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**The CGA-ARC Is located in Desmarais Building**

**55 Laurier East,  
Ottawa ON  
K1N 6N5  
Room DMS 7102**

## **Corporate Social Responsibility and the Triple Bottom Line**

The CGA-Accounting Research Centre at the Telfer School of Management of the University of Ottawa was pleased and honoured to have at its Distinguished Speaker series, Ms. Joyce Evans, Chair of the Board of CGA Canada. Her topic was directed at showing how CGA and its members contribute to the achievement of the triple bottom line of corporations.

She opened her remarks by stressing how important the CGA designation really is. It provides opportunities in business and industry, public practice and in the public sector and not-for-profit organizations. The designation provides an interesting, challenging and satisfying career.

In the modern world, corporations must live up to their responsibilities as global citizens and local neighbours. Included in the factors driving these social oriented goals are demographics such as an aging population and a low birth rate. These increase competition for the kind of skilled workers that CGA can provide. This, in turn, means that corporations must provide the motivation to attract and retain excellent people. They do this by aiming to increase employee satisfaction by making them feel secure and appreciated and ensuring that they are effective contributors to the organization and can exercise their dedication and skills.



Speaker and guest share a moment during the visit and presentation at the CGA-Accounting Research Centre: (left to right) Daniel Zéghal, Executive Director CGA-Accounting Research Centre, Joyce Evans, Chair of CGA Canada, and Alain Doucet, Assistant Dean, External Relation.

There is no longer just a single bottom line, rather there is a triple bottom line composed of people, planet and profit. This shift from just profit reporting has resulted in an expansion of the traditional reporting framework of financial performance to include accounting for social and ecological performance.

Accordingly, attracting and retaining excellent people is important. Pursuing for its employees a work\life balance and flexibility are critical. Finally, ensuring that business practices are friendly fulfills the third feature of the bottom line.

CGA Canada embraces these three principles by becoming an award winning triple bottom line organization and trains its members to know how to respond to this challenge.

## **CGA-ARC: A World Leader in Accounting Research**

The CGA-Accounting Research Centre(ARC), housed at the Telfer School of Management, University of Ottawa, is among the most productive accounting research centers in the world with many international research awards and honours for its members including: "100 CGA's who have made a difference" and the "Emerald Literati Network's 2011 Awards for Excellence" and best paper award in many forums.

The ARC dynamic team of researchers is dedicated to the publication of cutting-edge research in accounting and related field in management to ensure that ARC remains at the forefront of research excellence.

The development of International Financial and Reporting Standard (IFRS) is one of the most important events in accounting history. It is considered as the most significant accounting event since the introduction of double entry bookkeeping more than five hundreds years ago. The implementation of IFRS represents an important challenge for accountants, managers, businesses, auditors, financial analysts, decision makers and accounting educators. Therefore, the adoption of IFRS and their consequences on the quality of financial information are discussed in various research projects in the ARC.

One of the most important research topics of the CGA-Accounting Research Centre is Enterprise Risk Management (ERM). ERM is a timely and very important topic for researchers and managers. This research program involves a large team of researchers focusing on different research papers.

Corporate Governance, Transparency and Disclosure is also one of the most timely topics in accounting. Good corporate governance practices may lead to numerous benefits in any organization including better performance, reduced risk, greater access to capital markets, and reduced cost of capital. The Research Centre is involved in research projects dealing with issues of governance, board quality, disclosure, transparency, and others.

In addition, as Intellectual Capital and Intangibles are the most important assets in post modern organizations, the identification of these new assets, their measurement and management are discussed in another research program of the ARC.

These topics and many others, such as accounting for environmental and sustainable development, were not only the focus of articles published by ARC members in well-known international journals, but also the themes of annual conferences organized by the centre. In fact, the ARC provides a forum for conferences, seminars, workshops and other activities for the discussion of new developments and ideas in accounting and related disciplines. A sample of the publications of ARC, as well as views from the distinguished speakers' series, is presented in this Newsletter. All information about the CGA-ARC, its stakeholders, different activities and past and upcoming annual conferences and workshops is available at its bilingual website (<http://www.cga-arc.com>).

