

Editorial

Accounting for something often translates into counting something. Companies account for their success by counting their revenues, profits, or share increases. Sportsmen and sportswomen account for their performance in terms of metres, seconds, or goals. Researchers, more often today than in the past, account for their research efforts by counting their publications. What counts is often counted, and what is counted often counts. In accounting research and practice, however, we have also witnessed dissatisfaction with the various ways in which supposedly important organizational assets or concerns have been accounted for. In particular, the “blurry” notion of human capital has been subject to various different forms of accounting in the past. And often, we have seen commentators suggesting that the relevance of one form of accounting had been lost such that a new and better form of accounting would have to step in in order to regain this relevance. The dissatisfaction with forms of represen-



tation seems to be grounded in the very idea of representation itself. The desire of presence, Derrida once wrote, is born from the abyss of representation. It is fuelled by our feeling that we ‘only’ represent and that there must be a way to get closer to the truth of what is to be accounted for.

In this issue of the newsletter, Robin Roslender and Joanna Stevenson comment upon the *Accounting for People* initiative of the UK government. They criticize the initiative as not being progressive enough and provide us with a review of various ways in which human assets may be accounted for in such a way that the representation follows the “needs of people”

rather than those of the accountancy profession.

Apart from this essay, the newsletter contains several announcements for interesting upcoming workshops and conferences. John Christensen, in his presidential letter, reminds us of the submission deadline for the next Annual Congress of the EAA, which is to be held from 23 to 25 April 2008 in Rotterdam. Some new features promise to increase the value of participating in the Congress.

Members of the EAA regularly receive the two journals of the EAA, the *European Accounting Review* and *Accounting in Europe*. EAR will publish interesting special sections in future issues, and you can find the calls for papers in the newsletter.

The next newsletter will appear in December. Until then, I wish you a good time.

Martin Messner
messner@hec.fr

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Letter from the president, John Christensen

Dear Colleagues,

Recently I requested from all of you nominations for the next president of the EAA. We got 127 responses to this request and the list of nominations shows a wide interest in contributing to the further development of the EAA. The list contained names of many individuals who have devoted a great deal of resources to the EAA in the past and I am sure that many of the nominees will keep the association vibrant in the future. At the meeting of the Management Committee in September we discussed the nominations. Next step in the election procedure is to ask the Board to approve the nomination. The formal election will take place at the General Assembly in Rotterdam.

At the General Assembly in Rotterdam the Management Committee is also going to propose a change in the Governance Structure. The EAA has a large and loyal body of members who have no representative on the board of the EAA. We are going to propose that groups of countries will be able to select a representative to the Board such that each of the regions Northern America, Asia, Australia/New Zealand, Eastern Europe and South-eastern Europe each selects one representative. This way we will maintain our European origin and at the same time acknowledge our loyal members worldwide.

During the past year the EAA has had a joint project with The American Accounting Association called *The Global Accounting Digital Archive Network*. The aim of the project is to combine sources of freely available digital information and archives related to accounting in various parts of the world. In a relatively short period the project has collected many sources of information and made them available on the web. You are invited to visit the website of the project: <http://raw.rutgers.edu/digitallibrary/>.

Now the summer is over and we are all heading back to teaching and research activities. In the northern part of Europe the weather has not been good and I wonder if that has any implications for the productivity of a researcher. In the end this is an empirical question as I see both positive and negative effects. The EAA has put this up for testing as we have a deadline for our next conference coming up. Deadline for submission of papers to be presented in Rotterdam is December 16, 2007 and please note that only full papers will be taken into consideration. I hope many of you will take this seriously and submit papers to prove that even when the weather is bad the research activity is not diminished.

The Rotterdam conference offers two new features both on an experimental basis. One is that discussants will be assigned to some papers. I am sure that this will enhance the quality of our conference as the feedback to the presenter will be more systematic this way. Also, the audience might benefit

from having an informed view of the paper. We are only doing this on an experimental basis as the logistics involved get quite complex. The other new feature is awards for best papers. We realize that it is a difficult task to find the best paper as the quality of papers can be measured along many dimensions and equally many criteria might be used. There is no unique objective way of selecting the best paper. The idea is to give some incentives to submit good papers and that will for sure improve the overall quality of our conference. View the challenge as a positive thing and remember that even if you do not win this prize you may still have a good paper. I look forward to seeing the effect of these two ideas on our conference. I am sure the result is positive.

I look forward to seeing your next paper presented at the next EAA conference to be held in Rotterdam 23-25 April 2008. See you there!

Best wishes,

John Christensen
President of EAA

Call for Papers

31st Annual Congress of the EAA

23-25 April 2008, Erasmus University Rotterdam (The Netherlands)

Dear colleagues,

It is our great pleasure to invite you to attend the 31st Annual Congress of the European Accounting Association in The Netherlands. The congress is held from April 23rd to April 25th in 2008 on the campus of the Erasmus University Rotterdam.

