eaa newsletter

The official newsletter of the European Accounting Association # 43, Issue 3/2013

Editorial

The summer has gone and it is time to update news regarding the EAA. In this issue, Ann Jorissen will summarize news about the EAA in her Presidential Letter. This newsletter also provides two interesting conference reports. The first one is a report on the 9th Workshop on European Financial Reporting (EUFIN). The second report tells about the 4th WHU Doctoral Summer Program in Accounting Research (SPAR). In addition, Barbara Kardos and Andrea Madarasi-Szirmai tell us about accounting traditions in Hungary. Finally, two book reviews — *Survey Research in Corporate Finance* reviewed by Malcolm Smith and *Mergers and Acquisitions: The Critical Role of Stakeholders* analyzed by Seraina C. Anagnostopoulou — appear at the end of this newsletter.

I would also like to remind you about the greatest EAA events; the EAA doctoral colloquium will be held in Tartu (17-20 May 2014) and the EAA annual congress will take place in Tallinn, the capital of Estonia, on May 21-23, 2014. The submission deadline for the congress is 1st December. Please see all the details on the EAA website and mark these events in your calendar!

Yours,

Hanna Silvola

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Highlights

Letter from the president, Ann Jorissen

Dear Colleagues,

The summer of 2013 is over and most of us have gone back to teaching and research activities. Although the way we teach and the way we publish our research will probably not change this academic year or the next year, two phenomena that will definitely trigger changes in our academic lives are evolving rapidly. Firstly, the introduction of massive open online courses (MOOCs) will not only affect the way we deliver value to our students in the classroom, it will also influence the composition of the international student population in many universities. Secondly, open access publishing will change not only the way in which research results are disseminated but it will also affect the financial streams of universities, associations and publishers. At this stage, it is still difficult to predict the exact impact of open access and MOOCs on academic life, however I would encourage all academics to keep an eye on these evolutions, since they might cross our path sooner rather than later. In future newsletters we will provide more information on both phenomena.

Since I wrote my last letter to you in May, I've been mainly focusing on the external relations of our organization. On behalf of the EAA, I attended the annual conference of the Canadian Academic Accounting Association (CAAA) in Montreal and the annual conference of the American Accounting Association (AAA) in Los Angeles. Besides attending interesting research presentations, I went to the CAAA's General Assembly and the strategy meetings of the AAA. Attending these meetings informed me about their objectives and plans for the future as well as about the challenges they're facing. This information is helpful in benchmarking the objectives and aims of the EAA. These experiences will provide inspiration for the upcoming discussions at the EAA management committee meeting in relation to the focus and priorities of the EAA in the coming two years. The AAA conference was immediately followed by the 3rd Global Summit, co-organized by Mary Barth, President of the AAA and Recep Pekdimir, University of Istanbul. For this third edition only representatives from academic accounting associations from across the globe were invited. Both current teaching and research challenges facing us academics were on the agenda. In an atmosphere of mutual understanding and respect, opportunities for cooperation were discussed. Ideas generated at the meeting will have to be developed further in the coming months and years. In addition to my attendance at these events I also had a number of meetings with representatives from international non-academic organizations to highlight again that the EAA and its researchers stand for rigorous academic research which aims to advance accounting scholarship and which is often policy relevant.

My message to those international organizations is in accordance with the EAA's mission, namely that one of the EAA's objectives is to foster and improve research. Therefore one of the important topics on the agenda of the management committee in the months to come is the evaluation of the EAA funding scheme launched last year to support doctoral teaching and to help young scholars in improving their research skills. The insights gained from those evaluations will hopefully help the management committee to improve the EAA's doctoral support and to align the initiatives better to the needs of young academics. The flagship of our doctoral activities is the EAA doctoral colloquium, which is organized each year prior to the EAA annual conference. This year from 17 to 20 May 2014, the Co-Chairs Bill Rees and Keith Robson, in cooperation with a group of leading academics, will inform the participants of the doctoral colloquium on the state of the art of financial, management and audit research, but more importantly they will provide valuable feedback to the participants on the PhD research proposals. I strongly recommend all young PhD scholars to read the call for applications on the EAA website (www.eaa-online.org) and send in their proposals before the 15th of November 2013. Besides feedback from leading scholars, this doctoral colloquium also provides the opportunity to young researchers to establish links with other young scholars working at different universities across Europe.

The EAA doctoral colloquium precedes the EAA annual congress. After organizing the EAA annual congress for four years in a row in the more Southern part of Europe, the EAA annual congress now returns again to the North and more specifically to the beautiful, UNESCO protected heritage city of Tallinn. The submission date for full draft papers is the 1st of December 2013. All information on the congress, the submission and paper evaluation guidelines can be found on the following website: www.eaa2014.org. Toomas Haldma and his team are preparing an unforgettable 37th annual conference, so I would like to encourage all of you to submit a paper.

The next newsletter will be in December and in it I will report on the discussions that will have taken place in the management committee meeting of October 2013. If you have any ideas for further improvements, or if you would just like to make any other comments, please do not hesitate to contact me (ann.jorissen@uantwerpen.be); as always we sincerely appreciate your views. Until the next newsletter, I wish you a productive but also enjoyable autumn.

Ann Jorissen
EAA President

News on *Accounting in Europe*

Forthcoming papers include

Joint audit: Issues and challenges for researchers and policy-makers
Nicole Ratzinger-Sakel, Sophie Audousset-Coulier, Jaana Kettunen, Cédric Lesage

Equity and liabilities - A critique of the classification
Martin Schmidt

Accounting for carbon emission allowances in the European Union: In the search for consistency
Celeste Black

International Variations in Tax Disclosures
Erlend Kvaal and Christopher Nobes

In addition, Volume 10(2) includes an extended editorial by Peter Walton and Lisa Evans, looking back on 10 years of *Accounting in Europe*.

Accounting in Europe will soon move to online submission, through *ScholarOne.* We will announce details in due course; guidance will be available on the journal's homepage.

The annual EUFIN workshop, in collaboration with *Accounting in Europe*, took place in Valencia on 5-6 September. Please see the separate report on page 15. Next year's workshop will take place on 25-26 September in Regensburg, Germany.

Upcoming EIASM Events

Here are some of the upcoming EIASM events. For a full list, please visit www.eiasm.org.

Eden Doctoral Seminar on Quantitative Empirical Research on Management Accounting, December 9-13, 2013, Brussels, Belgium

MAR 2014 - Manufacturing Accounting Research Conference, June 11-13, 2014, Copenhagen, Denmark

11th Workshop on Accounting and Economics, June 26-27, 2014, Odense, Denmark

5th Workshop on Audit Quality, September 26-27, 2014, Venice, Italy

9th Conference on New Directions in Management Accounting, December 15-17, 2014, Brussels, Belgium

<u>Upcoming EAA Events:</u>

EAA 30th Doctoral Colloquium in Accounting, May 17-20, 2014, Tartu, Estonia

37th Annual Congress of the European Accounting Association, May 21-23, 2014, Tallinn, Estonia

Call for papers

Special Issue: Towards a new conceptual framework

Accounting in Europe

After how many years at convergence, convergence with our friends from across the pond, we come back to basics. In 2012 the IASB reactivated the Conceptual Framework project as an IASB-only comprehensive project. The IASB decided that the conceptual framework project should focus on elements of financial statements, measurement, reporting entity, presentation and disclosure and the aim is to work towards a single discussion paper covering all these areas, rather than separate discussion papers for each area. This discussion paper is now circulating. We believe this is a great opportunity to participate in the debate.

The EAA's Financial Reporting Standards Committee (FRSC) intends to be one of the respondents to the discussion paper. Its contribution will be published in ***Accounting in Europe*** in early 2014.

Suggested topics, but not limited to:

- Who uses financial reports today and for what purpose?
- What happens to convergence with US GAAP if the IASB goes it alone?
- What forces shape the conceptual framework over time?
- What role for the business model?
- What is the place of prudence in the conceptual framework?
- How do we achieve better comparability, how do we measure it?
- What matters: operating income, net income, comprehensive income?
- What balance between relevance and faithful representation?
- What is too much or too little disclosure?
- A conceptual framework for all: listed and unlisted firms, financial and non financial firms?
- The role of accounting research in shaping the conceptual framework?

Authors should submit their papers, including abstracts, by 1 December 2013 (same time you submit your papers for the EAA conference in Tallinn, easy to remember!) to the Editor-Designate, Paul André (andre@essec.edu). Earlier submission is encouraged. Authors should bear in mind the publication policy of ***Accounting in Europe***, which focuses on papers that are relevant to practice and policy. Papers must be submitted in English, although editorial assistance with the English language will be available for the papers selected. Instructions for contributors can be found at

http://www.tandf.co.uk/journals/journal.asp?issn=1744-9480&linktype=44

Papers submitted will be subject to fast track double-blind peer review, aiming for publication in the second issue of 2014.