The involvement and performances of the research centre testify to its international outlook. There is other evidence that can be put forward for the international reputation of the Centre. A look at the page of this Newsletter on the "Distinguished Speakers Series" will show research presentations by professors not only from Canada but also from universities in France, Australia, and Northern Ireland. A further testimony to the Centre's international reputation was its invitation to become a member of the International Research Centre for Banking and Corporate Governance established by the Ukrainian Academy of Banking.

## Welcome to New Accounting Professors at the Telfer School of Management

The CGA-Accounting research Center is very pleased to welcome the following new Accounting Professors Shujun Ding, Cheryl McWatters, and TieMei Sarah Li as the new members of the CGA-Accounting Research Centre Professors.

Professor Shujun Ding received a bachelor's degree in economics and a master's degree in accounting from the Renmin University of China. He graduated with a Ph.D. in accounting from the Haskayne School of Business, University of Calgary in 2007. Before joining the Telfer School of Management in July 2011, he worked as an assistant professor at York University. Professor Ding teaches both management and financial accounting. His main research interests include judgment and decision-making in accounting contexts, corporate governance, and accounting and finance issues in small business. His recent work has been published in peer-reviewed journals, such as the *Journal of Accounting Research*, the *Journal of Accounting, Auditing and Finance*, and the *Journal of Business Ethics*.



Professor Cheryl Susan McWatters, Ph.D. CMA is full professor and inaugural holder of the Father Edgar Thivierge Chair in Business History. She previously taught at the University of Alberta and McGill University and holds a doctorate from Queen's University. Her research examines the impact of economic, social and technological change from the 18<sup>th</sup> to the 20<sup>th</sup> century. Two current projects are: *Mercantilism and Accounting Records*, with Dr. F.J. Tough, Faculty of Native Studies, University of Alberta, focuses on the familiar Hudson's Bay Company but in innovative ways to investigate exchange with Aboriginal peoples, and spatial-temporal networks. The project sheds light on the central, if largely unknown, role played by Aboriginal peoples in Canada's early economic history. *Compte et profits marchands d'Europe et d'Amériques, 1750-1800*, based at Université de Paris I Panthéon-Sorbonne, challenges established interpretations of economic rationality and the nature of profit by confronting them with the reality and rationality of the 18<sup>th</sup>-century merchant. McWatters will deliver a new curriculum in business history. She will also teach management accounting in the MBA program.



TieMei (Sarah) Li holds a Ph.D. in accounting from Concordia University in 2010. Before entering the academic world, she worked for more than ten years in the Chinese financial industry. Combined with her practical experience, her research focuses on investigating fundamental accounting and finance issues about firms' incorporation in tax havens, often called

on investigating fundamental accounting and finance issues about firms' incorporation in tax havens, often called offshore financial centers. She has presented research papers at several top accounting and finance conferences, such as the American Finance Association (AFA) and the American Accounting Association (AAA) annual conferences. Extending the financial reporting and governance literature into promising new territory, her work makes a significant contribution to business research in general and to accounting research in particular.

## SAMPLE OF PUBLICATIONS

"The Accounting Treatment of Intangibles - A Critical Review of the Literature", D. Zéghal and A. Maaloul, *Accounting Forum*, Vol.35(4), 2011, pp.262-274.

"IFRS: On the Dolicity of Sophisticated Users in Preserving the Ideal of Comparability", S. Durocher and Y. Gendron, *European Accounting Review*, Vol. 20(2), 2011, pp. 233-262.

"Board of Directors' Independence and Executive Compensation Disclosure Transparency: Canadian Evidence", W. Ben Amar and D. Zéghal, *Journal of Applied Accounting Research*, Vol. 12(1), 2011, pp.43 – 60.

"Attributes of Corporate Risk Disclosure: An International Investigation in the Manufacturing Sector", by M. Dobler, K. Lajili and D. Zéghal, *The Journal of International Accounting Research*, Vol. 10(2), 2011, pp.1-22.

"Manufacturing Sector", by M. Dobler, K. Lajili and D. Zéghal, *The Journal of International Accounting Research*, Vol. 10(2), (2011), pp.1-22.

