

Paul



The Canadian Academic Accounting Association  
L'Association canadienne des professeurs de comptabilité

$C_1 + S + 66 + D + 12 + D + 30 + (2 + 2) + C_1$

$112 + 2D + 15 + 2C_1$

**PROGRAMME DU CONGRÈS  
DE L'A.C.P.C. 1998**

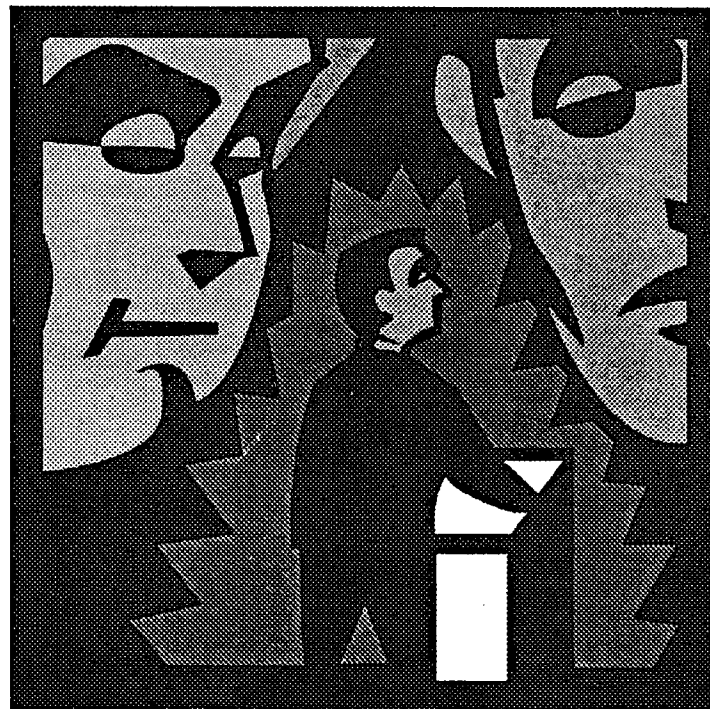
**1998 CAAA CONFERENCE  
PROGRAM**

28 au 31 mai 1998  
Radisson Hotel  
Saskatoon (Saskatchewan)

May 28 - 31, 1998  
Radisson Hotel  
Saskatoon, Saskatchewan

***Enseignement et recherche***  
*Une relation symbiotique*

***Teaching and Research***  
*A symbiotic relationship*



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*Bern Ouiment - Student, Queen's University*

*"One of the better accounting textbooks I've studied...I wish more texts could be the same."*

*Hilarion Kuksin - Student, University of Toronto, Erindale*

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*"Problems are based on real-world financial reporting matters. These problems develop a flexible understanding of financial reporting and at the same time, contribute to a meaningful discussion of general business issues and strategies."*

*Fred Phillips - Professor, University of Saskatchewan*

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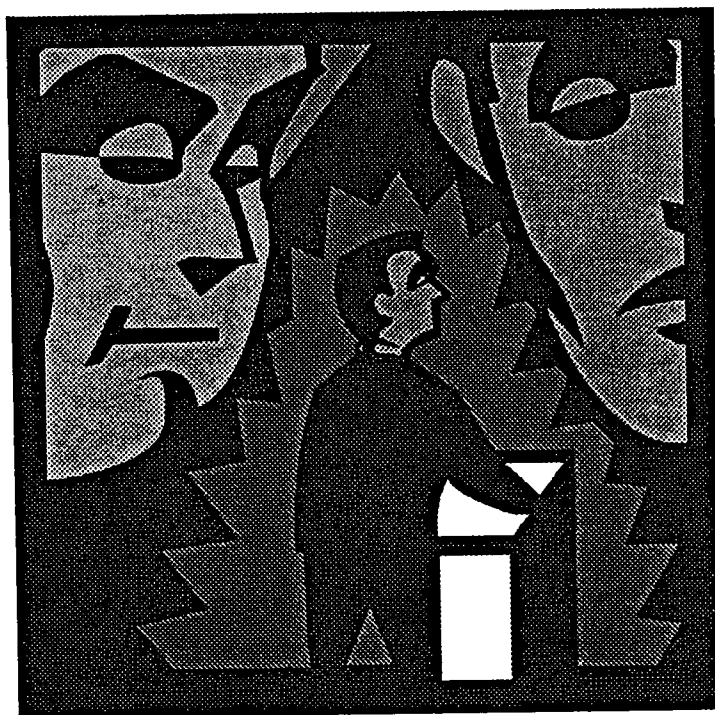
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***Enseignement et recherche***  
***Une relation symbiotique***

***Teaching and Research***  
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## Congrès 1998 Conference

**The Canadian Academic Accounting Association**

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de 1998*



*1998 Conference  
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Acland, Derek  
Akpata, Egie E.  
André, Paul  
Austin, Bryan J.  
Bandyopadhyay, Sati Prasad  
Bateman, David  
Baxter, George  
Bewley, Kate  
Boland, Lawrence A.  
Boritz, J. E.  
Boutot, Martyne  
Brennan, W. John  
Breton, Gaétan  
Brooks, Leonard  
Buhr, Nola  
Bujaki, Merridee  
Carter, Donald G. A.  
Carter, David T.  
Chen, Peter  
Chlala, Nadi  
Cooper, David  
Côté, Louise  
Craighead, A. Jane  
Crandall, Dickie  
Deutsch, Esther  
Downey, Angela  
Dykeman, Brock  
Eckel, Leonard  
Elias, Nabil  
Emerson, Bryan  
Entwistle, Gary  
Etherington, Lois  
Feltham, Gerald A.  
Fizzell, Maureen  
Forester, Clayton  
Fortin, Anne  
Friedlan, John  
Gaa, James C.  
Gelardi, Alexander M.  
Gendron, Yves  
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Gibbins, Michael  
Gordon, Irene M.  
Gosselin, Maurice

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Kennedy, Duane  
Khalil, Jylan  
Labelle, Réal  
Lau, Chong  
Laurin, Claude  
Lee, Brian Bu Ryung  
Legault, Michèle  
Lemon, W. Morley  
Libby, Theresa  
Lindsay, Daryl  
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Macnaughton, Alan  
Mavrinac, Sarah C.  
McReynolds, John  
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Miller, Hope  
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Morrill, Cameron  
Morrill, Janet  
Morris, Kevin  
Murdoch, Alastair  
Nelson, Morton  
Neu, Dean  
Nyirenda, Kelvin Little  
Pedwell, Kathryn  
Pérusse, Danièle  
Phillips, Fred  
Piper, Janet  
Pittman, Jeffrey  
Pollanen, Raili  
Reed, Margaret  
Rennie, Morina  
Rennie, Richard  
Reyns, Carl  
Richardson, Gordon D.  
Richardson, A. William  
Richardson, Alan J.  
Rosen, L. S.  
Roy, J. Paul-Émile  
Russell, Grant  
Salterio, Steven

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Scott, Thomas W.  
Senkow, David  
Shackell, Margaret  
Sharp, David  
Shields, Greg  
Shome, Anamitra  
Smieliauskas, Wally  
Smith, Sylvia  
Spector, Stephen  
Spraakman, Gary  
Stout, David E.  
Szpiro, Daniel  
Teall, Howard  
Thiel, Shelley  
Thorne, Linda  
Trenholm, Barbara  
Trites, Gerald  
Tuurosang, Boniface  
Vaidyanathan, Ganesh  
Warsame, Hussein A.  
Welker, Michael  
Wier, Heather  
Wright, Michael  
Young, Nicola M.  
Zéghal, Daniel  
Zhang, Ping

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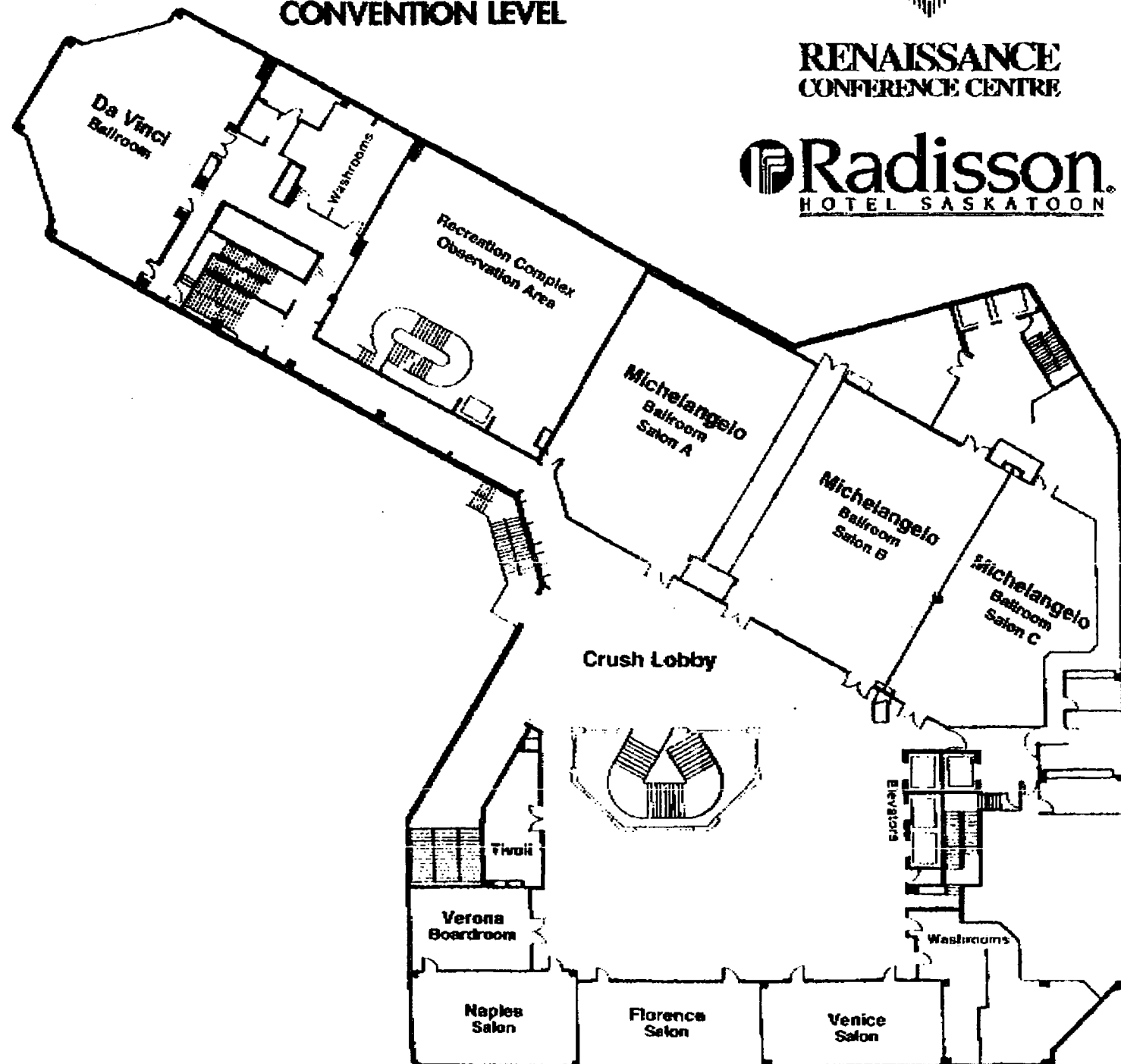
<b>who</b> <i>Members of the Accounting Community</i>	?
<b>what</b> <i>The 1999 CAAA Conference</i>	?
<b>when</b> <i>June 3rd to 6th, 1999</i>	?
<b>where</b> <i>Toronto, Ontario</i>	?
<b>why</b> <i>Build the momentum</i>	?
	<i>Why Not?</i>