We will be proud to welcome you on our campus, and to our city and country. But above all, we look forward to have your participation in this new edition of the annual congress of the EAA, in which several new program features have been added to the traditional EAA program elements. We look forward to receiving you in Rotterdam and work with you towards another great congress in the history of the EAA.

Best wishes, on behalf of the organizing committee,

Frank Hartmann,
Conference chair

Submissions

The deadline for submission of papers is **16 December 2007**.

For this congress **only full papers** can be submitted for two kinds of sessions:

- Parallel sessions
- Research forums

In a selected number of parallel sessions papers will be discussed by a discussant. You can indicate on the submission form whether you want to be eligible for this option. On the registration form you can indicate if you want to be eligible for being a discussant.

A full paper is as a completed scholarly research report that could reasonably be submitted for publication in a public working paper data base such as such as SSRN.



Congress venue

The congress will be held at the Erasmus Expo and Congress Centre of the Erasmus University Rotterdam, in Rotterdam, The Netherlands. The venue is located on the University Campus near the city center of Rotterdam, surrounded by many architecturally interesting buildings, museums and restaurants and is near by a tram stop and metro station.

For more information, please visit the conference website:

<http://www.eaa2008.org>



European Accounting Review

Forthcoming articles

IFRS Adoption and Accounting Quality: A Review. Naomi S. Soderstrom (University of Colorado at Boulder) and Kevin Jialin Sun (University of Hawaii at Manoa)

Capitalization of R&D and the Informativeness of Stock Prices. Dennis R. Oswald (University of Michigan) and Paul Zarowin (New York University)

Board of Directors' Characteristics and Conditional Conservatism: Spanish Evidence. Juan Manuel García-Lara (Carlos III University), Beatriz García-Osma (Autonomous University, Madrid) and Fernando Penalva (IESE Business School, University of Navarra)

Exploring the Effects of Corporate Governance on Intellectual Capital Disclosure: An Analysis of Euro-

pean Biotechnology Companies. Fabrizio Cerbioni (University of Padova) and Antonio Parbonetti (University of Padova)

The Governance Role of Conditional Conservatism. Asís Martínez-Jerez (Harvard Business School)

The Effects of Corporate Governance on the Relationship Between Innovative Efforts and Performance. Johnny Jermias (Simon Fraser University)

Audit-Firm Portfolio Characteristics and Client Financial Reporting Quality. Ann Gaeremynck (Katholieke Universiteit Leuven), Sofie Van der Meulen (Tilburg University) and Marleen Willekens (Tilburg University)

Groves Mechanism vs. Profit Sharing for Corporate Budgeting -an Ex-

perimental Analysis with Preplay Communication. Markus C. Arnold (University of Göttingen), Eva Ponick (Clausthal University of Technology) and Heike Y. Schenk-Mathes (Clausthal University of Technology)

Constituting the academic performer: The spectre of superficiality and stagnation in academia. Yves Gendron (Université Laval)

Knowledge Translation in Management Accounting and Control: a Case Study of a Multinational Firm in Transitional Economies. Sinikka Moilanen (University of Oulu)

Call for papers

“Accounting, Innovation and Entrepreneurship”

Special Section of EAR



Guest editors:

Antonio Davila (IESE-
University of Navarra) &

Daniel Oyon (HEC
Lausanne)

Background:

Innovation and entrepreneurship have become an important field of management research. Their relevance in research is a reflection of their importance in practice. Silicon Valley is not an outlier anymore. Valleys are emerging throughout the world. Governments have understood the importance of entrepreneurship to having dynamic economies and have created funds to support the creation of new companies. However, a large number of promising new ventures are failing at the growth stage; precisely when managerial accounting becomes an important element. Moreover, these new entrepreneurship and innovation clusters are based on networked communities, where information exchange is a key aspect of their functioning; given the information-based nature of accounting, researching its role in these communities is of relevance. Venture capital has also become a global industry with its own accounting challenges, for instance, how are returns measured when there is no liquidity and high levels of uncertainty?

Innovation has become the source of competitive advantage that various actors refer to in order to compete in the global arena. But medium and large companies don't get the level of innovation that they are looking for. Incremental innovation crowds out radical innovation putting the long term survival of the company at stake. Often the

use of certain performance measures such as financial tools are responsible for this bias. In other cases the incentives explain the lack of innovation. Yet in other companies is lack of systems and processes or a social system that does suppresses risk taking. All these issues are intimately related to accounting and control. But accounting has traditionally been perceived as hindering innovation and thus better to be ignored. Is it true? How does accounting help innovation efforts?

