPLIANT FINANCIAL STATEMENTS: PRELIMINARY EXPERIMENTS ADOPTING EYE-TRACKING METHODOLOGIES

Rachele Baldi, Roberto Di Pietra, Pamela Federighi, Alessandra Rufa

Reports on an experiment using neuroscientific methods to assess visualization of financial statements prepared under different sets of regulations and standards (i.e. international accounting standards and Italian accounting rules). Preliminary results show that, although IFRS compliant disclosure is positively linked with visual attention, there is no meaningful link between visual attention and appreciation of accounting concepts.

(15 subjects in neuroscience experiments, comprising 315 observations, yielding 3,128 fixations)

THROUGH THE LOOKING GLASS: CAPITAL MARKET ACTORS’ USE OF FINANCIAL REPORTING INFORMATION

Tomas Hjelström, Anja Hjelström, Ebba Sjögren

Investigates how experienced capital market actors use financial reporting information in their everyday work, probing the process whereby these actors use interim reports issued by one of six known companies, using the recognition-primed decision model to conceptualize how experienced practitioners assess complex information under time pressure. Shows how time constrained and directed use of financial information can be understood as prototypical recognition in relation to pre-formulated general and specific expectations, pre-determined relevant cues and organizationally plausible goals.

(40 interviews with professional sell-side equity and credit analysts, buy-side analysts and fund managers)

LINGUISTIC TRANSLATION IN ACCOUNTING – DISCUSSION FORUM

David Alexander & Stuart McLeay

To debate whether ‘incorrect translation’ may be no such thing, but done for deliberate reasons, based on a note (Traduttore, Traditore. A vignette on normalisation across languages) by David Alexander, and an earlier study of multilingual reporting by Stuart McLeay and Simon Archer (Issues in Transnational Financial Reporting: A linguistic analysis).

(Discussion forum, replaces withdrawn paper)

11:00 - 11:30

Coffee Break

11:30 - 13:30
Sala San Galgano

Parallel Sessions 6

Co-ordinated by the International Journal of Accounting

REVIEWING GOODWILL ACCOUNTING RESEARCH: WHAT DO WE REALLY KNOW ABOUT IFRS 3 AND IAS 36 IMPLEMENTATION EFFECTS?

Anne d'Arcy, Ann Tarca

Draws conclusions about the effects of applying IFRS 3 from recent research, including consistency across regulatory regimes, particularly studies testing the value relevance of goodwill, other intangible assets and impairment, and from studies investigating factors explaining the recognition.

(Review article)

CORPORATE SOCIAL RESPONSIBILITY RESEARCH IN ACCOUNTING: A FRAMEWORK AND REVIEW

Suresh Radhakrishnan

Discusses prior research regarding corporate social reporting disclosures, argues that CSR provides an excellent setting to examine important issues in accounting regulation and other socially related regulatory fields, and highlights avenues of future research on CSR reporting.

(Review article)

SHOULD WE TRUST FUND MANAGERS? EVIDENCE FROM THE CANADIAN MUTUAL FUND INDUSTRY

Samir Trabelsi, Zhongzhi He, Martin Kusy, Deepak Singh

Empirically examines the impact of alternative governance mechanisms on mutual fund fees and performance, finding that corporate class funds charge higher fees but deliver superior fee-adjusted returns than trust funds. The paper also finds that a board with smaller size, CEO duality, and a higher percentage of independent directors is more likely to charge lower fees, and that smaller boards are strongly associated with higher fee-adjusted performance. The study could provide valuable guidelines for regulatory agencies, as it investigates parallel governance mechanisms operating in Canada.

(26,202 mutual fund-years, 2005-2010, Canada)

Sala Rocca

Co-ordinated by the Journal of Accounting, Auditing and Finance

REGULATORY SCRUTINY AND REPORTING OF INTERNAL CONTROL DEFICIENCIES: EVIDENCE FROM THE SEC COMMENT LETTERS

Li He, Divya Anantharaman

Examines how the SEC's review process affects internal control weakness disclosures, specifically when SEC comment letters indicate disclosure deficiencies and potentially suggest deficiencies in internal controls, indicating that comment letters addressing internal control disclosure deficiencies increase target firm propensity to disclose material weaknesses in internal controls in the subsequent fiscal period, whilst comment letters addressing other financial statement issues do not appear to have any effect on material weakness reporting, and that there is a spillover effect on the internal control weakness disclosures of peer firms that do not receive 10-K comment letters. Concerns Sections 302 and 404(a) of the Sarbanes-Oxley Act requiring managers to periodically evaluate the effectiveness of internal controls and disclose any material weaknesses, and Section 404(b) of SOX that also requires auditors to evaluate their effectiveness.

