

NEWSLETTER

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CONTENT

PAGE 2

Forthcoming Sixth Annual Conference Will Look at Fairness and Adequacy of Canadian Tax System

At the Conference Proceedings Available
CGA-ARC Receives Funding From CGAZO

PAGE 3

Research Abstracts

PAGE 4

Recent Acquisition by the CGA-ARC

The CGA-Accounting Research Centre on the WWW

PAGE 5

Publications

Distinguished Speaker Series

CGA-ARC Hosts Visiting China Delegation

The ARC is located in Vanier Building Room 351G.

FIFTH ANNUAL CONFERENCE VIEWED THE SHIFTING FOCUS OF PUBLIC SECTOR ACCOUNTING TO RESULTS

A capacity audience gathered at the NAC on October 24, 1996, to hear a group of distinguished speakers describe how the Canadian Federal Government, the Government of the Province of Alberta, as well as the accounting profession, are meeting the demands of Canadians for more information about the overall financial status of their governments, as well as how effectively these governments are performing. Essentially these demands are being met by a shift in emphasis from accounting controls over inputs towards accountability for outcomes.

The guest speakers at the Centre were: Denis Desautels, FCA, Auditor General of Canada; Peter Harder, Secretary of the Treasury Board and Comptroller General for the Government of Canada; James Peters, CA, Controller, Alberta Treasury, Province of Alberta; John Kelly, FCA, Director, Public Sector Accounting and Auditing Board of the CICA; and Professor Gilles Paquet, professor of public policy and econom-

ics at the University of Ottawa. The moderator for the conference was David Rattray, FCGA, assistant auditor general of Canada.

The conference was told that governments are facing two realities today. The first of these relates to the reduced flexibility to continue existing programs or to introduce new ones, because of high debt levels and the resultant high debt servicing costs. The second reality is the erosion of public confidence in government.

A result of these twin realities is the need to communicate good information on government programs and address questions such as: Are program results being achieved? Are programs affordable?

The shift from the traditional input focus to one related to outputs and performance was described as it was being achieved by the federal government and by the government of Alberta. The latter has developed a new accountability framework calling for fiscal responsibility and better management. The federal government is following a financial and management information strategy that identifies key results areas as well as the strategies to measure these results. Both governments are moving to the replacement of the present cash-based accounting system with accrual accounting.

The accounting profession has, for some time, been making recommendations to improve the reporting of the financial position of governments. The most recent of these was an Exposure Draft from the PSAAB of the CICA recommending the use of full accrual accounting for government financial reporting.

While there is no question of the need to move to the measurements of results and performance, it must be recognized that these have their limitations. The environment within which governments must operate is characterized by rapid change, complex and often ill-defined goals and by conflicting priorities. Performance measurement at the program delivery end can be quite effective. However, at the policy level, rational decision-making models may not be applicable.

AT THE CONFERENCE



Distinguished speakers at the Fifth Conference, left to right: Gilles Paquet, John Kelly, Denis Desautels, James Peters, Rick Neville (sitting in at this time for Peter Harder) and David Rattray, (moderator at the podium).



FORTHCOMING SIXTH ANNUAL CONFERENCE WILL LOOK AT FAIRNESS AND ADEQUACY OF CANADIAN TAX SYSTEM

To the Canadian Government, as well as many others, the tax system represents a privileged instrument of social and economic policy. However recent social economic and international changes call into question the relevance, effectiveness and fairness of many aspects of the current tax system.

Some of the changes impacting tax policy include a shift to incomes generated by technology and capital and different relationship within the traditional family structure. Economic issues include the requirement to monitor for tax purposes, sales and purchases made electronically. Too, the appropriateness of tax incentives such as capital cost allowance and the investment tax credit, are questionable in an

increasingly knowledge-based rather than production-based economy. Finally, international changes such as globalization of the Canadian economy emphasize the urgent need for Canada to harmonize its taxation systems with those of competing nations.