Topics:

This special section of the *European Accounting Review* is devoted to examining the role of accounting in innovation and entrepreneurship. We believe that the intersection of these fields is important for research as well as practice. While this new knowledge should be grounded in existing accounting knowledge, it needs to evolve to fit the unique characteristics of this new phenomenon. As such, we encourage approaches from all theoretical perspectives and research methodologies. The topic is very rich and will benefit from a diverse set of perspectives. Contributions will be valued based on their originality and research quality. Some of the broad topics that can be addressed include:

- Liability of newness and the relevance of accounting
- Accounting and company growth
- Innovation clusters and the role of accounting in inter-firm innovation efforts
- Valuing innovation
- Accounting and the monitoring and decision-making processes in social innovation
- Accounting, governance and family owned firms
- Reporting and control in government-based organizations to support innovation and entrepreneurship

Submitted papers considered for this special section will be subject to a double blind review process. Authors are encouraged to contact the guest editors in advance should there be any matters on which they require clarification or guidance (ADavila@iese.edu; Daniel.Oyon@unil.ch).

Authors should strictly follow EAR submission guidelines which can be found at: <http://www.tandf.co.uk/journals/authors/rearauth.asp>. Submissions in electronic format (MS Word) should be sent to the EAR editorial office in Madrid (Spain), via e-mail: ear@ie.edu. The subject of the message containing the electronic submission should include a reference to “Special Section on Accounting on Innovation and Entrepreneurship”. Additionally, one hard-copy of the paper should be sent to Professor Salvador Carmona, Editor, EAR, Calle Pinar, 15-1B, 28006 Madrid (Spain).

The **deadline for submissions** is November, 30 2007.

Call for papers

”Measurement Issues in Financial Reporting” Special Section of EAR



Guest editors:

Katherine Schipper (Duke University, The Fuqua School of Business) &

Marco Trombetta (Istituto de Empresa Business School)

This special section will include research that addresses the problems and possibilities associated with the need to resolve pressing measurement issues in financial reporting. These measurement issues are more timely than ever in light of recent changes in financial reporting, including the increasingly widespread adoption of International Financial Reporting Standards (IFRS), the increasing use of fair value measurements for financial reporting, including optional uses (as in IAS 39 and SFAS 159) and the inclusion of measurement issues as Phase C in the joint International Accounting Standards Board (IASB)-Financial Accounting Standards Board (FASB) conceptual framework project.

Research topics appropriate for this special issue would include, but not be limited to, the following examples:

1. Characteristics a given approach to arriving at a reported or disclosed number must have in order to qualify as a measurement basis in financial reporting

- From a financial reporting standard setting perspective, what is encompassed by the idea of “measurement”? Is there a meaningful distinction between a measurement and a calculated number? For example, are balance sheet values that are arrived at by allocations of transaction amounts (such as the book values of plant, property and

equipment) measurements? Are balance sheet values that are arrived at by subtracting a forward-looking estimate from a transaction amount (such as accounts receivable net of estimated uncollectible accounts or deferred tax assets net of a valuation allowance) measurements?

- To what extent is the standard setting perspective on measurement compatible with the information economics approach to accounting theory? Can we talk about “measurements” and “fair values” in a context of imperfect and incomplete markets?

2. Implications of choosing and applying a measurement basis

- Should there be one measurement basis for all balance sheet items? What are the advantage and disadvantages of the current mixed attribute model which applies both fair value (and similar) measurements and measurements based on historical transaction amounts?
- Should changes in measurements be asymmetric (as, for example, in the requirement to measure certain impaired assets at fair value if that value is less than book value) or should they be symmetric (as, for example, in the accounting for trading securities)?
- If comprehensive income equals changes in net assets except for transactions with owners, how should changes in measurements of assets and liabilities be displayed in a statement of comprehensive income?
- How should management intent (as in the current accounting for marketable securities under IAS 39 and SFAS 115) affect the choice of measurement basis? To what extent

should the choice of measurement attribute be left in management’s hands (as, for example in the fair value options in IAS 39 and SFAS 159), given that this implies a lack of comparability?

3. Qualitative characteristics of measurement bases

- Which measurement bases are most relevant? Which are most reliable? Which have the best combination of these two qualitative characteristics?
- With regard to potential reliability issues, what are the most important causes of unreliable measurements?
- To what extent can disclosures (in notes to financial statements) be used to address concerns about reliability of reported numbers?

4. Reflecting uncertainty about payoffs in measurement, not recognition. Many financial statement items embody some amount of uncertainty. Should this uncertainty be addressed through recognition criteria (as, for example, in the current version of IAS 37 and in SFAS 5) or should it be addressed through measurement (as proposed by the IASB in its exposure draft to amend IAS 37)?