Call for papers

The 10th Workshop on European Financial Reporting in collaboration with *Accounting in Europe*

University of Regensburg, Germany, 25-26 September 2014

We are pleased to announce the 10th workshop on European Financial Reporting, which will take place at the University of Regensburg on 25-26 September 2014. In continuation of the workshop´s tradition the 2014 version will offer parallel sessions that give sufficient room to present and discuss academic research papers. In addition there will be plenary sessions in which keynote speakers from practice and regulatory or standard setting bodies inform on practical implications of current developments in accounting and financial reporting within Europe.

The workshop offers an opportunity and venue for the meeting of academics and practitioners from all over the world that are interested in recent developments and research projects regarding financial reporting in Europe, its regulation and harmonization, and its process of change due to international developments.

Papers are invited on any aspect of accounting and financial reporting in Europe. Normative as well as practice- and policy-oriented research papers are particularly welcome.

Submission and Review of Papers:

Papers written in the English language should be submitted electronically no later than **06 June 2014** to Axel Haller, Chair of Financial Accounting and Auditing, University of Regensburg: eufin.bwl@ur.de

Papers will be subject to a blind review process. Authors will be notified of acceptance by **07 July 2014**.

Information

- Information about the workshop (Site is under construction, information will be available soon): http://www-wiwi.uni-regensburg.de/EUFIN_2014/Home/index.html.en
- Information about EUFIN: http://www.essec-kpmg.net/us/eufin/index.html
- Information about the Chair of Financial Accounting and Auditing: http://www-wiwi.uni-regensburg.de/Institute/BWL/Haller/Home/index.html.en
- Information about Regensburg: http://www.regensburg.de/tourismus/Home/3854

Call for papers

Journal of Accounting and Public Policy Conference "Accounting and Risk Management"

University of Maryland's Robert H. Smith School of Business (USA), 29 May 2014

The Journal of Accounting and Public Policy (JAPP) is pleased to announce the third of its annual conferences rotating among the IE Business School, the London School of Economics and Political Science and the University of Maryland's Smith School of Business. The third conference will be held on **May 29, 2014**, at the University of Maryland's Robert H. Smith School of Business in College Park, Maryland (less than 10 miles from downtown Washington, DC, with easy Metro access). The third conference will be focused around the theme of *Accounting and Risk Management*. A special issue of JAPP will be published based on the papers and related discussions presented at the Conference.

Risk Management is best thought of as a process that consists of several phases, including identifying risks, determining methods for mitigating and transferring risks, and for controlling/ responding to damages caused by risk not mitigated or transferred. The bursting of the dot com bubble, the accounting scandals at the turn of the century, and the recent financial crisis have heightened awareness of the importance of risk management and the role accounting plays in risk management.

Areas of interest for the third conference include, but are not limited to, the following themes and their relation to the risk management: Accounting for derivatives and risk management.

- Impact of IFRS on risk management.
- Earnings management and risk management.
- Financial reporting disclosure and risk management.
- Internal control systems and cybersecurity risk management.
- Impact of internal control systems on organizational risk.
- Accounting and Enterprise Risk Management (ERM).
- Operating leverage decisions as a means of managing organizational risk.
- The role of auditing as a risk management tool.

We welcome studies drawing on any research methodology. Papers submitted to the JAPP conference will be subject to a blind review process. Papers accepted for presentation at the conference will be considered for publication in a special theme issue of JAPP.

Papers for the 2014 conference issue may be **submitted to** Alnoor Bhimani (a.bhimani@lse.ac.uk), Salvador Carmona (salvador.carmona@ie.edu), or Lawrence A. Gordon (lgordon@rhsmith.umd.edu), with a copy sent to Martin P. Loeb (mloeb@rhsmith.umd.edu) and Kathy Lewis (klewis@rhsmith.umd.edu) **by November 18, 2013**. Conference acceptance decisions will be made by February 1, 2014. Authors are encouraged to contact Martin P. Loeb, should there be any matter requiring clarification and guidance.

Call for papers

Special issue: Financial analysts' role in valuation and stewardship

Accounting and Business Research

Financial analysts serve as important information intermediaries in capital markets between firms and investors. Their activities can assist in the efficient allocation of resources, improve market liquidity and enhance market confidence, yet in the aftermath of the financial crisis, important questions have been asked about the effectiveness of financial analysts. Beyer et al. (2010) suggest that investors demand accounting information for valuation and stewardship purposes, and that the interaction between voluntary and mandatory disclosures, along with the reporting decisions of analysts, help shape the corporate information environment. The existing academic literature on financial analysts focuses primarily on sell-side equity analysts, paying particular attention to the properties of earnings forecasts, whether they use the available information and whether they convey useful information (Ramnath et al., 2008). While these issues are interesting and important, the existing academic literature on financial analysts can be further enriched in a number of ways.

This special issue seeks to encourage a broad spectrum of research on financial analysts that addresses, though is not necessarily limited to, the following questions:

- How do economic incentives and decision contexts influence the underlying processes of financial analysts' valuation (e.g. Bradshaw, 2009; Schipper, 1991)?
- What is the stewardship role of financial analysts (including buy-side analysts, institutional investors or independent sell-side analysts) and how do analysts help deter opportunistic behaviour in firms' disclosure (e.g. Athanasakou et al., 2009; Christensen et al., 2013; Rees and Twedt, 2011; Roberts et al., 2006)?
- How are analysts' forecasts associated with their other various outputs, such as price forecasts, risk ratings, and recommendations (e.g. Bradshaw, 2011), as well as the content and linguistic aspects of analysts' reports (e.g. Asquith et al., 2005)?
- What factors enhance or limit financial analysts' "early warning" function before major capital market upheavals, such as the technology bubble of late 1990s, the high profile accounting scandals of early 2000s, and the excessive risk taking of banks in the recent financial crisis?
- How effective are other types of analysts, such as buy-side equity analysts, bond analysts and credit rating analysts and how do they operate? We know comparatively little about such analysts compared with sell-side analysts, despite some notable contributions (e.g. Barker, 1998; Cheng et al., 2006; Imam et al., 2008; De Franco et al., 2009; White, 2010).
- What kinds of non-financial or alternative information (e.g. corporate social responsibility, social network, and human capital) do analysts incorporate into their forecasts and research reports (e.g. Orens and Lybaert, 2010)?
- How can non-economic perspectives advance our understanding of analysts' role and effectiveness in capital markets (Roberts et al., 2006; Westphal and Clement, 2008; Westphal and Graebner, 2010)?

In keeping with the Aims and Scope of *Accounting and Business Research*, papers are welcomed adopting various theoretical perspectives (including economic, psychological, sociological) and various methodologies (including case studies, questionnaire and interview surveys, empirical studies based on archival data and analytical models). Empirical studies of analysts in various countries and jurisdictions (e.g. Asia and Europe) are also encouraged.

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Editors of the special issue:

Mark Clatworthy, Cardiff Business School, Cardiff University (Mark.Clatworthy@gmail.com) and **Edward Lee**, Manchester Business School, University of Manchester (Edward.Lee@mbs.ac.uk).

Submission deadline: July 31st 2014. Manuscripts should be submitted online at http://mc.manuscriptcentral.com/abr Author guidelines can be found [here]. All papers will be reviewed in accordance with ABR's normal processes. It is anticipated that this special issue will be published in 2015.

Call for papers

Special issue: Accounting narratives: quantification, storytelling and sensemaking

Accounting and Business Research

Accounting-related narratives are found in various media, and written by various stakeholders. Preparer-created narratives are now acknowledged as a crucial component of the business reporting package (IASB, 2010), and the role of the reader in their interpretation is well understood. Research into accounting narratives (broadly defined as written or spoken discourse) has been developing for some time and covers a broad spectrum from large-scale positivist economics-rooted quantitative analyses, more recently assisted by computerised linguistic techniques (e.g. Li, 2010; Schleicher, T. & Walker, M., 2010), to content analysis supported by theory from the social sciences (e.g. Merkl-Davies & Brennan, 2011), to finely worked qualitative case studies, using methods from the humanities (e.g. Davison, 2008).