(23,202 firm-years, 2005-11, USA)

DOES CONSOLIDATION OF VARIABLE-INTEREST-ENTITIES IMPROVE THE PRICING OF FINANCIAL REPORTING IN BANK HOLDING COMPANIES? EVIDENCE FROM FAS 166/167

Hamid Pourjalali, Audrey Wen-hsin Hsu, Joshua Ronen

Examines whether consolidating qualified special purpose entities (QSPE) by reference to FAS 166/167 improves the market reactions to earnings disclosures, using a difference-in-difference design to compare market reaction for banks that consolidate QSPEs in the pre-FAS 166/167 periods, with a no-effect sample of banks with no QSPE or banks that do not consolidate QSPE in the post-FAS 166/167 period. The results show lower market reaction in the post FAS 166/167 periods in the no-effect sample, which is more pronounced in firms that engage in securitization and in firms whose securitized loans originate primarily from consumer loans rather than mortgages. Adopting 166/167 appears to enhance the ability of earnings to predict future earnings and future cash flows in banks. The study provides an important implication to regulators that FAS 166/167 improves bank transparency.

(6,996 bank-quarters, FR Y-9C reports, 2005-2012, USA)

IFRS ADOPTION AND LIQUIDITY: A COMPARATIVE ANALYSIS OF CANADA WITH AUSTRALIA AND THE UNITED KINGDOM

Mark Anderson, Shahid Khan, Hussein Warsame, Michael Wright

Considers IFRS adoption and the forces affecting liquidity, i.e. enhanced comparability of firms within industries that span international boundaries and less tailoring of financial reporting to meet local investor needs, by comparing liquidity on Canadian, Australian and UK exchanges. Liquidity increased for non-US international firms but decreased for domestic firms traded on the Canadian exchanges; decreased for both international and domestic firms in Australia, and increased for both domestic and international firms traded on the U.K. exchanges, consistent with trade-offs between increased comparability from globalization and reduced accommodation of local investor needs under IFRS.

(40,917 firm-years, 2009-10 & 2012-13, Canada, Australia & UK)

Co-ordinated by the Journal of Management and Governance

MARKET REACTIONS TO MANDATORY CORPORATE GOVERNANCE PROVISIONS: AN EMERGING MARKET CASE

Yasemin Karaibrahimoglu, Halit Gonenc, Serdar Ozkan

Examines market reactions to the transition from a "comply or explain" to a "mandatory" corporate governance regime, using a sequence of reforms which allow a natural experimental design involving event study methodology. The negative reaction in the case studied (Turkey) suggests that the market perceives the regulations as "cost-increasing" reforms, with a relief effect on the market for those firms not subject to mandatory provisions. The paper contrasts the findings in Turkey with different results reported for India, concluding that governance reform is determined not only by a perceived net benefit but contingent on prior institutional settings.

(226 firms in Turkey, 2009-2011)

CORPORATE GOVERNANCE AND THE EXECUTIVE-EMPLOYEE PAY RATIO: EVIDENCE FROM GERMAN FIRMS

Christian Drefahl, Christoph Pelger

Investigates the influence of corporate governance on the ratio between CEO and average employee pay. Ownership, board structures and the extent of variable executive compensation are key drivers of differences in pay ratios, particularly governance structures that are associated with larger information asymmetries and powerful management are associated with higher pay ratios. The German setting is of interest as legislation requires that pay ratios must be considered in setting up executive contracts.

(Hand-collected compensation data, German listed firms, 2006 to 2013)

GREAT EXPECTATIONS: A REGULATORY PROMISE UNFULFILLED

Mary Claire Mahaney, Murray Bryant

Provides a legal perspective on SEC enforcement, specifically the consent decree, through which a defendant neither admits nor denies wrongdoing, and which has been used to resolve 97% of SEC cases from 2002 to 2015. It is argued that the outline of facts is insufficiently transparent, and prevents others (firms, the public, and perhaps the defendant's board of directors) from learning which

behaviours are unacceptable. The paper takes a governance approach, helping directors fulfil their fiduciary duties toward the firm and addressing directors' responses to executive behaviour.

(Legal analysis)

13:30

Lunch