5. Implementation and expertise issues. The adoption of IFRS by many jurisdictions in recent years has required preparers and auditors to change accounting measurements, in some cases, toward a variant of fair value or current value. Some of these measurements can require the exercise of professional judgment as well as significant estimation effort.

(continued on next page)

Call for papers

"Measurement Issues in Financial Reporting"

(continued from page 5)

- What are the implementation issues, for preparers and auditors of financial statements, associated with this change?
- What, if any, are the implications for financial statement users?

6. *Corporate governance.* What is, and what should be, the relationship between the financial reporting measurement basis and the corporate governance structure?

- Arguably, measurement bases differ in terms of relevance and reliability (which includes verifiability). Given these differences, does the choice of a measurement system affect the liability of managers that sign a firm's financial reports?
- Should a law such as the Sarbanes-Oxley Act affect the standard setter's choice of measurement basis in authoritative guidance? Should legal

considerations affect management's choice of measurement attribute, where such choices exist in IFRS and US GAAP (e.g., IAS 16 permits but does not require certain non-financial assets to be measured periodically at fair value; IAS 39 and SFAS 159 permit certain financial items to be measured at every reporting date at fair value)?

Following the EAR policy of openness and flexibility regarding methodologies and styles of conducting research, papers using analytical approaches (including both mathematical modeling and qualitative reasoning), experimentation, field study methods, surveys and empirical-archival methods will be considered.

Submitted papers considered for this special section will be subject to a double blind review process. Authors are

encouraged to contact the guest editors in advance should there be any matters on which they require clarification or guidance (schipper@duke.edu; marco.trombetta.ear@ie.edu). Authors should strictly follow EAR submission guidelines which can be found at: <http://www.tandf.co.uk/journals/authors/rearauth.asp>. Submissions in electronic format (MS Word) should be sent to the EAR editorial office in Madrid (Spain), via e-mail: ear@ie.edu. The subject of the message containing the electronic submission should include a reference to "Special Section on Measurement Issues in Financial Reporting". Additionally, one hard-copy of the paper should be sent to Professor Salvador Carmona, Editor, EAR, Calle Pinar, 15-1B, 28006 Madrid (Spain). The **deadline for submissions is September 19, 2008.**

News on Accounting in Europe



This year the journal has moved to an 'e-first' publication system. Each of the two issues is posted electronically first, and then a single hard copy comprising both issues is distributed once a year. The first electronic issue was published some weeks ago. EAA members can access it by going to the EAA website and clicking on Accounting in Europe. This will offer access to the latest issue after inputting your e-mail address and password.

Peter Walton
Editor of AiE

CIMA is seeking CIMA professors



CIMA, the Chartered Institute of Management Accountants, is currently looking for CIMA Professors to facilitate and stimulate CIMA's drive for reputation and leadership in business and financial management.

Charged with assisting CIMA to develop and promote the science of management accountancy, the successful applicants will be in a position to align their institutional and/or research priorities with CIMA to develop intellectual capital and drive development work.

The deadline for applications is 5 October 2007. This will be followed by a review panel. All candidates will be informed of their application status on 12 October 2007. Further details are available at:

www.cimaglobal.com/research

Announcement

6th Australian Conference on Social and Environmental Accounting Research

2-4 December 2007, The University of Sydney

Since 2001, the Australasian Conference on Social and Environmental Accounting Research (paralleling the annual Centre for Social and Environmental Accounting Research (CSEAR) conferences, held in Scotland) has been organised by Australian Universities. In December 2007 the Australasian Conference will be hosted by the Discipline of Accounting at The University of Sydney, Australia.

The Conference is deliberately an informal gathering of researchers, teachers, students, and practitioners concerned with research, teaching and practice in social and environmental accounting in the very widest sense. Normally limited to a maximum of around 60 delegates, the emphasis is on a high level of interaction, discussion and debate in a friendly, supportive and relaxed atmosphere. This year's conference will also include a stream on ethics related research sponsored by the Business and Professional Ethics

Group at The University of Sydney.

The precise format of the Conference is yet to be finalised. Papers will either be presented in a single session or parallel sessions, depending on demand from registrants and on the papers that are offered.

Please note that abstract and full papers should be submitted by Monday 10th September 2007. All papers will be blind refereed. Only papers will be admitted to the refereeing process (abstracts alone will not be acceptable). Authors of accepted and rejected papers will be supplied with referee' comments where appropriate as provided by the referees. Authors of papers accepted subject to revisions will be supplied with referee comments and revision recommendations.

The Scientific Committee consists of Professor James Guthrie, Associate Professor Geoff Frost, Matthew Egan,

Sharron O'Neill, Abdul Razeed, Nonna Martinov-Bennie and Sandra Van Der Laan. We would appreciate input from potential conference participants and will endeavour to tailor the conference sessions to suit participants.