This conference, to be held at the National Art Centre on Thursday, October 23, 1997, will examine the responsiveness of our tax system to these social, economic, and international challenges from the view points of Canadian tax payers, and the Canadian tax authorities, as well as from the perspectives of Canadian public finance and international trends in taxation. To represent these views, an eminent panel of speakers has been obtained.

CGA-ARC RECEIVES FUNDING FROM CGAO



The Board of Governors of CGA Ontario approved the ARC's budget for the year. Shown above are CGAO President Brian Heaney, FCGA, presenting a cheque to Daniel Zeghal, FCGA, Director of the CGA-ARC.

PROCEEDINGS AVAILABLE

Proceedings of the Fourth and Fifth CGA-ARC Annual Conference are now available. They may be obtained by communicating with the address at the end of this Newsletter.

RECENT ACQUISITION BY THE CGA-ARC

The Sage University Paper Series: Quantitative Applications in the Social Sciences; there is a total of 116 applications.

PUBLICATIONS

"Developing Service Standards as a Means of Monitoring the Public Sector's Performance", by Michael Maingot, 1997.

"Public Sector Accounting: Shifting the Focus to Results", proceedings of the Fifth Annual Conference, edited by Daniel Zeghal, CGA Accounting Research Centre, University of Ottawa, 1997, pp. 1-48.

"Human Resources Information Disclosure in Annual Reports: An International Comparison", by Aremanda Subbarao and Daniel Zeghal, Working Paper 96-60, October 1996.

"Financial Statements: Do They Have a Future?", proceedings of the Fourth Annual Conference, by Daniel Zeghal, CGA Accounting Research Centre, University of Ottawa, 1996, pp. 1-49.

"Initiatives on the Expectations Gap in Canada and the United States", by Michael Maingot, The Irish Accounting Review, Vol. 3, Number 2, Autumn 1996.

"Public Sector Accounting: Shifting the Focus to Results", by Daniel Zeghal and Paul Faulkner, Statement, February/March, 1997, pp. 9-10.

"Content Analysis of Strategic Information Disclosure in Corporate Annual Reports: A Comparative International Study", by Swee C. Goh, Daniel Zeghal and Jean-Louis Schaan, February 1997.

"Régir l'entreprise au mieux, affronter la crise et saisir les occasions", by Daniel Zeghal et M. Robleh, Document de travail 97-07, février 1997.

"Performance Targets and Planning Documents: a Study from the UK Public Sector", by Noel S. Hyndman, Working Paper 97-05, January 1997.

"Management Views on Dividend Policy: A Survey of Canadian Firms", by Fodil Adjaoud and Daniel Zeghal, Working Paper 96-71, December 1996.

RESEARCH ABSTRACTS

1 "Content Analysis of Strategic Information Disclosure in Corporate Annual Reports: A Comparative International Study" by Swee C. Goh, Daniel Zeghal, and Jean-Louis Schaan.

The research presented in this paper compares by country and region (Asia, Europe and North America) the extent of strategic qualitative information disclosure in corporate annual reports. Our main focus is on the disclosure of strategic information about the company through the President's message to shareholders. This is analyzed from the perspective of both the quantity and types of strategic themes that are embodied in the message. Implications of the differences in information disclosure found are discussed from a cross-cultural business perspective. Further analysis based on the type of accounting model used in the international environment was also explored to explain some of the differences found in the study. The paper concludes with some observations about content analysis of qualitative information in annual reports and future research directions.

2 "Management Views on Dividend Policy: A Survey of Canadian Firms" by Fodil Adjaoud and Daniel Zeghal.

Issues related to dividend policies have been analyzed within many frameworks including stock prices behavior, taxation, agency costs, information content, and signalling. Most of the research has dealt with shareholder's and managers' behavior through the analysis of stock prices and other financial indicators.

The present study, based on data collected via a questionnaire, attempts to analyze dividend policies from the point of view of managers developing and managing such policies.

Our results based on a sample of 116 firms divided into three groups according to their dividend pattern (decreasing, increasing, and stable), indicate that the majority of financial managers rationalize their dividend decisions consistently with the prevailing literature on dividend policy. In fact, a majority of factors shaping dividend policy are specific to the firm, more particularly its present and expected profitability and its shareholder preferences regarding dividends. There were no statistically significant differences between the three groups, implying that different dividend patterns, namely increase and decrease in dividends, are not caused by a different set of factors but rather by changes in the nature of those factors.