## CONVENTION LEVEL



RENAISSANCE  
CONFERENCE CENTRE

 **Radisson.**  
HOTEL SASKATOON



**Jeudi 28 mai**

**Thursday, May 28**

**15:00 - 19:00**

**Inscription**

Salle : Tivoli

**Commanditaires**

Programme du congrès:



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**Sponsors**

Conference program:

**Registration**

Location: Tivoli

Sacs:

Tote bags:



L'Institut canadien des comptables agréés /  
The Canadian Institute of Chartered  
Accountants

**16:00 - 17:30**

**Séance de discussion à  
l'intention des étudiants  
au doctorat et des  
nouveaux professeurs**

Président : Angela Downey  
(University of Lethbridge)

Salle : Florence

***Searching for a Faculty Position***

Nola Buhr (SUNY at Binghamton)

***Completing the Dissertation While a Full-time Faculty  
Member***

Gary Entwistle (University of Saskatchewan)

***Managing and Prioritizing Research, Teaching and Service:  
Advice for New Faculty***

Efrim Boritz (University of Waterloo)

***Using Teams to Enhance Research Productivity***

David Sharp (University of Western Ontario)

**Doctoral Student/New  
Faculty Panel**

Chair: Angela Downey  
(University of Lethbridge)

Location: Florence Salon

**19:00 - 21:30**

**Réception de bienvenue**

Salle : Da Vinci Ballroom

**Commanditaire**



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**Welcome reception**

Location: Da Vinci Ballroom

**Vendredi 29 mai**

**Friday, May 29**

**7:30 - 8:30**

**Petit-déjeuner**

Salle : Crush Lobby

**Commanditaire**



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**Breakfast**

Location: Crush Lobby

**8:00 - 16:00**

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*START EARLY? 8:15*

**8:30 - 8:45**

**Mot de bienvenue**

Salle : Michelangelo  
Ballroom A

**Président du congrès**

Daryl Lindsay  
(University of Saskatchewan)

**Conference chair**

**Opening remarks**

Location: Michelangelo  
Ballroom A

**8:45- 9:05**

**Mot de l' Association  
européenne de  
comptabilité**

Salle : Michelangelo  
Ballroom A

**Président de l'AEC**

Carl Reynolds  
(Universiteit Antwerpen)

**EAA President**

**Message from the  
European Accounting  
Association**

Location: Michelangelo  
Ballroom A

**Vendredi 29 mai**

**Friday, May 29**

**9:05 - 10:15**

**Plénière - première partie**

**L'investissement des sociétés  
dans les biens incorporels :  
les défis**

Président : George C. Baxter  
(University of Saskatchewan)

Salle : Michelangelo  
Ballroom A

**Conférenciers**

Beverley Brennan  
(Philom Bios Inc.)

Doug Finnie  
(Royal Bank of Canada)

Rob McLean  
(MatrixLinks International Inc.)

**Speakers**

90

**Plenary session - Part I**

**Corporate Investment in  
Intangibles: The Challenges**

Chair: George C. Baxter  
(University of Saskatchewan)

Location: Michelangelo  
Ballroom A

**10:15 - 10:30**

**Pause santé**

Salle : Crush Lobby

**Commanditaire**



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of Saskatchewan

Exposition de livres

**Sponsor**

Book display

**Nutrition break**

Location: Crush Lobby

**10:30 - 12:00**

**Séances parallèles**

**Séance 1A : Enseigner à de  
grands groupes : points de  
vues pédagogiques,  
technologiques, scientifiques,  
et administratifs**

Président : John Friedlan  
(York University)

Salle : Florence

**Présentateur**

Michael Gibbins  
(University of Alberta)

**Presenter**

45

**Concurrent sessions**

**Session 1A: The Teaching of  
Large Classes: Pedagogical,  
Technological, Research,  
and Administrative  
Perspectives**

Chair: John Friedlan  
(York University)

Location: Florence Salon

**10:30 - 12:00**

**Séances parallèles  
(suite)**

**Séance 1B : Concurrence,  
qualité, et frais en matière  
de vérification**

Président : Morina Rennie  
(University of Regina)

Commentateur : Wally  
Smieliauskas  
(University of Toronto)

Salle : Venice

**Séance 1C : Instruments  
financiers,  
désinvestissements, et  
efficience du marché**

Président : Len Gerspacher  
(University of Saskatchewan)

Commentateur : Hussein  
Warsame  
(Concordia University)

Salle : Naples

***Did the 1991 Amendment to Section 86 of The Ontario  
Municipal Act Improve Competition in the Municipal Audit  
Market in Ontario?***

Sati Bandyopadhyay & Jennifer Kao (both at the  
University of Waterloo)

***Underlying Determinants of Perceived Audit Quality on the  
Chinese Mainland: Evidence from Chinese Accounting  
Professionals and Financial Statement Users***

Charles J. P. Chen (City University of Hong Kong),  
Anamitra Shome (Brock University) & Xijia Su (City  
University of Hong Kong)

***Uncertain Litigation Cost and Seller Behavior: Evidence  
from an Auditing Game***

Ping Zhang (Wilfrid Laurier University), Bryan K.  
Church (Georgia Institute of Technology) & Lucy F.  
Ackert (Federal Reserve Bank of Atlanta)

***Partitioning Preferred Shares into Debt and Equity  
Components***

Alastair Murdoch & Harry Turtle (University of  
Manitoba)

***The Usefulness of Segment Information in Predicting  
Divestitures***

Peter Chen (University of Alberta)

***Market Efficiency Anomalies in Korea: Mispricing vs.  
Omitted Risk Factors***

Hay Y. Chung (Kyunghee University), Jeong-Bon Kim  
(The Hong Kong Polytechnic University) & Buryung  
Brian Lee (Concordia University)

**Concurrent sessions  
(continued)**

**Session 1B: Audit  
Competition, Quality, and  
Fees**

Chair: Morina Rennie  
(University of Regina)

Discussant: Wally  
Smieliauskas  
(University of Toronto)

Location: Venice Salon

**Session 1C: Financial  
Instruments, Divestitures, and  
Market Efficiency**

Chair: Len Gerspacher  
(University of Saskatchewan)

Discussant: Hussein Warsame  
(Concordia University)

Location: Naples Salon



**Vendredi 29 mai**

**Friday, May 29**

**12:15 - 14:15**

**Déjeuner du président**

Salle : Michelangelo  
Ballroom B

**Commanditaire**



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Accountants' Association of Canada

**Sponsor**

**President's luncheon**

Location: Michelangelo  
Ballroom B

**Invité**

**Guest Speaker**

Kelly Lendsay, MBA  
Director of Aboriginal Business Programs, The Scotiabank  
Directorship (University of Saskatchewan)

**14:15 - 15:45**

**Séances parallèles**

**Séance 2A : La technologie :  
une ressource pédagogique  
polyvalente**

Président : John Friedlan  
(York University)

Salle : Florence

*The Use of Internet (Web) Based Technologies by Canadian  
Accounting Departments: Are we doing all that we can?*

Efrim Boritz (University of Waterloo) & David Bateman  
(Saint Mary's University)

18

**Concurrent sessions**

**Session 2A: Technology: A  
Multi-faceted Teaching  
Resource**

Chair: John Friedlan  
(York University)

Location: Florence Salon

**Séance 2B : Une perspective  
critique et sociale**

Président : Nabil Elias  
(University of Manitoba)

Commentatrice : Nola Buhr  
(SUNY at Binghamton)

Salle : Venice

*"Presents" for the "Indians": Land, Colonialism and  
Accounting in Canada*

Dean Neu (University of Calgary)

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*Managing Across the "Friction of Space": Transformations  
in the Audit Planning Process*

Michael Barrett, David J. Cooper & Karim Jamal (all at  
the University of Alberta)

**Session 2B: A Critical and  
Social Perspective**

Chair: Nabil Elias  
(University of Manitoba)

Discussant: Nola Buhr  
(SUNY at Binghamton)

Location: Venice Salon

*Accounting as Simulacrum and Hyperreality: A  
Poststructuralist Perspective*

Norman Macintosh, Teri Shearer, Daniel Thornton &  
Michael Welker (all at Queen's University)

**Vendredi 29 mai**

**Friday, May 29**

**14:15 - 15:45**

**Séances parallèles  
(suite)**

**Séance 2C : Des sujets  
d'actualité en comptabilité  
de gestion**

Président : Mort Nelson  
(Wilfrid Laurier University)

Commentatrice : Theresa  
Libby  
(Wilfrid Laurier University)

Salle : Naples

*The Effect of Budget Emphasis, Participation and  
Information Asymmetry on the Propensity to Create Slack:  
Empirical Evidence for an Alternative Theory*

Chong M. Lau (Edith Cowan University) & Ian Eggleton  
(The University of Western Australia)

*Bandwagon Theories: Some Explanations for the Activity-  
Based Costing Paradox*

Maurice Gosselin (Université Laval)

*The Use of Post-Investment Reviews to Improve the Capital  
Investment System*

Daniel A. Szpiro (Concordia University)

**Concurrent sessions  
(continued)**

**Session 2C: Timely Topics in  
Management Accounting**

Chair: Mort Nelson  
(Wilfrid Laurier University)

Discussant: Theresa Libby  
(Wilfrid Laurier University)

Location: Naples Salon

**15:45 - 16:00**

**Pause santé**

Salle : Crush Lobby

**Commanditaire**



The Institute of Chartered Accountants of Ontario

Exposition de livres

**Sponsor**

Book display

**Nutrition break**

Location: Crush Lobby

**16:00 - 17:15**

**Assemblée générale  
annuelle de l'A.C.P.C.**

Salle : Michelangelo  
Ballroom A

Membres de l'A.C.P.C.

CAAA Members

**CAAA Annual General  
Meeting**

Location: Michelangelo  
Ballroom A

**18:00 - 20:30**

**Réception des membres**

Salle: Da Vinci Ballroom

**Commanditaire**



L'Institut canadien des comptables agréés /  
The Canadian Institute of Chartered  
Accountants

**Sponsor**

**Members' reception**

Location: Da Vinci Ballroom

**Samedi 30 mai**

**Saturday, May 30**

**7:30 - 8:30**

**Petit-déjeuner**

Salle : Crush Lobby

**Commanditaire**



Prentice Hall Canada Inc.