Enquiries and further information Enquiries directed to the Scientific Committee and general inquiries about the conference, registration, and accommodation should be sent to:

Nuala Corr
Conference Administrator, CSEAR
2007

Room. 347, Economics and Business Building H69
cnr. Codrington & Rose Sts
Darlington NSW 2006

phone + 61 2 9036 6236
fax +61 2 9351 6638
CSEAR@econ.usyd.edu.au

Announcement and Call for Papers

IMA Case Conference

15-16 June 2008, Tampa/Florida

The Institute of Management Accountants (IMA) will hold a Case Conference in Tampa, Florida in conjunction with its 89th Annual Conference & Exposition, June 14-18, 2008.

The goal of the conference is to bring together academic and practitioners to discuss cases relating to current issues in the field of management accounting, thus deepening and enhancing the perspectives of both groups of attendees. Cases in any area of management accounting are invited.

The conference will also promote the collaboration of academics and practitioners in the development of real-world-based cases for use in the accounting curriculum. Submission of cases reflecting "real world" situations

are preferred, as are cases jointly prepared (and presented) by an academic and practitioner.

Fast Track Option

Cases accepted for presentation at the conference will automatically receive a "fast-track" review for publication in the IMA Educational Case Journal unless otherwise requested by the author(s).

Submissions

All case submissions should be made, via email, to Raef Lawson, IMA's Director of Research (at IECJ@imanet.org) no later than December 10, 2007. Notification of acceptance to the conference will be made by December 31, 2007. Case presenters

will receive a complimentary registration to the Case Conference. Submissions should follow the IECJ's submission guidelines (available at www.imanet.org/IECJ), except that prior classroom usage of the case is not required. (However, this will be required for journal publication.) Any questions regarding the conference may be sent to IECJ@imanet.org.

Conference Registration

Participants will be able to register for the conference through the IMA website. More details on registration will be available at: www.imaconference.org.



Call for Papers

Global Management Accounting Research Symposium (GMARS) 2008

June 12-13, 2008, Sydney

The fifth annual **Global Management Accounting Research Symposium** will be held at The **University of New South Wales**, Sydney, Australia, June 12-13, 2008.

An **Emerging Scholars Forum** will be held on June 11th, 2008.

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 rotates annually around the world:

- Copenhagen Business School
- Michigan State University
- The University of New South Wales

GMARS will provide a broader appreciation and understanding of the many theoretical perspectives and research

methods that are used to study the global diversity of management accounting practices.

GMARS will include plenary and concurrent sessions with discussants.

The plenary speakers will be:

- Shannon Anderson, *Rice University*
- Professor Mark Dirsmith, *The Pennsylvania State University*
- Anthony Hopwood, *University of Oxford*

Please **submit your papers** to Jane Baxter (j.baxter@unsw.edu.au) by **January 31st, 2008**. Successful presenters will be informed by March 1st, 2008.

Additional information about GMARS is at: www.gmars.org



Call for papers

IMA Educational Case Journal

The Institute of Management Accountants (IMA) is pleased to announce the launching of the *IMA Educational Case Journal (IECJ)*. The mission of the *Journal* is to publish teaching cases and research related to case writing or teaching with cases in management accounting and related fields. International submissions are welcome and encouraged. The initial issue is targeted for December 2007. Listing of the *Journal* in Cabell's Directory and the SSCI will be pursued.

IECJ will be published quarterly on-line. All manuscripts will be sent to two reviewers, although additional reviewers may be consulted in some instances. A double-blind peer review process will be employed. A strong effort will be made to complete the initial review within two to three months.

IECJ (both current and past issues) will be available on the IMA's website. In

addition, in order to enhance accessibility of the cases, cases included in the journal will be individually accessible and downloadable (in PDF format), and searchable by keyword terms.

The journal (and individual cases) will be available free to IMA members and will also be available on a subscription basis. Recipients of the journal receive the right to free use of the cases for educational purposes. Teaching notes will be contained in a secure location on the IMA website and will be made available without charge to IMA members and subscribers who can demonstrate a need for access to them (ex., course instructors).

Editorial Board

A listing of members of the Editorial Board is available at the *Journal's* website (www.imanet.org/IECJ).

Submission of Manuscripts

Manuscripts will be accepted on an ongoing basis. There is NO submission or page fee. Manuscripts must not have been previously published and must not be currently under review by another journal or publisher. Authors will retain the right to use their cases for instructional purposes. Cases may be released for other publications after a publication date has been set by the *Journal's* Editor.

