EXCELLENT!  OUTSTANDING!

A review of the CGA-Accounting Research Center activities and performances done in 2003-2004 by both a University of Ottawa Internal Committee and a Committee of External Reviewers have concluded: “It is absolutely clear that the Center has achieved outstanding results”. They rated the Center as ‘Excellent’ comparable to the top 20% of similar institutions in Canada.”

Congratulations and many thanks to ALL colleagues who have contributed to the Center success. Also thanks to Dean Micheál Kelly for his continuous support and a great thanks to Dr. Joanne Leck, Associate Dean (Research), School of Management; Dr. Linda Manning, Director of Research, School of Management; and Dr. Yvonne Lefebvre, Associate Vice-Rector (Research), University of Ottawa, for their most appreciated support all through the review process.

TWELFTH ANNUAL CONFERENCE LOOKS AT TAINTED REPUTATION OF ACCOUNTING PROFESSION

In excess of two hundred professionals gathered at the National Arts Centre on 23 October, 2003, to hear a panel of experts discuss the damaged reputation of the accounting profession. This tainted reputation arose out of the recent plaque of deceptive accounting practices, high executive compensation, MIS management, fraud, greed, the unethical behaviour of corporate leaders, and the lack of auditor integrity and independence.

The conferences’ topic sought an answer to the question “How to restore public trust in business management?” It was the considered opinion of the panel of speakers that it is going to take some time before the public and investors trust the published financial reports of companies.

The participants to the conference were greeted by Joanne Leck, Vice Dean/Research, School of Management, University of Ottawa on behalf of the University and by Diane Burgess, Executive Director and COO, CGA Ontario on behalf of the Association.

The expert panel of speakers comprised the following academics: Michelle Causton, Canadore College of Business; Peter J. Barry, University of Illinois at Urbana-Champaign; Gary L. Sundem, School of Business, University of Washington; Sally P. Gunz, School of Accountancy, University of Waterloo; Rick Antle, School of Management, Yale University; and Merridee Bujaki (who also acted as moderator), School of Management, University of Ottawa.

The first speaker, Professor Michelle Causton, pointed to breakdowns in corporate governance as being responsible for the collapse of corporations. Some of the specific shortcomings were: non-participating or non-independent boards of directors, deficiencies in management training and depth, a weak finance function, and the lack of external auditor independence. These shortcomings are not new and have been the subject of many studies. Old or new, these weaknesses must be corrected. The public must
make its concerns known so that corporate governance will contribute to the proper running of a corporation.

Professor Peter J. Barry in his presentation on the role of information about financial markets and risk bearing, noted that investors and lenders rely heavily on information as to the assets, income and wealth of the organizations in which they have an interest. Obviously, as the financial interest of the investor or lender grows, so does the need for more information. Indeed, as debt increases the lender bears more and more risk. The borrower then, may be forced to allocate more and more control to the lender so that the lender may become a "contingent owner" of the borrowers' assets. There are many ways that the lender can reduce the risks associated with financing heavy debt loads.

Professor Gary Sundem pointed to a lack of self-regulation and poor credit practices as having contributed to the crisis in the credibility of financial reporting. The value of the external audit is that it is supposed to add credibility to published financial reports. The value and hence the credibility of financial reports has been compromised because the auditors' attention seemed to be on making money rather than on ensuring true disclosure. In his opinion, it is going to take some time before the reputation of the accounting profession is restored. Accounting can survive if there is a focus on solving the cultural problems facing the profession.

In the opinion of Professor Sally P. Gunz, public trust in the professions and business can only be restored if it is earned. The many business frauds could only occur to add credibility to published financial reports. The value and hence the credibility of financial reports has been compromised because the auditors' attention seemed to be on making money rather than on ensuring true disclosure. In his opinion, it is going to take some time before the reputation of the accounting profession is restored. Accounting can survive if there is a focus on solving the cultural problems facing the profession.

The Sarbanes-Oxley Act is the main legislative thrust in the United States to try to better govern financial reporting. Professor Rick Ante noted that this piece of legislation made a number of moves toward that end. The Act shifted corporate power and governance from the executive to the board; it established a system of regulation for the accounting profession; and it called for more transparency to public companies and auditors. To regulate the accounting profession, the Sarbanes-Oxley Act established the Public Company Accounting Oversight Board. Despite a rocky start, there is a great deal of hope being place in the Board that it will help restore good practice and hence faith in the accounting profession.

According to a study by the International Bureau of Labor, US and Japanese workers averaged 1825 hours of work in 2002. French and German workers averaged 1545 and 1444 hours, respectively. In Canada, the average was 1778 of work in 2002. According to the study, US workers are the most productive in absolute terms. However, on an hourly basis, Norwegian workers, with an average productivity of $38 for each hour of work, followed by the French ($35/hour), and the Belgian ($34/hour), are more productive. US workers are fourth, with average productivity of $32 per hour.