In the social sciences, the ‘narrative turn’ has permeated many disciplines and is associated with a shift away from realism and positivism (Riessman, 2008). Storytelling is a specific narrative form of particular significance because stories help people make sense of events (Gabriel, 2000; Weick, 1995). A range of devices (such as structure, plot, viewpoint, character and rhetorical techniques) are employed in storytelling. Yet, narrative theory and analysis remains a relatively neglected area of accounting research.

This special issue aims to encourage the broad spectrum of research into narratives. Papers may adopt any theoretical or methodological perspective, including blended theory papers. These could include, for example, studies based in economics, psychology, psychoanalysis, philosophy, (social) linguistics, sociology, literary criticism, and could be large-scale positivist studies through to qualitative case studies.

Traditionally, the textual material examined has resided in formal documents such as annual reports, social responsibility reports, IPO prospectuses, profit forecasts, takeover documents, analysts’ reports, accounting standards and interpretations, statements by professional bodies and regulatory oversight reports. We welcome new work on such narratives as well as submissions on aspects that have been relatively neglected, such as: authorship; the process of compilation of accounting narratives; issues of language translation; less-researched media channels and documents (media coverage, social media, websites, reports of not-for-profit organizations); spoken discourse (presentations, conference calls, AGMs and other internal and external meetings or conversations), and the interface with marketing and other functions.

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The editors welcome informal enquiries from authors.

Submission deadline: 31st March 2014. Manuscripts should be submitted online at http://mc.manuscriptcentral.com/abr Author guidelines can be found [here]. All papers will be reviewed in accordance with ABR’s normal processes. It is anticipated that this special issue will be published in 2015.

Call for papers

11th Global Management Accounting Research Symposium (GMARS)

University of New South Wales, Australia, 26-27 June 2014

GMARS: June 26-27, 2014

Emerging Scholar Forum: June 25, 2014

GMARS aims to promote a "global village" of management accounting research by bringing together a diverse set of the highest-quality research papers, plenary speakers, and researchers from around the world. It provides a broader appreciation and understanding of the many theoretical perspectives and research methods that are used to study management accounting. GMARS rotates annually around the world: Copenhagen Business School, Michigan State University, and University of New South Wales. GMARS 2014 will be June 26-27 (Thursday and Friday) at University of New South Wales. An Emerging Scholar Forum aimed at doctoral students or new PhDs will be held on Wednesday, June 25.

The plenary speakers will be:
Henri Dekker
VU University Amsterdam

John Roberts
The University of Sydney

Kristy Towry
Emory University

In addition to these plenary presentations, GMARS will feature 20 papers presented in ten concurrent sessions, each with a discussant. Submission of papers addressing any management accounting topic using any theoretical perspective and research method are welcome. **The submission deadline is January 31, 2014**. All submitted papers will be reviewed by the program committee, and we expect to announce the program by March 15, 2014.

The Emerging Scholars Forum is open to all doctoral students who are interested in management accounting and who are nominated by their Head of Department. **The application deadline for the Emerging Scholar Forum is also January 31, 2014**.

Information about GMARS and how **to submit** a paper is at www.gmars.org. Please contact either Mandy Cheng at m.cheng@unsw.edu.au or Clinton Free c.free@unsw.edu.au for additional information.

Call for applications

KPMG Doctoral Scholarship

The Denis O'Connor KPMG Doctoral Scholarship in Accounting is now open for applications with a submission date of 30 October 2013. The successful candidate will commence their studies in January 2014.

What is the Denis O'Connor KPMG Doctoral Scholarship in Accounting?

Generously and kindly endowed by KPMG, this Scholarship celebrates the achievement and leadership of the late Denis O'Connor, former Managing Partner of KPMG in Ireland. It recognises his work as one of the leading accounting professionals of his generation until his untimely death in 2006 at the age of 46. In his memory, the Scholarship will contribute substantively to building the next generation of accounting educators and professionals in Ireland.

Purpose of the Scholarship

In memory of Denis O'Connor, the Scholarship will

i) contribute to sustaining, renewing and to the development of professional accounting educators in Ireland

ii) respond to the many changes taking place in accounting education and in the accounting profession more generally and, hence,

iii) enhance the position of the accounting profession in Ireland and internationally.

The award will support on an ongoing basis a doctoral scholarship in accounting at UCD.

Who can apply?

- Applicants must have at least a first or upper second-class honours primary degree and/or a master's degree.
- Applications from professionally qualified accountants (who hold a degree and/or masters) are particularly welcome.

The deadline for submissions is 5pm on 30th October 2013.

For details on the scholarship and how to apply please see http://www.smurfitschool.ie/kpmgscholarship

Informal enquiries can be made to:
Dr Gerardine Doyle
Head of Accountancy Subject Area
Email: gerardine.doyle@ucd.ie
Tel: +353 1 716 4717

Call for papers

Special issue: The Conceptual Framework

Journal of Accounting and Business Research

Accounting and Business Research (ABR) is pleased to announce a special edition of academic papers addressing issues relevant to the development and application of the IASB's *Conceptual Framework for the Preparation and Presentation of Financial Reports (the Framework).*

In July 2013 the International Accounting Standards Board (IASB) published a Discussion Paper entitled *A Review of the Conceptual Framework for Financial Reporting*, as part of renewed efforts on its Conceptual Framework project (see http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx). The IASB is aiming to issue a revised Framework late in 2015.

We seek papers that address aspects of the *Framework*, including theoretical and practical questions. Theoretical papers may explore issues relating to the definition of the elements of financial statements, recognition, measurement or concepts of capital as well as disclosure and presentation and any other matters considered important by researchers. Applied papers may seek to inform the *Framework* debate on any of these topics by investigating issues arising in practice relating to application of existing accounting standards.

The Discussion Paper is the first step in a period of intense consultation. The IASB is interested in academic input on all aspects of the project, to help it to develop the revised *Framework*. The appendix to this Call for Papers has a list, supplied by the IASB, of issues in which it has an interest. Potential authors should not be constrained by this list, and nor will preference be given to papers addressing these specific topics. It is included to give an indication of the broad range of issues facing the IASB.

In association with Inaugural IASB Research Forum

Authors of selected papers entered into the review process for the special issue will be invited to present their work at the inaugural ***IASB Research Forum***, planned to be held on ***2nd October 2014 at Said Business School***, Oxford University, England.

Forum participants will have an opportunity which other forums are not able to provide. Participants will not only discuss their research with academic peers but also with members of the IASB and other practitioners from a regulatory and policy background. IASB members will provide commentary on each paper. As a consequence, the research work has an enhanced potential to influence the thinking of IASB members and hence the *Framework* that will guide the setting of IFRSs for many decades. More information on the forum is available at http://go.ifrs.org/TPS-Research-Forum

Although acceptance of an invitation to present at the Forum is not mandatory, it is strongly encouraged by the guest editors. Following the Forum, revised papers should be resubmitted to the journal for the next stage of the review by 31 January 2015 and the special issue will be published in the latter half of 2015.

Editors of the special issue:

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Initial submission deadline: 1 April 2014. Manuscripts should be submitted online at http://mc.manuscriptcentral.com/abr Author guidelines can be found [here]. All papers will be reviewed in accordance with ABR's normal processes. Mindful that one of the audiences is the IASB and its staff, the papers should be written in a style that communicates effectively across a broad group of readers.

Call for papers

X Workshop on Empirical Research in Financial Accounting + VI Research Forum of the Spanish Journal of Finance and Accounting

Coruña, Spain, 2-4 April 2014

The University of A Coruña and the Spanish Journal of Finance and Accounting are jointly organising the **X Workshop on Empirical Research in Financial Accounting** and the **VI Research Forum of the Spanish Journal of Finance and Accounting**. The event will take place in A Coruña from **2-4 April 2014**.

The aim of the workshop is to discuss high quality papers in all topics related to empirical financial accounting research. All papers are peer reviewed prior to acceptance for the workshop, and there is a discussion of the accepted papers after the presentation by the authors. As in previous editions, we will enjoy the attendance of relevant researchers in the area of financial accounting acting as main speakers: **Mark Clatworthy** (Cardiff Business School) and **Gaizka Ormazabal** (IESE Business School). New to this edition is the Editors' Panel with Mark Clatworthy (*Accounting and Business Research*) and **Beatriz García Osma** (*European Accounting Review*).

We welcome empirical papers in all areas of Financial Accounting research. Topics include, but are not limited to, the following:

- The Introduction of IFRS
- Accounting Information and Valuation Models
- Relation between Accounting Information and Capital Markets
- Information Disclosure
- Intangible Assets
- Accounting Choice and Earnings Management
- Accounting Information and Corporate Governance
- Financial Analysts and Accounting Information
- Auditing
- Accounting Information Systems and Information Technology

Any other contribution to Financial Accounting research will be also very welcome.

