



PROCEEDINGS

**THE 12th ASIAN ACADEMIC ACCOUNTING ASSOCIATION
ANNUAL CONFERENCE**

**OCTOBER 8 - 12, 2011
BALI - INDONESIA**

Hosts :

Universitas Indonesia
www.ui.ac.id



Udayana University
www.unud.ac.id



Universitas Gadjah Mada
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PREFACE

All praise and glory be to God for all His blessings upon us, and for letting us organize The 12th Asian Academic Accounting Association (AAAA) Annual Conference and prepare this Proceeding –that summarizes all papers presented in the conference-- properly.

The Asian Academic Accounting Association (AAAA) Annual Conference 2011 is held in Bali, Indonesia by three Indonesian top universities, Udayana University, Universitas Indonesia, and Universitas Gadjah Mada. This Conference addresses the latest issue in the accounting and finance field and bring together a diverse group of accounting and finance educators and professionals from throughout Asia and the rest of the world. In addition, it will also discuss the most recent researches conducted around the world and serves as an arena for presenting the up-to-date conditions of accounting practices.

The success of this event is the outcome of supports and cooperation of many parties. We would like to express our gratitude to all the sponsors that have provided financial support, all the committees who have put their best effort in organizing this event, and all presenters and participants for their important contribution in this conference.

Hopefully this proceeding can broaden research view of the readers. And finally, we hope all the participants can enrich their knowledge as well as enjoy the beauty of Bali during this conference.

Dr. Made Gede Wirakusuma

Chairman

BALI

Bali, one of the most popular tourist destinations in the world, has been ranked as the top island resort for several years by The International Travel Magazine.



It is an island province located in Indonesia. Bali has numerous beautiful beaches at Kuta, Sanur, Nusa Dua, and Jimbaran, as well as very rich cultural heritage with its own unique music, dance, and cuisine. It featured prominently in Eat, Pray, Love – the best-selling book and Hollywood movie.



HOSTS

UDAYANA UNIVERSITY

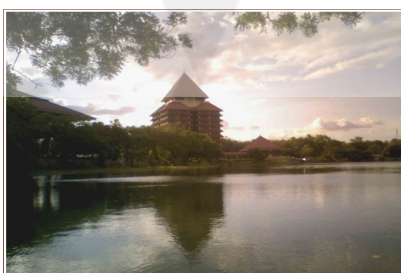
Udayana University (UU) was established in 1962 and has three campuses located in Sudirman, Nias, and Bukit Jimbaran Campus in Bali Island. It has 19,000 students enrolled. Udayana has 10 faculties including the Faculty of Economics which has three departments – Accounting, Economic Development, and Management. Udayana University has the Accounting Program in Bali offering bachelor, master, and doctoral programs in accounting.

UNIVERSITAS INDONESIA

Universitas Indonesia (UI) was founded in 1849. UI is a modern, comprehensive, open-minded, multi-culture, and humanistic campus that covers wide arrays of scientific disciplines. It currently has an enrollment of 45,000 students. As a world class research university, UI seeks to achieve the highest level of distinction in the discovery, developing, and diffusion of advance knowledge regionally and globally. UI has 12 faculties including Faculty of Economics that has three departments; Accounting, Management, and Economics. Department of Accounting was founded in 1953 and is the oldest in Indonesia. It offers undergraduate, master, and doctoral programs in accounting.

UNIVERSITAS GADJAH MADA

Universitas Gadjah Mada (UGM) was founded on December 19, 1949 and currently has 18 faculties. Faculty of Economics and Business (FEB)--one of the faculties of UGM--has three departments: Economics, Business, and Accounting. This faculty offers doctoral, graduate, and undergraduate programs in those three areas. It is currently preparing the accreditation plan to AACSB--a very respectable accreditation institution for business schools at international level. In 2007, FEB was the host of 7th AAAA Conference.



CONFERENCE PROGRAM

Saturday, 8 October 2011 – Doctoral Colloquium Day 1

01.00 pm – 05:00 pm	Registration
02.00 pm - 02.15 pm	Welcome and Program Highlights <i>Professor P.K. Sen, University of Cincinnati</i>
02.15 pm – 03.45 pm	Accounting Research in Thailand <i>(Professor Kriengkrai Boonlert-U-Thai, Chulalongkorn University)</i>
03.45 pm – 04.00 pm	Coffee Break
04.00 pm – 05.30 pm	Presentation of Doctoral Proposals Moderator: <i>P.K.Sen</i>
06.30 pm – 07.00 pm	Reception

Sunday, 09 October 2011 – Doctoral Colloquium Day 2

09.00 am – 05,00 pm	Registration
09.00 am – 10.30 am	Researcher's Insights: Experimental Research in Accounting <i>Professor Steve Kachelmeier,</i> Charles T. Zlatkovich Centennial Professor in Accounting University of Texas at Austin
10.30 am – 10.45 am	Coffee break
10.45 am – 12.15 pm	Faculty Panel I, Starting a Research Project <i>Professors Noguchi Akihiro, Kreingkrai Boonlert-U-Thai, P.K.Sen</i>
12.15 pm - 01.30 pm	Lunch
01.30 pm - 03.00 pm	Faculty Panel II, Completing a Research Project <i>Professors Jamal Roudaki, Steve Kachelmeier, Jong-Seo Choi</i>
03.00 pm - 03.15 pm	Coffee break
03.15 pm - 04.45 pm	A life-long career in Academia <i>Professor Shahrokh Saudagaran</i> Gary E. and James A. Milgard Endowed Dean University of Washington at Tacoma

Monday, 10 October 2011

08.00 am - 09.00 am	Registration
09.00 am - 09.45 am	Opening Ceremony
09.45 am - 10.30 am	Keynote speech : “ <i>Current Development of Accounting Standard in Indonesia - Implication to The Accounting Research and Education</i> ” Prof. Mardiasmo, Ak, MBA, Ph.D
10.30 am - 10.45 am	Coffee break
10.45 am - 12.15 pm	Seminar : “ <i>Publishing in Top Tier Accounting Journals: Perspectives of an Editor</i> ” Prof. Steve Kachelmeir (Current Editor of The Accounting Review)
12.15 pm - 01.30 pm	Lunch
01.30 pm - 03.00 pm	Parallel session 1
03.00 pm - 03.15 pm	Coffee break
03.15 pm - 04.45 pm	Parallel session 2
19.00 pm - 21.00 pm	Gala Dinner

Tuesday, 11 October 2011

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03.00 pm - end	Coffee break and closing tour

Wednesday, 12 October 2011

Full Day Optional Tour

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ACCOUNTING INFORMATION QUALITY, DELAY IN STOCK PRICE ADJUSTMENT, AND PREDICTABILITY OF FUTURE RETURNS

Ali Rahmani

AL-Zahra University

Farzaneh Yousefi asl

AL-Zahra University

Mozhgun Robotmili

AL-Zahra University

ABSTRACT

Based on extensive researches on accounting and finance literature, financial reports are one of the important sources of information in capital markets. Consequences of poor accounting quality are lower quality of firms' information environment, exacerbated market frictions such as asymmetric information, incomplete information, and illiquidity. In this study, we investigate that (i) poor accounting quality is one source of market frictions that contribute to stock price delay, and (ii) the portion of price delay due to poor accounting quality is associated with a stock return premium. Our proxies for accounting information quality are variables such as accrual quality, loss frequency and earnings surprise. We use the price delay measure of Moskowitz. Our sample consists of 165 companies in listed Tehran Stock Exchange for the period of 1381 to 1387. In order to study the relationships, multiple linear regression and panel method have been used. We find that firms with less earning surprise and higher accrual quality measure have significantly more delayed stock price. But losses frequency has no significant relation with stock price delay measure. According to our findings, there is no significant difference between return premium of firms with larger delay index and that of other companies.

Key words: Delay Index, Accounting Information Quality and Expected return

THE EFFECT OF FINANCIAL PERFORMANCE ON THE FUNDAMENTAL VALUE TO PRICE ANOMALY

Hye-Jeong Nam
Dongguk University

ABSTRACT

This paper investigates the effect of financial performance on the fundamental value to price anomaly. Using residual income model, this paper find that firms with high VP ratio are more likely to have a high level of sales, cash flow, earnings, return-on-assets, research and development (R&D), and financial leverage. This paper also finds that volatilities of these variables are the highest in the high VP firms than low VP firms. Proxies for risk are much higher for the extreme VP portfolios than for the middle portfolios. This result suggests that high VP firms are more likely to experience outstanding performance, but are also riskier. Regression results demonstrate that the abnormal future return from a trading strategy predicated on the VP ratio significantly declines when financial performance variables are controlled. This result still holds after controlling for several risk proxies. This finding demonstrates that high VP firms are strong performers and risky, along with the substantial decline of VP effect observed in a high level of financial performance, both lead to the conclusion that the source of VP anomaly is driven mainly by favorable financial performance.

Keywords: Financial performance; Fundamental value to price anomaly; Future abnormal returns; Residual income model.

Data Availability: The data used in this study are publicly available from the sources indicated in the text.

College of Business Administration, Dongguk University-Seoul, 26 Pil-dong 3-ga, Jung-gu, Seoul 100-715, Republic of Korea. e-mail: namhj@dongguk.edu, Tel: +82-2-2260-3820, Fax: +82-2-2260-3684. I appreciate valuable comments and suggestions from Lee-Seok Hwang and seminar participants at Seoul National University. I also acknowledge financial support from the Dongguk University Research Fund of 2011.



FINANCIAL REPORTING QUALITY AND CREDIT DEFAULT SWAPS: EVIDENCE FROM SOX 404 INTERNAL CONTROL DISCLOSURES

Dr. Dragon Tang
The University of Hong Kong

Feng Tian
The University of Hong Kong

Hong Yan
University of South Carolina

ABSTRACT

This study investigates the role of financial reporting quality in credit pricing and trading using credit default swap (CDS) transaction data. We utilize internal control disclosures under Sarbanes-Oxley Section 404 to measure financial reporting quality. We document that 5-year CDS spreads are 56 basis points higher, on average, for firms disclosing internal control material weaknesses than those for firms with effective internal controls. This effect of internal control quality on CDS spreads is most pronounced among firms with high information uncertainty. Moreover, we find that CDS trading volume is 2.3 times higher for firms reporting material weaknesses. Our findings suggest that improving financial reporting quality helps a firm lower its cost of credit protection.



HARMONIZATION OF IFRS AND AAOIFI STANDARDS FOR SUKUK

Mustafa Hanefah
Universiti Sains Islam Malaysia

Akihiro Noguchi
Nagoya University Graduate School of Economics

ABSTRACT

The purpose of this paper is to describe the differences between Sukuk and conventional bonds and discuss issues concerning accounting, recognition, measurement and disclosures in the financial statements. Currently most of the Sukuk issuers are Islamic financial institutions, but others are also joining the band-wagon to capture the capital-flows from the Middle Eastern countries. A number of issues are discussed in this paper, among them include recognition, measurement and disclosure of sukuk according to two different international accounting standards. The possibility of harmonization of between IFRS for financial instruments and AAOIFI standard on investment is also discussed. The comparative analysis shows that there are not many major differences between IFRS and AAOIFI standards as per recognition, measurement and disclosures of Sukuk, and therefore IFRS can be adopted by issuers worldwide for international comparability of financial statements.

Keywords Sukuk, Islam, Harmonization, IFRS, AAOIFI



ALTERNATIVE ACCOUNTING TREATMENT FOR CORPORATE ZAKAT: PRELIMINARY ANALYSIS

Michimasa Satoh
Nagoya University, Japan
masato@soec.nagoya-u.ac.jp

Aprilia Beta Suandi
Universitas Gadjah Mada

ABSTRACT

Zakat is the third of five pillars of Islam, which is also the symbol of socio-economic justice in Islamic community. The act of giving zakat means setting aside a specific portion of the wealth and delivering it to the specified categories in order to purify it and gain Allah's blessing to make it grow in goodness, as stated in the Holy Quran as an obligation to every Muslim.