**Sponsor**

**Breakfast**

Location: Crush Lobby

**8:00 - 10:00**

**Inscription**

Salle : Crush Lobby

**Commanditaires**

Programme du congrès:

**Sponsors**

Conference program:

**Registration**

Location: Crush Lobby



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Sacs:

Tote bags:



L'Institut canadien des comptables agréés /  
The Canadian Institute of Chartered  
Accountants

**8:30 - 10:00**

**Séances parallèles**

**Séance 3A : Recherche en  
formation comptable**

Président : Daniel Szpiro  
(Concordia University)

Salle : Florence

**Présentateur**

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David E. Stout (Villanova University)  
Incoming Editor, Issues in Accounting Education

**Presenter**

**Concurrent sessions**

**Session 3A: Accounting  
Education Research**

Chair: Daniel Szpiro  
(Concordia University)

Location: Florence Salon

**Samedi 30 mai**

**Saturday, May 30**

**8:30 - 10:00**

**Séances parallèles  
(suite)**

**Séance 3B : Le rendement et  
le raisonnement moral du  
Comité de vérification**

Présidente : Lois D.  
Etherington  
(Simon Fraser University)

Commentateurs : Louise Côté  
(Université du Québec à  
Montréal); Daryl Lindsay  
(University of Saskatchewan)

Salle : Venice

**Séance 3C : Questions  
portant sur la fiscalité au  
Canada**

Président : Brock Dykeman  
(University College of the  
Cariboo)

Commentateur : Richard  
Rennie (University of Regina)

Salle : Naples

***The Effects of Experience and Knowledge on Audit  
Committee Members' Performance of Financial Reporting  
Oversight Tasks***

F. Todd deZoort (University of South Carolina) & Steven  
Salterio (University of Alberta)

***The Moral Reasoning of a Public Accountant - A Quebec  
Study (Le raisonnement moral de l'expert-comptable : une  
étude québécoise)***

Danièle Pérusse, CGA & Anne Fortin (Université du  
Québec à Montréal)

***Consensus Models and the Effect of Discussion on Auditors'  
Moral Reasoning***

Linda Thorne (York University)

***The Progressivity of the Canadian Federal Family Benefit  
System: A Ten Year Analysis - 1985 to 1994***

Alexander Gelardi (Simon Fraser University)

***Do Payroll Taxes Discriminate Against the Self-Employed?***

Alan Macnaughton (University of Waterloo)

***The Influence of Firm Maturation on the Relation between  
Capital Structure and Tax Status***

Jeffrey Pittman (University of Waterloo)

**Concurrent sessions  
(continued)**

**Session 3B: Audit  
Committee Performance and  
Moral Reasoning**

Chair: Lois D. Etherington  
(Simon Fraser University)

Discussants: Louise Côté  
(Université du Québec à  
Montréal); Daryl Lindsay  
(University of Saskatchewan)

Location: Venice Salon

**Session 3C: Taxation Issues  
in Canada**

Chair: Brock Dykeman  
(University College of the  
Cariboo)

Discussant: Richard Rennie  
(University of Regina)

Location: Naples Salon

**10:00 - 10:15**

**Pause santé**

Salle : Crush Lobby

**Commanditaire**



The Institute of Chartered Accountants of  
Saskatchewan

Exposition de livres

**Sponsor**

Book display

**Nutrition break**

Location: Crush Lobby

**Samedi 30 mai**

**Saturday, May 30**

**10:15 - 11:45**

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**Séances parallèles**

**Séance 4A : Méthodes de rechange d'enseignement des cours d'introduction à la comptabilité**

Présidente : Heather Wier  
(University of Alberta)

Salle : Florence

**Séance 4B : Un examen des questions relatives à la rémunération des cadres**

Président : Cameron Morrill  
(University of Manitoba)

Commentateur : Duane Kennedy  
(University of Waterloo)

Salle : Venice

**Séance 4C : Des questions liées à l'exercice de la profession et à l'établissement de normes**

Président : Bruce Irvine  
(University of Saskatchewan)

Commentateur : Morley Lemon  
(University of Waterloo)

Salle : Naples

**Présentateurs**

Angela Downey  
(University of Lethbridge)

John Friedlan  
(York University)

**Presenters**

**Concurrent sessions**

**Session 4A: Alternative Approaches To Introductory Accounting Courses**

Chair: Heather Wier  
(University of Alberta)

Location: Florence Salon

**Session 4B: An Examination of Executive Compensation Issues**

Chair: Cameron Morrill  
(University of Manitoba)

Discussant: Duane Kennedy  
(University of Waterloo)

Location: Venice Salon

**Session 4C: Issues in Practice and Standard Setting**

Chair: Bruce Irvine  
(University of Saskatchewan)

Discussant: Morley Lemon  
(University of Waterloo)

Location: Naples Salon

***Investor Use of Expanded Proxy Statement Disclosures on Executive Compensation***

Marilyn F. Johnson & Margaret B. Shackell (both at the University of Michigan)

***An Empirical Examination of the Effect of Mandated Compensation Disclosure on Executive Compensation***

Jane Craighead (Concordia University), Michel Magnan (École des Hautes Études Commerciales) & Linda Thorne (York University)

***Stakeholder Pressure and the Structure of Executive Compensation***

Marilyn F. Johnson (University of Michigan), Susan Porter (University of Texas at Austin) & Margaret B. Shackell (University of Michigan)

***The Gulf Between the Claims and Actions of the Members of the Auditing Profession Regarding "Relevant" Research***  
Yves Gendron (Université Laval)

***Deregulation of the Large Private Corporation Audit: Impact of the 1994 Amendment to the Canada Business Corporations Act***

David Senkow, Morina Rennie, Richard Rennie (all at the University of Regina) & Jonathon Wong (Vancouver)

***Moved: "That the internationalisation of accounting has made/will make national regulatory structures irrelevant".***

Ian Hutchinson, Alan Richardson & Sue Zheng (all at Queen's University)

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**Samedi 30 mai**

**Saturday, May 30**

**12:00 - 13:45**

**Déjeuner des membres**

Salle : Michelangelo  
Ballroom B

**Commanditaire**



The Society of Management Accountants of Canada /  
La Société des comptables en management  
du Canada

**Sponsor**

**Members' luncheon**

Location: Michelangelo  
Ballroom B

**Invité**

**Guest Speaker**

Ken Pontikes, CMA, FCMA  
Deputy Minister, Saskatchewan Municipal Government

**13:45 - 15:15**

**Séances parallèles**

**Séance 5A : Leçons tirées de  
l'enseignement en classe**

Présidente : Maureen Fizzell  
(Simon Fraser University)

Commentatrice : Janet Morrill  
(University of Manitoba)

Salle : Florence

***Social Responsibility Accounting, Learning and Factors that  
Affect Learning***

Irene M. Gordon & Alexander M. Gelardi (both at Simon  
Fraser University)

***L'Apprentissage et l'utilisation d'une simulation dans le  
cadre d'une vérification préliminaire [Learning Using an  
Interim Audit Simulation]***

Michèle Legault (Université du Québec à Trois-Rivières)  
& Anne Fortin (Université du Québec à Montréal)

***Discovering Client Errors: Effects on Audit Time Pressure  
and Performance***

Patrick E. Hopkins (Indiana University) & Fred Phillips  
(University of Saskatchewan)

**Concurrent sessions**

**Session 5A: Lessons From  
The Classroom**

Chair: Maureen Fizzell  
(Simon Fraser University)

Discussant: Janet Morrill  
(University of Manitoba)

Location: Florence Salon

**Samedi 30 mai**

**Saturday, May 30**

**13:45 - 15:15**

**Séances parallèles  
(suite)**

**Séance 5B : Les gains et la  
conduite stratégique des  
relations**

Président : Murray Hilton  
(University of Manitoba)

Commentateur : Gaétan  
Breton (Université du Québec  
à Montréal)

Salle : Venice

**Séance 5C : La comptabilité  
de gestion : historique,  
théorie, et exercice**

Président : Murray Lindsay  
(University of Saskatchewan)

Commentateur : David  
Senkow  
(University of Regina)

Salle : Naples

***The Timing of Earnings Announcements: A Canadian Study***  
Anis Thabet (Université du Québec à Montréal), Paul  
André (École des Hautes Études Commerciales) &  
Claude Laurin (Université du Québec à Montréal)

***The Interaction of Earnings Management and Tax  
Incentives: An Empirical Analysis of R&D Expenditures***  
Margaret P. Reed (University of Cincinnati) & R. David  
Plumlee (University of Utah)

***Disentangling the Association Between Social Performance  
and Quality of Disclosure: The case of environmental  
disclosures***  
Hussein Warsame (Concordia University), Dean Neu &  
Cynthia Simmons (both at the University of Calgary)

***The Development of Management Accounting at the  
Hudson's Bay Company, 1670 to 1820***  
Gary Spraakman & Alison Wilkie (both at York  
University)

***Financial and Non-Financial Information: Toward an  
Integrative Theory of Information Choices in Organizations***  
Raymond Morissette (École des Hautes Études  
Commerciales)

***The Influence of Nonfinancial Performance Measures on  
Managerial Actions/Decisions***  
Suresh S. Kalagnanam (University of Saskatchewan) &  
Charles A. Krueger (University of Wisconsin-Madison)

**Concurrent sessions  
(continued)**

**Session 5B: Earnings and  
Impression Management**

Chair: Murray Hilton  
(University of Manitoba)

Discussant : Gaétan Breton  
(Université du Québec à  
Montréal)

Location: Venice Salon

**Session 5C: Management  
Accounting: History,  
Theory, and Practice**

Chair : Murray Lindsay  
(University of Saskatchewan)

Discussant : David Senkow  
(University of Regina)

Location: Naples Salon

**Samedi 30 mai**

**Saturday, May 30**

**15:15 - 15:30**

**Pause santé**

Salle : Crush Lobby

**Commanditaire**



The Society of Management Accountants  
of Saskatchewan

**Sponsor**

Exposition de livres

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**Nutrition break**

Location: Crush Lobby

**15:30 - 17:00**

**Plénière - deuxième partie**

**L'investissement des sociétés  
dans les biens incorporels :  
relever les défis**

Président : John Brennan  
(University of Saskatchewan)

Salle : Michelangelo  
Ballroom A

**Conférenciers**

Sarah Clay Mavrinac  
(University of Western Ontario)

Sylvia Smith, CA  
Director, Accounting Standards Board  
(The Institute of Chartered Accountants of Canada)

**Speakers**

**Plenary session - Part II**

**Corporate Investment in  
Intangibles - Meeting the  
Challenge**

Chair: John Brennan  
(University of Saskatchewan)

Location: Michelangelo  
Ballroom A

**17:00 - 17:15**

**Mot de clôture**

Salle : Michelangelo  
Ballroom A

**Président du congrès**

Daryl Lindsay  
(University of Saskatchewan)

**Conference Chair**

**Closing remarks**

Location: Michelangelo  
Ballroom A

**17:15 - 19:00**

**Réception de clôture**

Salle: Da Vinci Ballroom

**Commanditaire**



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**Sponsor**

**Members' reception**

Location: Da Vinci Ballroom



**Dimanche 31 mai**

**Sunday, May 31**

**8:00 - 9:00**

**Atelier sur l'éthique**

**Commanditaire**

**Sponsor**

**Ethics Workshop**

**Petit-déjeuner des participants**



Centre for Accounting Ethics, University of Waterloo

**Participants' Breakfast**

Salle : Florence

Location: Florence Salon

**9:00 - 10:15**

**L'éthique et la fraude : point de vue d'un praticien et étude de cas sur l'éthique en comptabilité**

***Ethics and Forensic Accounting***

Ross Hamilton, CA (Lindquist Avey Macdonald Baskerville)

**Current Practice and Educational Initiatives in Accounting Ethics**

Salle : Florence

Location: Florence Salon

**10:15 - 10:30**

**Pause santé**

**Commanditaire**

**Sponsor**

**Nutrition break**

Salle : Florence



Centre for Accounting Ethics, University of Waterloo

Location: Florence Salon

**10:30 - 12:00**

**L'éthique et la fraude : point de vue d'un praticien et étude de cas sur l'éthique en comptabilité**

***The Use of Ethics Cases in the Classroom: An Illustration and Discussion*** [Cases and Other Materials from the Centre for Accounting Ethics, School of Accountancy at the University of Waterloo will be provided to participants.]  
Members of the Centre for Accounting Ethics (University of Waterloo)

**Current Practice and Educational Initiatives in Accounting Ethics**

Salle : Florence

Location: Florence Salon

**12:00 - 13:00**

**Déjeuner des participants**

**Commanditaire**

**Sponsor**

**Participants' luncheon**



Centre for Accounting Ethics, University of Waterloo

Salle : Venice

Location: Venice Salon

**RÉSUMÉS**

**ABSTRACTS**

***Did the 1991 Amendment to Section 86 of The Ontario Municipal Act  
Improve Competition in the Municipal Audit Market in Ontario?***

**Sati P. Bandyopadhyay and Jennifer L. Kao (University of Waterloo)**

In June 1991, Section 86 of the Ontario Municipal Act, which governs the appointment of municipal auditors, was amended to require all Ontario municipalities to review the appointment of their auditors periodically. Prior to the amendment, municipalities could remove incumbent auditors only for 'just cause'. The requirement that all municipal auditors be licensed by the Ontario government was also dropped.