The deadline to submit your paper is **November 1, 2013**.

As regards the **VI Research Forum of the Spanish Journal of Finance and Accounting**, a selection of papers currently under review in the journal will be presented by their authors and there will be a discussion after their presentation in order to spread and improve the work in progress. This discussion represents an additional review round.

For more information please visit our website:

http://xaccountingworkshop.es.

Call for papers

Special issue: Public sector accounting and accountability in an era of austerity

Accounting, Auditing and Accountability Journal

Special Issue, due AAAJ 2015 (Vol.28, No. 6).

Public sector accounting and accountability in an era of austerity: new directions, challenges and deficits

Guest Editors

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Key words: accounting, accountability, austerity, public services, public finance, democracy.

Call for paper

The current state of public finances and the era of austerity that has followed the outbreak of the global financial crisis are posing unprecedented challenges for governments and public services. The cost of financial sector 'bail outs', the expanding scale of welfare and pension entitlements, the increasing financial burden of public debt, declining tax revenues, uneconomic public-private partnership arrangements, major trade imbalances, volatile currency markets and the economic, political and regulatory demands of international and supranational institutions have all contributed to the enormous pressures on governments to cut public expenditure and deliver balanced budgets. At the same time, increasingly financially constrained governments are also expected to meet an increasingly sophisticated and heterogeneous demand for public services and to play a role in the economic recovery and growth.

The era of austerity has had a significant impact on modern democracies and representative processes, with the emergency measures and financial 'rescue packages' leading to the removal elected governments. The rise of populist activism (such as the "indignados" in Spain, MoVimento 5 Stelle – M5S- in Italy and "We are the 99 percent") has served to highlight the increasing inequalities in many countries and the difficulties faced by traditional politics (and economics) in tackling them.

Public sector accounting and accountability systems (including budgeting, performance measurement, reporting and auditing), are seriously implicated in such processes. On the one hand, they are used to shape, support, and justify, or, alternatively, to counter and resist, discourses and measures of austerity. They also serve to challenge or reinforce and sustain particular representations, assumptions and myths of the value of particular accounting practices and forms of accountability. On the other hand, austerity strategies are invoking and delivering substantial changes in the nature of, and rationalities associated with, public sector accounting and accountability systems. There are calls for greater transparency on the overall, consolidated, state of public finances, together with the need for a more significant and visible role for public sector accountants and finance officers, and the pursuit of more participatory decision making processes, including a greater utilization of social media.

In addressing such challenges and responding to new and emerging global movements, it is not only traditional budgeting, measurement and reporting systems that may have inadequacies – but also our own explanations and theorizations. Both practice and conceptualizations of practice may all require a profound rethinking. This AAAJ special issue specifically seeks to invite empirical and theoretical contributions from a wide variety of research perspectives and approaches. Possible avenues of investigation might include approaches addressing, *inter alia*, the following questions:

- In what ways are accounting and austerity being connected? In what ways is accounting shaping impressions, attitudes and behaviors towards austerity and that status/ standing of governments and public service organizations?
- How is austerity accounted for, explained, contrasted and accepted through the language and practice of accounting? Are there differing patterns of representation and explanation of austerity and the role of accounting in the popular and financial media and in the investigations and reports of supervisory/regulatory authorities and parliamentary bodies?
- What do such formal 'accounts' of austerity reveal in terms of understandings and expectations of accounting?
- How are the roles and practices of accounting changing in the face of austerity? How is the era of austerity shaping the claims made for, and usages of, accounting systems in governmental and public service organisations?

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Call for papers in AAAJ (cont'd)

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- Are public sector accounting rationalities (and associated technologies of practice) shifting acknowledged notions and forms of governmental accountability? In what ways is accounting being used to control and enable governments in the context of austerity? Are democratic traditions being enhanced, reinforced, ignored and/undermined? What are the shifting connections between and interpretations of the relationship between accounting and the public interest in these times of austerity?
- Are accounting systems being used as vehicles for cost-cutting and/or as engines for growth? Are certain accounting systems and approaches proving more influential and significant than others? What forms and traditions of accounting are gaining and losing prominence?
- In what ways are accountants' identities and roles being reconfigured by the context of austerity and the accounting technologies being promoted in response?
- How do inter-organizational and inter-governmental bodies and associated relations engender new systems of accounting and accountability? What knowledge and impressions of practice are emerging from, and being promoted by, such bodies and interactions? What is the role by accounting and budgeting in these relationships?
- And overall, what further new directions and challenges await public sector accounting and accountability systems and those promoting, using, relying on and fighting against them in the on-going and/or post-austerity era?

Key dates

Full paper submission: 31st March 2014

Contact details

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Report on the

9th Workshop on European Financial Reporting (EUFIN)

University of Valencia, 5-6 September 2013

The European Financial Reporting Group (EUFIN) workshop took place on 5-6 September at the University-Enterprise Foundation in the centre of historic Valencia. This was the 9th workshop of the EUFIN network, which runs annually in collaboration with *Accounting in Europe*.

As usual, the workshop brought together academics, practitioners and policy makers to encourage discussion of contemporary issues relating to European accounting, and to aid the development of relevant research. Around ninety delegates attended, representing sixteen countries. The programme consisted of three plenaries and 47 research papers, presented in parallel session.

Delegates were welcomed by Begoña Giner, Paul André (as incoming editor of *Accounting in Europe*) and Professor Vicent Soler, Dean of the Faculty of Economics of the University of Valencia.

The opening plenary speaker was Professor Wayne Landsman, University of North Carolina at Chapel Hill. In a session chaired by Begoña Giner, he discussed “IFRS Adoption, Comparability, and Condorsement: Some Insights from Research”. After analysing recent US developments regarding possible IFRS adoption, he concluded that, eventually, “market forces make it inevitable that there will be one set of high quality accounting standards applied worldwide.”

In the second plenary session, Beatriz García Osma presented, on behalf of an international team of academics, a report on ‘The Use of Information by Capital Providers’. This report draws on existing research in different national jurisdiction and languages, and was commissioned jointly by the Institute of Chartered Accounts of Scotland and EFRAG. The report's findings were discussed by a panel consisting of Alan Teixera (IASB), David Cairns (University of Edinburgh Business School) and Ann Jorissen (University of Antwerp and EAA president). This session was chaired by Lisa Evans (University of Stirling and ICAS Research Committee).

The final plenary consisted of a round table discussion on the role of the Business Model in financial reporting. It was chaired by Araceli Mora (University of Valencia), with Felipe Herranz (the Spanish Association of Accounting and Business-AECA), Ana María Martínez-Pina (the Spanish Institute of Accounting and Auditing-ICAC), Hans Schoen (EFRAG) and Alan Teixeira (IASB) as panel members. The panelists discussed several of the most controversial aspects relating to this topic, which were highlighted in the recent consultative Bulletin on “The role of the Business Model”, published jointly by EFRAG and several national standard setters.

As usual, a generous timeslot was allocated to presentation, discussion and feedback for each of the 47 papers included in the parallel sessions. The focus of papers was primarily, but not exclusively, on financial reporting and recent IASB developments, but with considerable diversity in topics and research approaches. Parallel sessions and individual papers were dedicated *inter alia* to the conceptual framework, to fair value accounting, SME reporting, consolidation, goodwill accounting and disclosures, accounting/earnings quality and earnings management, but also to taxation in financial reporting, auditing and accounting and audit regulation.

For example, Michael Bromwich (London School of Economics) presented an entertaining two period case study which compared the information content for investors of financial statements based on historical cost and an fair value. He concluded that the fair value information performed poorly relative to historical cost. Christoph Pelger (University of Cologne) presented his analysis of the meaning (and disappearance) of 'reliability' in the IASB’s Conceptual Framework project. He reviewed the debates which had led to the term being removed and also discussions in academic and professional journals. And Ann Jorissen (University of Antwerp) reported on research into corporate participation in the IASB's due process, through comment letters. The paper attempted to identify the characteristics of European companies that respond to process documents. Her team’s tentative findings were that there was increasing participation from larger and more profitable firms.

In the closing session, Chris Nobes provided an overview of EUFIN history and previous workshops, and Axel Haller announced the 2014 workshop. Begona Giner closed the workshop and thanked all participants.

The conference dinner took place in the stunning surroundings of La Embajada Restaurant, a building that has its origins in a sixteenth century monastery and that was converted in the early twentieth century into a magnificent palace.

Thanks are due for perfect organisation and a wonderful welcome in Valencia to the organising team: Begoña Giner, Miguel Arce, Araceli Mora and Francisca Pardo, from the Accounting Department at the University of Valencia.