This obligation has undoubtedly influenced the practices of Islamic accounting. In some countries with Muslims as majority, the collection of zakat is not limited to Muslims individuals, but also Islamic corporations. According to the current standards, corporate zakat is presented as an expense in the income statement while the unpaid zakat is classified as current liabilities in the balance sheet. Adnan and Abu Bakar (2009) criticized this method and suggested that it should follow the manner of presenting dividend. They argued that current treatment of corporate zakat did not reflect either the true purpose of satisfying zakat or the nature of zakat in Islam, in which all wealth belongs to Allah.

In this paper, Adnan and Abu Bakar's idea is translated into an illustration to examine the effects to the financial statements. It shows that although this idea could favorably express the real meaning of zakat, lack of detail explanations about the manner of presentation itself has left questions whether dividend and zakat will share similar characteristics of distribution.

Then, in order to find the solution, the possibility to use the entity theory and modify it to be more appropriate for Islamic accounting practices will be explored, since Islamic accounting stands on the same points with entity theory; both believe that stockholders do not exclusively own the company. It is different from the current practices of accounting which is based on the proprietary theory and focus solely on the stockholders as the owners.

Keywords: Islamic accounting, zakat, entity theory



PERCEPTION AND AWARENESS OF ISLAMIC ACCOUNTING: STUDENT PERSPECTIVES

Dodik Siswanto
Universitas Indonesia
kidod25@yahoo.com

ABSTRACT

Development of Islamic finance (such as Islamic banks) may also contribute to Islamic accounting development which requires a tool for reporting and an analysis for financial statement. Moreover, this can be seen from Accounting and Auditing Organization Islamic Financial Institutions (AAOIFI)'s standards that increase in numbers, which is responding to current practices. These standards are also adopted by some countries such as Indonesia in developing accounting standard for Islamic financial transactions. Therefore, to disseminate and to socialize the topic issues, some universities offer Islamic accounting course to respond this. One of the examples is done by University of Indonesia which has offered it since 2004. Currently there is an Islamic Accounting Certification (USAS) which is held by Indonesian Institute of Accountants. In addition, in Certified Public Accountant (CPA), Islamic accounting topics also is tested. It can give value added to people who can past this capability test. Therefore, the competency of the course should follow to Indonesia's USAS and CPA in order to be effective. Thus, this paper tries to analyze the perception and the awareness of Islamic accounting from bachelor degree of accounting students in the Faculty of Economics University of Indonesia. This research is based on the topics in curriculum of Islamic accounting at the beginning of class and after the mid semester. Data would be analyzed using descriptive statistics. We can see actually not many students are aware of the Islamic accounting, but the course may give the comprehension effectively.

Keywords

Islamic accounting, course, Indonesia



IS EARNINGS MANAGEMENT INFORMATIONAL OR OPPORTUNISTIC? EVIDENCE FROM ASEAN COUNTRIES

Dewi Kusuma Wardani
Universitas Sarjanawiyata Tamansiswa, Indonesia

Indra Wijaya Kusuma
Universitas Gadjah Mada, Indonesia

ABSTRACT

This study explores the informational and opportunistic characteristics of earnings management in ASEAN countries. Earnings management has an impact on the profitability of the companies. Positive relation between earnings management and future profitability reveals that earnings management is informational. However, negative relation between earnings management and future profitability indicates that earnings management is opportunistic.

This study uses data from the OSIRIS database. Four hundred eighty five (485) companies from Philippines, Indonesia, Malaysia, Singapore, and Thailand are used as a sample. This study focuses on 2 types of earnings management: (1) accrual earnings management and (2) real earnings management. Modified Jones model is used for the accrual earnings management. Real earnings management follows Roychowdury (2006). The results show that the characteristics of earnings management are not consistent. Real earnings management is informational in Thailand, but opportunistic in Indonesia. Accruals earnings management is informational in Philippines, but opportunistic in Malaysia. Country factors such as culture may explain the inconsistency of the result in ASEAN.

Key Words: ASEAN countries, real earnings management, accruals earnings management, future profitability, informational, opportunistic.



DISCLOSURES IN INTERIM REPORTS: MALAYSIAN EVIDENCE

Dr. Norhayati Alias
Universiti Teknologi MARA
norha927@johor.uitm.edu.my

Murray B Clark
Lincoln University
murray.clark@lincoln.ac.nz

Dr Jamal Roudaki
Lincoln University
jamal.roudaki@lincoln.ac.nz

ABSTRACT

This paper investigates the level of compliance with mandated disclosures for interim reports published during the period 2005 to 2007. We also examine company attributes related to the level of disclosure. Using data drawn from a sample of 60 Malaysian companies listed on the Bursa Malaysia for the period of 2005 to 2007, we show although overall disclosure compliance is high for each quarter (87 to 89 percent), companies still do not fully comply with the reporting requirements for interim reporting. We derive a disclosure index for each company studied, and then employ an ordinary least squares regression model to establish whether selected company-specific characteristics are associated with the level of disclosure. Our result indicates that there is a mixed association between the levels of disclosure. For example, an association can be found for level of disclosure and company size for Quarters 1 and 3, profitability for Quarter 3, and liquidity for Quarters 2 and 4. However, no association was found between level of disclosure and leverage for all quarters. The fact that no company fully complied with the mandatory reporting requirements suggests that the enforcement mechanisms are not effective, and/or there is a lack of understanding as to what the required disclosures actually are. These findings are important to policy-makers because non-compliance issues exist, even in a regulated environment.

Keywords: interim reporting, quarters, mandatory disclosure, compliance, disclosure index, company characteristics,



CONDITIONAL CONSERVATISM, SOX, AND THE COST OF EQUITY CAPITAL

Gary C. Biddle
University of Hong Kong
biddle@hku.hk

Mary L. Z. Ma
University of Hong Kong
mlizhi@hku.hk

Feng Wu
University of Macau
FengWu@umac.mo

ABSTRACT

Prior studies report significantly negative or insignificant relations between conditional conservatism and the cost of equity capital adopting an information risk perspective. Using refined conservatism measures and asset pricing tests, we find positive relations between conditional conservatism and equity capital costs. Additional analyses suggest that information risk and earnings downside risk are potential explanations for the observed conservatism premium, and that stronger reactions to bad news and disposition effects are also partially responsible. Furthermore, we find that the conservatism premium disappears in the post-Sarbanes-Oxley (SOX) period, consistent with improved financial reporting transparency, reduced reactions to bad news and lower business risk engendered by SOX regulations. These findings have implications for current debates regarding the costs and benefits of accounting conservatism and financial regulations, and they also confirm the importance of considering the structural effects of financial regulations when conducting asset pricing tests.

JEL Classifications: M41 G31 G12 G14

Keywords: Conditional conservatism; Cost of capital; Asset pricing; Sarbanes-Oxley (SOX)



**TIME FOR CHANGE:
MANAGEMENT ACCOUNTING SYSTEM FOR ENHANCE MANAGERIAL
PERFORMANCE OF EGYPTIAN HOSPITALS**

**Salah A. Hammad
University of Malaya**

**Ruzita Jusoh
University of Malaya**

**Imam Ghozali
Diponegoro University**

ABSTRACT

This paper attempts to provide some insight into the MAS designs in assisting managers develop and enhance their managerial performance. Based on the MAS dimensions (scope, timeliness, aggregation, and integration) defined by Chenhall and Morris (1986), a contingency-based intervening model is proposed whereby the extent of use of MAS plays a significant intervening role between technology, organizational structure, external environment, and hospital size on managerial performance. The principal contribution of this paper is the attempt to diagnosis of a reason of why the healthcare in Egypt still falling behind many other countries and why despite the health care reform, the Egyptian government and citizens recognize that the performance of healthcare sector is still less than adequate. Also may provide answer to what Hassan (2005) asked in his case study and call for a full investigation and explanation of a resistance to accounting change in Egyptian hospitals during healthcare system reform. The 200 responses from the managers of departments within Egyptian hospitals were used in the data analysis. Using Partial Least Squares (PLS), the results reveal that the direct relationships between the antecedent variables and managerial performance are minimal, if not insignificant when using MAS as a mediating variable. Furthermore, after testing the hypotheses, this paper got different results as compared to previous studies due to Egyptian environment which is quite different from the western environment. These results will help practitioners develop new approaches in designing the MAS within the Egyptian health care sector.

**THE IMPACT OF INFORMATION PRESENTATION FORMATS AND TYPES ON
DECISION PERFORMANCE: AN EXPERIMENTAL STUDY OF
COST-BASED DECISION MAKING**

**Dyah Ekaari Sekar Jatiningsih
Universitas Muhammadiyah Yogyakarta**

**Mahfud Sholihin
Universitas Gadjah Mada**

ABSTRACT

This study examines the impact of cost information presentation formats and types on decision performance using an experimental method. Using a customer profitability report generated from activity-based costing presented in tabular or graphical format and digital or manual type, subjects in this experiment have the task to determine price which can influence company profitability. The design used in the experiment is 2X2X2 between subjects, with 60 managers in a food manufacturing industry as participants. The results show that information presented digitally or manually in the format of tabular or graphical, has significant impact for decision makers and lead to different profit performance. Further analysis also shows that decision maker's nature of work is the factor which has an impact on decision making process instead of knowledge.

Key words: ABC Information, Digital and Manual Types, Table and Graphical Formats, Decision Performance, Cost-Based Decision Making

Correspondence:

Mahfud Sholihin
Universitas Gadjah Mada
Jl. Sosio Humaniora 1 Bulaksumur
Yogyakarta, Indonesia
Email: mahfud@gadjahmada.edu

THE ATTITUDINAL AND BEHAVIORAL EFFECTS OF NONFINANCIAL MEASURES

Putri Paramita Agritansia
Universitas Gadjah Mada

Mahfud Sholihin
Universitas Gadjah Mada

ABSTRACT

A recent study by Lau and Moser (2008) found that the use of nonfinancial measures for managerial performance evaluation is positively associated with managerial performance via procedural fairness and organizational commitment. It is not clear, however, whether the findings are generalizable to other contexts. Using a very different samples, the objectives of this study are to reexamine and to extent Lau and Moser's model. Our paper is only able to partially support their model, suggesting that management control systems should be design to fit the contexts.

Key words: interpersonal trust, managerial performance, nonfinancial measures, organizational commitment, procedural fairness,

Correspondence:

Mahfud Sholihin
Accounting Department
Universitas Gadjah Mada
Jl. Humaniora 1
Yogyakarta 55281
Telp: 0274-548510
Email: mahfud@gadjahmada.edu



CORPORATE GOVERNANCE, FINANCIAL PERFORMANCE AND EARNINGS MANAGEMENT SURROUNDING CEO TURNOVER

Jong-Seo Choi
Pusan National University

Young-Min Kwak
Dongguk University

Jeong-Han Baek
Pusan National University

ABSTRACT

CEO turnover involves two distinct parties, the departing CEO and the incoming CEO. It raises two independent earnings management issues of how each of the two parties manages earnings. The incentives for earnings management of each party will differ depending on the relation between the two parties determined by the contexts of turnover. The CEO departure is classified into peaceful separation and forced departure. The CEO succession is classified into internal promotion and external recruitment. Depending on how the departure of predecessor is combined with the type of incoming successor, the earnings management behavior of CEOs will be affected in different ways. We document the differential earnings management behavior of CEOs under four different CEO turnover contexts for Korean listed company observations. We investigate whether the earnings management surrounding CEO turnover is affected by business group affiliation. Using a sample of 317 CEO turnovers and 634 non-turnover control firms from 2001-2008, we find that the directions and means of earnings management differ among different CEO turnover scenarios after controlling for corporate financial performance and governance structure. We also find that CEOs manage accruals or real activities on a selective basis.

Keywords: CEO turnover, financial performance, earnings management, corporate governance, Korea Stock Exchange

THE IMPACT OF CHANGES IN MALAYSIAN REGULATORY FRAMEWORK ON THE DISCLOSURE OF EXECUTIVE DIRECTORS' REMUNERATION

Siti Seri Delima Abdul Malak
University of Adelaide

ABSTRACT

This paper examines the effectiveness of the reforms in the Malaysian disclosure requirements of executive directors' remuneration. The study analyses 200 Malaysian companies from 2000 to 2008, scoring them using an un-weighted disclosure index. The result shows that there was significant improvement in the level of disclosure of executive directors' remuneration after the introduction of the MCCG in 2001 and new accounting standards in 2005. However, Malaysian companies appear to take advantage of the broad terms of the MCCG and accounting standards and inconsistencies within the disclosure framework to fall back to the practice of disclosing the minimum of the mandatory requirements. The result also shows that independent directors, company size, profitability, level of competition and foreign ownership may explain the differences in the extent of total and voluntary disclosure of executive directors' remuneration. Government ownership is positively associated with the extent of voluntary disclosure.

