ELEVENTH ANNUAL CONFERENCE TAKES
A CONCEPTUAL LOOK AT INTANGIBLES

The topic of this conference was "Intangible Assets, Identification, Measurement, Management, Disclosure and Information Use: Trends and Issues." In this case, intangibles included intellectual and human capital, brands, patents and copyrights, research and development, and goodwill.

The conference lasted for a day, highlighted theoretical and conceptual presentations by a group of learned academics on the selected topic.

The academics who presented their papers at the conference were: Dr Steven Sonka, University of Illinois, Dr. Antonello Callimaci, UQAM, Dr Feng Gu, Boston University, Dr Hans-Peter Burghof, University of Munich, Dr. Baruch Lev, New York University and Dr Waymond Rodgers, University of California. Acting as conference Chair was Dr Gordon Thiessen, University of Ottawa and Former Governor of the Bank of Canada.

Dr. Micheál Kelly, Dean of the School of Management and CGA-Ontario Executive vice president Ron Francis, MBA, FCGA, welcomed the guest speakers and participants on behalf of the University of Ottawa and CGA Ontario. They both praised the work of the Centre and, in particular, the successful efforts of its executive director, Daniel Zeghal, Ph.D, FCGA.

Dr. Steve Sonka noted that, in a venture economy, human assets are critical to economic success. He discussed the valuing of intellectual and human capital from a decision perspective. He used as example of the successful marketing of a New Zealand trust to demonstrate the importance of exploiting intangible human assets such as innovation and strategic planning.

The study by Dr Antonello Callimaci examined how the decision to capitalize or expense R&D spending is influenced by management incentives and by the cross-listing of shares in both the U.S. and Canadian markets. His research concludes that the capitalizing of R&D spending increases for firms that are cross-listed and becomes more probable for firms that are more leveraged, more mature, and have higher levels of cash flow from operations.

Dr. Feng Gu, in his study of markets in intangibles concludes that for at least one intangible asset, patents, the disclosure of asset values and royalty income has a very real impact on investors. He reasons that, among other things, the intensity of patent royalties provides investors with a strong signal concerning the value and potential of R&D expenditures.

Value at risk is a concept used by both banks and bank regulators as a device to control risk in lending activities. Dr. Hans-Peter Burghof discussed this concept as a means of designing an optimal...
structure for trading departments in financial institutions. The answers reached as a result of his studies suggest that, in an imperfect market setting, informed traders tend to herd as information cascades to them. This tends to increase the probability of extreme results. Accordingly, banks should strive to control information flows through approaches such as the isolation of small trading departments.

Dr. Baruch Lev in discussing intellectual capital observed that everyone accepts the existence of intangibles and indeed that investors do invest in them. The issue is one of value. Economic growth is a function of growth in capital investment and growth in labour productivity. But this accounts for less than 25% of total growth. The rest is what Dr Lev calls “Total Factor Productivity” growth which is the sum of the variety of intangible assets. Thus, the creators of stock market values are the sum of the book value of assets, their expected value plus the “total productivity factor” value.

In his presentation, Dr. Waymond Rodgers noted that there has been a shift in corporate assets to a situation where intangible assets have become more and more important. This change presents a major measurement problem to the accountant. In his study, Dr. Rodgers created a model using a knowledge asset he described as “customer relationship management” in regards to prospects for customer retention. He was able to illustrate that customer service accounting and non-traditional

information, together, will capture and depict knowledge assets to provide competitive advantages in the market place.

Judging from the animated question period that followed the presentations, the presentations were of much interest and certainly thought provoking.

**BUSINESS MANAGEMENT ETHICS AND ACCOUNTABILITY WILL BE THE FOCUS OF THE NEXT CONFERENCE**

The Twelfth Annual Conference of the CGA-ARC will be held in the Panorama Room of the National Arts Centre, at 8:00 a.m. on 23 October 2003. You are invited to attend.

The bursting of the dot-com bubble, deceptive accounting practices, mismanagement, fraud, greed and the questionable ethics of corporate leaders, accountants and auditors have all led to a crisis of confidence and faith in the corporate sector. There is a real need to restore public confidence in companies, boards, managers and auditors as well as financial information and financial markets.