The EUFIN network is now looking forward to its 10th anniversary meeting, which will take place on 25-26 September 2014 in Regensburg, the location of the very first EUFIN workshop in 2005. For details see

http://www-wiwi.uni-regensburg.de/EUFIN_2014/Home/index.html.de

To be added to our mailing list and receive further information about this and future workshops, please email gozdik@essec.fr

Report on the

4th WHU Doctoral Summer Program in Accounting Research (SPAR)

Vallendar, Germany, 8-11 July 2013

During the week of 8 July 2013, 31 doctoral students and post-docs from 12 different countries attended the 4th WHU Doctoral Summer Program in Accounting Research (SPAR) at WHU. The SPAR was hosted by the WHU Financial Accounting and Tax Center (FAccT Center). The program, which is held once a year, introduces (European) PhD students in accounting to some central theoretical, methodological and practical issues involved in conducting high-quality research.

The 4th SPAR, entitled "Current Issues in Empirical Financial Reporting Research", was taught by

- Professor Laurence van Lent, Department of Accountancy and CentER, Tilburg University, Tilburg, Editor, *The European Accounting Review*
- Professor Daniel W. Collins, Tippie College of Business, University of Iowa, Iowa City, U.S.A.
- Professor Edward J. Riedl, Boston University, School of Management, Boston, U.S.A.
- Professor Igor Goncharov (Financial Accounting), Professor Martin Jacob (Business Taxation), Assistant Professor Maximilian A. Müller (Financial Reporting), Assistant Professor Harm Schütt (Financial Accounting) and Professor Thorsten Sellhorn (Accounting), WHU – Otto Beisheim School of Management, Vallendar.

The focus of the first two days was on reading, critiquing and discussing the several research papers, some of which were co-authored by the SPAR faculty, in the following topical areas:

- Economic consequences of IFRS adoption (Prof. Riedl);
- Measuring accounting conservatism (Prof. Collins);
- Financial reporting properties and investment efficiency (Prof. Collins);
- Fair value reporting (Prof. Riedl);

The topic of the third day was "Presenting, discussing, reviewing and publishing financial reporting research". Professor van Lent (editor at Europe's leading academic accounting journal, the *European Accounting Review*) spoke about conducting academic peer reviews and publishing in peer-reviewed journals and led the students through key aspects of the publication and review process.

Integrated into this year's SPAR was the 1st WHU FAccT Center Workshop featuring the presentation and discussion of four research papers. Pietro Bonetti (University of Padova, Italy), Michael Stich (University of Erlangen-Nuernberg, Germany), Ronny Hofmann (Maastricht University, The Netherlands) and David Windisch (University of Graz, Austria) offered insights into the process of developing, presenting, discussing and refining research projects.

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Report on the SPAR (con't)

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The fourth day saw students becoming actively involved in the actual conducting of an empirical financial accounting study. In two parallel sessions Prof. Goncharov and Prof. Jacob walked students step-by-step through the process of data collection using common capital-market and accounting data bases, research design choices, and selected statistical analyses and related issues including the treatment of panel datasets, as well as selectivity and endogeneity.

In addition to classroom activities, students were given the opportunity to discuss their doctoral research projects in face-to-face settings with the SPAR faculty.

The participants earned 3 ECTS from the WHU doctoral program for four assignments: One brief research paper presentation or discussion; one written review of a current working paper; preparation of a research outline for the individual feedback sessions with the SPAR faculty; and practice of Stata data management commands.

Socializing certainly was not neglected. Starting with a welcome reception on Sunday night and during coffee breaks, lunches, and evening dinners, participants took advantage of the opportunities to network and have fun with their fellow students as well as the faculty members. This aspect of the program arguably peaked in the restaurant *Alt Coblenz.*

At the end of the program, students were asked to complete a feedback questionnaire. Overall, the participants strongly indicated being very satisfied with the course.

The fifth SPAR will be held in July 2014. For more information on the SPAR, please refer to:

http://www.whu.edu/forschung/fakultaet/accounting-and-control-group/externes-rechnungswesen/forschung/whu-doctoral-summer-program-in-accounting-research-spar/4th-whu-doctoral-spar-2013/

ANNA ALEXANDER, SPAR participant from the University of Padova, Italy, noted:

"Participating in the 4th Doctoral Summer Program in Accounting Research (SPAR) has been a remarkable experience that I deem essential to the education of a PhD student.

During the first two days we were introduced to frameworks proposed by two top-notch U.S. accounting researchers, Prof. Collins and Prof. Riedl, dealing with how to read, analyze and discuss research papers. On top of that, we received valuable practice in presenting research ideas, worked in groups to generate new research questions and received valuable feedback on our own research. On the third day, we gained practical insights on how to conduct, publish, and review research through a vivid presentation of the current editor of the European Accounting Review, Prof. van Lent. Moreover, a formal workshop was held where emerging scholars presented their current work and we could also observe well-known experts formally discussing the papers as well as engage in the plenary discussion.

On the last day, we were introduced to hands-on data management and statistical testing, to the replication of an actual study, as well as to major econometric issues and the latest statistical and identification trends to counter these.

Despite this intense, challenging and insightful academic schedule, there were plenty of opportunities to socialize and have fun with other participants as well as the entire SPAR faculty. Starting from a welcome reception with pizza and drinks to a barbecue in a park as well as a dinner with the entire SPAR and workshop participants in Koblenz, we really had a great time at WHU.

I highly recommend this event to anyone who is planning on becoming a successful researcher in the area of financial accounting. Thanks again to the SPAR faculty who organized those fabulous four days and for giving a memorable impression."

Thorsten Sellhorn
Professor of Accounting

Matthias Breuer
PhD Student

European traditions in accounting

Accounting in Hungary

Barbara Kardos and Andrea Madarasi-Szirmai

From the Past – before the second word war

In Hungary, the oldest rule related to business bookkeeping can be found in the 53rd section of the 1723 commercial decree of Charles III, king of Hungary. According to it, every tradesman had an obligation to maintain his books fairly and regularly, and record correctly his receivables and liabilities.

The laws of 1840 are especially important. Laws 15 and 16 of 1840 contain rules and regulations related to business bookkeeping, compliance with regulations and the conclusive evidence of records. Based on these rules each transaction – including all types of commercial and industrial transactions be it purchase or sale or other trading or draft transaction – should be registered in a chronological order and according to the types of assets. So, even at that time, the law required records to be kept in a journal and general ledger.

The Act on Commerce XXXVII of 1875 is significant from the point of accounting. It regulates bookkeeping in the following way: Every tradesman had the obligation to register business transactions in a book which had serially numbered pages. These books presented each business transaction and the full value of the assets of the tradesman, but the method and the language of bookkeeping was optional, up to the trader. Records had to be made one after the other, i.e. without gaps. The trader was allowed to modify his records, but the original content of the records had to remain readable, deleting or scraping off data was not allowed.

Act V of 1930 introduced the qualification of 'auditor' and regulated the tasks and duties of auditors. As bookkeeping progressed with time, bound books used by accountants started to give way to single pages. In the end, a Ministerial Decree allowed the use of single pages in 1948. The bookkeeping regulations of the above mentioned commercial laws remained operative till 1968, but it remains a fact that after 1945 a new chapter began in the fields of bookkeeping and accounting.

Past – after the second word war

Between December 1945 and the end of 1949 the most important institutions of the private sector were nationalized. The result was that 91% of mining, 80% of industry, and 95% of the banks were nationalized.

On 1 January 1947 the first mandatory chart of accounts was launched. Before 1945, in Hungarian accounting practice charts of accounts were not generally used, only some companies decided to use a chart of their own. Based on the mandatory chart of accounts a chart of account was produced for each sector of the economy i.e. commerce, agriculture, industry. In 1948 the Finance Ministry became the authority responsible for accounting in Hungary. In the following years some modifications were made to the 1947 mandatory chart of accounts, but these were not essential changes.

In 1949, in response to the establishment of the Organization for European Economic Co-operation, the Council for Mutual Economic Assistance was set up. The same year Hungary became The People's Republic of Hungary and, until 1990, it was a centrally planned economy. From 1950, during the planned economic system, accounting was given new tasks. The main aim of accounting was to provide data for measuring the completion of plans. Legislation focussed on the bookkeeping of business transactions and there was a detailed rule system for recording each transaction. Rules were based on soviet accounting literature and mainly tried to satisfy the needs of the nationalized industry. According to the regulations, the main aim of accounting was to meet the information needs of central governmental institutions.

1954 is an important date: it was in this year that a Decree of the Financial Ministry prescribed the mandatory content of the financial statements of companies.

