

# NEWSLETTER

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## **EIGHTH ANNUAL CONFERENCE LOOKED AT THE "GREENING OF ORGANIZATIONS"**

Close to two hundred accounting and finance professionals attended the eighth annual conference of the CGA-ARC organized in collaboration with the Center for Research on Integration of Environment and the Economy held at the NAC on 21 October, 1999. The conference was opened by CGA Ontario President Jeannine Brooks, FCGA and moderated by Professor Merridee Bujaki of the University of Ottawa. The guest speakers were: Mr. François Guimont, Assistant Deputy Minister in Environment Canada; Professor Nabil Elias of the University of Manitoba; Ms Jan Bebbington of the Centre for Social and Environmental Research in Dundee, Scotland; Ms Helen Howes, Director of Corporate Environment at Ontario Power Generation; Mr. Blair Feltmate, senior partner in the Sustainable Development Group and Professor Kathryn Pedwell of the University of Ottawa.

Taking into account environmental concerns has become a very real and important part of the new business reality. Sustainable development, defined by Blair Feltmate as "... meeting

the needs of the present without compromising the ability of future generations to meet their own needs" has become a concern of business executives, government officials, controllers and managers because of the impact of factors such as environmental regulations, environmental awareness and ethical values.

The Environmental Protection Act (1988) gives the government controlling and policing powers over environmental actions. Inspection, using scientific measures are supplemented by formal reporting by industries. Such reporting is improving and demonstrates more voluntary actions by corporations to improve their performance in protecting the environment. Future legislation is moving towards the management phase of environmental protection.

The accounting profession has done some excellent work in meeting the challenges of accounting for the costs of sustainable development. But, this effort has been limited to the area of voluntary reporting. Effective accounting and reporting for the costs of sustainable development won't work without there being effective standards in place. These are needed to cover loopholes in certain accounting and reporting areas. Too, they are needed to provide a strong sustainability focus which would see included costs such as, remedial costs. The cost of environmental resources used should be part of the product cost.

Sustainable development is a proxy for good management. Organizations in the energy sector certainly see and live by the truth of that statement. Creating shareholder value through improving environmental performance was major theme of the conference. Dow Jones has produced a sustainability group index, which illustrates clearly that the shares of sustainable development companies do better than the average organization. Share values are enhanced because the market place sees sustainable development companies as being well managed.



*Speakers at the Eighth Conference, (left to right) Jan Bebbington, Professor, University of Dundee, Scotland, UK; Kathryn Pedwell, Professor, University of Ottawa; Nabil Elias, Professor, University of Manitoba; Blair Feltmate, Senior partner, Sustainable Development Group; Helen Howes, Director of Corporate Environment, Ontario Power Generation; François Guimont, Assistant Deputy Minister Environmental Protection Service and Merridee Bujaki, Professor, University of Ottawa.*

**The ARC is located  
in Vanier Building  
Room 351G.**



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## **E-COMMERCE REVOLUTION WILL BE THE TOPIC OF THE UPCOMING CONFERENCE**

E-Business is evolving across many dimensions. The way we live and work is already changing and will continue to change rapidly over the next few years. Rapid growth is predicated on "digital cash" emerging as a preferred medium of exchange. Electronic transactions, and enterprise resource systems like SAP, Oracle or Peoplesoft are here to stay.

In such an environment, revolutionary changes are facing accountants, financial managers and comptrollers in the fundamental nature of their work. Old methods and unchallenged expertises are coming under assault. Further, e-commerce raises issues for accountants, auditors and financial managers such as: the security of information, the acceptability of electronic evidence, concerns regarding privacy, continuous auditing, on-line financial disclosure and eventually, accounting and financial functions which are fully integrated with corporate e-commerce sites.

The upcoming conference: "The E-Commerce Revolution: New Roles for Accountants and Financial Managers" will provide participants with an opportunity to have a closer look at the new e-commerce reality and the resulting challenges they face in their professional work. The conference will be held in the Panorama Room of the National Arts Centre at 8:00 a.m. Thursday, 19 October 2000.

**"The Disclosure of Future Oriented Information in Annual Reports of Canadian Corporations"**, by Merridee Bujaki, Daniel Zéghal and Richard Bozec, Working Paper 99-44.

