A NEW HOME FOR THE ARC

In the summer of 2007, the ARC moved to the Desmarais Building. This is the newest addition to the campus of the University of Ottawa, located at the corner of Nicholas and Laurier East, and houses among other faculties, the Telfer School of Management (formerly known as the School of Management). An inauguration celebration of the new location for the Telfer School of Management was attended by Faculty, staff and representatives from the community.

Later on 29 September 2007, a ceremony was held to dedicate a room in the Desmarais Building to CGA Ontario. The dedication was made by Dean Micheal Kelly of the Telfer School of Management and Jim Randall, Chair of the Ottawa Chapter of CGA. Also attending the ceremony were Daniel Zeghal and Merridee Bujaki of the ARC Advisory Committee, Paul Faulkner, as a Past President of CGA Ontario, represented the Association. Alain Doucet acted as MC. If you care to see it and its associated plaque, you may view it at room 2118 of the Desmarais Building.

On 26 February 2008, the ARC welcomed the newly appointed CEO of CGA Ontario, Doug Brooks, to its new home. Mr. Brooks met with members of the Research Committee and some members of the accounting section of the Telfer School of Management and was given a tour of the Desmarais Building.

The CGA-ARC is located in Desmarais Building

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

The ARC welcomed the newly appointed CEO of CGA Ontario (left to right) Daniel Zeghal, Executive Director CGA-Accounting Research Centre; Doug Brooks, President and CEO of CGA Ontario; Lilian Goh, Past Chair, CGA Ottawa Chapter, member of CGA-ARC’s advisory council; Merridee Bujaki, Professor, Coordinator of the Accounting, Finance and Information section, Telfer School of Management, and Paul Faulkner, member of CGA-ARC’s advisory council.
INTERNATIONAL FINANCIAL REPORTING STANDARDS WILL BE TOPIC OF UPCOMING CONFERENCE

The development and adoption of International Financial Reporting Standards (IFRS) constitute a global accounting revolution. They represent the most significant accounting event since the introduction of double entry bookkeeping more than four hundred years ago. How to get ready to face the global challenge of IFRS will be the focus of the conference.

According to the International Accounting Standards Board, more than one hundred countries by 2007 have adopted IFRS. All countries in the European Union have adopted IFRS since 2005 and Canada will replace Canadian GAAP in 2011.

The implementation of IFRS represents an important challenge for accountants, managers, business, auditors, financial analysts, decision makers and accounting educators. This conference will discuss the most important issues related to the adoption of IFRS in Canada and will raise some of the following questions:

1. What can be learned from the introduction of IFRS in other countries?
2. What is the most effective process for implementing IFRS in my organization?
3. What are some of the significant implications for preparers and users of financial statements?
4. What are the implications for public sector entities?
5. What are the potential economic consequences for tax collectors, the stock market and the economy in general?
6. What are the potential influences of IFRS on performance and other financial indicators?

The conference will be held on Friday October 31st, 2008, at the National Arts Centre, Ottawa.

ACCOUNTING THOUGHTS AND PRACTICES: SOME UNRESOLVED ISSUES

By Daniel Zeghal (a book review by Paul Falkner).

The unresolved issues in accounting thoughts and practices have all arisen because of change. Some of them have come about because of changes in the economic and business environments. Other issues have arisen because of a change in the perception of the accounting profession by the public. There has been an increasing disenchantment on the part of the public with business, non-profit organizations and governments at all levels because of a multitude of bankruptcies, thefts, misappropriations and generally bad if not dishonest management and accounting. The issues discussed in this book outline the approaches that are being taken to meet the challenges created by these changes.

To restore public confidence in business and to meet the demands of a changing economic environment, studies have concluded that improvements must be made to achieve good corporate governance. Indeed the solution to many of the issues discussed later will depend on good governance. The achievement of this involves such things as; director independence, separation of chair person and CEO, knowledgeable and informed directors, adequate director compensation and a separate audit committee.

As the world moves to a knowledge based society and new ways of doing business are evolving, there is emerging a need for new asset categories. The classification of intangible assets as human elements, infrastructure, intellectual property and value of a franchise are already being used by some organizations.

The old approach to the management of risk is being replaced by a new and much more effective approach called Enterprise Risk Management (ERM). This way to managing risk provides an integrated and disciplined framework for the analysis of risk to better assess and determine risk even before it occurs.

Another issue relates to the demands of stakeholders for more information in corporate reports. Disclosure requirements are being broadened to include information on operating and performance data, management plans and objectives, environmental performance and the scope and description of the business and its properties. Stakeholders are indeed demanding more information to go along with reported financial results. In this case it is specific data that they are demanding. They want performance measures to compliment reported financial results not only for businesses but also for non-profit organizations and governments. More and better control can be provided by letting the stakeholders be aware of the performance of these various organizations against their objectives. The concern is not just with resources but rather whether the organization has achieved what it set out to do.

The unreliability of the reported financial results of a number of companies has resulted in a crisis in the auditing profession. The apparent failure of the auditor to foresee the imminent collapse of their client and other failings caused the public to lose confidence in the auditing profession. In the United States, the Sarbanes-Oxley Act was passed to help the situation. In both Canada and the United States, oversight agencies have been established to ensure the independence and good work standards of the external auditor.

Continued on Page 3...
Accounting Thoughts... Continued from Page 2

Another issue discussed was the E-commerce revolution. While this event provides for many benefits, it also comes with some drawbacks. Of concern to the accounting profession are matters of reliability and privacy. An attestation level service that provides reliability assurance called “Systrust” has been developed.