Keywords: Remuneration disclosure; corporate governance; agency; legitimacy; signaling, proprietary



POLITICAL PARTICIPATION AND ENTREPRENEURIAL INITIAL PUBLIC OFFERINGS IN CHINA

Anders C. Johansson
Stockholm School of Economics

Xunan Feng
Shanghai Jiao Tong University

Tianyu Zhang
Chinese University of Hong Kong

ABSTRACT

This paper examines the value of political participation by private entrepreneurs in China. Using a unique sample of all initial public offerings by entrepreneurial firms during 1994-2007 and political participation by the controlling entrepreneurs, we test the hypothesis that firms with entrepreneurs who participate in politics are able to exploit rent-seeking opportunities that normal firms do not have access to. We document that the long-run stock performance after the IPO of firms controlled by entrepreneurs who participate in politics is superior to that of common entrepreneurial firms. Our results also show that political participation has a significant positive effect on change in operating performance and a negative effect on first-day returns. Moreover, we find that economic development and local institutions are important for this value effect. The difference in performance is even larger in regions characterized by more abundant rent-seeking opportunities, indicating that the value effect of political participation likely originates from rent seeking. This finding is consistent with the hypothesis that political participation facilitates entrepreneurs' rent seeking.

JEL Classification: G30; G32; G34; P48

Keywords: Political participation; Entrepreneurial firms; Corporate governance; Initial public offerings; China

DOES MANDATORY AUDITOR ROTATION INCREASE AUDIT QUALITY? A TEST OF INDONESIAN MINISTRY OF FINANCE'S DECREE EFFECTIVENESS

Slamet Sugiri
Universitas Gadjah Mada

Rahmat Febrianto
Universitas Gadjah Mada

ABSTRACT

We investigate whether auditor's mandatory rotation affects audit quality. In specific, we test the effectiveness of Ministry of Finance's (MOF) decree no. 423/2002. Following some other researches that investigate audit quality, we use discretionary accruals as the proxy of audit quality. Our test result suggests that audit quality is lower after the rotation than before the switching. This result is surprisingly unexpected since we expect post-rotation auditor will be more skeptical and conservative to its new client and therefore will push the discretionary accrual down. We conjecture that auditors have anticipated that MOF decree for two reasons. Firstly, more than half of our sampled rotations (58%) take place on 2002 or 85% of sampled firms by 2003. It proves that companies and their auditors have anticipated this decree. Secondly, some local accounting firms dissolve their partnerships and re-establish a new one while both of them retaining their foreign associates. If the pre- and post-mandatory auditors are in fact the same accounting firm since they have the same foreign affiliation, there is no surprise that we will not observe some change in the audit the quality. In this research, we, however, consider this switch as a mandatory rotation since lawfully the company is audited by different auditor. Our samples are suffers from this limitation.

Keywords: audit quality, mandatory rotation, discretionary accruals, earnings management.

OPERATIONALISATION OF STAKEHOLDER ENGAGEMENT: PUBLIC SECTOR ORGANISATIONS' PERSPECTIVES

Zarina Zakaria
University of Malaya

ABSTRACT

This study examines the operationalisation of stakeholder engagement process practiced by public sector organisations in sustainable waste management setting. This research is based on a three mini cases of local government authorities (LGAs), which involve in-depth interviews, observations and document analysis. A broader insight of the engagement process from several stakeholder groups, namely the residents, NGOs, councilors and private waste contractors, are considered and compared with managerial views, and several aspects of stakeholder engagement practices are analysed, including the mechanisms used as well as the respective advantages of mechanisms used by the LGAs in engaging. The findings indicate that LGAs adopt varieties of mechanism to engage with their stakeholders. It is also discovered that certain mode of engagement is suitable for different purpose aimed by the LGAs.



THE SUSTAINABILITY OF CHARITABLE ORGANISATIONS

Teruyo Omura
University of Southern Queensland
teruyo.omura@usq.edu.au

John Forster
Griffith University
j.forster@griffith.edu.au

ABSTRACT

The major problem of sustainability for most charities and philanthropic organisations is that they do not produce commercially viable outputs. The problem is highlighted by the fact that many not-for-profit organisations that do produce a saleable commodity, such as sports clubs, stock exchanges, insurance clubs and community banks frequently convert to for-profit organisations. Those that cannot or do not produce saleable commodities rely on donations from individuals, organisations and governments, for which they cannot usually offer any direct exchange of goods. Nevertheless these organisations provide vital services such as family welfare services and counselling, and emergency relief. They provide both public and private goods that caring societies desire, but these providing organisations have enormous difficulties in sustaining themselves.

Charitable organisations carry out fundraising as a source of income. They operate in an increasingly competitive context where being a sustainable organisation has emerged as a critical issue. However, sustainability studies are virtually absent in the not-for-profit (excluding government) sector. It is believed that this is either the first or one of the first studies of economic sustainability of charitable organisations. It uses organisational data. For sustained donations these organisations rely on either some continuing form of self-interest on the part of donors or, if the self-interest motive is not available, some form of altruism. This problem is further compounded by the existence of competition for funds among charities operating in the same areas e.g. disaster and emergency relief, medicine and family welfare. It is argued in this paper using data from Australia that competition for funds diminishes sustainability.

Non-profit organisations compete for donations in two ways. The first is by an efficient and effective service to the charitable organisations' recipients. This is often but not always directly observable by the donating public. The second form of competition is the public provision of information, services and marketing and promotion to potential donor. Competition in this form, of course, raises the fundraising expenditures of charitable organisations.

Keywords: Non-profit; Organisational sustainability; Public Goods in Private Goods; Provision; Replacing Government; Volunteers.



THE ACADEMIC RESEARCH FOR ACCOUNTING EDUCATION TOWARDS IFRS IMPLEMENTATION IN INDONESIA¹

Masako SAITO
Osaka Sangyo University

Kazuo HIRAMATSU
Kwansei Gakuin

Sekar MAYANGSARI
Trisakti University

ABSTRACT

The purpose of this paper is to investigate the effect of accounting education on IFRS implementation at undergraduate and graduate schools in Indonesia. This research is one of the overseas academic investigations of the accounting education for IFRS. In this paper, we will first focus on how accounting curricula and textbooks for IFRS education have been prepared in undergraduate and graduate schools in Indonesia. Next, we investigate the efforts of Indonesian faculty members to teach IFRS to their students. It is important to educate the students who are the future accounting professionals in Indonesia. And then, our research will focus on faculty development in overall accounting education including IFRS, because the IFRS education is the biggest issue for faculties in universities as well as professions in auditing firms in the world.

Indonesia, one of newly emerging countries in Asia, has already converged most of Indonesian accounting standards with IFRS during recent several years and will start to adopt IFRS in 2012. We carried out the survey to educators of several universities in East Java, Jakarta and Yogyakarta to understand how their curricula or syllabi are changed for IFRS adoption. Based on our research, we found some important implications for IFRS education in Indonesia as follows: (1) the targeting universities can be categorized into three groups; the group A consists of the universities which have already finished changing curricula and syllabi, and the group B consists of the universities which have just started to change them, and the group C includes universities which have done nothing. (2) Most of universities plan to change curricula and syllabi during 2010-2011. (3) Indonesian faculties understand the significance of IFRS education, while they consider that it is difficult for them to get comprehensive textbooks for IFRS by 2012, the first year of IFRS implementation.

Keywords: IFRS, Curricula, Syllabi, Accounting Education

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BUSINESS SCHOOL STUDENTS' PERCEPTIONS AND OPINIONS ON THE PROFESSIONAL ACCOUNTANCY OF TURKEY

Prof.Dr. Isil Pekdemir
Istanbul University

Prof. Recep Pekdemir, Ph.D
Istanbul University

ABSTRACT

In recent literature on professional accountancy, there have been certain studies that relate to the thoughts and/or perceptions of the public or the community on professional accountants in the different countries. Inspiring from those, it is aimed to explore the perceptions of the business school students' of the School of Business of Istanbul University on the Turkish Professional Accountants. Having more than hundred years background in practice, the Professional Accounting Law of Turkey is almost twenty years old. It was one of the main reasons to conduct this study.

There have been three main research questions of the study: to determine the thoughts of the students, to determine the factors affecting on their thoughts, and to explore whether they have any idea about the differences of the duties conducted by different levels of accounting profession in Turkey.

For the objectives of the study, a structured questionnaire was utilized in 2008. Four different groups of questions were asked to the respondents. The format was a type of Likert scale for the measurement of the thoughts and perceptions of the respondents. Responses were analyzed through the SPSS Software Package. Findings of the study are interesting themselves, and also might be very interesting for particular people to make comparative studies.

Keywords: Accountancy, accounting profession, students' perceptions.



**A COMPARATION ACCOUNTING PRINCIPLES LEARNING METHOD
BETWEEN CONVENTIONAL AND MATHEMATICAL-BASED METHOD ON
LEARNING ACHIEVEMENT AND SATISFACTON WITH TECHNOLOGY-
ASSISTED LEARNING AS A MODERATING VARIABLE**

Pigo Nauli

Universitas Lampung

Dr. Sony Warsono, MAFIS

Universitas Gadjah Mada

ABSTRACT

The objective of this study is to compare achievement and learning satisfaction of Accounting Principles learning process between mathematics-based and conventional basis method, with Technology-assisted Learning as a moderating variable. This study used quasi experiment method, with 208 Accounting students from Business and Economic Faculty of Gadjah Mada University and Social and Economic Faculty of State University of Yogyakarta as the participants.

The results show that students' achievement with mathematics-based method is better than those with conventional method for journalizing and trial balance competencies. On the other hand, in case of posting, adjustment entry, correction entry, and financial statement competencies, are different on average but not statistically significant.

This study also show that the students who have met Accounting Principles subject with mathematics-based method have high learning satisfaction perception than those with conventional method. Moreover, this study show that Technology-assisted Learning moderate the relationship between learning method and learning satisfaction.

Keyword: Accounting Principles, Conventional Learning Method, Mathematics-based Learning Method, Technology-assisted Learning

THE INFLUENCE OF INTELLECTUAL CAPITAL DISCLOSURE ON MARKET PERFORMANCE

**Ni Wayan Yuniasih, SE., M.Si.
Universitas Udayana**

**Dr. Ni Ketut Rasmini, SE., M.Si, Ak.
Universitas Udayana**

**Dr. Made Gede Wirakusuma, SE., M.Si
Universitas Udayana**

**Ni Putu Sri Harta Mimba, PhD. MSi, Ak
Universitas Udayana**

ABSTRACT

This research aims to test the influence of intellectual capital disclosure on market performance. This research is motivated by the fact that intellectual capital disclosure is still on voluntary base and the research concerning this area is still limited.

The extent of intellectual capital disclosure is calculated using intellectual capital disclosure index based on disclosure items used in Purnomosidhi's research (2006) and Cerbioni and Parbonetti (2007), while the market performance is determined by the price to book value ratio. This research uses company's measure as the control variable. Sample is taken from financial company listed on Indonesian Stock Exchange (BEI), during 2005-2008, using purposive sampling technique. There are 35 financial companies eligible to the sample criteria. The hypothesis of this study is examined through the multiple regressions analysis.

The result shows that the extent of intellectual capital disclosure has positive impact on market performance. Firm size as a control variable has positive effect to market performance.

Key words: intellectual capital, disclosure, firm size, market performance.

ROE AND EVA: COULD THEY EXPLAIN CONCURRENTLY IN STOCK RETURN ASSOCIATION MODEL?