**"An Analysis of the Information Content of Visuals in International Annual Reports"**, by Merridee Bujaki, Daniel Zéghal and Michael Guolla, Working Paper 99-36.

**"Assessing Domestic and Foreign Subsidiary Performance: A Canadian Perspective"**, by Fodil Adjaoud and Daniel Zéghal, Working Paper 99-14, July, 1999.



*Guests and presenters at the conference included (left to right): François Guimont, Assistant Deputy Minister Environmental Protection Service; Jeannine Brooks, President CGA-Ontario; Milford Masters, Director Educational and Professional Service, CGA-Ontario; Kathryn Pedwell, Professor, University of Ottawa; Jan Bebbington, Professor, University of Dundee, Scotland, UK; Paul Faulkner, Editor of this Newsletter.*

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## **PUBLICATIONS**

**"The Effect of Accounting Firm Mergers on International Markets for Accounting Services"**, by Mun Soo Choi and Daniel Zéghal, *Journal of International Accounting, Auditing and Taxation*, pp. 1-22; 8(1) 1999.

**"Impact of Adopting New Management Control Approaches on the Economic Value Added"**, by Daniel Zéghal and Majdi Boucekoua, *Comptabilité contrôle Audit*, Tome 6, Volume 1, Mars 2000.

**"The Greening of Organizations: How Organizations Are Meeting the Challenges of Environmental Management, Measurement, Reporting and Auditing"**, *Proceedings of the Eighth Annual Conference*, Daniel Zéghal, Editor, (forthcoming).

**"New Assets for the New Economy"**, by Daniel Zéghal, *FMI Journal*, Vol. 11, No 2, pp. 35-40, Winter 2000.

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## **RESEARCH ABSTRACTS**

1. **"The Effect of Accounting Firm Mergers on International Markets for Accounting Services"**, by Mun Soo Choi and Daniel Zéghal.

The purpose of this paper is to examine the effect of accounting firm mergers on competition in the market for accounting services. This paper investigates accounting firm concentration both before and after the accounting firm mergers in ten countries. Large firms were found to dominate the market before the mergers and this dominance was extended further following the mergers, particularly in the European market. When the performance of large and small firms was compared, large firms were found to be significantly superior both before and after the merger in some European countries, possibly indicating reduced competition. Performance of large and small firms did not significantly differ in several other countries, suggesting that high levels of concentration do not necessarily mean low levels of competition.

2. **"The Disclosure of Future Oriented Information in Annual Reports of Canadian Corporations"**, by Merridee Bujaki, Daniel Zéghal and Richard Bozec.

Volume, content and reliability of future oriented information in the MD & A and Chairpersons Letter sections of annual reports are assessed. Volume is assessed as number and proportion of words. Content type (quantitative or qualitative), economic nature (macro-economic, industry, or company specific), orientation (good or bad news), and specific content (capital expenditures, profitability, etc.) are addressed. Reliability of quantitative predictions is assessed by comparison with actual results. Future oriented information comprises a small portion of disclosures in the MD & A (15 percent) and CL (19 percent). These disclosures are largely qualitative (85 percent), company specific (80 percent), good news (97 percent). Product information, capital expenditures, and market issues are the most prevalent content areas. Quantitative predictions are least reliable for revenues and capital expenditures, and exhibit a conservative bias.

3. **"An Analysis of the Information Content of Visuals in International Annual Reports"**, by Merridee Bujaki, Daniel Zéghal and Michael Guolla.

This study examines the information content of visuals included in the annual reports of companies from Canada, United States, United Kingdom, Germany, Japan and Korea. Information content variables used are derived from advertising research literature, and address both descriptive characteristics of visuals (who, what and where?) and inferential characteristics (what image is being portrayed, is goodwill being generated?). Many of the advertising constructs are useful in describing the information content of visuals. Empirical regularities in the information content conveyed are noted which suggest that the accounting model (British-American or Continental) under which annual reports are prepared, as well as regional and country-specific factors, have an impact on the information content of the visuals.