The reforms of 1968 changed the requirements for accounting. As the economic control system changed, there was a new requirement that accounting could be used to provide information to compare and measure the effects of business transactions. For that purpose the charts of accounts for the various sectors of the economy became standardized. Along with the standardization of structure, the standardization of the content matter was also essential.

Decree XXXIII of 1968 stated that it was the task of the Finance Minister to establish and control the integrated accounting system of the people's republic. In essence, from 1875 this was the first law related to accounting. To execute Decree XXXIII, the Finance Minister issued a decree which stipulated the details of bookkeeping.

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Accounting tradition in Hungary (cont'd)

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According to this decree accounting contains:

- bookkeeping,
- (prime)cost calculation,
- the balance sheet,
- the profit and loss statement.

With this regulation the Chart of Account of The People's Republic came into force. It described the main rules of the bookkeeping system. Based on it, the charts of accounts for the various sectors were worked out. The Integrated Chart of Accounts of the people's republic was unified and ensured a unified information service for the institutions controlling the economy. As a consequence, government regulation was very detailed, and, basically, the requirement was to comply with the written regulations.

The regulation of accounting was the task of the Finance Minister. This entailed the regulation of:

- the bookkeeping system of companies and government agencies,
- inventory taking, evaluation and the compilation of the balance sheet and income statement,
- the documentation system of accounting,
- cost and prime cost calculation.

Decrees XIV and XV 1977 – along with the modification of the Civil Code which ensured the independence of companies – contained rules for private tradesmen and craftsmen, thus opening the doors to entrepreneurs and private companies. In 1981 the opportunity arose to run smaller shops and restaurants based on lease contracts. To establish small and medium sized enterprises, and to make our economy more flexible, it was allowed to form subsidiaries, and corporate business communities.

From 1983 a new decree prescribed the development of corporate governance, and the tasks and powers of Supervisory Boards, Boards of Directors and Chief Executive Officers.

Since 1987 there has been a two-tier banking system in Hungary, so the functions of commercial banks and those of the central bank have been separated. In the middle of same year the Tax and Financial Control Administration was established – earlier it was one of the departments of the Ministry of Finance.

Act VI of 1988 created a new framework for the establishment of private companies. Since that year we have had a new taxation system based on personal income tax, company tax and value added tax. The Finance Minister modified the regulation of accounting to suit the requirements of company taxation. At the time unified governmental control was prevalent in the regulation of accounting. These principles and methods were applied in data processing.

Present – market economy

The transformation of the ownership system, large-scale privatization and the liberalization of the economy in general all made it necessary to remove the obstacles to free competition. This entailed the modernization of the whole system of accounting. There was a need for an accounting law to create the framework for a system of accounting which would meet the needs and requirements of a market economy. The Act on Accounting came into force in 1991. The basic requirement of the Act was already expressed in its Preamble: "For the operation of the market economy it is essential that objective information based on past data be available on the financial and earnings position of undertakings, non-profit organizations and other types of economic organizations, as well as on the development thereof, in order for the participants on the market to be able to make well-founded decisions based on the information made accessible."

The second Act on Accounting came into force in 2001. It is based on the first one, but was updated, developed, and modified to fit international rules. The law may have been modified but the underlying philosophy has not changed: the idea is to provide a fair and true view about the assets, liabilities and profits of companies in financial statements.

Since 1992 Hungary has had a two-level accounting regulation system. On the highest level, the Act defines the requirements for the preparation of financial statements and recording business transactions, the principles and the rules based on those principles to be used in bookkeeping, and the requirements related to disclosure and audit. The Act on Accounting delegates power to the government to regulate the accounting of certain business entities, governmental and other institutions; also, it is the government that may set the special rules of liquidation and dissolution. That is the second level of the system.

The regulation of Hungarian accounting is controlled by the Hungarian Parliament and the Hungarian government, so it can be rightfully called "state regulation". (The Ministry of Finance, of course, has an important role in the preparation and implementation of the laws.) The National Accounting Committee also played an important role, first from 1946 to 1952, then from 1992 to 2012. The Committee was established to develop the theory and methods of accounting and to facilitate the implementation of accounting principles in practice.

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Accounting tradition in Hungary (cont'd)

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The Hungarian act-based regulations are much more detailed than the directives. They contain more detailed conditions, structures and evaluation rules. The Act contains a lot of instructions which, in other EU member states, are not incorporated in an Act but rather in decrees. The reason we need more detailed regulations is that the Hungarian legal, taxation and control experts cannot accept standards as mandatory rules, it is only legal regulations that may be enforced.

According to the Hungarian Accounting Act, the detailed rules and methods supplementing the stipulations of the Act, which are necessary for the presentation of a true and fair view, have to be written in national accounting standards. In spite of this rule and the activity of the members of the Standards Board, there are still no standards in force in Hungary today.

Present - nowadays

Hungarian accounting system is based on EU directives and its central element is Act "C" on Accounting of 2000. This is where the various conditions relating to company size and information needs, which may affect financial reporting, are laid down. From business year 2013 – if the conditions specified in the Act permit – businesses may choose to prepare on of the following reports:

- Annual financial statement
- Simplified annual financial statement
  - General
  - Simplified annual statement for micro businesses
- Consolidated annual financial statement
- IFRS

The Act on Accounting stipulates that entrepreneurs subject to the Act have to prepare **annual financial statements**. They can choose to prepare simplified annual financial statements if they meet the requirements laid down in the Act.

Company may prepare a simplified annual financial statement if it meets two of the following three criteria on the balance sheet day in two consecutive business years:

- Total Assets may not exceed HUF500m (€1,666,667);
- Net Sales may not exceed HUF1,000m (€3,333,333);
- The average number of employees in the business year may not exceed 50.

Simplified annual financial statements may not be prepared by public limited companies, parent companies and entrepreneurs whose securities can be traded on the stock exchange or a request for the authorization of such activity has been submitted to the authorities.

The gradual increase of the above limits granted by the EU directive on accounting and gradually adopted by the Hungarian accounting system ensures that the majority of entrepreneurs can use the simplified form. This simplification, according to the Hungarian rules, means that cash-flow statements do not need to be prepared, separate detail lines can be combined, the Notes may include fewer data and the simpler evaluation methods may be used. The parts of the simplified annual financial statement are the Balance Sheet, the Income Statement and the Notes. The Balance Sheet gives fewer details on assets and liabilities; and the Income Statement gives fewer details on incomes and expenses.

A consolidated annual financial statement must be prepared by a business which is considered to be a parent company in relation to one or more companies. A consolidated annual financial statement presents the financial standing of a group of companies – after the elimination of cumulative effects – as if it operated as a single corporation. The Act provides exemptions from the obligation to prepare consolidated statements and one important criterion is the size of the group of companies. The parent company does not need to prepare a consolidated financial statement for the business year if it meets two of the following three criteria on the balance sheet day in the two preceding – and consecutive – years:

- Total Assets may not exceed HUF2,700m (€9,000,000);
- Net Sales may not exceed HUF4,000m (€13,333,000);
- The average number of employees in the business year may not exceed 250.

To calculate the necessary figures, the aggregated figures of the parent company and those of its subsidiaries and jointly managed businesses need to be taken into account before consolidation.

The reporting format allowed by the Act from 2009 to 2013, known as 'special simplified annual financial statement', can be regarded as a temporary solution. It included only a Balance Sheet and an Income Statement and released the entrepreneur from the obligation to perform most of the evaluation tasks at the end of the business year. The problem was that the Act made this an option only for limited and general partnerships and sole proprietorships which are not obliged to undergo external audits. The reason for this was that EU law at the time stipulated the content and use of simplified annual financial statements along stricter rules for Hungarian limited liability companies and private limited companies.

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Accounting tradition in Hungary (cont'd)

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In fact, one of the obstacles of a more wide-spread use of special simplified annual financial statements was the high number of limited liability companies among Hungarian macro and small enterprises. These companies, because they met the relevant criteria, could have opted for the special simplified annual financial statement but EU law did not allow for that. On Hungary's initiative, certain changes were made in the EU's 4th company law directive and the modified version (EU/6/2012) took effect in April 2012. The new regulation allowed companies with total assets of less than €350,000, sales of less than €700,000 and fewer than 11 employees, to prepare statements similar to the Hungarian special simplified annual financial statements. These statements incorporate some more rules on evaluation than their Hungarian counterparts. The modified directive refers to the member states the competence of transposing this regulation in their legal system. Hungary decided to transpose the regulation in 2013.