Sumiyana[#]

University of Gadjah Mada

Hendrian[§]

Open University Indonesia

ABSTRACT

Based on empirical theories, EVA could explain better than ROE because it shows wealth creation to shareholders. However, it is still in a contradiction. This study investigates reliability of ROE and EVA in accordance with stock return model. They should explain concurrently in the association of accounting fundamentals and stock return if they are reliable measurement. This study finds that combination of ROE and EVA could not explain stock return variations. This study also finds that combination of high ROE and high EVA could not explain higher stock return variations than others. It means that EVA accompanied by ROE could not show the stockholders' wealthfares. Finally, because of their inconcurrency, this study suggests that they are factually weak and indifference in their ability to show stockholders' wealth creation when they are investigated in a stock return association model.

Keywords: EVA, ROE, wealth creation, earnings yield, book value, growth opportunities.

JEL Classification: M41 (accounting); G15 (international financial markets)

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CORPORATE PROPPING THROUGH RELATED PARTY SALES: THE EFFECTS OF REGULATIONS ON THE MARKET FOR OWNERSHIP CONTROL IN CHINA?

Maggie P Williams
RMIT University

Dennis W Taylor
RMIT University

ABSTRACT

This study investigates the phenomenon in China of listed companies propping up their reported earnings through the use of abnormal related-party sales. Prior studies identify the practice of propping to be prevalent in jurisdictions where the State is usually the controlling shareholder and legal enforcements of minority shareholders' interests is weak. In this study, it is hypothesised that two factors associated with government regulation of listed companies in China will distort the market for ownership control and consequently impacting on the practice of propping. The first factor is the firm's risk of being classified as a 'special treatment' firm by regulatory authorities in China when its ROE gets close to a regulatory threshold. The results reveal that this first factor is associated with greater propping. The second factor is the proportion of non-tradable shares retained by a State-based controlling shareholder from a government allocation. The results reveal that this second factor provides a barrier to competition for control of the listed company and is associated with lower propping. The effects of other company-specific variables on propping are tested, and the implications for minority shareholders of listed companies in China are discussed.

Keywords: Corporate propping, related party sales, state-ownership, non-tradeable shares.

Contact:
Prof. Dennis Taylor
School of Accounting
RMIT University
Level 15, 239 Bourke St.
Melbourne, 3000
Australia
Ph: +613 9925 5765
Email: dennis.taylor@rmit.edu.au

EARNINGS MANAGEMENT AND CORPORATE GOVERNANCE: EVIDENCE FROM THE MALAYSIAN ISLAMIC CAPITAL MARKET

Wan Razazila Wan Abdullah *
Lincoln University
wanabduw@lincoln.ac.nz

Dr Jamal Roudaki
Lincoln University
jamal.roudaki@lincoln.ac.nz

Murray B. Clark
Lincoln University
murray.clark@lincoln.ac.nz

ABSTRACT

A growing body of research has examined the relationship between earnings management and corporate governance characteristics in conventional capital markets. However, little research has been carried out on the Islamic capital market. This study extends this line of research by investigating the relationship between earnings management and corporate governance characteristics in the Malaysian Islamic Capital market, where there is no reason to suspect systematic management of earnings since such activities are not permitted by Shariah law.

Using a sample of Shariah-approved listed companies in Malaysia over the period from 2003 to 2007, this study found evidence of earnings management in the Malaysian Islamic Capital Market. In addition, regression analysis explores the relationship between corporate governance characteristics and the quality of earnings.

Overall, this study provides early evidence that a stronger corporate governance mechanism is needed to enhance the quality of the financial reporting in the Malaysian context.

* Corresponding author

COMPARATIVE STUDY OF THE YIELD ON TAKAFUL AND CONVENTIONAL INSURANCE

Rachma Fitriati
Universitas Indonesia

Mahardi
Indonesia Certified Islamic Insurance Specialist

ABSTRACT

This study conducted to analyzes the comparative returns on investment in the conventional insurance and Islamic insurance. Where the placement of investments in Islamic insurance must follow the principles of Islamic takaful, which is free from elements maisir, gharar and usury. The aim of the research intends for analyzing comparison yields from both investments conducted by takaful insurance and conventional insurance. This study is quantitative research using secondary data from financial reports and historical data from the Ministry of Finance of the Republic of Indonesia from 2006-2008. Researchers used Anderson-Darling method for normality test of data and pair-t test statistics for comparison between from both the investment made by the Islamic insurance and conventional insurance. The results showed that the yield of takaful insurance gives results lower than yields on conventional insurance this was due to limited investment instruments held by the Islamic insurance than conventional insurance.

Keywords: takaful, conventional insurance, investment, investment return



MAINTAINING LEGITIMACY OF ISLAMIC BANK: AN INDONESIA CASE STUDY

Noval Adib
Universitas Brawijaya

A.K. Siti-Nabiha
Universiti Sains Malaysia

ABSTRACT

Islamic bank, an alternative financial institution, is now widely accepted and has been established in various countries. In Indonesia, Islamic bank was first established in 1992 along with the Islamic revival in the country. Prior to that, the establishment of Islamic bank in Indonesia was hindered not because of economical reason, but because there was a political stigma associated with Islam especially during the 1970s.

Now Islamic banks have flourished in Indonesia. The phenomenon indicates that Islamic bank is increasingly accepted by Indonesian people. However, such phenomenon also shown the increase of competition among banks, whether they are Islamic banks or conventional banks, in Indonesia. The consequence is each bank should maintain its legitimacy in order to exist.

Hence, the purpose of this paper is to discuss the how the process of maintaining legitimacy takes place. The data is based on a case study of one of the largest Islamic bank in Indonesia.

Keywords: Islamic bank, legitimacy, isomorphism, organizational effectiveness, Indonesia.

THE EFFECT OF AN ANALYSIS OF EXPENSES BY NATURE OR BY FUNCTION ON INVESTORS' JUDGMENTS¹

Pinprapa Sangchan
Thammasat University

ABSTRACT

The International Accounting Standards Board and the US Financial Accounting Standards Board (The Boards) jointly decided to promote the convergence of accounting standards used internationally. The Financial Statement Presentation Project, one of the projects jointly pursued by the Boards increases the degree of disaggregation by nature and by function for the expenses presented on statement of comprehensive income. The purpose of this study is to investigate the effect of an analysis of expenses by nature and by function on investors' performance evaluation judgments. I design and conduct a 4x1 between-subjects experiment with expenses analysis as an independent variable. The results reveal that the expenses disaggregation by nature enhances capability of investor's judgment on firm's financial performance assessment both in the breadth and the depth of the analysis. The results also indicate that the presentation location of an expense analysis by nature affects the investors' judgment on overall firm's performance evaluation and future performance forecasting.

Keywords: by nature and by function, financial performance evaluation, disaggregation, incomplete revelation hypothesis, presentation of expenses analysis, non-professional investors, and human information processing.

* Corresponding author. E-mail address: s_pinprapa@hotmail.co.th

¹ This paper is based on my thesis at Thammasat University. I would like to thank Orapan Yolrabil (my advisor), Somchai Supattarakul, and Monvika Padoongsithi (my thesis committee members) for their advice, support, and encouragement. I appreciate time and effort of MBA and MAP students who participated in this study.



SOCIAL PRESSURE AS IMPETUS FOR THE QUALITY OF UNDERLYING PROFIT DISCLOSURE

Jennifer L. Harrison
Southern Cross University

Elisabeth Sinnewe
Southern Cross University

Jakob Trischler
Southern Cross University

ABSTRACT

This study investigates firms' compliance with underlying profit-reporting guidelines proposed by the Australian Institute of Directors (AICD) and the Financial Services Institute of Australasia (Finsia). It is argued that the adoption of these guidelines promotes higher disclosure quality by increasing transparency and consistency in the context of underlying profit disclosure. In accordance with Legitimacy and Institutional Theory, disclosure quality is expected to exhibit a positive association with the degree of social pressure. Derived from prior research based on Legitimacy Theory, the degree of social pressures is proxied by the following attributes: general public exposure due to firms' size, firms' political exposure in the media and the level legitimacy of their industry. While we find support that high quality disclosure is primarily associated with political pressure in the media, alternative explanations are plausible. Contrary to recent findings on disclosure quality ([Brammer and Pavelin 2008](#)), results do not suggest that size or industry play a significant role in explaining disclosure quality.

IS THE RELATED PARTY TRANSACTION ANOTHER INCENTIVE TO MANAGE EARNINGS?

Aria Farahmita
Universitas Indonesia

Sidharta Utama
Universitas Indonesia

ABSTRACT

The objective of this study is to investigate the association between related party transactions (RPT) and earnings management. If companies engage in RPT to expropriate the firm's resources, then they have incentives to manage earnings to mask such expropriation. An alternative view is that RPT rationally fulfill other economic demands of a company, then there would be no incentives to manage earnings since the related party transaction need not be obscured or offset. Using a priori theory proposed by Cheung (2006) to classify RPT, this study argues there is a different influence between RPT apriori likely to result in expropriation and RPT apriori not likely to result in expropriation. RPT apriori likely to result in expropriation creates an incentive to management or controlling shareholder to overstate income to cover or mask their expropriation. This study uses non-absolute discretionary accruals based on Kazsnik model to proxy earnings management. Multiple Regressions method is used to test hypotheses developed in this study. The results of this study show that concerns about related party transactions as an incentive factor to manage earnings are not warranted.

Keyword: Related Party Transactions, Earnings Management, Discretionary Accruals, Corporate Governance.

EARNINGS MANAGEMENT, INFORMATION ASYMMETRY AND UNDERINVESTMENT PROBLEM

Aulia Fuad Rahman
Universitas Brawijaya
fuadrahman@yahoo.com

Mohamat Sabri Hassan²
Universiti Kebangsaan Malaysia
sabril@ukm.my

Norman Mohd Saleh
Universiti Kebangsaan Malaysia
norman@ukm.my

Zaleha Abdul Shukor
Universiti Kebangsaan Malaysia
zbas@ukm.my

ABSTRACT

Most of previous studies investigate earnings management from the opportunistic perspective. Limited studies were reported to investigate earnings management from the informational perspective. The objective of this study is to investigate earnings management from informational perspective by incorporating underinvestment as a moderating variable on the relationship between earnings management and information asymmetry. Underinvestment plays a role that motivates manager to convey informational earnings management. Underinvestment is a problem when a firm has high growth opportunities but unable to finance investment project which due to liquidity constraint that result from information asymmetry. This motivates underinvestment firms to provide high quality accounting information. Signaling high quality accounting information can be done through discretionary accruals (proxy for earnings management). Hence, it is expected that underinvestment can become a condition that motivates manager to convey informational earnings management that can reduce information asymmetry. Sample of this study is firms that are listed on the Main Board of Bursa Malaysia from year 2001 to 2007. Results from panel data regression analysis indicate that earnings management reduces information asymmetry. We also provide evidence that underinvestment moderates the relationship between earnings management and information asymmetry. This suggests that earnings management among underinvestment firms reduces information asymmetry more compare to non-underinvestment firms. Therefore we believe that underinvestment motivates managers to convey informational earnings management.

Keywords: Informational earnings management; Opportunistic earnings management; Information asymmetry; Underinvestment.

² Corresponding Author: School of Accounting, Faculty of Economics and Management, Universiti Kebangsaan Malaysia, 43600, Bangi, Selangor, Malaysia. E-mail: sabril@ukm.my, Tel: +603 89214096, Fax: +603 89213162



ECONOMIC CONSEQUENCES OF THE NEW LEASE ACCOUNTING STANDARD IN JAPAN

Masaki KUSANO
Kyoto University
Kusano@Econ.Kyoto-U.Ac.Jp

Yoshihiro SAKUMA
Fuji University
Sakuma@Fuji-U.Ac.Jp

Noriyuki TSUNOGAYA
Kyushu University
Tsuno@En.Kyushu-U.Ac.Jp

ABSTRACT

Lease transactions are classified into financial lease (FL) and operating lease (OL) transactions in general. In Japan, the FL transactions are classified into further two categories: FL transactions that transfer ownership to lessees (FLO) and FL transactions that do not transfer ownership to lessees (FLNO). Both FLO and FLNO transactions are required to recognize on the balance sheet of lessees in principle. However, the exceptional treatment was permitted, which allowed firms to account for FLNO transactions in a manner similar to OL transactions subject to certain footnote disclosure. Almost all firms applied this exceptional treatment until the Accounting Standards Board of Japan (ASBJ) issued the new lease accounting standard that repealed the exceptional treatment.