The first objective of this paper is to study the effect of removing these barriers to entry through legislative amendment on competition in the Ontario municipal audit market by examining intertemporal changes in real municipal audit fees. Our focus on the competitive effects of a legislative event set at a particular point in time (1991) is in contrast to that of prior studies in this area. In particular, sample periods used in these studies typically come from the late 1970s and 1980s during which rapid changes in the competitive environment for audit services are believed to have occurred, even though dates of these changes cannot be easily identifiable with a specific legislative event or professional pronouncement (e.g., Maher, Tiessen, and Broman (1992); Sanders, Allen, and Korce (1995); Craswell, Francis and Taylor (1996)).

The second objective of this paper is to study whether the relation between competition and audit fees differs for Big 6 *versus* non-Big 6 audit firms. A number of studies have conducted cross-sectional analyses of Big 6 brand name premiums in the large and small client segment of private sector audit market (e.g., Simunic (1980); Francis and Simon (1987)). Our contribution lies in extending this line of enquiry to the government sector audits and, more importantly, in exploring the potential effect competition has on Big 6 brand name premiums over time.

On the methodological front, this paper contributes to the extant auditing literature by explicitly recognizing that parameters of audit fee model may not be stable over time. We first identify periods of parameter stability across pre and post amendment periods, and then estimate model parameters using generalized least squares to account for potential violations of ordinary least squares assumptions in the sample data. This approach is unlike that used in prior studies, which generally take parameter stability across long time series of observations as given and use ordinary least squares for parameter estimation.

The sample used in this paper includes 53 Ontario towns and townships from 1989 to 1995. The results indicate that, after controlling for audit fee determinants identified by Rubin (1988), Ward, Elder and Kettelus (1994) and others, real audit fees declined significantly following the 1991 amendment to Section 86 of the Ontario Municipal Act. Thus, it would appear that the amendment has enhanced competition in the municipal audit market in Ontario. In addition, the results also show that Big 6 auditors continue to command a audit fee premium over non-Big 6 auditors in the post amendment period, and that Big 6 premiums declined throughout the post-amendment period. Both findings on Big 6 premiums continue to hold, even after controlling for the potentially confounding industry specialization premium effects discussed in Craswell, Francis and Taylor (1995).

**Vendredi 29 mai  
Séance 1B : Concurrence, qualité,  
et frais en matière de vérification**

**10:30 - 12:00  
Venice Salon**

**Friday, May 29  
Session 1B: Audit Competition,  
Quality, and Fees**

***Underlying Determinants of Perceived Audit Quality on the Chinese Mainland:  
Evidence from Chinese Accounting Professionals and Financial Statement Users***

Charles Chen (City University of Hong Kong)

Anamitra Shome (Brock University)

Xijia Su (City University of Hong Kong)

This paper reports the results of an empirical examination of the perceptions of various players in the auditing market in mainland China. Specifically, the study seeks to determine what attributes are perceived by these players as being important to audit quality. It also investigates whether any systematic differences exist in the perceptions of these players depending on which subgroup they are associated with. Two other research questions that the study examines are whether any differences in perception can be attributed to differences in the organizational structures and objectives of the audit firms, and whether the quality attributes identified by subjects in the Chinese context correspond with those identified in prior US-based studies.

The research method involved identifying attributes of audit quality from two sources: the prior literature, as well as a discussion with Chinese auditors, regulators, users and other key constituents. These attributes were then assimilated within a survey instrument which was administered to auditors from a local CPA firm and a Big Six firm operating in Shanghai, as well as subjects belonging to other subgroups. After a preliminary analysis of the results, follow-up interviews were conducted with the respondents to get a better understanding of their responses.

Results indicate that the attributes perceived most widely as having the most positive effect on audit quality correspond to a very high degree with those identified in the prior US-based literature. Attributes thought to be most detrimental to audit quality were from the subset developed from consultations with key players, and were all unique to the Chinese context. There were large differences among the perceptions of some user groups. State auditors were found to be the most different in terms of their perceptions of audit quality. Auditors from the local CPA firm and the Big Six firm shared most similar perceptions of audit quality.

The study makes a contribution by indicating, in a fast-developing fledgling free market economy, evidence as to what quality attributes are important in the Chinese context. This evidence promises to be useful to Chinese auditing regulators as well as audit and client firms in setting standards relating to audit quality. It may also provide the opportunity to the international audit firms in China to re-examine their strategies in light of the findings of the study.

Vendredi 29 mai  
Séance 1B : Concurrence, qualité, et  
frais en matière de vérification

10:30 - 12:00  
Venice Salon

Friday, May 29  
Session 1B: Audit Competition,  
Quality, and Fees

***Uncertain Litigation Cost and Seller Behavior: Evidence From an Auditing Game***

**Ping Zhang** (Wilfrid Laurier University)  
**Bryan K. Church** (Georgia Institute of Technology)  
**Lucy F. Ackert** (Federal Reserve Bank of Atlanta)

This paper reports the results of two experiments, each consisting of six sessions, designed to investigate difficulties that arise in estimating expected litigation costs in an auditing game. In each experimental session, the game consists of a series of periods in which sellers submit sealed offers to computerized buyers and, if hired, choose an effort level (low or high). The effort level affects the certain (direct) and uncertain (litigation) costs of performing the engagement. Across the two experiments, we vary the uncertainty surrounding the determination of the expected litigation cost. Our results strongly suggest that cognitive limitations hinder sellers' abilities to estimate total expected litigation costs. Across both experiments we observe a nontrivial number of suboptimal effort choices. Moreover, as the uncertainty of determining the expected litigation cost increases, the frequency of observed fee offers below the total expected cost of an engagement increases markedly.

**Vendredi 29 mai**  
**Séance 1B : Concurrence,**  
**qualité, et frais en matière de**  
**vérification**

**10:30 - 12:00**

**Venice Salon**

**Friday, May 29**  
**Session 1B: Audit**  
**Competition, Quality, and**  
**Fees**

### ***Partitioning Preferred Shares into Debt and Equity Components***

Alastair J. Murdoch (University of Manitoba)

Harry Turtle (University of Manitoba)

We document the market's characterization of preferred shares by partitioning total returns into debt and equity components. Our model of preferred share value shows a simple model can be adequately used to characterize preferred share returns using a weighted average of comparable debt and equity returns. Variance ratios are readily available to test the ability of our model to characterize total preferred share variability in terms of debt and equity components. Intuitively, this partition separates total risk into firm specific interest rate risk and firm specific equity risk components. Using market measures of interest rate risk and equity risk allows total risk to be broken into systematic risk terms and unsystematic risk terms. Systematic terms are again related to market wide interest rate risk and market wide equity risk.

**Vendredi 29 mai**  
**Séance 1C : Instruments**  
**financiers, désinvestissements, et**  
**efficience du marché**

**10:30 - 12:00**  
**Naples Salon**

**Friday, May 29**  
**Session 1C: Financial**  
**Instruments, Divestitures,**  
**and Market Efficiency**

## ***The Usefulness of Segment Information in Predicting Divestitures***

Peter Chen (University of Alberta)

This paper reports results from an empirical study on the usefulness of segment information in predicting divestitures controlling for the use of aggregate information. Based on a large sample of segment divestitures made by US multi-segment firms for the period from 1990 to 1995, the results indicate that divestitures are driven by forces originating at the industry, firm and segment levels. Our findings suggest that industry, firm and segment information complement each other in predicting divestitures. Our tests uniformly reject the null hypothesis that segment information is not incrementally useful in predicting subsequent divestitures. The results of this paper indirectly support the change to a management approach to segment reporting in the new accounting standard on Reporting Disaggregated Information about a Business Enterprise.

**Vendredi 29 mai**  
**Séance 1C : Instruments**  
**financiers, désinvestissements, et**  
**efficience du marché**

**10:30 - 12:00**  
**Naples Salon**

**Friday, May 29**  
**Session 1C: Financial**  
**Instruments, Divestitures,**  
**and Market Efficiency**

***Market Efficiency Anomalies in Korea:  
Mispricing vs. Omitted Risk Factors***

Hay Y. Chung (Kyunghee University)  
Jeong-Bon Kim (Hong Kong Polytechnic University)  
(Buryung) Brian Lee (Concordia University)

Using a sample of Korean firms, this paper examines whether abnormal returns to trading strategies based on publicly available, fundamental variables are consistent with mispricing (market efficiency) or with the fundamental variables proxying for omitted risk factors. Various test results indicate that DeBondt and Thaler's (1985) contrarian strategy, Ou and Penman's (1989) Pr-Strategy, and Holthausen and Larcker's (1992) Pr-strategy yield highly significant abnormal returns, while the trading strategy based on a measure of unexpected earnings shows the weakest performance. Results of various tests indicate that significant abnormal trading profits observed from the contrarian strategy and the two (accounting-based) Pr-strategies are likely to be a result of market mispricing, while those from trading strategies based on firm size, earnings-to-price ratios, and book-to-price ratios are likely to be a result of omitted risk factors. This result contrasts with the findings of similar US studies (Greig 1992; and Bernard, Thomas and Wahlen 1995). This conflicting evidence between the US and Korean markets suggests that further out-of-sample tests on international data are desirable to resolve current controversy over mispricing vs. omitted risk factors.

Vendredi 29 mai  
Séance 1C : Instruments  
financiers, désinvestissements, et  
efficience du marché

10:30 - 12:00  
Naples Salon

Friday, May 29  
Session 1C: Financial  
Instruments, Divestitures,  
and Market Efficiency



***The Use of Internet (Web) Based Technologies by Canadian Accounting Departments:  
Are We Doing All That We Can?***

**J. Efrim Boritz (University of Waterloo)  
David H. Bateman (Saint Mary's University)**

The purpose of this session will be to present the initial findings of the authors' current CICA sponsored accounting education research project on what is being done in the use of Internet and Web based technologies by Departments of Accounting in Canada. It will also identify current trends in the use of web based technologies in education, in particular Asynchronous Learning Networks and outline approaches and suggestions which Canadian accounting academics can begin to use to improve the effectiveness of their accounting courses.

**Vendredi 29 mai  
Séance 2A : La technologie:  
une ressource pédagogique  
polyvalente**

**14:15 - 15:45  
Florence Salon**

**Friday, May 29  
Session 2A: Technology: A  
Multi-faceted Teaching  
Resource**

***"Presents" for the "Indians": Land, Colonialism and Accounting in Canada***

Dean Neu (University of Calgary)

The Oka Crises, Gustafsen Lake, Ipperwash. This last decade of visible confrontations between the Canadian Army/police and First nations people have been, and are, about land. Land that the First Nations' people claim is rightfully theirs and which the government claims has been appropriately paid for. But what constitutes a purchase, were these exchanges ever completed, and what role(s) did accounting play in not only these particular exchanges but in the process of colonization itself? The current study returns to the 1830-1860 period in an attempt to answer these questions. Starting from a "governmentality" perspective, we argue that accounting discourses and techniques were located within the logic of imperialism and enmeshed within colonial systems of government. More specifically, we observe accounting discourses being used to rationalize colonial relations, and accounting techniques being used as both a general and specific mode of colonial government.

**Acknowledgements:** This manuscript benefitted from the comments of Gina Cosco, David Cooper, Duncan Green and Tony Tinker. The funding provided by the Canadian Academic Accounting Association and the research assistance of Rita Lavoie, Melissa Luhtanen and Richard Therrien are gratefully acknowledged.

**Vendredi 29 mai  
Séance 2B : Une  
perspective critique et  
sociale**

**14:15 - 15:45**

**Venice Salon**

**Friday, May 29  
Session 2B: A Critical and  
Social Perspective**

***Managing Across the "Friction of Space": Transformations in the Audit Planning Process***

Michael Barrett (University of Alberta)  
David J. Cooper (University of Alberta)  
Karim Jamal (University of Alberta)

This paper presents a field study of new, IT based, audit planning methods in a Big Six accounting firm. Our focus is on the coordination and control of an audit involving multiple offices and partners. Using the ideas of Giddens on time-space transformations in modernity, we examine two elements of auditing. An expert system of audit planning and a business process re-engineered system of audit documentation and investigation. We stress how partners and managers differentially appropriate, understand and use these systems. Our in depth study emphasises why these audit firms continue to have difficulty in overcoming the 'frictions' of coordination and control across offices. Seamless service remains a myth in auditing, as in most other management practices across time and space.

