

NEWSLETTER

CGA Accounting Research Centre • Faculty of Administration • University of Ottawa

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Advisory Committee.

The CGA-ARC is
located in
Vanier Building
Room 351G.



THIRD ANNUAL CONFERENCE CHALLENGES THE RELEVANCE OF MANAGERIAL ACCOUNTING

The CGA-Accounting Research Centre at the University of Ottawa continues to present topical and successful conferences. The third annual conference, held on December 1, 1994 had as its theme "Strategic Accounting and Control: The Challenge in a Turbulent World". A panel of eminent speakers presented scenarios of the emerging information requirements associated with world class manufacturing and set against these the attempts of managerial accounting to meet these new requirements.

The conference, moderated by Professor Clarence Byrd of the University of Ottawa, had the following guest speakers: Professor Peter Clarke, senior lecturer, University College, Dublin, Ireland; Jim McCrindell, Assistant Secretary and Deputy Controller General of Canada; Susan Lower, founding partner and CFO of the Shamrock Group and owner of Business Management Technologies; Professor Eldon Gardner, associate professor and director, Accounting Education Resource Centre, University of Lethbridge; and Professor Gene Deszca, associate professor and director of the MBA program, School of Business and Economics, Sir Wilfrid Laurier University.

The speakers noted that the business climate was indeed changing. World class manufacturing with its emphasis on

product quality and customer satisfaction required better cost information. To meet the changes in business dynamics new organizational patterns are emerging. Too, there is a groundswell of public opinion that is calling for better control in all organizations.

To meet these challenges, the speakers suggest better performance reporting, activity based costing and project costing as just some of the directions that managerial accounting must follow if it is to continue to be relevant to business management.

PUBLICATIONS

"The Accountants Advertising Debate in Canada - History, Comparison and Analysis of the Issues" by Michael Maingot, presented at the European Accounting Association Conference, Birmingham, England, U.K., 11th May 1995.

"Investissement en systèmes d'information: l'alignement des visions stratégiques", by Dominique J. Ferrand and Colin M. Lay, Logistique & Management, Vol. 3, No. 1, 1995.

"A Study of International Accounting Market Concentrations" by Mun Soo Choi and Daniel Zéghal, Working Paper 95-08.

"Experts on Screen", by Michael Maingot, CGA Magazine, January 1995, pp. 54-57, 78.

"Relative Economic Efficiency and Market Value of Firms" by Mun Soo Choi and Daniel Zéghal, Working Paper 95-12.

“A Crisis of Relevance for Managerial Accounting”

by Paul Faulkner and Daniel Zéghal in Statements February/March 1995, pp. 8-9.

“Issues in Public Sector Accounting in Canada”, by Michael Maingot, presented at the Irish Accounting and Finance Association Conference, Limerick, Ireland, 15th May, 1995.

“Mutual Fund Linked Partnerships: Tax Shelters and Dominant Investments”, by Peter Ryan, presented at the Western Finance Annual Conference, September 1994.

“Taxation and Dividend Policy in Canada: New Evidence”, by Fodil Adjaoud and Daniel Zéghal, Finance Économie Comptabilité, Vol. 3, No. 2, 2e semester 1993, pp. 141-154.

“The Implications of EDI Technology on Auditing”

by Michael Maingot, Advances in Business Studies: An Irish Review, forthcoming.

“Crisis in Auditing Subject of ARC Conference”, by Paul Faulkner in Statements, January-February, 1994, p. 14-15.

“Le système comptable canadien : ses réalités présentes et les défis futurs” by Daniel Zéghal, Working Paper 94-68.

“Expert Systems and Their Suitability in Accounting” by Michael Maingot, Working Paper 94-30. ■

PROCEEDINGS OF THE SECOND AND THIRD ANNUAL CONFERENCES PUBLISHED

“The Crisis in Auditing” is the title for the proceedings of the Second annual conference of the CGA-ARC. For the Third annual conference the proceedings are titled **“Management Control: The Challenges in a Turbulent Time”**. Both of these, edited by Daniel Zéghal, Ph.D., CGA, have now been published and are available on request. ■

Fourth Annual Conference The CGA Accounting Research Centre University of Ottawa

The topic for this year's conference will be **“Financial Statements: Do They Have a Future?”**. The conference will be held on Thursday, November 16, 1995 at the Westin Hotel in Ottawa.

The wave of change which has affected almost every aspect of business has yet to make a significant impact on the way companies report their performance. As a result, financial statements are seen as inadequate and incomplete. Many argue that they are tragically flawed in their treatment of a variety of today's business realities. Many of these realities are not properly identified, measured, or reported. In some cases they are completely ignored, therefore creating a gap between what is in the financial statements and what the users expect from them.

A paper released in 1988 by the Institute of Scottish Accountants entitled “Making Corporate Reports Valuable” recommended such drastic measures as scrapping profit and loss statements. More recently, Ernst & Young in the U.K. put the blame for declining confidence in audits on poor financial statements rather than poor auditing.

The objective of this conference is to discuss the need for fundamental changes and to shed some light on the future developments of financial statements.

A panel of distinguished speakers has been assembled for the conference. A formal announcement for the conference will be distributed in September.

RESEARCH ABSTRACTS

A new feature of this Newsletter will be the presentation of abstracts of papers written under the auspices of the ARC. Four abstracts follow:

I. "Issues in Public Sector Accounting in Canada" by Professor Michael Maingot, University of Ottawa presented at the Irish Accounting and Finance Association Conference, Limerick, Ireland, 15th May, 1995.