We investigate the economic consequences of the new lease accounting standard in Japan. In particular, we examine the on-balance-sheet effects of capitalization of FLNO transactions on financial ratios and managers' behaviors as to whether they transferred FL transactions to OL transactions when the new lease accounting standard was applied. Our findings are as follows. First, the capitalization of FLNO transactions in Japanese listed companies had significant effects on financial ratios such as leverage ratios and performance ratios. Next, firm managers who recognized all FLNO transactions on their balance sheets, which included FLNO contracts that were made before the new lease accounting standard was applied, transferred more FL transactions to OL transactions than firm managers who recognized only FLNO transactions that were made contracts after the new standard was applied. These findings are important in confirming the Japanese firm managers' behaviors to avoid the on-balance-sheet-effects of FLNO transactions. This paper shows new evidences on the economic consequences of the new accounting standard and fills the gaps in the previous literature on accounting policy choices.

GENDER DIVERSITY AND THE QUALITY OF EARNINGS

Sari Atmini
Brawijaya University
sariatmini@yahoo.com

ABSTRACT

This study attempts to find empirical evidence as to whether gender diversity influences the quality of earnings. Gender diversity used in this study is gender diversity of the Board of Directors, the Board of Commissioners, and the Audit Committee. The quality of earnings is proxied using earnings management. The sample of this research was determined using purposive sampling method. There are 37 manufacturing companies fulfill the criteria. Data were analyzed using multiple regression analysis. The results of this research show that the more female commissioners and female directors in the composition of the Board of Commissioners and the Board of Directors, the higher the quality of earnings. On the other hand, this study could not find any evidence that gender diversity in the Audit Committee influences the quality of earnings.

Keywords : gender diversity, earnings quality



FINANCIAL REPORTING QUALITY: EVIDENCE PRIOR TO AND AFTER THE ENACTMENT OF THE FINANCIAL REPORTING ACT 1997 IN MALAYSIA

Kamarul Bahrain Abdul Manaf
Universiti Utara Malaysia

Ku Nor Izah Ku Ismail
Universiti Utara Malaysia

Kamarun Nisham Taufil Mohd
Universiti Utara Malaysia

ABSTRACT

This paper examines the quality of financial reporting in Malaysia during the era prior to and after the enactment of the Financial Reporting Act 1997 (FRA). Using timely recognition of economic losses as a measure for financial reporting quality, we find that recognition of economic losses is not timely during the period prior to the enactment of the FRA. However, during the period after the enactment of the FRA, our results show that recognition of economic losses is timely. The findings suggest that the enactment of the FRA has improved the quality of financial reporting in Malaysia.

**THE EFFECT OF CORPORATE GOVERNANCE ON ENTERPRISE RISK
MANAGEMENT
(EMPIRICAL EVIDENCE FROM LISTED COMPANIES IN INDONESIA)**

Ni Wayan Rustiarini
Mahasaraswati Denpasar University
rusti_arini@yahoo.co.id

ABSTRACT

Enterprise risk management is a popular strategy to evaluate and manage all of the risks in a firm. The purpose of this paper is to investigate how independent commissioners, board of commissioner size, audit committee size, auditor reputation, and concentrated ownership are related to Enterprise Risk Management (ERM) implementation. The ERM practice is measured based on ERM index, which considers eight dimensions of ERM by COSO framework.

Population consists of Indonesian Stock Exchange listed companies from manufacturing industry in 2009. Sample was collected based on purposive sampling and resulted in 104 companies as a final sample. Data was collected from the annual report and company website, and was analyzed with multiple regression analysis. The results indicated that auditor reputation and concentration ownership have significant effect on enterprise risk management, but other variables which are independent commissioners, board of commissioner size, and audit committee size does not have a significant effect on enterprise risk management.

Keywords: independent commissioners, board of commissioner size, audit committee size, auditor reputation



CORPORATE GOVERNANCE, ETHNICITY AND EARNINGS CONSERVATISM IN MALAYSIA

Shahnaz Ismail

University Malaysia Terengganu (UMT)

shahnaz@umt.edu.my

Shamsul Nahar Abdullah

International Islamic University Malaysia (IIUM)

snahar@umt.edu.my

Annuar Md Nassir

University Putra Malaysia (UPM)

annuar@putra.edu.my

Nur Azura Sanusi

University Malaysia Terengganu (UMT)

nurazura@umt.edu.my

ABSTRACT

The degree of conservatism and factors that determine conservative reporting in an emerging economy like Malaysia is still a new issue. Since Malaysia is unique by its multi racial society, ethnicity and corporate governance mechanism may be the possible drivers towards earnings conservatism. Thus, this paper focuses on these two important attributes which are predicted to affect the anticipation of earnings in the market measured by conservatism principle. In this study, earnings conservatism is defined as timely recognition of bad news as losses versus good news as gains in earnings. This market-based study covers a four-year period from 2005 to 2008, among non-financial firms listed on Bursa Malaysia with fiscal year-ends December. Reverse regression model is used for analysis using panel OLS pooled regression analysis. The findings imply that, both corporate governance mechanism, size of board members and composition of independent directors, significantly relates to more conservatism reporting in Malaysia. However, ethnicity is not significantly associated with earnings conservatism. This imply that ethnicity of the board of directors in a company do not affect earnings conservatism.

Key words: Earnings conservatism, Corporate Governance, Ethnicity, Culture



**INFLUENCE OF FINANCIAL CONDITION ON THE RELATION BETWEEN
ULTIMATE OWNERSHIP AND EARNINGS MANAGEMENT: EMPIRICAL
EVIDENCE OF OPPORTUNISTIC AND EFFICIENCY OF EARNINGS
MANAGEMENT**

**I Putu Sugiarta Sanjaya
Atma Jaya Yogyakarta University**

ABSTRACT

The objective of this research is to investigate empirically whether financial condition influence relation between ultimate ownership (control and cash flow rights) and earnings management. The result of this study will show whether controlling shareholder manage earnings opportunistically as his/her control rights increase. It is indicated bad side of earnings management. This study also will show whether controlling shareholder will manage earnings efficiently. It is indicated good side of earnings management. Sample of this study is manufacturing companies listed at Indonesia Stock Exchange for period 2001-2007. The results of this study are consistent with alternate hypothesis. Financial condition negatively affects the relationship between earnings management and control rights. This result indicates that controlling shareholder manage earnings opportunistically. The other side, financial condition positively affects the relationship between earnings management and cash flow rights. It shows that controlling shareholder manage earnings efficiently.

Keywords: control rights, cash flow rights, opportunistic (bad side), efficiency (good side), and earnings management

DERIVATIVES RISK EXPOSURE, VOLATILITY OF FIRM'S VALUE, AND GOING CONCERN AUDIT OPINION

Ira Geraldina
STIE Indonesia Banking School, Indonesia

Hilda Rossieta
Universitas Indonesia

ABSTRACT

This study aims to explain the effects of risk exposure on the going-concern audit opinion mediated by volatility of firm's value. First, it examined the effects of risk exposure on volatility of firm's value, and the second the effect of volatility of firm's value on a going concern audit opinion. By using path analysis methodology, the study found that risk of covenant violation and the risk of foreign currency exchange rate positively indirectly affect the going-concern audit opinion which mediated by volatility of firm's value. The effect of volatility of firm's value on a going concern audit opinion and the finding as well are the contributions of this study.

Keywords:

Risk exposure, volatility of firm's value, the Going-concern audit opinion, Information asymmetry

**THE EFFECT OF FRS 138 ADOPTION ON AUDIT PRICING:
EVIDENCE FROM MALAYSIA**

Najihah Marha Yaacob
Universiti Teknologi MARA Terengganu, Malaysia

Ayoib Che-Ahmad, PhD
Universiti Utara Malaysia, Malaysia

ABSTRACT

Although International Financial Reporting Standards (IFRS) have been accepted as a mandatory transition in many countries, it is anticipated that the complexity of certain standards will boost the cost of the audit considerably. Among the standards that have been debated by many parties due to the difficulty of measurement and recognition is the standard on intangible assets (IFRS 138). Thus, this study provides an answer to the question of whether FRS 138 adoption in Malaysia would increase the cost of audits. The panel data regression was conducted for a period of 4 years. The fixed effects regression discovered a significant positive relationship between the adoption of FRS 138 and audit fees in Malaysia. This study provides evidence concerning the complexity of IFRS 138, thus, auditors would have to increase audit pricing to compensate for the increase in the quality of financial statements.

Keywords: FRS 138, Audit Fees, Fixed Effects Regression, Malaysia



THE EFFECT OF IPO RISKS ON AUDITORS' DECISIONS: AUDITOR DESIGNATION CASE

Seok Woo Jeong

Korea University Business School, Korea

jeong@korea.ac.kr

Seon Mi Kim

Korea University Business School, Korea

smkim09@korea.ac.kr

Kwang Wuk Oh

Korea University College of Business and Economics, Korea

avnini92@korea.ac.kr

Seung Weon Yoo

Korea University Business School, Korea

acyoo@korea.ac.kr

ABSTRACTS

This paper examines the effect of the mandatory auditor assignment rule on the audit quality in an IPO market. The Korean GAAS enforces that firms should switch from incumbent auditors to new auditors assigned by the Securities and Futures Commission after the firms have announced the future IPO. We use a unique data set of 136 qualified IPO firms, which eventually became successful, and 357 unqualified IPO firms from 2005 to 2008, which eventually failed. This paper examines the effect of auditor assignment by testing if the quality of reported earnings and audit fees are significantly different between eligible and ineligible IPOs. We expect the pre- and post-assignment auditors to adjust their audit risks efficiently by incorporating a firm's listing possibility.

Empirical tests show several interesting results. First, the discretionary accruals are significantly lower for IPO-ineligible firms than for IPO-eligible firms during the sample period, and the difference is more significant after the mandated auditor assignment. This finding implies that the auditors of unqualified IPO firms are more conservative than those of qualified IPO firms. After the auditor assignment, this tendency is amplified. We interpret this result as follows: assigned auditors become more conservative for IPO-ineligible firms because they evaluate the (eventually failed) firms' listing possibility as low and try to prevent the firms' aggressive earnings management in order to avoid audit risk associated with listing procedures. Second, the audit fees increase as the firms' listing review evaluation approaches. This shows that the auditors adjust the audit fees as the audit risk associated with the firms' listing procedures increases. More specifically, the assigned auditors' audit fees are

significantly lower for IPO-ineligible firms than IPO-eligible firms in case of using samples of big auditors. This reflects that the high listing possibility of IPO exposes assigned auditors to a higher audit risk after the IPO. If the possibility of IPO is low (i.e., IPO-ineligible firms), assigned auditors will not be exposed to future audit risk associated with the firms' after-IPO financial troubles in the market.

This paper shows that auditors adjust their audit practices based on their evaluation of the audit risk associated with listing possibility. We also show that the auditor assignment rule achieves its purpose in that the assigned auditors effectively evaluate the firms' listing possibility and provide conservative audit services with relatively low audit fees for financially unqualified (and eventually failed IPO) firms.

JEL classification: M41, M42, M48

Preliminary. Please do not quote without permission.

* Corresponding Author: Korea University Business School, Anam-Dong, Seongbuk-Gu, Seoul, Korea 136-701, acyoo@korea.ac.kr.

THE RELATIONSHIP BETWEEN MORAL INTENSITY CONSTRUCT AND AUDITORS' ETHICAL DECISION-MAKING

Dr. Zuraidah Mohd Sanusi
Universiti Teknologi MARA

Razana Juhaida Johari
Universiti Teknologi MARA

Rashidah Abdul Rahman

Normah Omar

ABSTRACT

Empirically, ethical decisions are often situational or issue-related. The perceived moral significance of the issue is conceptualized as moral intensity. The moral intensity construct has been found as a significant factor that could influence the ethical decision-making process of an individual. This study provides a better understanding of the impact of moral intensity construct on each of the first three processes of ethical decision-making within the auditing profession. Specifically, this study examined (1) the relationship between the first three stages of ethical decision-making (2) the relevant components of moral intensity construct in predicting ethical auditors' decision-making process and (3) the different level of moral intensity of the issue on the auditors' ethical decision making process. Based on a sample of 191 auditors, findings showed the significant positive relationships were identified between the auditors' ethical decision-making process, in both of the scenarios. The results also indicated that certain components of moral intensity play a significant role in shaping the perceptions, judgments and intentions of auditors faced with ethical situations. Finally, it is proven that the different level of moral intensity issues impacted the moral intensity construct and the auditors' ethical decision-making process.