**Vendredi 29 mai  
Séance 2B : Une  
perspective critique et  
sociale**

**14:15 - 15:45  
Venice Salon**

**Friday, May 29  
Session 2B: A Critical and  
Social Perspective**

*Accounting As Simulacrum and Hyperreality:  
A Poststructuralist Perspective*

Norman B. Macintosh, Teri L. Shearer (Queen's University)  
Daniel B. Thornton, Michael Welker (Queen's University)

The research reported in this paper was motivated originally by reflecting on the long-standing debate over accounting for sophisticated financial instruments including options, futures, hedges and particularly derivatives. The controversy seemed to beg the question: Why have standard setters and academics around the world had so much difficulty with this issue? Moreover, was this symptomatic of accounting in general? And, if so, what does this mean for the accounting profession at large?

Our working hypothesis regarding the first question was that standard setters and academics alike were, in the main, trying to apply traditional, modernistic [and even pre-modernistic] epistemologies such as the neoclassical economics based information theory, the Paton and Littleton standards and postulates thinking, and the faithful, transparent representational dictum to these issues at a time when society had metamorphasized into the postmodern landscape; in short, there seems to be a mismatch of anachronistic epistemologies for a postmodern ontology.

This tentative conclusion provided a provisional answer to the second question; Yes, this could be symptomatic of accounting in general as witnessed by other similar seemingly intractable issues such as accounting rules for: stock options, executive compensation, earnings forecasts, and credit ratings, which we discuss in the paper. Regarding the third question, in light of our tentative responses to the first two questions, it seemed to be the case that the accounting profession at large [including academics] could be facing a crisis of momentous proportions. If accounting can no longer carry out its faithful representational role nor meet the demands for useful information signals inscribed in its legal [and usually monopolistic] statutory role, then its covenant with society (Briloff, 1973, 1990, 1993) seems bankrupt.

To address these issues we draw on some of Baudrillard's [1975, 1981, 1983a, 1983b, 1983c, 1983d, 1987, 1988a, 1988b, 1990a, 1990b, 1993, 1994a, 1994b] ideas about the nature of today's postmodern world with a particular focus on the ontological status of the information in contemporary accounting reports. Adopting his "orders of simulacra" chronology and his "holy trinity" set of ideas [as Best and Kellner [1991] call them] simulacra, hyperreality, and implosion, the paper offers a history of some of the major shifts which have taken place over the past several centuries in the ontological assumptions that underlie the accounting models of income and capital. Our major thesis argues that in today's hyperreal world these accounting signs no longer refer to any real world of objects and events, nor does accounting function anymore according to the logic of either transparent representation, or stewardship, or information economics. Rather accounting increasingly models only that which is itself a model and, as such, accounting information circulates in a Baudrillardian "hypereconomy" [McGoun, 1997] where time and space implode and where accounting signs no longer reflect the material, economic realm. Rather then precede them or even do not even refer to them.

Following Baudrillard, we conclude that in the postmodern world accounting signs, particularly the income and capital ones, do not represent nor distort, nor even hide the truth – the truth is that there is no such thing as true income or capital but rather these signs themselves are the new "reality". As Cooper and Puxty [1992:14] put it in their trenchant critique of so-called US research, "Accounting itself becomes self-referential, within a matrix of social codes that share this simulacra self-referentiality." This proposal, we contend provides a plausible explanation of why some of the issues mentioned above have so perplexed accounting standard setters. It also leads to the proposition that today accounting profession – one that might be called the politics of accounting in the hyperreal postmodern world.

Vendredi 29 mai  
Séance 2B : Une perspective  
critique et sociale

14:15 - 15:45  
Venice Salon

Friday, May 29  
Session 2B: A Critical and  
Social Perspective

***The Impact of Budget Emphasis, Participation and Information Asymmetry on the Propensity to Create Slack: Empirical Evidence for an Alternative Theory***

**Chong M. Lau** (Edith Cowan University)  
**Ian R. C. Eggleton** (University of Western Australia)

This study draws on research evidence in the area of superiors' evaluative styles to explain and test the propensity for budgetary slack creation among manufacturing managers. Research evidence from the area of superiors' evaluative styles indicates that subordinates react favorably to budgetary participation when it serves some useful purpose for them. Participation may be useful to them: (i) when budget emphasis is high, because participation enables them to influence budget targets; and (ii) when they do not have substantially more information than their superiors, because participation enables them to gain from an exchange of information with their superiors. This suggests a three-way interaction between budget emphasis, participation and information asymmetry affecting subordinates' propensity to create slack. The results, based on a cross-cultural sample of 103 Australian and Singaporean managers, provide support for a significant three-way interaction which is not affected by national culture. The results further indicate that in high information asymmetry situations, a compatible combination of high (low) budget emphasis and high(low) participation is associated with a lower level of propensity to create slack than mismatched combinations of budget emphasis and participation. In contrast, in low information asymmetry situations, propensity to create slack is negatively associated with participation. In addition, budget emphasis also has a significant negative effect on the propensity to create slack.

**Vendredi 29 mai**  
**Séance 2C : Des sujets d'actualité**  
**en comptabilité de gestion**

**14:15 - 15:45**  
**Naples Salon**

**Friday, May 29**  
**Session 2C: Timely topics in**  
**Management Accounting**

## ***Bandwagon Theories: Some Explanations for the Activity-based Costing Paradox***

Maurice Gosselin (Université Laval)

During the last ten years, academics as well as management accountants have stressed the need for organizations to adopt and implement activity-based costing (ABC). However, despite the massive attendance at ABC seminars, the large number of articles in professional journals recommending ABC and the considerable amount of consulting activity predicated on ABC, surveys have shown that the diffusion process for ABC has not been as intense as it may have been expected. This is the essence of what we may call here: the ABC paradox. If ABC has demonstrated benefits, why are not more firms actually employing it? Theories of bandwagons may provide some explanations for this paradox. Bandwagons are diffusion processes by which organizations adopt or reject an innovation, not because of their individual evaluations of the innovation's efficiency, but because of institutional and competitive pressures caused by the sheer number of organizations that already adopted or rejected this innovation. In this paper, propositions are drawn from bandwagon theories and are tested. This paper provides additional insights on the diffusion process for a major management accounting innovation: activity-based costing.

Vendredi 29 mai  
Séance 2C : Des sujets d'actualité  
en comptabilité de gestion

14:15 - 15:45  
Naples Salon

Friday, May 29  
Session 2C: Timely topics in  
Management Accounting

## ***The Use of Post-Investment Reviews to Improve the Capital Investment System***

Daniel A. Szpiro (Concordia University)

Much accounting research on capital budgeting focuses on the selection phase of the process. What has been published on the post-investment review (PIR) phase is predominantly normative. While it has long been recognized that PIR offers benefits by both constraining (control) and modifying (learning) managerial behaviour, emphasis has shifted from the former to the latter over time.

I identify eight frequently repeated prescriptions for the format and application of PIR. Each is evaluated from the perspectives of Agency Theory and Organizational Learning. The result is that one sub-set of prescriptions is more closely associated with agency-motivated goals and benefits, while another is more appropriate for learning-motivated goals and benefits. This key research question addressed in this paper is the relation between the use of a PIR prescriptions and satisfaction with the capital investment system: is this stronger for some prescriptions than others?

Data are collected through a survey (201 responses) of senior finance executives of organizations in The 1996 Financial Post 500. The analysis is conducted through a Partial Least Squares (PLS) based technique of structural equation modeling (SEM).

The study finds that the strength of the relation between the set of prescriptions associated with learning-motivated goals and satisfaction with the capital investment system is stronger than that for prescriptions associated with agency-motivated goals. This is evidence that designing a PIR process to optimize organizational learning characteristics offers benefits.

**Keywords:** *post-investment review, post-completion audit, capital budgeting, agency theory, organizational learning, fax, survey, partial least squares, structural equation modeling.*

Vendredi 29 mai  
Séance 2C : Des sujets d'actualité  
en comptabilité de gestion

14:15 - 15:45  
Naples Salon

Friday, May 29  
Session 2C: Timely topics in  
Management Accounting

***The Effects of Experience and Knowledge on Audit Committee Members' Performance of Financial Reporting Oversight Tasks***

F. Todd deZoort (University of South Carolina)  
Steven E. Salterio (University of Alberta)

This paper reports the results of a study investigating whether audit committee members' corporate governance experience and accounting and auditing knowledge affects their judgments in auditor-corporate management conflict situations and in prioritizing financial reporting oversight tasks. A representative sample of 68 Canadian audit committee members participated in the study. The results indicate that audit committee members are able to separate important nonroutine oversight tasks from routine tasks despite differences in experience and knowledge. The results also indicate that experience and knowledge affect members' judgments about the substance of issues involved in a corporate management-auditor dispute over accounting policy. Specifically, independent director experience, accounting experience and auditing knowledge were positively related to support for the auditor in the "substance versus form" dispute scenario. Committee member experience as a board member for the same firm as they were a manager of was associated with increased support for management in the same dispute scenario. Implications of this research for auditors are discussed.

**Key Words:** *Audit committees, Experience, Knowledge, Corporate governance, Auditor-corporate management conflict, Financial reporting oversight*

**Data Availability:** *The data are available upon written request to the first author.*

Samedi 30 mai  
Séance 3B : Le rendement et le  
raisonnement moral du Comité  
de vérification

08:30 - 10:00  
Venice Salon

Saturday, May 30  
Session 3B: Audit Committee  
Performance and  
Moral Reasoning



***Le raisonnement moral de l'expert-comptable :  
une étude québécoise***

Danièle Pérusse, CGA  
Anne Fortin (Université du Québec à Montréal)

Alors que les études américaines sont nombreuses à discuter des différents aspects reliés au développement du raisonnement moral des experts-comptables, très peu d'études canadiennes se sont intéressées au sujet. Toutefois, parmi les études publiées jusqu'à ce jour, certaines observent des différences significatives entre les caractéristiques éthiques des experts-comptables américains et celles des experts-comptables canadiens, alors que d'autres soutiennent que le développement de la conscience éthique au Québec relève de caractéristiques qui lui sont propres.

Dans cette perspective, la présente étude mesure, à l'aide du *Test de Définition des Problématiques* (TDP), version française du *Defining Issues Test* (DIT), le niveau de raisonnement moral de 134 experts-comptables du Québec, membres de l'Ordre des comptables généraux licenciés du Québec (CGA), et tente d'identifier certaines caractéristiques personnelles, professionnelles ou académiques qui peuvent influencer le développement du niveau de raisonnement moral de ceux-ci.

Les résultats obtenus soutiennent certaines observations relevées dans le cadre d'études portant sur le sujet à l'effet que les femmes affichent un niveau de raisonnement moral plus élevé que celui des hommes et que le niveau de scolarité des experts-comptables peut être significativement relié à leur niveau de raisonnement moral. Toutefois, malgré la diversité des milieux de travail dans lesquels oeuvrent les participants de cette étude, il ne fut pas possible d'identifier de lien significatif entre le niveau de raisonnement moral et le milieu de travail, ni entre la position hiérarchique occupée et le niveau éthique. Les résultats obtenus permettent de démontrer que certains déterminants identifiés dans les études portant sur le développement du raisonnement moral des experts-comptables américains se retrouvent également en contexte québécois (sexe, scolarité), tout en reconnaissant, toutefois, que certains facteurs culturels pourraient avoir influencé le niveau moyen de raisonnement moral mesuré chez les experts-comptables québécois ayant participé à la présente étude.