Case studies to be considered for the *Journal* should be submitted electronically to the Editor via e-mail attachment. Complete submission guidelines, including details regarding manuscript preparation, are available at www.imanet.org/IECJ. *Journal* submissions and questions regarding the *Journal* can be sent to the Editor, Raef Lawson, IMA's Director of Research at

11th Annual Doctoral Colloquium of the Management Accounting Section of the AAA

10 January 2008, Long Beach (CA), United States

The **Management Accounting Section** of the American Accounting Association through the generous support of the **Institute of Management Accountants** is sponsoring the Eleventh Annual Management Accounting Section Doctoral Colloquium on Thursday, January 10, 2008.

The colloquium will be held at the conference hotel in Long Beach, California immediately preceding the 2008 Management Accounting Section Mid-Year Research and Case Conference. A reception will be held on Wednesday evening, January 9.

The purpose of the colloquium is to provide doctoral students with exposure to **current issues and trends in management accounting research**.

This year's program includes the following presentations:

Models of Cost Behavior

Ramji Balakrishnan

Ernst & Young Professor of Accounting, University of Iowa

Intra-Organizational Control

Don Moser

Professor of Business Administration, University of Pittsburgh

Inter-Organizational Control

Shannon Anderson

Associate Professor of Management, Rice University and Professorial Fellow, Professor, University of Melbourne

and

Henri Dekker

Associate Professor of Accounting, Vrije Universiteit Amsterdam

Entering the Job Market - Panel Discussion

Sue Haka (moderator), Professor of Accounting, Michigan State University
 Ramji Balakrishnan, Ernst & Young

Professor of Accounting, University of Iowa

Brian Mittendorf, Associate Professor of Accounting, Yale University

Jasmijn Bol, Assistant Professor of Accounting, University of Illinois at Urbana-Champaign

Along with the above scholars, the following **Resident Faculty** will lead discussions with students during the small group breakout sessions:

Shane Dikolli, Duke University

Steve Kachelmeier, University of Texas at Austin

Eva Labro, London School of Economics and Political Science

Sally Widener, Rice University

The colloquium is open to all doctoral students whose research interest is management accounting. Participants in prior colloquiums are eligible and encouraged to participate again. We also encourage doctoral students at any stage in their degree to apply, and will likely have room for everyone who wants to attend. However, space is limited and, if necessary, priority will be given to more senior students (through the 5th year) and those students who have not previously attended.

There is **no cost for attending the colloquium**, and students attending the colloquium are automatically registered for the conference. In addition, Wednesday night's stay at the conference hotel will be reimbursed by the AAA for colloquium attendees (Wednesday and Thursday if participants arrange to share a room with another participant).

Application

To **apply** for the colloquium, interested doctoral students should visit the following website:

http://msu.qualtrics.com/SE?SID=SV_1Lg7SCIVcGQBHCI&SVID=Prod

Note that students must be a member of AAA and the Management Accounting Section in order to apply. Application deadline is **October 30, 2007**. Notification of acceptance decision will be emailed on **November 5, 2007**.

Please pass along the information in this invitation to all doctoral students who may be interested in attending. If you have any questions, please email one of the colloquium directors.

We look forward to seeing you in Long Beach!

Regards,

Karen Sedatole

Co-Director, 2007 & 2008 MAS Doctoral Colloquiums

Associate Professor of Accounting

Eli Broad College of Business, Michigan State University

sedatole@msu.edu

(517) 432-2919

Chris Chapman

Co-Director, 2008 & 2009 MAS Doctoral Colloquiums

Professor of Accounting

Saïd Business School, University of Oxford

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Essay

Accounting for People: yet another missed opportunity?

Robin Roslender, Heriot-Watt University, Edinburgh
Joanna Stevenson, University of Stirling

In January 2003 the UK government announced the formation of a Task Force on Human Capital Management, charged with considering how it might be possible to 'account for people'. After ten months of consultation and deliberation, the Task Force's *Accounting for People* Report was published in November 2003. One of the report's principal recommendations was that information on human capital management (HCM) should be included in UK companies' Operating and Financial Reviews (OFR), the narrative accompaniment to the annual report whose status had been thus far voluntary but which was due to become mandatory for quoted companies. Mandatory reporting on HCM would lend considerable support to those individuals and organisations who believed that people are now the most valuable asset available to management. In November 2005, however, in a move that took all parties by surprise, the government abandoned the OFR and with it, the legal obligation for UK companies to account for their people.

This U-turn came about as a result of the need to implement the EU Accounts Modernisation Directive which required an enhanced business review within the directors' report (and which therefore overlapped with UK plans for the OFR), and complaints in industry quarters about the amount of red tape facing business (the timing of the OFR requirement coincided with implementation of IFRS). Over a 7 year development period, the OFR requirements had been diluted, primarily to appease a powerful accountancy profession which was reluctant to either prepare or audit anything beyond the standard annual report package. The final version of the OFR had even given directors a get-out clause whereby they only had to refer to employee issues 'to the extent necessary' to meet a very general set of criteria. As a result of cou-

pling the *Accounting for People* initiative with the politically sensitive OFR, any advancement in HCM reporting in the UK might appear to have been halted, for the time being at least.