"Governance-Performance Relationship: A Re-examination Using Technical Efficiency Measures", by Y. Bozec, R. Bozec, and M. Dia, *British Journal of Management, Special Issue: An International Forum Advancing Theory and Research*, Vol. 21(3), 2010, pp. 684-700.

"An Analysis of the Effect of Mandatory Adoption of IAS/IFRS on Earnings Management", by D. Zéghal, S. Marrakchi, and Y. Mnif, *Journal of International Accounting, Auditing & Taxation*, Vol. 20(2), 2011, pp.61-72.

"The Effect of the Board of Directors' Quality on Compensation Fees", by D. Zéghal and S. Elleuch, *Irish Accounting Review*, Vol.18(1), 2011, pp.51-71.

"Filing for Bankruptcy Protection, Governance Mechanisms and Corporate Disclosure", by W. Ben Amar and D. Zéghal, *Journal of Global Business Management*, Vol.6, No.2, October 2010, pp.65-74.

## RESEARCH ABSTRACTS

**Board of Directors' Independence and Executive Compensation Disclosure Transparency: Canadian Evidence** by W. Ben Amar and D. Zéghal

This paper aims to investigate the relationship between board of directors' independence and executive compensation disclosures transparency. The paper examines compensation disclosure practices of a sample of 181 firms listed on the Toronto Stock Exchange. Board independence from management is assessed through an aggregate score, which takes into account the proportion of independent directors, board leadership structure (i.e. CEO is the board chairperson), and the existence and independence of board committees. A cross-sectional regression analysis is used to examine the relationship between board independence and the extent of compensation disclosure.

The paper finds that board independence from management is positively related to the transparency of executive compensation-related information.

In addition, this study documents a positive (negative) relation between firm size, US cross-listing, growth opportunities (leverage) and the extent of executive compensation disclosure.

The study's results provide support to the managerial opportunism hypothesis in executive compensation. These findings highlight the importance of the board of directors as an effective governance mechanism, which limits managerial rent seeking in the design as well as the disclosure of executive compensation practices.

This paper extends prior disclosure studies by examining the impact of board characteristics on the transparency of executive compensation disclosures in a principles-based governance regime. Furthermore, executive compensation disclosure provides an interesting setting in which to examine the ability of the directors to act independently from managers in a conflict of interests situation.

### **IFRS: On the Docility of Sophisticated Users in Preserving the Ideal of Comparability** by S. Durocher and Y. Gendron.

This paper questions the ideal of comparability, which is often mobilized by standard setters when justifying new - or 'improvement' to existing - accounting standards. The target of our analysis is constituted by the thoughts of sophisticated users of financial statements when reflecting about International Financial Reporting Standards (IFRS) implementation in Europe. Drawing on the work of Mary Douglas on purity and Michel Foucault on docility, it is argued and shown that sophisticated users tend to interpret aberrations - that is to say indications of incomparability which confront users in the flow of their professional lives - in ways that allow the ideal of comparability to be preserved. Important consequences ensuing from the docility of users in purifying aberrations are discussed.

### **Governance-Performance Relationship: A Re-examination Using Technical Efficiency Measures** by Y. Bozec, R. Bozec, and M. Dia

The objective of this study is to analyse further the governance-performance relationship while improving on two methodological issues: control for endogeneity and firm performance measurement. To mitigate the endogeneity problem, we first focus on subsamples of firms for which we ex ante expect better corporate governance to cause better performance. Second, we use generalized least squares regressions for panel data. To control for potential measurement bias, we measure firm performance using data envelopment analysis (DEA). The research is conducted in Canada over a five-year period from 2001 to 2005. Corporate governance is measured based on the Report on Business corporate governance index published by the Globe and Mail. Overall, the results show that better governed firms are more efficient. This study is in line with a growing number of recent studies that propose alternative measures of firm performance. By using DEA, this study brings together the corporate finance and productivity literature.