3 "Developing Service Standards as a Means of Monitoring the Public Sector's Performance", by Michael Maingot.

This paper defines services standards within the context of the public sector in Canada. It then describes the five main components of service standards with special attention being given to service delivery targets and the costing of

delivery services as it applies to the Federal and other levels of government in Canada. It also addresses the process that an organization goes through when developing service standards.

4 "Human Resources Information Disclosure in Annual Reports: An International Comparison" by Rao Subbarao and Daniel Zeghal.

Human resources are considered the most important component of a corporation for competitive advantage in global markets. Human resources are the least mobile across the national boundaries, particularly, in comparison with capital and financial resources, which can be moved around the world in these days of "electronic capitalism". Moreover, 99 percent of the projected growth of the world's workforce in future is expected to take place in the developing countries. The developing countries' share of the total pool of the world's knowledge workers also increased from less than a quarter in 1970 to more than a half in 1995. However, the job opportunities for knowledge workers have been increasing in the urban centres of the developed world, and as a result, their mobility from the developing countries to the developed nations has been increasing. Migration of workers of different racial and ethnic backgrounds from developing countries to the developed nations contributed to the increased diversity of the workforce in the developed countries. The diversity of workforce in the developed countries has been increasing as the labour force participation of women has been increasing steadily during the last three decades.

Society, workers and share holders expect the corporations to manage and utilize the diverse workforce not only for competitive advantage of a corporation but also of a nation. The corporations are expected to disclose information relating to management of human resources in their annual reports. This study analyzed the annual reports of a sample of publicly traded corporations in six countries (U.S., Canada, Germany, U.K., Japan and S. Korea) for the purpose of an international comparison of human resources information disclosure. Based on a content analysis, our results reveal that corporations in different countries were different in disclosure of human resources information, particularly those in Europe disclosed more human resources information than Asia and North America. The corporations in the financial and services sector, which employed over two-thirds of the workforce in the developed countries and which were expected to be model employers, were also different from those in the manufacturing sector in disclosure of human resources information. The details of the differences between the two sectors and among the six nations of the three continents, in terms of the incidence (frequency) and word count (content) of information disclosed on different human resources issues in the annual reports are presented in the paper.

DISTINGUISHED SPEAKER SERIES

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

- Berry Hsu of the University of Hong Kong, on "The Developing Regulatory Framework of Banking and Finance of Hong Kong".
- Dr. Noel Hyndman of the School of Management of the University of Ulster, Belfast, N.I., on "Long Range Plans and Operating Budgets; Linkages with Strategic Objectives: The Case of U.K. Agencies".

CGA-ARC HOSTS VISITING CHINA DELEGATION

The CGA-ARC hosted a delegation from the People's Republic of China on November 27, 1996. The delegation consisted of 30 delegates who represented finance officials in the chemical industry. Presentations to the group were made by accounting professors at the University of Ottawa and covered topics such as: Canadian professional accounting organizations, management accounting issues and accounting research.

The organizing group for the visit was the Foundation for International Training (FIT) which was established in 1976 as a non-profit development services organization, FIT's mandate is to further social and economic progress in developing countries by strengthening human capabilities.



Professor Daniel Zeghal, Director of the CGA-ARC, addresses members of the delegation of the People's Republic of China. Daniel Zeghal, FCGA, Executive Director of the CGA Accounting Research Center, served on a CGA Canada Committee which submitted CGA-Canada position to the independent panel on modernization of controllership in the government of Canada

THE CGA-ACCOUNTING RESEARCH CENTRE ON THE WWW:

To know more about the CGA Accounting Research Center at the University of Ottawa you can visit our web site at the following address:

www.CGA-ARC.uottawa.ca

NEWSLETTER

This is the fifth 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 communications with the ARC can be sent by E-mail, phone, mail or fax to:

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