This conference will focus on the challenges posed by these issues and on the actions being taken and yet to be taken to regain public trust. A panel of speakers will discuss fundamental changes to business management, ethics and accountability from a variety of perspectives including: the necessary role, qualifications and responsibilities of corporate board members and board committees; the business climate between accounting firms and their clients; the performance; accountability and compensation of CEOs; the disclosure of relevant and reliable information; and the initiatives that accountants should take to save accounting.

Again, your attendance will be welcome at this conference.

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The guests at the conference (left to right): Colin Lay, PhD, Professor, University of Ottawa; Ron Eden, PhD, Professor, University of Ottawa; Micheál Kelly, PhD, Dean, School of Management, University of Ottawa.

Gordon Thiessen, PhD, - Former Governor of the Bank of Canada, was the key-note speaker and acted as conference chair.
RESEARCH ABSTRACTS


One of the most discussed topics by academics, practitioners and regulations in that of corporate governance with most of the discussion targeted at publicly held corporations. This research paper deals with the issue of governance in the public sector and more specifically in State-owned enterprises (SOEs). The paper investigates the effect of The Reform of Canadian SOEs on the characteristics of boards and board committees.

The research seems to confirm the presence of significant adjustments in board characteristics following two major events in the reform’s commercialization and privatization. In both cases, board have, on average, evolved towards a set of structures and mechanisms that have potential to improve independence and governance. This study sheds new light on the process of adjusting corporate governance mechanisms to new strategies and environments.


Driven by a constantly changing new knowledge-based economy, a firm’s risk exposure and management information is becoming increasingly sought after and analyzed by all the stakeholders involved. To this end, this paper examines risk information disclosure in Canadian annual reports of 1999 in order to provide insights into the current risk disclosure environment and characteristics while highlighting some concerns surrounding the usefulness and value of such information to the firm’s stakeholders.

A content analysis is followed to describe the volume and actual content of risk disclosures by summarizing and classifying risk-related information found in the annual reports of TSE 300 listed Canadian companies. The risk analysis appears to be quite limited and too general for any rigorous analytical assessments of risk profile and exposure of firms. The paper concludes that a more formalized and focused risk disclosure might be warranted in the future to effectively reduce asymmetries between management and stakeholders.


Many theoretical and empirical studies look at the ownership-performance relationship. So far, the literature in finance and in accounting mainly refers to the property rights, agency and public choice theories. Despite the fact that the results of these studies are more or less conclusive, it is usually considered that the private enterprise performs better than the state-owned enterprise. In this article, we argue that these studies suffer from one major limitation. They do not recognize that the goals of the state-owned enterprise are different from the ones espoused by the private firm.

Using a sample of public and private firms for the period 1976-1996, we present empirical evidence that the state-owned enterprises, when their main goal is to maximize profit, perform as well as the privately owned enterprises.

Therefore, the alleged under-performance of the state-owned enterprises may only be the result of pursuing other goals while the poor quality of public managers may be another urban myth.


The issue of financial accounting and reporting for SBEs has generated much discussion in the accounting literature. There seems to be broad support for a different approach to reporting and disclosure because SBEs from public corporations. Generally Accepted Accounting Principles (GAAP) are designed for the preparation of the financial statements for large corporations with their complex transactions. JBEs must use the same GAAP. The reports of large corporations are used by millions of external readers and these companies can fear the cost of preparing and disseminating their accounts. The accounts of the SBE are used by very few, yet the SBE must accept the cost of using existing GAAP to prepare their accounts. SBEs very often use practitioners to prepare their financial reports. There is, consequently, both a cost to the SBE (fee charged) and a cost +. The practitioner (constantly updating their knowledge of GAAP) which causes the overall cost to continue to rise. SBEs do not like this aspect.
DISTINGUISHED SPEAKERS SERIES

The Accounting Research Centre sponsored a number of presentations by distinguished speakers:


OTHER NEWS

1. Daniel Zeghal, Director of the Centre, has been reappointed as an associate editor to ‘Canadian Accounting Perspectives’, CAP’s published by the Canadian Academic Accounting Association.

2. Professor Zeghal has been invited to join the editorial board of the ‘Irish Accounting Review’.


FOR MORE INFORMATION

• To learn more about the CGA-ARC visit our Web site at the following address: www.cga-arc.uottawa.ca

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