### **Attributes of Corporate Risk Disclosure: An International Investigation in the Manufacturing Sector** by M. Dobler, K. Lajili and D. Zéghal

This paper is the first multi-country investigation of comprehensive corporate risk disclosure. Based on a detailed content analysis of 160 annual reports, we analyze the attributes and the quantity of risk disclosure and its association with the level of firm risk in the Canadian, U.S., U.K., and German settings. We find a consistent pattern where risk disclosure is most prevalent in management reports, concentrates on financial risk categories, and comprises little quantitative and forward-looking disclosure across sample countries. In terms of risk disclosure quantity, U.S. firms generally dominate, followed by German firms. Cross-country variation in risk disclosure attributes can only partly be linked to domestic disclosure regulation, suggesting that risk disclosure incentives play an important role. While risk disclosure quantity appears to be positively associated with proxies of firm risk in the North-American settings, we find a negative association with leverage for Germany. This coincides with a "concealing motive" implied by an insider role of banks in the German financial setting.

## **DISTINGUISHED SPEAKERS SERIES**

The Accounting Research Centre sponsored the following presentations by distinguished speakers:

- 1-Professor Charles H. Cho, John Molson School of Business, Concordia University, Montreal, "The Frontstage and Backstage of Sustainability Reporting: Evidence from the Arctic National Wildlife Refuge Bill".
- 2-Professor Mariannunziata Liguori, Queen's University Belfast, N.Ireland, UK, "Radical change, Accounting and Public Sector Reforms: A Comparison of Italian and Canadian Municipalities".
- 3-Professor Benoît Pigé, IAE - Franche-Comté University, Besançon, France, "IFRS and Philosophical Ethical Concepts, How to Make the Junction?"
- 4-Professor Yves Gendron, Université Laval, Québec City, "Neoliberalism, Fraud and Expertise: A Triangle of Reinforcing Influences?"
- 5-Professor Balasingham Balachandran, La Trobe University, Australia, "Stock Option Grants and Firm Value When Directors' Opportunistic Behaviour is Limited".
- 6-Professor Noel Hyndman, Queen's University at Belfast, N. Ireland, UK, "The Hand of Government in Shaping Accounting and Reporting in the UK Charity Sector".

## **VIEWS FROM THE DISTINGUISHED SPEAKERS**



***"The Frontstage and Backstage of Sustainability Reporting: Evidence from the Arctic National Wildlife Refuge Bill"*** by

Professor Charles H. Cho

In this presentation, Professor Charles H. Cho presents his study with Rodrigue, M in which they attempt to respond to Hopwood's (2009) call for research to explore further the motivations to produce environmental and sustainability reports and disclosures through detailed case studies to understand in depth "the interaction of such concerns with the relevant regulatory authorities, the media and political circles". Their results suggest that the firms' sustainability discourse on environmental stewardship and responsibility sharply contrasts with their less visible but proactive political strategies targeted to facilitate the passage of the ANWR Bill. Their study thus contributes to the social and environmental accounting and accountability literature by uncovering and documenting further the deceptive nature of the discourse contained in stand-alone sustainability reports.

***"IFRS and Philosophical Ethical Concepts, How to Make the Junction?"***

by Professor Benoît Pigé



International Financial Reporting Standards (IFRS) provide for the accounting treatment for certain transactions involving the concepts of fair value and active market. This presentation makes the point that the current interpretation of these two concepts seems to favour investors and capital markets but should also be interpreted to apply to all stakeholders.

One of the major conditions in recording fair value is the existence of an active market. There are difficulties; however, in interpreting an "active market" for some translations, for example, real estate loans, by nature is heterogeneous rather than homogenous. An active market also would seem to require a competitive economy, but the competitiveness of the economy can be influenced by big firms. Too fair value cannot be applied to everything and indeed- does everything have price?

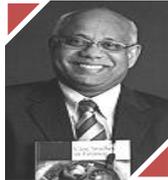
Future economic benefits may flow firms intangible assets such as intellectual property. Some assets may be recognized because their future economic benefits may arise from other assets. Some future economic benefits can be controlled through such things as copyrights. Rather than a purely technical or constructivist approach to fair value, what is needed is an ethical stakeholder oriented an approach. This will require an interaction between the audit process, accounting and reporting.