The tone of the *Accounting for People* report strongly suggested an attempt to bring the accountancy profession on side by inviting it to consider how it might be possible to account for this valuable organisational asset. The inference is that the profession has ultimate jurisdiction over measuring and reporting on human capital. Deference to the accountancy profession helps to explain why the Task Force didn't link its commitment to accounting for people with alternative approaches (which combined measurement and reporting dimensions) in the intellectual capital field that were gaining support elsewhere and of which they were clearly aware. More progressive approaches such as the Danish Intellectual Capital Statement are more about 'recounting' than counting in that they demonstrate the potential of a narrative form of reporting. Intellectual Capital Statements allow a greater extent of reflection than the factual approach favoured by accountants and promote greater levels of subjectivity rather than objectivity. Such advances, with their emphasis on knowledge and the value creation process, threaten to highlight the role of labour within an organisation as the repositories of knowledge and the sole source of value (creation) thus posing a problem for the accountancy profession as trusted guardian of capital.

It would be wrong to suggest that people are not present within financial statements. In the guise of 'labour', people have long been incorporated within the income statement as an expense, i.e. a cost to be set against revenue. It follows from this that profit can be increased by managing, i.e. reducing, labour costs. In a similar vein, within the management accounting

literature investments in people such as training, upgrading skills, funding educational courses or redeployment expenses are designated discretionary costs. These are invariably represented as being amongst the most susceptible to reduction in times of declining financial fortunes, with the result that labour's long term interests are sacrificed in the pursuit of sustained short term profitability.

The recognition that it might be desirable to view people as assets, as well as costs to the enterprise, is evident in the accounting literature long before the newly resurgent personnel profession, now re-branded human resource management, embraced the aphorism that 'our people are our greatest asset'. In 1922 Paton observed that "a well-organized and loyal personnel may be a more important "asset" than a stock of merchandise."¹ The problem was how it might be possible to account for them within the balance sheet. A little over forty years later Hermanson² commended the approach he designated human asset accounting, which provided a means of accounting for people assets in the balance sheet, as well as people costs in the income statement. Hermanson dismissed the objection that since employees were not owned by business enterprises, they could not be accounted for alongside the other owned assets. He designated human assets as operational assets, asserting that in common with the various categories of owned assets they possessed a potential value to the business and should therefore be accounted for in combination with them. The problem remained, however, of how to accomplish this. Much of the subsequent history of accounting for people has been shaped by debates about the merits of a succession of valuation methodologies.

(continued on next page)

Accounting for people... (continued from page 10)

The most enduring figure in the field, Flamholtz argued that it was more appropriate to embed accounting for people within the traditions of managerial accounting rather than financial accounting and reporting. In order to distinguish such an approach from putting people on the balance sheet, he designated it as human *resource* accounting and identified it as having three objectives: to develop methods of measuring human resource cost and value in order to provide a quantitative basis for decision making by managers and investors; to develop methods of measuring human resource cost and value necessary to monitor the effectiveness of management's utilisation of human resources; and to develop a theory explaining the nature and determinants of the value of people to formal organisations. Flamholtz views the last objective to be the most critical. He sees people as a scarce resource that managers must manage as efficiently and effectively as possible in order that it delivers the greatest benefits to the enterprise. The development of human resource accounting information becomes a means to this end, designed to improve resource utilisation. Despite his explicit managerial orientation, Flamholtz did not envisage the identification of human resource costs as merely a precursor to reducing them, believing that the assembly of such information could ultimately have benefits for all parties. Equally, while he viewed people as valuable assets, he was never fixated on identifying the perfect valuation methodology.³

During the past decade accounting for people has re-emerged as an increasingly well-subscribed research topic. It has done so as one aspect of the growing interest in intellectual capital or 'intangibles'. Intellectual capital is generally acknowledged to be divisible into three generic components: human capital; customer or relational capital; and structural or organisational capital. Edvinsson⁴ argues the difference between the market and book values of many enterprises in the Information Age or Knowledge Economy is a result of their possession of stocks of intellectual capital. At its simplest, accounting for intel-

lectual capital entails reconciling market and book values, making use of detailed taxonomies such as the Skandia value system which provide a basis for identifying the specific constituents of a business' stock of intellectual capital. From this description, it should be obvious that one approach to accounting for intellectual capital is to engage in a series of valuation exercises. In the case of some constituents, e.g. trademarks, know-how, patents, etc, sometimes designated intellectual property, this is comparatively easy to accomplish. Brands and company reputation present greater difficulties, but far less than key human capital assets including employee competence, experience and expertise, leadership skills, capacity for inventiveness, teamworking abilities, etc, or relational capital assets such as organisational culture, knowledge networks and management succession

“The opportunity to account for people using indicators shaped by the needs of people rather than accounting is a major step forward“

programmes.