**Samedi 30 mai**  
**Séance 3B : Le rendement et le**  
**raisonnement moral du Comité**  
**de vérification**

**08:30 - 10:00**  
**Venice Salon**

**Saturday, May 30**  
**Session 3B: Audit Committee**  
**Performance and**  
**Moral Reasoning**

## ***Consensus Models and the Effect of Discussion on Auditors' Moral Reasoning***

Linda Thorne (York University)

This study adopts an experimental approach to examine the different forms of social influence resulting from auditors' discussion of realistic moral dilemmas. Hypotheses were developed through the application of Moscovici's (1980, 1985) theory of social influence to a cognitive-developmental perspective on moral decision making (Rest, 1994). Moscovici presents three different forms of social influence: conformity, normalization and innovation. Conformity is consensus or convergence to the majority. Normalization involves the acceptance by the minority and majority of a compromise. Innovation is submission to the minority. As hypothesized, prescriptive discussion of the ideal resolution to a realistic moral dilemmas resulted in conformity to the majority, whereas deliberative discussion of what would be done to resolve a realistic moral dilemmas resulted in minority influence. The results of this study identify the importance of Moscovici's theory for understanding the effect of social influence on auditors' moral reasoning and suggest that type of discussion (i.e., prescriptive or deliberative) may be useful for encouraging particular forms of social influence in auditors' resolution of moral dilemmas.

**Key words:** *moral developmental, discussion, auditors, ethics, consensus, conformity.*

**Samedi 30 mai**  
**Séance 3B : Le rendement et le**  
**raisonnement moral du Comité**  
**de vérification**

**08:30 - 10:00**  
**Venice Salon**

**Saturday, May 30**  
**Session 3B: Audit Committee**  
**Performance and**  
**Moral Reasoning**

***The Progressivity of the Canadian Federal Family Benefit System:  
A Ten Year Analysis - 1985 to 1994.***

Alexander M. G. Gelardi (Simon Fraser University)

Policy usually requires that programs for children be aimed at poorer families. In Canada, the family benefit system underwent a series of changes between 1985 and 1994 to increase progressivity. This study analyzes those changes.

It was found that the changes made to the pre-1993 system generally increased progressivity overall, and differentially for the constituent elements of the system. The 1987 tax reform had a major influence in increasing progressivity. The structural change to the Child Tax Benefit in 1993 had differential effects on progressivity for the higher and lower income taxpayers. Overall, progressivity increased substantially between 1985 and 1994.

**Samedi 30 mai  
Séance 3C : Questions portant  
sur la fiscalité au Canada**

**08:30 - 10:00  
Naples Salon**

**Saturday, May 30  
Session 3C: Taxation Issues in  
Canada**

## ***Do Payroll Taxes Discriminate Against the Self-Employed?***

Alan MacNaughton (University of Waterloo)

Individuals may supply labour services in the capacity of an employee or as the owner-operator of an incorporated or unincorporated business. The different organizational forms are close substitutes, as recent trends in the labour market have shown. In the 1970s, only about 11 percent of the Canadian work force identified itself as self-employed. By 1996, that figure had grown to 15 percent and is still rising.

One of the key tax differences between an employee remaining in that capacity and striking out on his or her own and becoming a sole proprietor is in payroll taxes (Canada Pension Plan, Employment Insurance, and provincial payroll taxes). Many payroll taxes do not apply to sole proprietors, and those that do may not apply equally to the two organizational forms. This non-neutrality may discriminate for or against sole proprietors. This paper examines this non-neutrality created by payroll taxes with the use of an analytical model and numerical examples.

The results support the conventional conclusion that on an overall basis payroll taxes are biased in favour of sole proprietors. However, the Canada Pension Plan is found to discriminate against sole proprietors. Different ways of eliminating this non-neutrality are explored. The implications for funding are also examined.

**Samedi 30 mai**  
**Séance 3C : Questions portant**  
**sur la fiscalité au Canada**

**08:30 - 10:00**  
**Naples Salon**

**Saturday, May 30**  
**Session 3C: Taxation Issues in**  
**Canada**

***The Influence of Firm Maturation on the Relation between  
Capital Structure and Tax Status***

Jeffrey Pittman (University of Waterloo)

Empirical evidence supporting the predicted positive relation between firms' leverage and their marginal tax rates has been elusive. Scholes and Wolfson (1992) argue that re-financing costs may prevent firms from altering their capital structures to exploit changes in their tax status. These re-financing costs may take several forms. For example, some debt may only be redeemable at par, although its market value may be less than this amount. Similarly, as the debt remaining after any redemption occurs becomes less risky, a premium would be necessary to induce current debt holders to sell their securities. Scholes and Wolfson suspect that these impediments to financing changes accumulate as firms age such that the influence of marginal tax rates on leverage decisions may have been obscured in prior empirical research.

The hypothesis that only young firms have tax-efficient capital structures is examined in this study using eight years of panel data starting with the firms' first full year since their SEC-registered initial public offering. The yearly regression results provide robust evidence that taxes matter to the financing decisions of young firms. As predicted, the positive relation between debt usage and marginal tax rates subsides as firms age. The tendency of leverage decisions to become insensitive to tax status is consistent with Scholes and Wolfson's (1992) hypothesis that capital structure is largely an artifact of a firm's history of financing and investment choices.

**Samedi 30 mai**  
**Séance 3C : Questions portant**  
**sur la fiscalité au Canada**

**08:30 - 10:00**  
**Naples Salon**

**Saturday, May 30**  
**Session 3C: Taxation Issues in**  
**Canada**

## ***Alternative Approaches to Introductory Accounting***

Angela Downey (University of Lethbridge)  
John M. Friedlan (York University)

In 1990, The Accounting Education Change Commission (AECC) issued several documents which proposed some fairly radical changes in accounting education. Among other things, they specifically identified the following intellectual skills needed by students who could become professional accountants: "the ability to locate, obtain, and organize information and the ability to identify and solve unstructured problems in unfamiliar settings and to exercise judgment based on comprehension of an unfocused set of facts" (AECC Position Statement No. 1).

The AECC specifically address the importance of the first course in accounting as one which should be an introduction to accounting rather than introductory accounting.

In the spring of 1996, the accounting faculty at the University of Lethbridge adopted *The Core Concepts of Accounting Information* (K. Pincus & J. Hanna), which specifically incorporates the learning objectives and teaching methods advocated by the AECC.

At this session I will outline our experiences with this 'user' perspective to introducing students from a broad range of majors to accounting and its role in providing information for a variety of decision makers. I will outline both the upside and the downside of adopting this new philosophy focusing on the lessons we have learned. In addition, I will present the preliminary results of a research project conducted at the University of Lethbridge that focuses on the change in students' perception of the role of accounting and the role of accountants after taking their first accounting course.

Samedi 30 mai  
Séance 4A : Méthodes de rechange  
d'enseignement des cours  
d'introduction à la comptabilité

10:15 - 11:45  
Florence Salon

Saturday, May 30  
Session 4A: Alternative  
Approaches to Introductory  
Accounting Courses

### ***Investor Use of Expanded Proxy Statement Disclosures on Executive Compensation***

Marilyn F. Johnson (University of Michigan)  
Margaret Shackell (University of Michigan)

We examine 169 shareholder proposals on executive compensation filed against 106 firms by 74 sponsors over the period 1992-95 to determine how shareholders use expanded proxy statement disclosures about executive compensation and firm performance. Neither proposal receipt nor withdrawal is directly associated with information in the expanded proxy statement disclosures. In contrast, voting outcomes are directly associated with prior returns, but are not directly associated with compensation. Our results suggest that shareholders use executive compensation proposals to express dissatisfaction with firm performance. Consistent with this conclusion, we find no evidence that the receipt of a proposal or the voting outcome is associated with subsequent changes in compensation levels. However, following the sponsor's withdrawal of a proposal about compensation committee independence, non-independent members are typically removed from the committee.

**Samedi 30 mai**  
**Séance 4B : Un examen des**  
**questions relatives à la**  
**rémunération des cadres**

**10:15 - 11:45**  
**Venice Salon**

**Saturday, May 30**  
**Session 4B: An Examination of**  
**Executive**  
**Compensation Issues**

***An Empirical Examination of the Effect of Mandated  
Compensation Disclosure on Executive Compensation***

**Jane A. Craighead** (Concordia University)  
**Michel L. Magnan** (École des Hautes Études Commerciales)  
**Linda Thorne** (York University)

Since October 1993, three-year comparative disclosure of individual compensation data for the top five executives of firms listed on the Toronto Stock Exchange has been required. The retroactive nature of this requirement has forced firms to disclose historical data about executive compensation which was thought to be private. This study investigates the effect of mandated disclosure on the structure and level of CEO compensation and whether the disclosure enhanced the value of executive compensation as a corporate governance mechanism.

The seminal paper by Jensen and Meckling (1976) explores the potential for managers or executives to act in their own self-interests whenever there is a separation between ownership and control. The potential for self-interested behavior extends not only to effort levels and choice of investment projects (Grossman, 1995), but to the "structure" of the executive compensation package. Shareholders as outsiders to the firm, rely on executive compensation as an important corporate governance mechanism. Linking pay to performance, for example, is a good way to align managers' interest with those of the shareholders' (Holmstrom, 1979, 1982) and has come to be synonymous with good corporate governance.

However, risk-averse executives would prefer that a smaller portion of their package depend on "contingent" as opposed to fixed (salary) compensation than would otherwise be considered optimal by risk-neutral shareholders (Baker et al., 1988). In the absence of shareholder access to the information, managers are likely to favor their own interests and minimize the riskier, contingent component(s) of their compensation. Mandated disclosure of executive compensation accommodates improved monitoring through an assessment of the appropriateness of the level and mix of executives' compensation by shareholders and the general public (Jensen & Murphy, 1990).

The study examines the level of CEO compensation, as well as the implicit association between compensation and corporate performance, before and after mandated disclosure. More specifically, this study examines whether the performance-contingent (non-salary) component(s) of compensation rise in the post-amendment period, and whether, as the theory predicts, total compensation also rises in order to compensate managers for the increased risk. We also investigate whether there is a stronger link between corporate performance and the CEO's performance-contingent pay in the period after mandated disclosure.

The sample is drawn from the largest 100 firms traded on the Toronto Stock Exchange. Proxy statements are reviewed for pre and post-amendment CEO salary, bonus and stock option grant details. Firm performance is measured in terms of both accounting and stock market performance.

Results from the study suggest that with the exception of a subset of manager-controlled firms in which the CEOs received higher salaries than other managers prior to the mandated disclosure, that the market functioned fairly efficiently before the disclosure change. More importantly, however, the results suggest that mandated disclosure was costly to shareholders in that CEOs receive higher salary, bonus and stock option grants after the change as compared to the pre-disclosure period. While the performance-contingent bonus component of the CEO's pay increases in the post-disclosure period, it is *less strongly* related to performance than before the disclosure change. This suggests that the disclosures were possibly managed to give the impression that management was bearing more risk in the post-disclosure period when, in fact, it appears as if the CEO is bearing no more risk than before and receiving higher compensation.

The authors thank the Canadian Academic Accounting Association and the CGA-Canada Research Foundation for their financial support. Additional financial support was also obtained from the Social Sciences and Humanities Research Council of Canada as well as from the Fonds FCAR (Québec). Some executive compensation data was graciously provided by Mercer Consulting. The authors would also like to thank Patricia O'Brien and three anonymous reviewers for their comments which have been very instrumental in the revision of our paper.

**Samedi 30 mai**  
**Séance 4B : Un examen des**  
**questions relatives à la**  
**rémunération des cadres**

**10:15 - 11:45**  
**Venice Salon**

**Saturday, May 30**  
**Session 4B: An Examination of**  
**Executive**  
**Compensation Issues**



### ***Stakeholder Pressure and the Structure of Executive Compensation***

Marilyn F. Johnson (University of Michigan)  
Susan L. Porter (University of Texas at Austin)  
Margaret Shackell (University of Michigan)

We examine whether the recent public outcry over executive compensation has had an impact on the level of executive compensation and/or the sensitivity of cash compensation to firm performance. Cross-sectional analyses for a sample of 186 firms show that post-1993 compensation levels have risen despite increasing stakeholder pressure. Tests based on firm-specific, time series analyses indicate a post-1993 increase in the sensitivity of cash compensation to firm performance that cannot be completely explained by a rising stock market.