**“Neoliberalism, Fraud and Expertise: A Triangle of Reinforcing Influences?”** by Professor Yves Gendron

This presentation investigates why substantive change is infrequent following financial crises, focusing on the interplay between governmentality, fraud and expertise. The thesis is that the resilience of neoliberalism relates to processes of collective sense-making surrounding crises – processes which involve an individualizing conception of fraud and fraudsters, contextually supported through distinctive systems of expertise. We first argue that the reproductive capacities of neoliberalism ensue from the way in which financial crises have tended to be interpreted and analyzed across society, through a collective focus, almost on the verge of obsession, on the detection of individualized fraudulent acts and the punishment of fraudsters. Our point is that deeply-rooted patterns of causality collectively developed between the immorality of investment bankers and the turbulence associated with the crisis, thereby preventing systemic issues from being seriously considered. Sociologically speaking, neoliberal economies are characterized with a proclivity towards social reproduction, sustained through a web of reinforcing influences between governmentality, fraud and expertise.

**“Stock Option Grants and Firm Value When Directors’ Opportunistic Behaviour is Limited”** by Professor Balasingham Balachandran



Most studies of the price impact of option grants are confounded by the potential for opportunistic behaviour on the part of granting firms, such as backdating of awards or favourable timing of information releases. In Australia, such practices are limited, so a cleaner test of the wealth effects of option grants is possible. We find that the market reacts positively on average to the announcement of option grants, and particularly so for grants to non-executive directors that are not accompanied by an increase in their director fees. We also investigate the decision to award options to non-executive directors, a practice contrary to the Australian corporate governance good practices, and find that firms with smaller size, higher idiosyncratic risk, less debt and are less profitable are more likely to make such awards.

**OTHER NEWS**

**1- New CGA members on the Block**

The CGA-Accounting Research Centre would like to congratulate Professor Ben Amar Walid and Professor Richard Bozec on receiving their Certified General Accountants (CGA) Designation. We wish them continued success and know that our students will benefit from their passion in practice and teaching.



Professor Ben Amar Walid, PhD, CGA



Professor Richard Bozec, PhD, CGA



**2-Visiting Professor**

The Accounting Research Centre was pleased to welcome Eustache Ebondo as a distinguished visiting Professor from January until July 2011. Eustache Ebondo is a Professor of Audit, Management Control, Internal Control and Corporate Finance at Euromed Management in Marseille (France).

**3-Showcase of Professor Daniel Zéghal in University of Ottawa "Research Links"**

In the “Research Links”, Professor Zéghal gave an overview of the research activities of the Accounting Research Centre and the way it contributes to preparing accountants to plan for an increasingly vital role in the success of modern businesses.

<http://www.telfer.uottawa.ca/research/en/research-office/research-links/287-research-links-june-2010-into-the-future>

**4-Emerald Literati Network Awards for Excellence 2011**

Professor Daniel Zéghal's article entitled "Analysing value added as an indicator of intellectual capital and its consequences on company performance", published in the Journal of Intellectual Capital, has been chosen as an Outstanding Paper Award Winner at the Emerald Literati Network Awards for Excellence 2011.

**5-The International Academy of Management and Business**

awarded best Applied Manuscript to professors K. Lajili, D. Zéghal and M. Dabler for their manuscript “An Empirical Investigation of Business and Operational Risk Disclosures” at the 11<sup>th</sup> IAMB Conference, San Francisco, November 7-9, 2011.

**6-Professor Zéghal** has become a member of the Editorial Board of the International Research Journal “Public and Municipal Finance”.

**FOR MORE INFORMATION**

To learn more about the CGA-ARC visit our web site at the following address:

[www.cga-arc.com](http://www.cga-arc.com)

Contact the Accounting Research Centre by E-mail, phone, fax or mail to:

Ludmila Pauk  
University of Ottawa  
CGA-Accounting Research Centre  
Telfer School of Management  
55 Laurier East  
Ottawa, Ontario K1N 6N5  
Telephone: (613) 562-5800 ext. 4771  
Fax: (613) 562-5164  
E-mail: [pauk@telfer.uottawa.ca](mailto:pauk@telfer.uottawa.ca)

or

Daniel Zéghal, PhD, FCGA  
Executive Director  
CGA-Accounting Research Centre  
Telfer School of Management  
University of Ottawa  
Ottawa, Ontario K1N 6N5  
Telephone: (613) 562-5800 ext. 4769  
Fax: (613) 562-5164  
E-mail: [zeghal@telfer.uottawa.ca](mailto:zeghal@telfer.uottawa.ca)