Keywords: Moral Intensity, Auditing, Ethical Decision-making Process, Malaysia

BANK ETHICAL DISCLOSURE LEVEL: MALAYSIAN ISLAMIC BANK

Assoc. Prof. Dr Siti Normala Sheikh Obid
Kulliyah of Economics and Management Sciences, IIUM

Abdi Fatah
Kulliyah of Economics and Management Sciences, IIUM

ABSTRACT

The main objective of this paper is to examine the ethical disclosure level of Islamic banks (IBs) in Malaysian context through their 2008 annual reports. This study in Malaysia is motivated by the common beliefs that Malaysian IBs are different from those practiced in other parts of the world in which prior studies have addressed. The study developed an ideal ethical disclosure index from two prior studies (Haniffa and Hudaib, 2007; Maali et al., 2006) by examining the actual disclosure level of Islamic Banks in Malaysia. The examination involves a comparison of the actual disclosures of 10 local Islamic Banks in their 2008 annual reports against the ideal ethical disclosure index. The findings consistency with prior studies reveals that IBs operating in Malaysia fall short in comparison with the ideal benchmark of the study. Areas they appear to fall very short include among others such as *qard hasan* and *zakah* related disclosures. The findings of the study give an important implication for the stakeholders of Islamic banks. It demands for better annual report disclosures. Despite that the study empirically extends the area of Islamic banking literature in Malaysia, yet it is subjected to several limitations. One of the main limitations is due to a relatively small sample size, thus, extra attention should be exercised in drawing conclusions to the wider population.

Key Words: Islamic Banks; Ideal Disclosure Index Benchmark; *Qard Hassan*; *Zakah*

THE EFFECT OF WORK-FAMILY CONFLICT ON ACCOUNTANT CAREER SATISFACTION MODERATED BY GENDER, MARITAL STATUS, PARENTAL STATUS AND POSITION

Dian Indri Purnamasari, SE., M.Si., Ak
Universitas Pembangunan Nasional “Veteran” Yogyakarta

ABSTRACT

This study examines the relationship between accountant work-family conflict and career satisfaction. This research will also examine the moderating influence of gender, marital status, parental status, and authority on this relationship. The samples data are derived from a questionnaire survey of 114 accountants. Result obtained from moderated regression analysis indicate that relationship between accountant work-family conflict and career satisfaction was statistically significant. Further, gender, marital status, parental status, and authority statistically influenced the relationship between accountant work-family conflict and career satisfaction as moderating variables.

Keywords: Work-family conflict, career satisfaction, accountant, gender

MOMENTUM STRATEGIES IN INDONESIAN MARKET

Cecep Setiawan
BAPEPAM-LK

ABSTRACT

Prior evidence concerning momentum anomaly in Indonesia has produced inconsistent results. In addition, studies of the Indonesian market tend to be on a multi-country basis rather than Indonesia-specific. My Indonesian-specific study shows that momentum effect is present in the Indonesian market. I show that winner portfolios substantially outperform loser portfolios. This finding is particularly encouraging for momentum traders as it avoids higher costs and difficulties with short-selling.



FINANCIAL CRISIS, CASH FLOW RATIOS AND SAUDI ARABIA STOCK PRICE

Nuri S.A Salem
Universiti Sains Islam Malaysia
nurisoliaman@yahoo.com

Mustafa Mohd Hanefah*
Universiti Sains Islam Malaysia
mustafa.hanefah@gmail.com

ABSTRACT

The relationship between accounting data and stock price during the financial crisis period especially during the global financial crisis 2007-2009 has been studied in many countries. The findings reveal that the financial crises have clear effect on the relationship of accounting data and stock price. This study investigates the ability of cash flow accounting data to predict stock prices of Saudi Arabia's listed companies. The study covers three different periods of the Saudi economy; before, during, and after the global financial crises. Quarterly data used in this study were collected from the financial statements of non-financial companies listed on the Stock Exchange of Saudi Arabia from 2007 to 2010. The findings indicate that stock prices can be predicted by cash flow ratios before, during, and after the economic crises. The results also indicate that cash flow return on equity (CFROE) and cash flow short term liabilities (CFSTL) cannot predict the changes in the share prices for all the three periods. In contrast, price cash flow per share (PCFPS) and assets efficiency ratio (AER) are found to be good predictors of the variations in the stock price for all three periods.

Key words: Stock price, Cash flow ratios, Saudi Arabia stock exchange, and Global financial crisis.

***Corresponding author**

- Faculty of Economics and Muamalat, USIM, 71800, Nilai, Negeri Sembilan, Malaysia



A REVIEW OF THE DECISION TO GO PUBLIC: THEORY, EVIDENCE AND AGENDA FOR RESEARCH

Jirapun Chorrak*
Mahasarakham University
jirapun.c@acc.msu.ac.th

ABSTRACT

A considerable body of research attempts to balance the decision to go public between the costs and benefits of going public. The literature spans a number of academic disciplines and embraces theorising, case study and anecdote. Even so much confusion remains regarding the circumstances where recovery is feasible, and the factors and strategies likely to facilitate such predictions. This paper reviews the theory and evidence on the decision to go public through initial public offerings (IPOs). The study focuses on the motives why firms go public rather than undertake other sources of finance such as private equity or bank loans. It concludes with a future research agenda embracing an implementation approach. This study may contribute to companies raising capital, practitioners, and academics by providing a greater understanding of the reasons why firms decide to go public.

Keywords: initial public offerings, motives for going-public, firm-specific characteristics, macroeconomic fundamentals, survey

* The author would like to thank Professor Andrew Worthington in the Department of Accounting, Finance and Economic, Griffith University for valuable comments and suggestions.



THE EFFECT OF MODERN TAX ADMINISTRATION SYSTEM AGAINST TAXPAYERS' COMPLIANCE IN KANTOR PELAYANAN PAJAK PRATAMA PALEMBANG ILIR TIMUR

Emylia Yuniarti
Universitas Sriwijaya

Titania
Universitas Sriwijaya

ABSTRACT

The objectives of this research are (1) to know the relationship between modern tax administration system (limited by variable of the presence of Account Representative (AR) and the existence of information technology) and taxpayers' compliance in Kantor Pelayanan Pajak Pratama Palembang Ilir Timur and (2) to analyze the effect of the implementation against tax payers' compliance.

Research finding has shown that modern tax administration system has influence on taxpayers' compliance and both of variables in modern tax administration system show that there is a significant influence between them on taxpayers' compliance, both partially and simultaneously. R^2 shows value of 0.329, means that modern tax administration system effect only 32.9% on taxpayers' compliance and the other 67.1% is influence by other variables which are not included in this research. These two variables in total, plays less dominant role because most of taxpayers have known about the consequences when they do not comply with the taxation rule, namely administrative penalties, interest penalty, and even criminal sanction. So, these factors can make taxpayers do their obligation voluntarily.

In order to optimize the performance of modern tax administration system, it is expected, that in the future, long term and sustainable research is conducted in order to give information of the success of modern tax administration system that has been implemented since 2008. Not only that, modern tax administration system should be applied consistently in all fields and it must always be improved to encourage commitment of taxpayers to meet their obligation and to increase public trust in tax administration in Indonesia.

Key Words: Modern Tax Administration System, Taxpayers' Compliance.

THE INFLUENCE OF FISCAL CORRECTION AND TAX PLANNING ON THE EFFICIENCY OF TAX PAYMENT

Tresno Eka Jaya Raja Gukguk
Universitas Negeri Jakarta
dsnakt@yahoo.com

Indra
Universitas Negeri Jakarta

Andini
Universitas Negeri Jakarta

ABSTRACT

Tax planning by tax consultant on corporate taxes intended to pay the company with efficient, streamlined means that tax is a tax paid in accordance with the provisions of general taxation prevailing in Indonesia. Fiscal correction is carried out also for the tax paid by the company is also in accordance with the provisions of Taxation.

This research was conducted to tax consultants, because the tax consultant has an important role in the calculation and reporting of corporate taxes, this role can also be seen from several tax cases that happened a very interesting public attention which the tax consultant is always involved.

The results of this study indicate that tax planning has positive influence on corporate tax efficiency and tax fiscal correction also affects the efficiency of corporate taxes. The results of this study also supports some previous research such as research Achmad Cahyona (2002) and Research soding Manullang (2002)

THE EFFECTS OF BOOK-TAX DIFFERENCES TO EARNINGS RESPONSE COEFFICIENT

Nova Febriani Nainggolan
Universitas Indonesia

Dwi Martani
Universitas Indonesia

ABSTRACT

This study examines the influence of book-tax differences to earnings response coefficient. The study also examines the influence of the components of book-tax differences i.e. normal book-tax differences and abnormal book-tax differences to earnings response coefficient by using panel data of manufacturing industries in Indonesia in the period of observations from 2003-2006.

Based on the above study, there is a negative effect on abnormal book-tax differences to earnings response coefficient. But on normal book-tax differences, there is a positive and significant effect to earnings response coefficient. Earnings per share and operating cash flow significantly affect to the earnings response coefficient

Keywords: Book tax differences, abnormal book-tax differences, normal book-tax differences, earnings response coefficient

THE ROLE OF RELATED FIRM INFORMATION IN A FINANCIAL STATEMENT ANALYSIS

Atsushi Shiiba
Osaka University

Takafumi Yamaguchi
Osaka University

ABSTRACT

This paper investigates the role of related firm information in a financial statement analysis. Previous empirical research has documented that earnings announcements provide information regarding not only the announcing firm but also other firms in the same industry. We analytically investigate how investors' analysis of one firm is affected by related firm information, and how investors' trading decisions relate to the various features of the relationship between the two sets of information. The results show that related firm information crucially affects and even completely reverses the investors' trading strategies. An analysis of the sensitivities of the equilibrium trading strategy to the changes in the different parameters and assumptions underlying the model sheds light on the relationship between investors' trading strategies and the various features of the related firms' environments.

Key Words: Related Firm Information; Financial Statement Analysis Intra-industry Information Transfer

JEL Classification: D82; G11; M41



DIVIDEND DECISION AND LIFE-CYCLE THEORY

Jenjang Sri Lestari
Universitas Atma Jaya Yogyakarta

ABSTRACT

The percentage of Indonesia's industrial/commercial (non financial services) firms that pay dividends decreased from nearly 90% in 1995 to 9% in 2006. This study uses agency-based life cycle theory to explain this time trend in dividends payment. Qualitatively, during the sample periods dividend payers are more profitable and bigger than non payer. More over, consistent with life cycle theory quantitative analysis shows that the probability of firms paying dividend are higher when firms are more mature as proxied by the ratio of earned to total equity (RE/TE). Given the consistent importance of RE/TE to the decision to pay dividends, the decline of the percentage of payers may be attributable to the changing characteristic of firms toward those who have less Free Cash Flow (FCF). It is suspected that the 1997 crisis caused many firms to become less profitable. Being less profitable they were unable accumulate earnings and thus were unable to achieve the mature stage. This crisis effect is qualitatively evident on the failure of most newly listed firms to pay dividend after 1997.



THE EFFECTS OF FINANCIAL AND NON-FINANCIAL CHARACTERISTICS ON FINANCIAL REPORTING QUALITY: A CROSS COUNTRY ANALYSIS OF ASEAN COUNTRIES

Indri Tryana
Universitas Indonesia

Dr. Ratna Wardhani, SE, Msi
Universitas Indonesia

ABSTRACT

This study aims to find the influence of financial and non-financial characteristics on the financial reporting quality. Financial characteristics included in this study are the operating cycle, sales volatility, company size, liquidity, and leverage, while non-financial characteristics that are included in this study is the company age, the degree of convergence to IFRS, audit quality, and the capital market dept of a country. This study covers a sample of companies in the manufacturing industries listed on the stock exchange of the 5 ASEAN countries, namely Indonesia, Malaysia, Singapore, Thailand, and Philippines. The dimensions of earnings quality are used in this study are the predictability of earning, neutrality of earning, accounting conservatism, and representational faithfulness. The results show that the overall company financial characteristics such as operating cycle, sales volatility, company size, liquidity, and leverage, negatively affect the financial reporting quality, whereas non-financial characteristics such as accounting standards and depth of capital markets bring positive effect on the financial reporting quality.