4. **"Assessing Domestic and Foreign Subsidiary Performance: A Canadian Perspective"**, by Fodil Adjaoud and Daniel Zéghal.

In this paper, the largest Canadian public companies were surveyed as to the financial and non-financial measures they use to assess the performance of their subsidiaries located in Canada and abroad. In a questionnaire sent to CFOs, the quantitative and qualitative measures mentioned in current literature were listed, and the respondents were asked to check those in use in their company. Also included were questions on the method of converting financial statements as well as the number and the nature of subsidiaries in Canada and abroad. The results of the survey show that Canadian companies prefer, first of all, the budget and then the profit measure, preferably in the currency of the country where the subsidiary is located. Globally, the performance measurement systems used by Canadian companies are somewhere in between those adopted by US and UK firms.

## **DISTINGUISHED SPEAKER SERIES**

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

1. **"The Separation of Ownership and Control; An Analysis of Ultimate Ownership in Western European Corporations"**, by Professor Larry H.P. Lang, Chinese University of Hong Kong, March 3, 2000.

2. **"Studies of the Co-ordination of Mission, Objectives and Targets in Canadian and UK Agencies"**, by Noel Hyndman, University of Ulster and Ron Eden, University of Ottawa, February 28, 2000.

3. **"Performance Measures and the Dialectic of Rationalization"**, by David J. Cooper, University of Alberta, November 19, 1999.

4. **"Taxation" and "Executive Compensation and Corporate Governance"**, Amin Mawani, University of British Columbia, September 2-3, 1999.



Dr. Larry Lang distinguished guest at the CGA-ARC speak on the topic of **"The Separation of Ownership and Control - An Analysis of Ultimate Ownership in Western European Corporations"**

*Profile:*

- Ph.D., M.A. Finance, The Wharton School; M.A., B.A. Economics, Taiwan
- Taught at the following universities: The University of Chicago, The Stern School of Business, Michigan State, The Wharton School.
- Partner with Lehman Brothers and consultant with the World Bank.
- Publications include: Journal of Finance (1996, 1991, 1988), Journal of Banking and Finance (1999, 1998, 1988), Journal of Financial Economics (2000, 1996, 1995, 1992, 1991, 1990, 1989), Journal of Accounting Research (1991), Journal of Political Economy (1994, 1992), and Journal of Business (2000)

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## **EXECUTIVE DIRECTOR RECEIVES RECOGNITIONS**

• Daniel Zéghal, Professor at the Faculty of Administration and Executive Director of this Accounting Research Centre has been selected as a member of the International **Who's Who** of Professionals for the Year 2000.

Selection for inclusion in the **Who's Who** organization and membership is a testament to the professional, academic and civil achievement of the member.

• Daniel Zéghal, Ph.D. FCGA, received in the Fall of 1999 the **Certified General Accountants Association of Ontario's Life Membership**.

Dr. Zéghal was nominated for this award for his exemplary management of the University of Ottawa's CGA-Accounting Research Centre and his ongoing role in enhancing and promoting the CGA designation in both national and international forums.

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*Part of the audience of accounting and business professionals attending the Eighth Conference.*

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## **OTHER NEWS**

• Dr. Zeghal, Executive Director CGA-ARC made a presentation to a group of 30 deans of Faculty of Business and Directors of School of Accountancy from Mexico on the Topic of "Research in Accounting and the Development of an International Accounting Profession".

• On November 3, 1999 in Toronto, the Executive Director of the CGA-ARC, Professor Daniel Zéghal, FCGA, made a presentation to a group of representatives of universities in Ontario. The presentation covered the formation, role, organization, activities and achievements of the ARC from its founding in 1992 to the present.

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*Guests at the conference (left to right): Dr. Colin Lay, Professor, University of Ottawa; Daniel Zeghal, Professor, Director CGA-ARC, University of Ottawa, and Dr. Jean-Louis Schaan, Professor, University of Ottawa.*

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## **FOR MORE INFORMATION**

• To know more about the CGA-ARC you are invited to visit our website at the following address:

[www.cga-arc.admin.uottawa.ca](http://www.cga-arc.admin.uottawa.ca)

• Any communications with the ARC can be send by E-mail, phone, mail or fax to:

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