In addition to examining overall changes in the structure of executive compensation, we also examine the impact of four specific sources of stakeholder pressure. We find no evidence that the receipt of a shareholder proposal on executive compensation or the redesign of short-term and long-term incentive plans in response to the \$1 million pay cap is followed by significant changes in compensation levels or cash compensation performance sensitivities. However, our evidence does indicate that following negative financial press coverage of a firm's executive compensation policies, there is both a smaller subsequent increase in total compensation and a larger subsequent increase in the sensitivity of cash compensation to firm performance than is experienced by firms that were not singled out by the media. Finally, we find that the targeting of a firm by institutional investors with concerns about the firm's performance is associated with subsequent declines in both total compensation and cash compensation performance sensitivities.

Samedi 30 mai  
Séance 4B : Un examen des  
questions relatives à la  
rémunération des cadres

10:15 - 11:45  
Venice Salon

Saturday, May 30  
Session 4B: An Examination of  
Executive  
Compensation Issues

***The Gulf Between the Claims and Actions of the Members of the Auditing Profession Regarding "Relevant" Research***

Yves Gendron (Université Laval)

The intention of this article is to raise questions about whether the actions of professional auditors are consistent with their claims that current audit decision making research is too far removed from the realities of practice. Practitioners frequently express such concerns. Typically, it is academics, not practitioners, that are perceived as the source of the remoteness of auditing research. In this paper, I argue that although practitioners frequently express criticisms about audit decision making research being too far removed from the realities of practice, they are, nevertheless, reluctant to become involved in context based research projects such as field research. In particular, I maintain that there is a gulf between the claims and the actions of professional auditors regarding what they consider to be relevant research. My thesis is supported by evidence pertaining to a field research project which has been rejected by US Big Six audit firms.

**Samedi 30 mai**  
**Séance 4C : Des questions liées à**  
**l'exercice de la profession et à**  
**l'établissement de normes**

**10:15 - 11:45**  
**Naples Salon**

**Saturday, May 30**  
**Session 4C: Issues in Practice**  
**and Standard Setting**

***Deregulation of the Large Private Corporation Audit: Impact of the 1994  
Amendment to the Canada Business Corporations Act***

David W. Senkow (University of Regina)  
Morina D. Rennie (University of Regina)  
Richard D. Rennie (University of Regina)  
Jonathan W. Wong (Vancouver, B.C.)

This study examines the outcome of the 1994 elimination of the audit requirement for large private corporations from the Canada Business Corporations Act. Prior to this change, all public companies as well as private companies with gross revenues exceeding \$10 million or assets exceeding \$5 million were required to file audited financial statements. With this requirement gone, these large private companies could forego an audit if shareholders unanimously agreed.

The objective of this research was to gather evidence about the response of these corporations to the change in the CBCA; whether they chose to continue to have their financial statements audited or not. We also wanted to ascertain the reasons for the choices made.

A questionnaire was sent to the chief financial officers of 896 companies who were affected by the 1994 amendment to the CBCA. The CFOs were asked to provide their company's response (continue or discontinue the audit) to the change in legislation and their reasons. They were also asked to provide their views on the value of the financial statement audit.

Two hundred and fifty one companies returned completed questionnaires. Of this number approximately 23% chose to discontinue the financial statement audit. The primary reason given was the cost of an audit relative to its value. The majority of the companies who continued to have a financial statement audit required an audit to comply with other government regulations or because of lender requirements.

The results of this study provide preliminary evidence about one effect of the 1994 amendment of the CBCA on the audit choices of a significant segment of the Canadian economy. This study also has implications for the larger issue of the voluntary demand for audit services.

**Samedi 30 mai  
Séance 4C : Des questions liées à  
l'exercice de la profession et à  
l'établissement de normes**

**10:15 - 11:45  
Naples Salon**

**Saturday, May 30  
Session 4C: Issues in Practice  
and Standard Setting**

***Moved: "That the internationalisation of accounting has made/will make national regulatory structures irrelevant."***

Ian R. Hutchinson (Queen's University)

Alan J. Richardson (Queen's University)

Sue Zheng (Queen's University)

The paper presents a debate on the unresolved question of the relationship between the increasing internationalization of accounting practice and standards, and national or regional regulatory structures. In both the regulation of practice rights and in financial accounting standard-setting there are international pressures on national processes. Within trading blocs such as under the North American Free Trade Agreement or within the European Union, attempts to ensure the free movement of professional services come into conflict with existing regulations designed to safeguard the "public interest" defined according to local concerns. Similarly, the globalization of capital flows has raised interest in the harmonization of accounting standards but this has been frustrated by the institutional and cultural support for national standards and concerns over the impact of applying the standards of developed countries to developing economies.

The debate considers these phenomena and advances arguments in support of both the elimination of national regulatory structures in favour of an international regulatory regime versus the continuation of nationalism in accounting regulation. The debate format is used to highlight the defensibility of alternative positions and to leave the final assessment of the success of each argument to the reader.

**Samedi 30 mai**  
**Séance 4C : Des questions liées à**  
**l'exercice de la profession et à**  
**l'établissement de normes**

**10:15 - 11:45**

**Naples Salon**

**Saturday, May 30**  
**Session 4C: Issues in Practice**  
**and Standard Setting**

***Social Responsibility Accounting, Learning,  
and Factors that Affect Learning***

**Irene M. Gordon** (Simon Fraser University)  
**Alexander M. G. Gelardi** (Simon Fraser University)

This study reports on how social responsibility/sustainable development accounting and reporting (SR/SD), included as a module in an accounting theory course, affected students' learning. Using a pre- and post-study questionnaire design employing matched pairs, the results were examined to determine whether students' thinking on the topic changed.

Four research questions are addressed in the paper. These questions are:

- (1) Does exposure to SR/SD affect a student's learning of the topic?
- (2) Is a student's learning and attitudes toward SR/SD influenced by a student's gender?
- (3) Does a student's educational background, for example, exposure to traditional economics, affect how a student reacts to SR/SD information?
- (4) Does a student's grade point average explain a student's learning or change in attitudes toward SR/SD?

To examine these questions, t-statistics and analysis of variance are used. The conclusions reached are that the readings and discussion did affect the students' post-study questionnaire answers; females did respond more sympathetically to some SR/SD statements than did their male counterparts; a student's educational background did not help explain the questionnaire responses; and grade point average did assist in explaining changes in students' attitudes for a few statements.

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The authors wish to thank the Certified General Accountants Association of British Columbia for supplying funds to support this research project.

**Samedi 30 mai**  
**Séance 5A : Leçons tirées de**  
**l'enseignement en classe**

**13:45 - 15:15**  
**Florence Salon**

**Saturday, May 30**  
**Session 5A: Lessons from the**  
**Classroom**

## ***L'apprentissage et l'utilisation d'une simulation dans le cadre d'une vérification préliminaire***

Michèle Legault (Université du Québec à Trois-Rivières)  
Anne Fortin (Université du Québec à Montréal)

La présente étude empirique s'inscrit dans la lignée des recherches tentant de déterminer scientifiquement l'impact de l'utilisation d'une méthode d'enseignement, autre que le cours magistral, sur l'apprentissage et les perceptions des étudiants. Dans un premier temps, elle vise à déterminer l'impact de l'utilisation d'une simulation portant sur une vérification préliminaire sur l'apprentissage des étudiants en analysant leur performance à des questions d'examen portant sur les concepts visés par la simulation. Dans un deuxième temps, elle cherche à identifier les changements de perceptions des étudiants à l'égard des habiletés requises pour réussir une carrière à titre de vérificateur par l'utilisation d'un questionnaire administré avant et après la simulation.

Notre étude a été réalisée à l'Université du Québec à Trois-Rivières auprès des étudiants du cours de vérification externe II à la session automne 1996 (n = 66). Nous avons réparti les étudiants de façon à former deux groupes de taille similaire, soit un groupe contrôle et un groupe expérimental.

Nos résultats, en ce qui concerne la performance des étudiants, démontrent que la simulation semble avoir profité davantage aux femmes qu'aux hommes, puisque, tout en contrôlant pour la force académique des étudiants, les résultats des femmes ont été supérieurs à ceux des hommes sur les deux questions d'examen portant sur les concepts visés par la simulation.

Nos résultats concernant la comparaison des perceptions des deux groupes après l'expérience, indiquent que les étudiants du groupe expérimental, comparativement à ceux du groupe contrôle, ont accordé une plus grande importance à la mémorisation des procédés de vérification ainsi qu'aux relations interpersonnelles par rapport aux connaissances techniques. De plus, l'importance qu'ils ont accordée à la connaissance des normes de vérification a décliné.

Toutefois, en poussant l'analyse au niveau des étudiants du groupe expérimental, nous notons des changements de perceptions. Ainsi, après la simulation, ceux-ci ont accordé une importance plus grande aux relations interpersonnelles par rapport aux connaissances techniques, à la capacité à travailler sous pression, à la capacité à résoudre des problèmes dans un cadre non structuré, aux relations interpersonnelles, et à la mémorisation des procédés de vérification. Par contre, ils ont accordé moins d'importance à la connaissance des normes de vérification et au fait d'avoir de la facilité avec les chiffres. Ces changements de perceptions, chez les étudiants du groupe expérimental, ont aussi été analysés en fonction de leur sexe et de leur expérience de travail en comptabilité.

**Mots clés :** *apprentissage, méthode d'enseignement, simulation, performance, perceptions*

### ***Discovering Client Errors: Effects on Audit Time Pressure and Performance***

Patrick E. Hopkins (Indiana University)  
Fred Phillips (University of Saskatchewan)

When client errors are discovered, auditors attempt to maintain audit risk at planned levels by revising their audit strategy. Unfortunately, these efforts may be inadequate if the discovery of client errors leads to other unanticipated effects that adversely influence realized audit risk. This study investigates whether the discovery of client errors increases time pressure, and whether time pressure increases produce adverse effects on auditor performance and realized audit risk.

Two experiments were conducted with senior and graduate auditing students. The results suggest that the discovery of client errors increases perceived levels of audit time pressure. We interpret this result as suggesting that time pressure is created by not only the presence of tight, fixed time budgets but also other contextual features of the audit environment (e.g., error discovery) that combine with fixed time budgets to jointly determine perceptions of audit time pressure. Experimental results also indicate that an early discovery of client errors produces greater processing speeds and fewer nonsampling errors than the discovery of client errors late during audit testing. If these results generalize to practice, the implication is that auditors would be wise to identify those client assertions likely to yield the greatest incidence of error and schedule them for early completion. In the event that client errors are discovered, this scheduling strategy would enable auditors to increase their speed of processing while limiting the number of nonsampling errors and maintaining levels of detection and audit risk at planned levels.

**Samedi 30 mai**  
**Séance 5A : Leçons tirées de**  
**l'enseignement en classe**

**13:45 - 15:15**  
**Florence Salon**

**Saturday, May 30**  
**Session 5A: Lessons from the**  
**Classroom**

## ***The Timing of Earnings Announcements : A Canadian Study***

Anis Thabet (Université du Québec à Montréal)  
Paul E. André (École des Hautes Études Commerciales)  
Claude Laurin (Université du Québec à Montréal)

The timing of earnings announcements is a strategic choice. Managers must respect certain regulatory delays but also have great latitude as to the timing of announcements within these delays. This study examines the timing of earnings announcements in a Canadian context using a sample of 134 firms over a ten years period. More precisely, we investigate the behaviour of firms with respect to the delay with which they announce their earnings and the major determinants of this delay. Four categories of determinants are examined: (1) the type of news (good/bad news), (2) the demand for information about the firm, (3) the regulatory environment and (4) the audit technology.