As a result of this, the so-called **simplified annual statement for micro businesses**[1] was created, the detailed rules of which are set forth in Government regulation 398/2012 (20/12).

The statement for micro businesses can be an option if the business meets two of the following three criteria on the balance sheet day in two consecutive business years:

- Total Assets may not exceed HUF100m (€333,333)
- Annual Net Sales may not exceed HUF200m (€666,667)
- The average number of employees in the business year may not exceed 10.

Another important criterion is that the entrepreneur should not be obliged to undergo an external audit. According to the Act on Accounting (being in force in business years 2012 and 2013) external audits need not be carried out if the following two criteria are met:

a) In the two business years preceding the current year the average annual net sales did not exceed HUF200m (€666,667) and

b) In the two business years preceding the current year the average number of employees did not exceed 50.

The following entities may not opt for the above exemption from external audit, i.e. they are obliged to undergo external audits in all cases, which means they may not choose to prepare the simplified annual statement for micro businesses:

a) Entrepreneurs who maintain a double entry system and are obliged by law to undergo external audits
b) Savings co-operatives
c) Companies undergoing a bail-out
d) The Hungarian branch of a foreign based company
e) Entrepreneurs who – under the Act on Accounting – in exceptional cases deviate from the letter of the law in the interest of fair and reliable reporting.

Whether an entity is allowed to use the statement for micro businesses depends on the form of business. The statement for micro businesses can be used by entrepreneurs as defined by the Act, such as business organizations, sole proprietorships, co-operatives and the Hungarian branches of foreign based companies, but not by some other organizations as defined by the Act, for example non-government organizations, housing associations, law firms.

A business involved into consolidation financial statement may not use the statement for micro businesses because, despite the fact that it is considered an entrepreneur and irrespective of its financial data, it is obliged to undergo an external audit. The Hungarian branch of an EU-based foreign company, however, is exempt from the obligation of being audited so it can choose to make a statement for micro businesses.

According to the Act, an entrepreneur whose business year is different from the calendar year may not use the statement for micro businesses. It is worth noting, however, that entrepreneurs maintaining their books and preparing their statements in foreign exchange are allowed to report using the statement for micro businesses.

Considering the above restrictions for entrepreneurs and audits, it seems that the potential users of the statement for micro businesses will be smaller business organizations and sole proprietorships: approximately half of the companies may opt for the statement for micro businesses.

The Act on Accounting, in line with 19 July 2002 decree of the EU Parliament and Council (EU 1606/2002) on the use of international accounting standards, stipulates the application requirements of the **International Financial Reporting Standards (IFRS)**. Under the Act, companies which are listed on the stock exchanges of the EU and prepare consolidated accounts are obliged to make their financial reports in line with IFRS.

In Hungary, the use of IFRS is not as deeply rooted as in larger economies built on stock exchanges. We can say that Hungarian companies are not yet fully aware of the great responsibility that financial statements represent or of the need to provide high quality information in them. IFRS require companies to make a lot of disclosures and that, in turn, requires a lot of effort, which costs a lot of money and so harms profits.[2]

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Accounting tradition in Hungary (cont'd)

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When creating the standards, the main aim of the standard setters was to enable outside parties – the users of the financial information in the statements – to get reliable and fair information; the creation of regulations which were favourable for businesses seems to have been rather less important for them. Companies need to spend a lot of energy and effort to prepare their financial statements according to IFRS. An advantage of IASB policy may be that it does not force the management of a company to meet extra requirements which they would be unable to do anyway. This is the realization of the cost-benefit principle. Also, when management prepare their IFRS report, they can use already existing or accessible information.

In 2009 the International Accounting Standards Board (IASB) introduced its standards for small and medium-sized enterprises (IFRS for SMEs) but they have not been too enthusiastically welcomed by players in the economy. A research in 2011 initiated by ACCA (Association of Chartered of Certified Accountants) and IAAER (International Association for Accounting Education and Research) aimed to find out how open the SME environment is towards IFRS. The findings show that current market conditions (tax regulations, not quite realistic SME categories, the audit requirement, other outside parties) are not yet fully suitable for accommodating such changes and, what is more, the enterprises themselves cannot see themselves benefiting from the changeover. All of the micro, small and medium-sized businesses are privately owned; also, they cannot stand up to comparison on an international level so, for them, the introduction of IFRS is not a burning issue.

In Hungary, too, IFRS have failed to attract SMEs. Preparing statements according to IFRS is viable for companies involved in global markets or if the publication of individual and/or consolidated IFRS statements is allowed. Companies obliged to report according to IFRS in Hungary today will use the full IFRS as they are listed companies. For other companies, such reports would not give any added value. The international practicability of SME standard raises serious questions since, for the time being, it is quite impossible to set the same quantity stipulations for different countries. The aims set by and the regulation of the standards are good, unfortunately, however, the world is not quite ready to embrace them.

Footnotes:

1) The implementation of the medium-term government program [1405/2011 (25/11) Annex 12] called Simple State to reduce the administrative burdens of entrepreneurs

2) In Hungary 52 companies publish their consolidated financial statements according to the IFRS, these are the companies registered in the Hungarian stock exchange and trade A and B shares.

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Have you read?

H. Kent Baker, J. Clay Singleton & E. Theodore Veit (2011): *Survey Research in Corporate Finance*

Reviewed by Malcolm Smith, Edith Cowan University, Perth, Western Australia

Publisher: Oxford University Press, 2011, 464 pages.

I looked forward to the opportunity to review this text, as one potentially addressing an important gap in the finance literature. Overall I was disappointed, because the book did not fully meet my expectations, though some of the chapters provided excellent coverage of complex issues.

The book is well-organised, with an introductory chapter to set objectives, a second chapter discussing survey methods and a final chapter providing an overview and conclusions. Between these last two, Chapters 3 to 8 provide the 'guts' of the book – with a comprehensive treatment of alternative theories and survey evidence on the most important topics in contemporary finance. Chapters 3 to 7 are very good and will provide an exemplary source of the seminal literatures across the discipline, particularly useful for PhD candidates and their supervisors.

Chapter 1 establishes three major purposes for the text: to provide financial researchers with a useful overview of survey methodology; to examine the gap between theory and practice in finance-professional decision-making; to provide a resource for those conducting and reading survey research in finance. All of these objectives are achieved by the text to some extent, but Chapter 1 provides a disappointing introduction to the book. I would be worried that potential readers might go no further than this initial chapter, which would be a great shame, because subsequent chapters are most informative. After an irritating allegory we are treated to a variety of examples which would persuade me not to conduct survey research in finance, rather than the opposite: a survey of finance academics – n=144 and response rate 24.3%; a survey of finance practitioners – n=108 and response rate 10.8%; in neither case is non-response bias examined. We are treated to a further sample of journal editors (p.13) which reveals the paucity of survey based publications in top finance journals (180 articles in 49 journals over a 20-year period); but this is a missed opportunity, because the evidence is not supported by archival evidence of the actual number of survey based articles published by actual journals. The identification of those finance journals which rarely, if ever, publish survey-based research, would have been a useful addition and one that would parallel the controversial comments from Zimmermann (2011) in dismissing survey based management accounting research.

Chapter 2 provides a sound discussion of survey research, but one which appears dated. The description of papers published in 2004 as providing 'recent examples' (p.31) is stretching a point. The recognition from Aggarwal (1993) that the problems in finance surveys appear to be common to those in business disciplines generally, might have been used to widen the literature search, while the absence of any published examples of the use of on-line surveys in finance appeared to be another omission. What is clear is that good survey-based finance research: must address a research question which is both new and interesting; must demonstrate that a survey is the most appropriate data-collection method, and must address fears about sample (size and selection), response rates and non-response bias. In this respect it is important that the authors recognise that there are areas where survey based methods will not be the most appropriate and that at the very least, mixed methods (e.g., Modell, 2010) need to be adopted.

Chapters 3 to 7 are very good – and provide the great strength of the book. They are well-organised, informative and generally well-written, though still a little dated in places. Chapter 3 considers the wealth of survey evidence devoted to the Capital Budgeting decision, following the Burns and Walker (2009) framework in examining aspects of identification, development, selection and control. The unapologetic US focus might impair the adoption of the text elsewhere, but the clear distinction between 'theory' and 'practice' elements throughout is excellent. I wanted to see more emphasis on opportunities for future research, either here or in the final overview chapter, particularly with respect to the behavioural aspects of decision-making, but was disappointed. I also wanted to see some recognition of topic areas that might not yield optimum survey-based outcomes (e.g., post audit aspects) since some respondents might not be clear on the scope or constitution of such an analysis.