Edvinsson also identifies an alternative approach to accounting for intellectual capital. Instead of valuing its various constituents, he suggests the development of a set of indicators designed to represent the *growth* of a business's stock of intellectual capital over a period of time. Based on his experiences at Skandia AFS, Edvinsson identifies the Skandia Navigator as an appropriate vehicle for reporting this information. Similar in nature to the original Balanced Scorecard measurement and reporting approach, the Skandia Navigator reflects a managerial accounting and reporting rather than a financial accounting and reporting emphasis. The Scandinavian dominance in accounting for intellectual capital continues with the development of the Intellectual Capital Statement approach to the problem. A Danish government funded re-

search project, with academic leadership provided by Mouritsen et al, commends this approach.⁵ Where it differs from the former scorecard approaches is in its narrative foundations, mirroring a trend that had been gaining support for a number of years in financial reporting circles, including in association with the business reporting concept.

The implications of these latter developments for accounting for people are substantial. Not only do they provide alternatives to the highly restrictive valuation emphasis implied in putting people on the balance sheet, they do so in ways that are not greatly reliant on financial numbers and reporting formats. The opportunity to account for people using indicators shaped by the needs of people rather than accounting is a major step forward, alongside the possibility of using this approach in association with extensive narrative content. Despite the shelving of the UK OFR and along with it, the high expectations of the *Accounting for People* Task Force⁶, the renewed interest in accounting for people through a focus on intellectual capital provides grounds for optimism.

Endnotes:

¹ Paton, W.A. (1922) *Accounting Theory*, New York, Ronald Press, p486.

² Hermanson, R.H. (1964) *Accounting for human assets*, occasional paper # 14, Michigan State University.

³ Flamholtz, E.G. (1974) *Human Resource Accounting*, California, Dickenson Publishing Co; (1999) *Human Resource Accounting: advances in concepts, methods and applications*, 3e, Boston, Kluwer Academic Publishers.

⁴ Edvinsson, L. (1997) *Developing intellectual capital at Skandia*, Long Range Planning, 30(3), 336-373.

⁵ Mouritsen, J., Larsen, H.T. & Bukh, P.N.D. (2001) *Valuing the future: intellectual capital supplements at Skandia*, Accounting, Auditing and Accountability Journal, 14(4), 399-422.

⁶ Roslender, R & Stevenson, J. (2007). *Accounting for People: A real step forward or more a case of wishing and hoping? Critical Perspectives on Accounting*, forthcoming.

Announcement and Call for Papers

Workshop on Management Accounting as Social and Organizational Practice

3-4 April 2008, Paris

Chairs:

Matthew Hall (London School of Economics)

Allan Hansen (Copenhagen Business School)

Martin Messner (HEC School of Management)

This workshop is a continuation of the track "Managing by numbers – and beyond" that was organized at the EURAM conference in Paris in May 2007. The aim of the workshop is to bring together scholars in the field of management accounting and control who share an interest in understanding the social and organizational antecedents and effects of management accounting practice.

A key objective of the workshop is to **develop participants' research through critical discussion**. Accordingly, the format of the workshop is somewhat different than usual. Paper

presentations will be of 45 minutes duration to provide ample **opportunities for discussion** and feedback. The workshop will also feature group review sessions, in which selected working papers will be discussed and debated among a group of 3-5 participants. Finally, we will have an open discussion of a current "hot topic" in research to conclude the workshop. The workshop is limited to 30 participants. Participants without a paper are accepted on a first come-first serve basis.

Practicalities:

The workshop will take place at the campus of HEC School of Management (1, Rue de la Libération, 78351 Jouy en Josas) which is south of Paris. It starts on Thursday, 3rd of April, at 1 pm and ends on Friday, 4th of April, at about 3 pm. There are no fees. Also, dinner (on Thursday) and lunch (on Friday) will be provided by the local organizers. There is a hotel on the campus which charges reasonable rates.

Submission:

Full papers must be submitted as Word documents by **January 10, 2008** at the latest. Author information should only feature on the first page of the document. Papers will be reviewed and notification of acceptance (or otherwise) will be given by January 31, 2008. Deadline for registration (with or without an accepted paper) is **February 15, 2008**.

Local organizers:

Claire Dambrin (HEC School of Management)

Caroline Lambert (HEC School of Management)

Martin Messner (HEC School of Management)

Paper submissions and registrations should be made to Martin Messner at messner@hec.fr. Enquiries about practicalities should be made to Caroline Lambert at lambert@hec.fr.

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