Results suggest that Canadian firms, like their US counterparts, announce their earnings with relative regularity, i.e., within seven days of last year's announcement. However, the type of news has an impact on the timing of announcements. Bad news is announced later and good news earlier. Further, the announcement delay is shorter for large firms, for cross-listed firms, for firms audited by structured audit firms and firms with shorter audit delays, for December/January year-end firms and for firms in the financial sector.

### **Le choix du moment de l'annonce du bénéfice par les entreprises canadiennes**

Le moment de l'annonce d'une information est un choix stratégique. Malgré l'existence de délais prescrits pour annoncer les bénéfices, les gestionnaires disposent d'une certaine latitude concernant le moment de l'annonce à l'intérieur de ces délais. La présente étude s'intéresse à la pratique quant au choix du moment de l'annonce du bénéfice de la part des entreprises canadiennes (134 entreprises pour la période de 1987 à 1996). Plus précisément, l'étude examine le comportement des entreprises au niveau du choix de la date de l'annonce des bénéfices et tente de déterminer les facteurs qui peuvent influencer le délai de l'annonce du bénéfice. Les facteurs étudiés sont reliés à la nature de la nouvelle, la demande en matière d'information, la réglementation et à la technologie de vérification.

De même qu'aux États-Unis, les résultats suggèrent que chaque année les entreprises annoncent leurs bénéfices avec une certaine régularité et avec une variation moyenne de sept jours. De même, il semble que la nature des nouvelles altère cette régularité. En effet, les entreprises canadiennes tendent à retarder l'annonce des mauvaises nouvelles et à anticiper l'annonce des bonnes nouvelles. Quant aux déterminants du délai d'annonce des bénéfices, l'étude montre que le délai est plus court pour les grandes entreprises, pour les entreprises cotées sur le marché américain, pour les entreprises faisant affaire avec des vérificateurs structurés et pour les entreprises qui connaissent une courte durée de vérification, pour les entreprises ayant une fin d'année fiscale aux mois de janvier ou décembre et pour celles du secteur financier.

**Samedi 30 mai**  
**Séance 5B : Les gains et la**  
**conduite stratégique des relations**

**13:45 - 15:15**  
**Venice Salon**

**Saturday, May 30**  
**Session 5B: Earnings and**  
**Impression Management**



***The Interaction of Earnings Management and Tax Incentives:  
An Empirical Analysis of R&D Expenditures***

**Margaret P. Reed** (University of Cincinnati)  
**R. David Plumlee** (University of Utah)

In determining their firm's research and development (R&D) expenditures, managers face trade-offs between the pursuit of tax incentives and the need to meet earnings objectives. These trade-offs exist because R&D expenditures are expensed for both financial and tax purposes, so they cannot be used simultaneously to decrease taxes and increase reported earnings. The earnings management objectives considered in this study are earnings smoothing and debt cost minimization. The three tax factors considered are the immediate deductibility of R&D expenditures, the tax credit for increasing R&D expenditures, and the disincentive associated with the treatment of R&D expenditures in calculating the foreign tax credit.

Managers who place more emphasis on meeting earnings management objectives may reduce R&D expenditures to increase earnings even though the reduction also increases the firm's current tax burden. On the other hand, managers for whom the tax benefits of R&D expenditures are more important may increase R&D expenditures to reduce taxes even though the increase also reduces earnings. It may be the case that managers facing only earnings management pressure act differently from those who face earnings management pressure and tax incentives. Exploring the interactions of these two influences on R&D expenditures informs us about how these two institutional frameworks, financial reporting requirements and the tax laws, affect investment decisions made by managers.

Using a sample of 6,991 firm-years from COMPUSTAT, we regress the natural logarithm of changes in R&D expenditures on variables which capture earnings management and tax motivations, as well as variables to control for other economic causes of changes in R&D expenditures. We find that highly leveraged firms have smaller increases in R&D expenditures than other firms, indicating that managers may adjust R&D expenditures to lower debt costs. Managers who are not facing earnings management pressures (as defined in this study) make larger increases in R&D expenditures as the firm's marginal tax rate rises. Managers whose firm's earnings are below target earnings increase R&D expenditures in response to increases in the marginal tax rate at a lower rate than other firms. Managers whose firm's earnings are above target earnings decrease R&D as the likelihood of an excess foreign tax credit position increases. These results provide some insight into managerial responses to earnings management objectives and tax incentives and indicate the importance of considering earnings management objectives when examining the effect of tax incentives on R&D expenditures.

We appreciate the helpful comments of Mike Ettredge, Allen Ford, Paul Koch, Don Lien, Joe Sicilian and Mark Hirschey and participants of accounting workshops at the University of Kansas, Western Michigan University, University of Cincinnati, San Jose State University and University of Kentucky. Thanks also to two anonymous CAAA annual meeting reviewers for their comments. Financial assistance was provided by the University of Kansas School of Business.

Samedi 30 mai  
Séance 5B : Les gains et la  
conduite stratégique des relations

13:45 - 15:15  
Venice Salon

Saturday, May 30  
Session 5B: Earnings and  
Impression Management

***Disentangling the Association Between Social Performance and  
Quality of Disclosure: The Case of Environmental Disclosures***

Hussein Warsame (Concordia University)  
Dean Neu (University of Calgary)  
Cynthia V. Simmons (University of Calgary)

This study examines the association between social performance and social disclosures in annual reports. Starting from the work of Wiseman (1982) and others, we propose that social responsibility disclosures are a form of "impression management" (Goffman 1959) that efface poor social performance. To test this proposition, the quality and quantity of social disclosures provided in annual reports are compared for both good and poor social performers-- where social performance is measured by the presence and magnitude of environmental fines levied by federal and provincial governments. After controlling for other firm characteristics, we find that social disclosures and social performance are inversely related both in pre-charge and post-fine periods. Therefore the results suggest that, for this sample of Canadian public companies, environmental disclosures in annual reports are a poor proxy for corporate environmental performance.

**keywords:** *social performance, social disclosures, environmental performance, environmental disc*

Samedi 30 mai  
Séance 5B : Les gains et la  
conduite stratégique des relations

13:45 - 15:15  
Venice Salon

Saturday, May 30  
Session 5B: Earnings and  
Impression Management

***The Development of Management Accounting  
at the Hudson's Bay Company, 1670 to 1820***

Gary P. Spraakman (York University)  
Alison Wilkie (Student, Osgoode Law School)

From an examination of its archives, Roy and Spraakman (1996) found that the Hudson's Bay Company had developed extensive management accounting practices by the 1820s. However, they did not address the question and purpose of the present paper; how did the Company come to employ management accounting practices in the 1820s?

The Company's archives for 1670 to 1820 were used to answer that question. The simple answer was that the components of the management accounting practices were in place from the beginning or by 1700. Budgeting in terms of outfits and indents was an established business practice, as was the recording of inventories. There were two exceptions. First, the use of trading standards was an extensive adaptation of established practice. Second, the early accounting system, expressed in terms of beaver pelts, was a unique response to circumstances. Refinements were made to the management accounting practices in 1810 in response to the Company's geographical expansion to meet competition. However, it took until the 1820s and Governor George Simpson for them to work effectively as a system..

**Samedi 30 mai**  
**Séance 5C : La comptabilité**  
**de gestion : historique,**  
**théorie, et exercice**

**13:45 - 15:15**

**Naples Salon**

**Saturday, May 30**  
**Session 5C: Management**  
**Accounting: History,**  
**Theory, and Practice**

## ***Financial and Non-Financial Information: Toward an Integrative Theory of Information Choices in Organisations***

Raymond Morissette (École des Hautes Études Commerciales)

This paper develops an integrative model of the factors that may influence the choices of quantitative financial and quantitative non-financial performance indicators managers use for monitoring purposes in organisations. Financial information expressed in the monetary metric, such as cost per unit produced or service delivered, has traditionally been seen as the principal ingredient of managers' information menu for performance monitoring purposes. In contrast, anecdotes in the business and investor communities suggest that managers also rely heavily for monitoring purposes on a handful of critical performance indicators expressed in non-monetary metrics, such as the rate of raw materials overuse or the number of products returned by customers. In an attempt to understand the factors influencing managers' information choices, this paper draws from management, judgement and decision-making, management accounting, and organisational literatures to identify potential factors that could help in explaining managers' mix of financial and non-financial information.

The paper begins with theory-building involving the development of a preliminary model and research propositions. From this model, a field study was conducted in six firms of different sizes and from different industries in both the manufacturing and service sectors. During the field work, data were gathered through direct observations, archival data, and a questionnaire and interview of forty-two managers working in the production-operation, marketing-sales, and human resources areas. Using an individual level of analysis, the data revealed patterns of information use and allowed for the identification of seven potential factors or determinants of managers' choice of performance indicators.

The field results strongly suggest that managers from all levels of decision making, who work in throughput (production-operation and human resources) functions involving different levels of perceived external environmental uncertainty, tend to use a mix of information that includes a greater proportion of non-financial information than financial information. On the contrary, results for an output function such as marketing-sales indicate that those managers tend to use on a greater proportion of financial information. Other factors influencing the proportion of non-financial and financial information in managers' mix of information include: (1) managers' level of experience and perceptions of their work as routine or nonroutine, (2) the nature of the performance indicators managers perceive their superiors use to reward their performance, and (3) managers' focus on a limited number of critical cause-effect relationships between non-financial and financial performance indicators. As a result, the theoretical model and the eight analytical generalisations developed in this paper call for future model testing.

Samedi 30 mai  
Séance 5C : La comptabilité  
de gestion : historique,  
théorie, et exercice

13:45 - 15:15

Naples Salon

Saturday, May 30  
Session 5C: Management  
Accounting: History, Theory,  
and Practice

***The Influence of Nonfinancial Performance Measures  
on Managerial Actions/Decisions***

**Suresh S. Kalagnanam** (University of Saskatchewan)  
**Charles A. Krueger** (University of Wisconsin at Madison)

Recent changes in the business environment have forced organizations to rethink their strategies and focus more on the customer's needs in terms of price, quality and other features that the customers consider as important. This means that organizations have to redefine their objectives; consequently, they also compelled to redesign their control systems to better reflect their strategies and objectives. One significant change with respect to performance measures is the increased reporting of nonfinancial measures on factors such as quality and delivery performance. Presently, there is limited evidence on how managers are actually using these measures in their decision making, and whether the use of nonfinancial measures has resulted in improved performance. This study examines the use of nonfinancial performance measures and their influence on managerial actions/decisions. Survey data suggests that plants report several different nonfinancial performance measures to their senior managers. The case studies provide descriptive accounts of how these measures are used and how they influence the managers in their decision making. The case study findings suggest that managers perceive these measures as useful in influencing long-term financial performance.

**Samedi 30 mai**  
**Séance 5C : La comptabilité de**  
**gestion : historique, théorie, et**  
**exercice**

**13:45 - 15:15**  
**Naples Salon**

**Saturday, May 30**  
**Session 5C: Management**  
**Accounting: History, Theory,**  
**and Practice**

***Corporate Investment in Intangibles — Meeting the Challenge***

**Sarah C. Mavrinac** (University of Western Ontario)  
**Sylvia Smith** (CICA)

This session offers a description and critique of new research examining the role of intangibles in the value-creation process, the strategic management of intangible assets, and the value relevance of non-financial disclosures, for example. A call is made for new perspectives and methodologies with which to advance future research.

**Samedi 30 mai**  
**Séance plénière - Partie II**  
**L'investissement des sociétés**  
**dans les biens incorporels :**  
**relever les défis**

**15:30 - 17:00**  
**Naples Salon**

**Saturday, May 30**  
**Plenary Session - Part II**  
**Corporate Investment in**  
**Intangibles: Meeting the**  
**Challenge**



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