Keywords: financial characteristic, non-financial characteristic, earnings quality, financial reporting quality, ASEAN



PREPARERS' PERSPECTIVE OF STRUCTURAL CAPITAL DISCLOSURE IN ANNUAL REPORTS: EVIDENCE FROM LISTED FIRMS ON THE COLOMBO STOCK EXCHANGE

Indra Abeysekera
University of Wollongong
indraa@uow.edu.au

ABSTRACT

The purpose of this study is to investigate the agendas behind discretionary structural capital disclosure in annual reports to attract financial investments into their firms, and to understand whether disclosures are 'factual' or 'constructed'. The study analysed annual reports of the top 30 listed firms by market capitalization on Colombo Stock Exchange using latent content analysis over two consecutive years to identify organization capital disclosed using 20 pre-defined items of structural capital. It then conducted 11 semi-structured interviews with directors of each firm representing a different industry sector to examine the agendas behind the content in structural capital disclosure in annual reports. This study found no evidence of firms manipulating constituent behaviour, but rather responding to resolve conflicts arising between the constituents and the firm. The agendas behind disclosure practices differed among industry sectors.

Keywords - Content analysis, economic value, structural capital, political economy of accounting, Sri Lanka



ACCOUNTING CONSERVATISM DIFFERENCES BETWEEN STATE OWNED ENTERPRISES IN TERMS OF DIVIDEND POLICY

Anak Agung Gde Putu Widanaputra
Universitas Udayana

Dian P Yaniarta
Universitas Udayana

ABSTRACT

This research tests the impact of the conflict between shareholder and management regarding dividend policy on accounting conservatism. This conflict is predicted under agency problem on the agency theory that shows conflicts of interest between management (agent) and shareholders (principal). Dividend policy is explained by bird in hand theory, that stated that shareholders prefer the profit of the company to be distributed as dividend than be reinvested in assets, and the residual theory of cash dividend that stated that management do not prefer dividend distribution unless they understand that no investment with positive net present value (NPV) is available. The amount of dividend is decided by shareholders during shareholders' meeting, but management understand that dividend is determined by the amount of reported profit of the company. In this condition, management has the incentive to under-report profit using accounting conservatism. This research also test the difference in accounting conservatism between companies that are state-owned companies and non state-owned companies.

The sample for this research is companies that are listed in Jakarta Stock Exchange and publish annual report from 2000 to 2004, and made dividend distribution at least for two consecutive years. This research use regression analysis to test the impact of conflict between shareholder and management regarding dividend policy on accounting conservatism, and using leverage, operating uncertainty, investment opportunity set, and size as control variables. This research used t-test to investigate the difference between companies with owner-manager and non owner-manager, and between state-owned and non state-owned companies.

The result of the analysis indicates that the conflict between shareholder and management regarding dividend policy has a positive and statistically significant on accounting conservatism. The result also indicates that state-owned companies are more conservative than non state-owned companies.



THE DETECTION OF CREATIVE ACCOUNTING PRACTICES AND FIRM'S FINANCIAL PERFORMANCE

Nurulhuda Hayati Nazri
Universiti Teknologi MARA

Dr. Zuraidah Mohd Sanusi
Universiti Teknologi MARA

Yusarina Mat Isa
Universiti Teknologi MARA

Takiah Mohd Iskandar
Universiti Kebangsaan Malaysia

ABSTRACT

This study focuses on the detection of creative accounting practices as a way to create unjustifiable financial reporting. The increasing number of financial failures has raised the question on the possibility of early detection of creative accounting practices as a tool to deter organizational collapse. The use of creative accounting checklist (CAC) as an indicator of creative accounting may surface the red flags of fraudulent financial reporting. The study shows that there are positive relationships between CAC with changes in Debt to Equity, Return on Assets, Earnings before Tax, Earnings per Share, and Debt to Assets. This indicates CAC's usefulness in detecting indicators of unwarranted creative accounting practices in certain areas of financial reporting. Based on the findings, this study proposes that the CAC should be adopted by the regulators to serve as a practical tool to detect creative accounting practices in facilitating the regulators to manage fraud risk. Apart from the regulators, the auditors can also use the CAC to focus on the areas of financial reporting that requires more in depth scrutiny.

Keywords—Creative accounting, Checklist, Financial reporting, Ratios



**RECENT DEVELOPMENTS IN CORPORATE GOVERNANCE:
IMPACT ON ACCOUNTING QUALITY AND EARNINGS MANAGEMENT -
EMPIRICAL EVIDENCE FROM GERMAN PUBLICLY TRADED COMPANIES**

(April 2011 – This is a draft version, please do not quote without permission from the authors)

**Christoph Wallek
Goethe University Frankfurt**

**Marius Gros
Goethe University Frankfurt**

ABSTRACT

Since the accounting scandals of Enron, Worldcom and Parmalat in 2002 and 2003 accounting quality, has been receiving considerable attention. This paper examine the association between corporate governance mechanisms and accounting quality of German publicly traded companies after Germany developed fundamental regulations regarding validity and accuracy of financial disclosure since 2003. The German corporate governance system is analyzed due to that fact that the German system differs significantly from the Anglo-American system, where most of the prior research is done. Corporate governance in Germany is traditionally characterized as an Insider-dominated system. Our results imply that corporate governance and recent developments within the German corporate governance system have a significant impact on earnings quality in Germany. Regarding the magnitude of discretionary accruals we find differences depending on the market standard among the Frankfurt Stock exchange.

Keywords: Corporate Governance, earnings management, accounting quality, agency problem, stock exchange transparency standards

Data Availability: All data used in this study is publicly available.

JEL Classification: K22, M41, M42, M48

THE EFFECTS OF CORPORATE GOVERNANCE ON EARNING MANAGEMENT MOTIVATION (OPPORTUNISTIC VS EFFICIENT)

Study on Non-Financial Companies Listed on Indonesian Stock Exchange

Viska Anggraita
Universitas Indonesia

Hilda Rosietta
Universitas Indonesia

ABSTRACT

The purpose of this study is to empirically investigate earnings management motive (efficient versus opportunistic motive) practiced by the Companies listed in the Indonesian Stock Exchange (ISX). The hypotheses are developed based on two contrasting theory of manager's role in relation to the owner (i.e., stewardship theory and agency theory). We hypothesized that based on the agency theory, earnings management is motivated mainly by opportunistic purpose. In addition, the effect of corporate governance mechanism (i.e., ownership structure, board's quality, the quality of audit committee, and audit quality) on earnings management motive is also investigated. For this purpose, the hypotheses are developed based on two literatures: (i) the literature regarding earnings management; and (ii) the literature concerning the role of corporate governance in enhancing monitoring effectiveness through accounting earnings as indicators of manager's performance. Mainly, we hypothesized that CG mechanism would have positive effect on the selection of efficient earnings management as well as strengthened the predictability of the earnings management on future earnings.

This study use companies listed in ISX during the year of 2003 and 2004. After excluding several industries with specific characteristics (i.e., banking and finance industry, real estate and constructions, mining, and telecommunication) this study concentrates on 121 firm-years as sample. To test the hypotheses, two empirical models are set up and tested using Ordinary Least Square statistics.

The results of statistical test suggest that earnings management practiced by the sample companies is motivated mainly by efficient motive. As for the influence of CG on the effect and the type of earnings management selected, empirical evidence shows some elements of CG have significant influence, such as: (i) the quality of the audit committee (i.e., high quality of audit committee tend to strengthened the effect of efficient earnings management on the predictability of future earnings); (ii) the level of institutional ownership (only partly support the hypothesis since the data supports the hypothesis only when future ROA is used as dependent variable). Two interesting results come out from the empirical test. First, audit quality turns out to be insignificant in influencing the selection of efficient

earning management. Presumably, the result is consistent with the findings that generally, the sample companies tend to practice efficient earnings management. Hence, the quality of external auditors does not have any significant influence on the selection of the type of earnings management as well as the predictability of earnings management on future earnings. Second, although the result is statistically insignificant, board's quality shows negative influence on the selection of efficient earning management. This is quite surprising, considering the expected role of BOD to control manager's opportunistic behavior at the cost of others stakeholders' interests.

Keywords: Opportunistic vs efficient earnings management; Corporate Governance; Ownership structure; Quality of Audit Committee; Board's quality; Audit Quality

THE RELATIONSHIP OF CORPORATE GOVERNANCE INDEX, THE BOARD OF DIRECTORS, AND BOARD OF COMMISSIONERS WITH FIRM PERFORMANCE

Nurul Husnah
Universitas Indonesia

Dr. Sylvia Veronica Siregar
Universitas Indonesia

ABSTRACT

The purpose of this thesis is to exam the relationship of Corporate Governance Index (CGI), board of directors size, board of commissioners size and independent commissioner, with firm performance. Firm performance used are return on equity (ROE) as a proxy for accounting performance and Price to Book Value (PBV) as a proxy for market performance. Performance is measured at the same year and one-year ahead. Samples taken from the 203 companies listed in Indonesia Stock Exchange for the years 2004 - 2006. The model used is multiple regression model. The test results show that the CGI is positively associated with firm performance, size of the board of directors has not significant relationship to firm performance, size of the board of commissioners is related non-linear concave towards current year PBV and one next year PBV, and the independent commissioner has no significant relationship with firm performance, except it has a significant negative relationship with ROE one-year.

MATERIAL WEAKNESSES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING AND EXECUTIVE TURNOVER

Hiroshi Uemura
Hitotsubashi University
cd102001@g.hit-u.ac.jp

ABSTRACT

This study examines the relationship between material weaknesses in internal controls over financial reporting and executive turnover in Japan. The result of the investigation into sampled corporations, which extended from the end of March 2009 to March 25, 2010, supports the theory that corporations which disclose their material weaknesses change their chief executives more frequently. This suggests that corporations' boards believe that the quality of internal controls critically impacts the credibility of corporate financial statements. In a sample of corporations that disclosed a material weakness, this study further examines the relationship between the timing of these companies' material weakness disclosures for two consecutive years and their executive turnover. The results demonstrate that chief executive turnover does not have a statistically significant correlation with material weakness disclosures for two consecutive years. In contrast, both board members' high level of expertise and a large proportion of outside shareholders have significant negative correlations with material weakness disclosures for two consecutive years. These results suggest the possibility that internal and external monitoring functions have a greater impact on the remediation of material weaknesses than chief executive turnover. In addition, I use these sample companies to examine the relationship between chief executive turnover and audit fees.

This result reveals that chief executive turnover has a significantly negative correlation with audit fees for the year following the disclosure of material weakness. This finding suggests the possibility that auditors perceive chief executive turnover after disclosure of material weakness as the board's response to a legitimacy crisis.

Keywords: internal controls audit; material weaknesses; executive turnover.
Date availability: Dates used in this study are available from public sources.
JEL classification: M41; M42; J63; K20

THE IMPACT OF ETHICAL CLIMATE, SUSPENSION OF JUDGMENT, AND VIRTUES ON PROFESSIONAL COMMITMENT AMONG AUDITORS

Dr. Bambang Riyanto L.S
Universitas Gadjah Mada

ABSTRACT

The professional commitment and integrity of public accountants have, not for the first time, been questioned by its main constituent, the investors. The failure of accounting firms to send signals to the market about the management's wrong-doings (frauds) properly has created distrust on the accounting profession. Mega financial scandals that happened in America, such as Enron, Adelphia, WorldCom, and Dynaco, Tyco, and Computer Associates, to name a few, involved billions of dollars loss on the part of the investors. Many believe that these scandals are reflective of the deterioration of public accountants to their profession. Indeed, there is an increasing attention given, both by researchers and practitioners, to professional commitment-related issues. This paper examines the impact of four variables that have not been investigated in the literature, namely, ethical principles and benevolent (two dimensions of ethical climate), suspension of judgment (an important element of professional skepticism), and instrumental virtues, among auditors. Fifty-five auditors (46 six males and 9 females) participate in this study. The results of the regression analysis show that, as expected, ethical principles, benevolent, and suspension of judgment positively affect professional commitment. And contrary to the prediction, the instrumental virtue is negatively associated with professional commitment.