A final issue focuses on the public pressure being put on business to improve their management controls. These improved controls fall into three categories: world class manufacture with its focus on quality and customer needs, activity based costing for truer product costs, and strategic management accounting which expands the corporate information base to allow it to scan its total environment to permit the company to maximize its opportunities while minimizing its threats.

The discussion in this book has focused on the approaches that are being suggested and taken to meet the challenges created by the many changes impacting the accounting profession.

Consolidation of Financial Statements: A Visual Approach

By Richard Bozec.

The move to international standards can be described as the biggest change in financial reporting as more and more countries around the globe have either adopted International Financial Reporting Standards (IFRS) or plan to do so in the near future. Amongst the first converged standards to be adopted are those related to business combinations and consolidation. This book provides a summary of these upcoming standards. Using a building-block approach, the book also provides a thorough understanding of the basics of consolidation as well as a practical guide.

Richard Bozec Ph.D. is an associate professor in accounting at the University of Ottawa. Web site: www.richardbozec.com

PUBLICATIONS


RESEARCH ABSTRACTS


The objective of this study is to investigate further the interplay between market globalization and corporate governance practices. The study is conducted in Canada using a sample of 230 firms listed on the TSX in 2002 and ranked by Report aon Business (ROB) on a set of corporate governance best practices. The ROB corporate governance index is built around four categories, namely board composition, compensation, shareholder rights and disclosure. The interaction of the sample companies with the US market is analyzed on the three following dimensions; financial market, product market and multi-markets (combining financial, product and labour markets). Overall, our results show that greater US market interaction is associated with higher corporate governance ratings.

This study adds evidence on the positive relation between market integration and corporate governance practices and, as such, provides some credence to the claim that globalization will lead to a certain degree of market-driven convergence in corporate governance.

2. Corporate Governance and Risk Disclosure By Dr. Kaouther Lajili, 2007

To date, research which integrates corporate governance and risk management has been limited. This paper contributes to this emerging literature by examining the relationships between corporate governance and risk disclosure.
governance mechanisms and risk disclosure behavior. Results show that Canadian public companies are more likely to disclose risk management information over and above the mandatory risk disclosures, if they are larger in size and if their boards of directors have more independent members. Minority voting control ownership structures appear to negatively impact risk disclosure and CEO incentive compensation shows mixed results. The paper concludes that further research is needed in the future to further assess the impact of various governance mechanisms on corporate risk management and disclosure behavior.

3. Users’ participation in the accounting standard-setting process: A theory-building study. By Dr. Sylvain Durocher (and co-authors)

The authors develop an explanatory theory using a meso-level approach and qualitative methodology to describe the participation of financial statement users in the standard-setting process (e.g., financial analysts and institutional investors). The theory links the characteristics of the standard-setting process to the individual determinants of users’ participation. The instrumental, symbolic and systemic dimensions of Hardy’s [Hardy, C. (1994). Power and politics in organizations. In C. Hardy, editor, Managing strategic action. London: Sage Publications] power framework are operationalized in the standard-setting context, and they introduce the descriptive categories of this process. The three determinants of behaviour of Vroom’s [Vroom, V.H. (1964). Work and motivation. New York: John Wiley & Sons] expectancy theory (valence, instrumentality and expectancy) provide the determinants of users’ participation. Each type of legitimacy (pragmatic, moral and cognitive) identified by Suchman [Suchman, M.C. (1995). Managing legitimacy: strategic and institutional approaches. Academy of Management Review 20 (3), 571-610] in his typology is then used to link the descriptive categories of the standard-setting process to the determinants of participation suggested by Vroom. By combining the categories provided by Hardy, Vroom and Suchman, we propose a preliminary model of users’ participation that we refine based on information gathered through interviews we conducted with Canadian users of financial statements.

Distinguished Speaker Series

The Accounting Research Centre sponsored the three following presentations by distinguished speakers.

1. Professor Noel Hyndman, Queen’s University at Belfast, “An Exploration Study of Annuality in the UK Public Sector: Plus ça change, plus c’est la même chose?”.

2. Professor Amin Mawani, Schulich School of Business, York University, Toronto, “Dividend Payout and Executive Compensation: Theory and Evidence”.


Other News

1. Fellowship Awards

On 2 November 2007, Dean Micheal Kelly, Dean of the Telfer School of Management announced the appointments of Professors Zeghal and Bujaki to three-year terms as Welch and Company Teaching Fellows and Professor Adjouad to a two-year term as Logan Katz Fellow.

2. Visiting Professors

The Accounting Research Centre was pleased to welcome two distinguished visiting professors. There were:

- Professor Michael Dobler of the Munich School of Management, Ludwig-Maximilians University Munich. Dr Dobler is involved in a research program dealing with the issue of Enterprise Risk Management

- Professor Karim Mhedhbi of the Institut Supérieur de Comptabilité et d’Administration des Entreprises, University of Manouba, Tunisia. Professor Mhedhbi is involved in a research program dealing with the adoption of International Financial and Reporting Standards around the world.

3. Keeping in Touch with CGA Ontario

On March 8th, the Executive Director of the CGA Accounting Research Center, met with the Board of Governors of CGA Ontario in Toronto, Dr Zeghal briefed the Board members on the Research Center strategic priorities and achievements.

4. Thank you Galina

The past ten years Galina Gresko has been acting as the Administrative Assistant in the CGA Accounting Research Centre. It is with regrets we must announce her departure to another position in the Telfer School of Business. All the members of the ARC wish her a fond farewell. We will miss her.

FOR MORE INFORMATION

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

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