Chapter 4 examines survey evidence on different aspects of the Cost of Capital. Some of this evidence is provided in great detail from fairly aged surveys (i.e., from 1977, 1987). The coverage is wide, addressing: estimating the cost of debt; estimating the cost of equity; choice and use of hurdle rates; measurement issues in weighted average cost of capital (WACC); cost of capital applications, and the impacts of greater disclosure. The evidence is compelling that practice continues to lag theory.

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Have you read? Survey Research in Corporate Finance (cont'd)

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Chapter 5 examines Capital Structure and Financing Decisions and identifies a plethora of theories, but scant evidence to test alternatives. Interestingly recent evidence suggests that firms continue to adopt 'financial planning' heuristics instead of theoretical considerations. None of the existing academic theories (static trade-off; pecking order; signalling; agency cost; neutral mutation) appear to be wholly consistent with the survey evidence.

Chapters 6 and 7 are both devoted to aspects of dividend policy, and together account for almost a third of the total page length of the book. This might be deemed excessive, but is justified by the extensive coverage of these topics in the finance literature over many years. Chapter 6 examines Dividends and Dividend Policy in a long chapter, with significant international content, and identifies the 'dividend puzzle' as one of the most challenging topics in modern finance (p.306). The chapter examines alternative explanations to support the 'dividend policy is relevant' argument: signalling theory (e.g., bad news conveyed by dividend omissions or decreases); life cycle theories; agency explanations; behavioural explanations (e.g., age related factors for shareholders). Again the survey evidence shows no convincing support for any one explanation, though 'agency' and 'signalling' theories have received the most support. Chapter 7 is devoted to Share Repurchases, Special Dividends, Stock Splits and Stock Dividends as alternatives to traditional forms of dividend distribution. Empirical support is provided for theoretical motivations for share repurchase: tax advantages for shareholders; signalling that the stock is undervalued; agency cost explanations; changes in capital structure, and takeover deterrence. Empirical support is also reported for signalling and trading range theories for the impact of stock splits. However, there is recognition (p.360) that a unified theory for dividend policy is unlikely because of firm differences: *'perhaps the ultimate test in applied finance lies not in its formal elegance but in the ability to apply the theoretical concepts to real business problems'*.

Chapter 8 is devoted to Risk Management and Derivatives, an area which promises great opportunities for survey research, given the off-balance sheet nature of most hedging transactions. The survey evidence provided is most prophetic: although hedging is designed to reduce volatility and downside risk, the evidence suggests that many firms are using derivatives to increase profit – at the same time increasing their exposure to risk! It was most disappointing therefore that this chapter makes no mention of the Global Financial Crisis and includes no post-2008 citations.

Chapter 9 attempts to provide an overview by examining the extent to which theory and practice coincide. It is a disappointing chapter, one which is too descriptive of what has gone before, and one which does not develop sufficiently the opportunities for future research, or pinpoint topical research questions. While I expected this final chapter to mirror, to some extent, Chapter 1, by revealing the extent to which objectives had been achieved, I was surprised to see chapter content here that is arguably more appropriate to the introductory chapter. Thus the distinction between 'theory' and 'practice' and that between 'positive' and 'normative' theories is specified here, rather than early on, despite preceding chapters having carefully described examples of the distinctions.

I do hope that this book goes to a second edition because with judicious changes, and thorough updating, it could provide an essential addition to the armoury of the finance researcher.

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Have you read?

Helén Anderson, Virpi Havila and Fredrik Nilsson (2012): *Mergers and Acquisitions: The Critical Role of Stakeholders*

Reviewed by Seraina C. Anagnostopoulou, Athens University of Economics and Business, Department of Accounting and Finance, Athens, Greece

Publisher: Routledge, 2012, 290 pages, ISBN: 978-0-415-53652-3 (hardback)

Very often, research in accounting and finance that examines the subsequent performance and creation of shareholder wealth resulting from mergers and acquisitions (M&As) has considered such events without any reference to individual qualitative characteristics. In other words, there has been an effort, for example, to draw conclusions about whether these deals are generally successful by treating them as uniform events – i.e. as if all M&As should be expected to have the same outcome because of the very event they represent – which leads to an averaging out of possible unique circumstances and strategic motivations surrounding each M&A. In relation to this, 'Mergers and Acquisitions: The Critical Role of Stakeholders', exactly highlights the complexity of the underlying fundamentals of M&A events, by taking a multi-stakeholder approach with respect to M&A deals.

This multi-stakeholder approach assumes that M&As involve several stakeholders, who perceive the deal from their own perspective and act accordingly (p. 2). Stakeholders include employees, suppliers, customers, financiers, and communities (primary stakeholders); or competitors, customer advocate groups, media, and the government (secondary stakeholders) (p. 6).

The book, edited by H. Anderson, V. Havila, and F. Nilsson, represents a collection of research materials stemming from doctoral dissertations with a primary focus on M&As. These dissertations were undertaken by contributors based at Swedish universities or business schools. The whole project was initiated at a related workshop held in June 2009. Although all of the contributors are based in Sweden, the acquiring and target companies covered in the book come from many different countries around the world. The book consists of a total of 14 chapters, including introductory and concluding chapters prepared by one or all of the editors.

The methodological approach employed takes a managerial accounting perspective, given that most chapters represent accounts from case studies, and use empirical data which, as discussed by the editors, is often difficult to find due to the data's sensitive nature. Firms covered include multinational companies with global business operations, companies operating in very diverse industries, and involved in different types of M&A deals – both horizontal (acquiring a company's competitors) and vertical (merging with suppliers and/or customers) – of varying sizes. The total number of firms referenced in the book exceeds 50, with the majority of deals friendly events, plus one hostile takeover.

Each chapter primarily focuses on a single stakeholder, e.g. customers, suppliers, public bodies, scholars, employees, shareholders, top management, or middle managers. This chapter breakdown, which focuses on a different category of stakeholders each time, is further justified by the editors' argument that business relationships may be unique in nature, however, similarities are indeed expected to exist between them, given the type of category the relationships represent (p. 1). A separate chapter is also dedicated to taking a critical stance on existing research on M&As, and highlights the fact that these events could be portrayed as failures in scholars' efforts to justify their research, given that academics conduct research in the context of significant mainstream findings testifying that firms do not, on average, benefit from M&As (Chapter 13).

The book additionally takes a critical view of the fact that extant academic research on M&As and value creation generally focuses on the perspective of shareholders, without presenting that of other stakeholders, such as employees, customers, or suppliers; however, the book does acknowledge that this focus is partly justified by difficulties relating to measurement of value creation for the latter stakeholder categories (p. 5).

The editors argue that this multi-stakeholder approach has the potential to make conflicting stakes visible, and contribute to the discussion on performance measurement in relation to M&As. This approach challenges the view that M&As represent linear and rational events, as it is expected that the relative expectations of the acquiring and target companies regarding the outcome of the deal may actually result from interactions between many stakeholders (Chapter 14).

Probably the greatest contribution of the book lies in its underlining of the fact that M&A deals represent very different events when compared with one another, and that this very fact may be expected to influence their future performance. M&A events are initially undertaken with very different motivations in mind; for example, under the expectation of financial returns and/or synergies (e.g. cost reductions through economies of scale), or in order to acquire new technology, or increase market share (Chapters 1, 14).

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Have you read? Mergers and Acquisitions (cont'd)

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As argued by the different contributors to the book, M&As represent structural changes in an industry, and result in changes within supplier positions and customer relations, or losses of important customers (representing a strategic type of risk), dissolutions of business relations, product replacements, staff leaving the acquired party, less attractive business conditions, or several incidents happening in succession (Chapters 9-10). The success of the integration process within the new combined organization may affect the success or failure of the anticipated cost synergies. This is because the interaction of different stakeholders (e.g. suppliers or customers), may result in supporting synergies, but may also prevent synergies from being realized (Chapter 14).

By underlining the complexity of M&A events, the book also highlights the difficulties relating to the creation of synergies following such deals, which may be considered a further indicator of the individual uniqueness of each deal. However, these conclusions are deduced with reference to case studies of the successful and failed M&As reported in the book. Thus, the book may give rise to future research that directly addresses whether individual circumstances around deals are actually at the root of good vs. bad post-deal performance.

This could be addressed by incorporating several qualitative characteristics of individual M&A deals in a systematic manner within quantitative analysis. Such research could relate, for example, to the attitude that significant stakeholders have taken towards a deal, in an effort to integrate and complement indications provided through the extensive use of case studies, this time using quantitative tools, which will permit statistically significant conclusions to be drawn on the business environment factors that are expected to contribute to the success or failure of M&A deals.

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