This paper discusses some of the issues facing public sector accounting in Canada. It concentrates on the accounting methods used in public sector accounting in Canada. It also mentions what is happening in the UK, Australia, New Zealand and the United States.

The cooperative work done by the Auditor General of Canada and the Comptroller General of the United States is particularly important as is the coordinated work by the Public Sector Committee of the International Federation of Accountants as well as the International Organization of Supreme Audit Institutions.

The conclusion is that accrual accounting should be the method for the public sector accounting as it is already for the private sector.

II. "Taxation and Dividend Policy in Canada: New Evidence" by Professors Fodil Adjaoud and Daniel Zéghal of the University of Ottawa, Finance Économie Comptabilité, Vol. 3, No. 2, 2e semestre 1993, pp. 141-154.

The purpose of this paper is to investigate whether the \$500,000 cumulative capital gains tax exemption introduced by the Canadian Government in 1985 has achieved its objective of causing Canadian companies to adjust their dividend policy.

Two sets of tests are performed to evaluate whether Canadian companies did indeed move to modify or lower their target payout rates after the 1985 exemption. A sample of 158 Canadian companies over the period 1982-1987 is used.

The study supports the contention that Canadian companies adjusted downward their individual payout ratios in the wake of the 1985 capital gains tax exemptions.

III. "The Pricing of Audit Services: Further Evidence from the Canadian Market", by Teresa Anderson and Daniel Zéghal, Accounting and Business Research, Vol. 24, No. 95, pp.195-207, Summer 1994.

Many studies have investigated audit pricing competition in the audit industry. This study expands on the

work done to date by examining Canadian audit fees across time, audit firm and industry. The observations of audit fee data span the period of time during which the provincial codes of professional ethics with respect to fee tenders and advertising in general were relaxing in Canada. The results reported in this study support the existence of differentiated audit services in the Canadian audit market, and are consistent with DeAngelo's (1981) size interpretation of audit quality. Although no significant differences in the pricing of audit services across time are detected, the data provide evidence of significant pricing differences across (pre-merger) Big Eight audit firms in the small auditee market, suggesting that treating these audit firms as a homogeneous group in future research may not be appropriate. These inter-firm pricing differences do not appear to be due to the potential confounding effects of the auditee's industry. In contrast to previous studies, a significant positive association between internal and external audit costs is observed, suggesting a complementary, rather than a substitute, relationship.

IV. "The Accountants' Advertising Debate in Canada - History, Comparison and Analysis of the Issues" by Professor Michael Maingot of the University of Ottawa presented at the European Accounting Association Conference, Birmingham, England, U.K., 11th May 1995.

The purpose of this paper is twofold. The first is to examine the current guidelines established to govern advertising by Canadian CAs and to suggest amendments to the existing guidelines. The second objective is to demonstrate that advertising done in professional good taste is neither unethical nor harmful to the image of the accounting firm or profession.

The arguments for and against advertising in the accounting profession are examined under the headings of the integrity issue, the competition issue, advertising and the cost of accounting services, concentration of accounting services in large firms, and specialization and accountant advertising. The arguments conclude that advertising is much more beneficial to consumers of accounting services than it is detrimental.

It is clear that any advertising rules must strike a fair balance between the need for the proper dissemination of information and the need to protect the public. With this in mind, some possible amendments to existing rules of the Ontario Institute are suggested. ■

NEW DATA AND OTHER MATERIAL FOR RESEARCHER

- a) We have been provided data on hospitals in Ontario by the Ontario Hospital Association. We are hoping that this source of data will make it much easier to perform research activities and eventually to develop a research program in the very important sector of health care.
- b) **“International Accounting: Research Priorities for the 1990’s”**. This monograph, conceived by Frederick D.S. Choi and edited by Cheryl L. Fulkerson and Kathleen R. Bindon, was prepared by the research committee of the AAA's International Accounting Section. Designed to foster and stimulate relevant research in international accounting, separate chapters highlight financial and managerial accounting, as well as taxation, auditing, and systems. The final chapter focuses on accounting issues of newly industrialized nations.
- c) The collection of annual reports at the ARC keeps on growing. To date the ARC's library contains more than thirteen thousands annual reports belonging to 15 countries. To assist researchers in their projects, the reports have been regrouped in eighteen separate industries.

PROFESSIONAL WORKSHOPS

1. **“Innovative Management in Health Care Institutions”**, D. Ferrand and C. Lay. Communication to the Faculty of Administration, University of Ottawa, March 31, 1994.
2. **“Information Technology Investment: Analysis of Users” Functional Value Added**, D. Ferrand and C. Lay. Communication to the Faculty of Administration, University of Ottawa, December 2, 1994.

VIDEO

The third annual conference has been taped on video. Copies of the video could be used in CGA courses or in other forums.

ADVISORY COMMITTEE

We welcome Bill Skelly, CGA, as a member of the Centre's Advisory Committee. He will replace Mr. Brian Heaney, FCGA, who is leaving the Centre to continue his demanding duties as Executive Vice President of CGA Ontario.

Bill is a very committed and active member of CGA Ontario. He is presently immediate past chair of the Ottawa chapter. ■

NEWSLETTER

This is the third of a series of Newsletters to be published by the CGA-ARC. The objective of the Newsletter is to keep the academic and accounting community and other interested persons aware of the activities of the Centre.

Any communication with the ARC can be sent by mail or fax to:

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