A number of factors are thought to explain work overload, including:

i. Increasing high demands from consumers, investors and other groups which exacerbates the already-high pressures on productivity and profit.

ii. New technology which has exponentially increased the rate of information transfer and helped to blur the distinction between work and non-work.

iii. Increase in non-value added activities (such as attending to a large number of e-mails, voice mails and meetings) arising, in part, form a lack of defined organizational priorities and responsibilities with inadequate coordination.

iv. Poor technology and lack of training have often been blamed for wasted hours and reduced productivity.

1. Why are we overloaded with work?
2. Do our organizations make us work too hard?
3. What are the consequences of the intensification of work?
4. How do we build a healthy and productive workplace?
5. What are progressive organizations doing to achieve such a balance?
6. What accounting and management control initiatives could be implemented to facilitate the transition to a fusion between work and personal life?
RESEARCH ABSTRACTS


This study sets out to analyze the impact of privatization on the technical efficiency of some state-owned enterprises (SOEs) in Canada. It also focuses on the changes that are undertaken, prior to the transfer of property, in a bid to commercialize the corporations. In Canada, the commercialization of public sector enterprises started in the mid-1980s and the reforms were pursued with the privatization of SOEs. This specific context can be used to assess the impact of commercialization on the performance of public corporations in the post-privatization era. The results obtained following the multivariate analysis show that commercialization and privatization have a positive and significant impact on the technical efficiency of SOEs. They also show that once the corporations are commercialized, the impact of privatization on their efficiency becomes insignificant.


Nowadays corporate governance is one of the most discussed topics by academics, practitioners and regulators. Most of the discussion is 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). We investigate the effect of the reform of Canadian SOEs on the characteristics of boards committees. Our results seem to confirm the presence of significant adjustments in board characteristics following two major events in the reform: commercialization and privatization. In both cases, boards have on the average evolved toward a set of structures and mechanisms that have the potential to improve independence and governance. This study sheds new light on the process of adjusting corporate governance mechanisms to new strategies and to new environments.


A firm's exposure to risk and the management of that exposure is becoming increasively sought after and analyzed information both at the firms internal and external levels for management, investment and valuation purposes. With that in mind, this paper examines risk information disclosure in Canadian annual reports in 1999 to provide insight into the current risk disclosure environment, characteristics and the analytical usefulness of the information disclosed mainly to outside agents, particularly shareholders. Our analysis of the financial reports of TSE 300 Canadian companies showed a high of risk disclosure intensity and an abundant set of qualitative information ranging from the simple listing of risks the firm is facing to the analysis of risk exposure and risk management strategies. Financial risk and to a lesser extent business risk were found to be the most frequently disclosed and analyzed risk categories. However, the analytical power of the current risk disclosures as captured by the risk assessment analysis, appears to be quite limited, sometimes vague and possibly irrelevant for the purposes of carrying out rigorous, accurate and timely analyses of company risk profits and exposure both within and outside the firm's boundaries. We conclude that more formalized, comprehensive yet focused risk disclosure might be warranted in the future to effectively reduce information asymmetries between management and stakeholders.


Following an efficiency perspective and a micro-analytic approach, this research paper provides an organizational economics foundation to assist managers in selecting the appropriate organizational mode for major firm-level transactions under alternative assumptions. In particular, this paper focuses on alternative assumptions concerning: (1) the degree of specificity of the assets involved in the transactions (including human capital asset specificity), (2) the degree of uncertainty surrounding the transaction, and (3) the number of trading partners (suppliers and clients) in the vertical supply chain. The role of technology, and more specifically the e-business infrastructure and its effects on the choice of transaction organizational modes, is highlighted. The main results from this conceptual analysis suggest that the changes in information technology are changing the nature of transaction costs leading to more efficient management through an electronic integration solution thus favoring contracting and outsourcing as the preferred organizational form choice.
SAMPLE OF PUBLICATIONS


"Will the Accounting Profession Ever be Trusted Again?" by Paul Faulkner and Daniel Zeghal, Statements, February/March 2004.


"Analyse de l’évolution des mécanismes de gouvernance corporative dans les sociétés d’État au Canada" by Richard Bozec, Ameur Boujenoui and Daniel Zeghal, Finance, Contrôle et Stratégie (accepted).

FOR MORE INFORMATION

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

Contact the ARC by E-mail, phone, fax or mail to:

Galina Gresko
CGA-Accounting Research Centre

School of Management
University of Ottawa
Ottawa, Ontario K1N 6N5

Telephone: (613) 562-5800 ext. 4771
Fax: (613) 562-5164
E-mail: gresko@management.uottawa.ca or Daniel Zeghal zeghal@management.uottawa.ca