Key words: professional commitment, ethical climate, suspension of judgment, virtues, auditors

THE EFFECT OF AUDIT FEE AND AUDIT RISK ON THE AUDIT TIME BUDGET

**Teodora Winda Mulia
Unika Widya Mandala Surabaya**

ABSTRACT

Auditing services are professional services provided by public accounting firms. Auditing process begins with the preparation of audit time budget. The greater the audit fee and the more risky the company is making the longer audit time budget. Although accountants work with the code of conduct, the audit time budget is influenced by the audit fee and audit risk. It is inevitable that there is a trade off in setting the audit fee between the maximum degree of quality and efforts to maintain long term relationships with clients. On the other hand there are also risks related to trade off between quality and lawsuits in the future if there are problems with the audit results.

This research was done experimentally with 2x2 Between subject of the audit fee (high and control) and risk (risky and less risky). Independent variable in this research is audit time budget. We use 68 novice participants auditors and analyze using ANOVA. Results showed that the audit fee and audit risk is a factor affect the budget for the audit period.

Key Word: Audit Fee, Audit Risk, Audit time Budget

DISCLOSURE OF INFORMATION ON THE INTERNET: CURRENT PRACTICES AND FURTHER EVIDENCE FROM NEW ZEALAND

Irshad Ali

Auckland University of Technology

ABSTRACT

The Internet provides companies with a platform to disseminate financial and non-financial information in an easily accessible and speedy manner at a low cost to investors and other stakeholders. Numerous overseas studies have shown how companies are exploiting the Internet to provide an increasing amount of „voluntary“ information to current and potential investors and other users. This study seeks to provide an update of current Internet financial reporting practices of New Zealand companies. It builds on previous efforts by developing a disclosure index of additional information disclosed on companies“ web-sites and how it is disclosed, based on attributes reviewed from literature. This index is used to investigate the current Internet financial reporting practices of the top 30 companies listed on the New Zealand Stock Exchange. The results show that although companies are disclosing some „voluntary“ information on their web-sites beyond what is contained in the traditional annual reports, there are other types of information where disclosure seems to be limited to some companies or provided on a selective basis. In terms of how the information is disclosed New Zealand companies seem to be lagging behind in the adoption of emerging technologies.

PROCESS-BASED MODEL OF INFORMATION TECHNOLOGY ADOPTION WITHIN INDONESIAN SMALL AND MEDIUM ENTERPRISES

Dr. Samiaji Sarosa
Atma Jaya Yogyakarta University

ABSTRACT

This article examines experiences Indonesian SMEs when they adopted IT. The participants' experiences were compared to what has been reported in the existing literature. The scant literature suggests that exploring IT adoption can be approached from three different perspectives: individualist, structuralist, and interactive process. This article uses the interactive process approach to explore how well those factors that have been well documented in the literature actually work in Indonesian SMEs' IT adoption. As a result of our exploration, we formulated a model of an interactive process view of IT adoption within Indonesian SMEs.

Keywords: Indonesian SMEs, IT adoption, factor-based model, process-based model



STRATEGIC MANAGEMENT ACCOUNTING AND IT COMPETENCY ON CUSTOMER SERVICE PROCESS PERFORMANCE IN LGAS

Prof Jamaliah Said
Universiti
Teknologi MARA
lia533@yahoo.com

Wee Shu Hui
Universiti Teknologi
MARA
weesh411@salam.uitm.edu.my

Rohana Othman
Universiti Teknologi
MARA
rohana799@salam.uitm.edu.my

Dennis Taylor
RMIT
dennis.taylor@rmit.edu.au

ABSTRACT

In Malaysia, there has been growing concern on the performance of the public sector agencies, with particular focus on customer service process performance. The use of strategic management accounting (SMA) together with IT competency could be an effective tools in enhancing customer service process performance of Malaysian Local Government Authorities (LGAs). The three objectives of this study are firstly, to examine the relationship between the adoption of SMA techniques that provides managers with more strategic information and on customer service process performance, and secondly to examine the relationship between IT competency and customer service process performance. The third objective seeks to examine the interactive effect between the adoption of SMA and IT competency on customer service process performance of Malaysian LGAs. A mail survey was conducted on 109 LGAs and the result provided empirical support on the positive relationships between SMA and IT competency on customer service process performance. The findings revealed that SMA information use and IT competency contribute directly to improved reliability of service delivery, level of staff responsiveness in attending to customers' issues and request, staff competency in carrying out task, staff skills in providing service at a faster rate with less error. The result therefore suggests that IT competency adds value to LGAs that uses SMA information via its ability to store, retrieve and process information at more faster and accurate way. Interestingly, the result mirrors the findings in the private sector literature, thus indicating that LGAs are keeping pace with other types of businesses.

Subject Areas: Strategic Management Accounting, Customer Service Process Performance, Information Technology Capability and Public Sector

THE OHLSON (1995) MODEL AND ACCOUNTING CONSERVATISM³

Dewa Gede Wirama
Universitas Udayana

ABSTRACT

The aim of this research is to empirically assess if accounting conservatism causes the valuation results of Ohlson (1995) valuation model to be significantly less than market prices. An empirical test is desirable to ascertain the effect of conservatism on the performance of Ohlson's model since empirically supported insights would facilitate the improvement of the model in the future.

Unlike previous researches, this research uses an empirical specification of Ohlson's model that satisfies, as far as possible, all of the model's requirements and assumptions. Valuation error is defined as the difference of valuation result and the corresponding market price. Conservatism is measured from the level of accruals in the financial statements. It is hypothesized that these errors increase with the level of conservatism in the accounting numbers.

To test the hypothesis, a regression analysis is conducted using a sample consisting 122 firms listed in Indonesia Stock Exchange during the 2000-2008 period. The results of the analysis support the hypothesis. In addition, it is found that firm growth further compromises the model's empirical validity.

Keywords: Ohlson Model, empirical specification, conservatism, growth, valuation error.

³ This paper is the third of my three-paper series testing the performance of Ohlson (1995) valuation model using Indonesian market data. The first paper merely checks the empirical validity of the model utilizing various methods; the second one tests its ability to predict future return. This paper investigates the effect of accounting conservatism on the model's ability to determine firms' values. With data extension, the paper series are based on my doctoral dissertation at the Faculty of Economics and Business, Universitas Gadjah Mada. I am obliged to the kind assistances and supports from my advisers, the late Mr. Mas'ud Machfoedz, Mr. Indra Wijaya Kusuma, and Mr. Hardo Basuki, as well as from my dissertation reviewers and examiners.

FOREIGN SHAREHOLDINGS AND CORPORATE GOVERNANCE STRUCTURES OF MALAYSIAN LISTED FIRMS

Puan Yatim^a

Takiah Mohd Iskandar^b

Elsie Nga^c

ABSTRACT

The study aims at exploring the association between foreign shareholdings and several corporate governance variables in the context of a developing capital market. Using panel data of 364 listed companies on Bursa Malaysia (1062 firm-year observations) for the period 2006-2008, the study predicts that foreign shareholdings are positively related to multiple directorships, financial literacy of the board of directors, board independence, and audit quality. Since Malaysian corporate ownership is predominantly family-controlled, we also investigate the relationship between foreign shareholdings and family ownership and we predict that this relationship is negative. Our results show that foreign shareholdings are larger for firms whose board members hold other directorships at other firms. This finding suggests that foreign investors view directors with multiple directorships are likely to help contribute to the firms that these investors invest in in terms of experience and reputational capital as expert decision makers and monitors. The study also finds that foreign shareholders favor firms whose financial statements are audited by Big Four audit firms partly due to the corporate governance role these auditors play in ensuring better disclosures and providing credibility to financial reports. Consistent with findings from prior studies, we also find that foreign shareholders shy away from family-controlled firms. This indicates that foreign investors are less inclined to invest in firms with concentrated ownership because this type of corporate ownership is associated with lower credibility of earnings and high probability of minority shareholder expropriation. Overall, this study provides empirical support that foreign investors are more likely to invest in firms that provide greater investor protection and have ownership structures that are conducive to good governance.

Keywords: Corporate governance structures, board of directors, foreign shareholdings, family ownership, audit quality.

^a Corresponding author, UKM-Graduate School of Business, Universiti Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia, Tel: (603) 8921 3438, Fax: (603) 8921 3162, E-mail: puan@ukm.my.

^b School of Accounting, Faculty of Economics and Business, Universiti Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia, Tel: (603) 8921 5544, Fax: (603) 8921 3162, E-mail: takiah@ukm.my.

^c Faculty of Business and Accountancy, Inti International University, Persiaran Perdana BBN, Putra Nilai, 71800 Nilai, Negri Sembilan, Malaysia, Tel: (606) 7982000, E-mail: elsie.nga@newinti.edu.my

THE EFFECT OF RELATED AND UNRELATED DIVERSIFICATION OF CAPITAL STRUCTURE POLICY: EMPIRICAL EVIDENCE ON INDONESIAN COMPANIES

Dr. Ratna Wardhani, SE, Msi
Universitas Indonesia

Ade Sobrina Hasibuan SE.
Universitas Indonesia

ABSTRACT

The objective of this research is to analyze the role of related and unrelated diversification of listed firms in Indonesia on capital structure decision, by using 78 Indonesia companies listed in the Indonesia Stock Exchange for 2002-2007 and panel data methodology. The result shows that in general diversification positively affect firms leverage. This result also apply to unrelated diversification strategy, where firms with unrelated diversification strategy inclined to increasing level of firm leverage; in other words, unrelated diversification has a positive effect on debt as source of finance. Therefore, capital structure decisions of unrelated diversified firms seem to be strictly aimed at reaching their target optimal debt level and consistent with the static trade off hypothesis. However the relation between related diversification strategy with firm's capital structure cannot be prove in this study due to the possibility that such strategy will require less cost of investment so that the company can still use internal financing.

Keywords: diversification strategy, capital structure, source of finance



BOOK KEEPING PRACTICES AND INDIVIDUAL INCOME TAX KNOWLEDGE AMONG SELECTED MALAYSIAN SOLE TRADERS

Nur Suriana Binti Awaludin
Selangor International Islamic University College (SIIUC)

Dr. Zuraidah Mohd. Sanusi
University of Technology Mara (UiTM)

Nor Suhaily Bakar
Selangor International Islamic University College (SIIUC)

Shuhaimi Jaafar
Selangor International Islamic University College (SIIUC)

ABSTRACT

In Malaysia, Self Assessment System (SAS) has been introduced in year of assessment 2004 to individuals businesses, as part of modernization and streamlining the tax administration system. Through the introduction of SAS, it is expected that the taxpayers will improve their knowledge in understanding the tax provisions to an adequate level. According to Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia or SSM), the number of taxpayers who followed SAS since 2004 has been increased. A survey was conducted to focus on the level of individual income tax knowledge, book keeping practices and level of dependency on tax practitioners. Questionnaires were distributed to sole traders located in Shah Alam, Malaysia. Using inferential statistical tests, results showed that majority of respondents have fairly below average knowledge due to their education background. In term of book keeping practice, most of them do not maintain it appropriately as required by Inland Revenue Board of Malaysia (IRBM). Findings revealed that sole traders are more interested in managing the sales and expenses accounts compared to other type of accounts. Besides, this study also discovered that there is a rather strong relationship between book keeping practices versus individual income tax knowledge. Other than that, more respondents preferred in appointing tax consultants compared to preparing the tax return forms themselves.

Keywords: Sole traders, book keeping practices, self assessment, tax, knowledge.



CONFORMITY BETWEEN THE BOOK INCOME & TAXABLE INCOME OF FAMILY FIRMS, AND ITS VALUE RELEVANCE: EMPIRICAL EVIDENCE FROM KOREA

Yun sung Koh

HanKuk University of Foreign Studies, Korea

Seun-young Park

Ewha Womans University, Korea

Jong-su Han

Ewha Womans University, Korea

ABSTRACT

This study aims to assess the effect of family firms on the difference between book income and taxable income (BTD), and to verify the source of the difference. Also, the study verifies how the market reacts to the BTD produced by the unique characteristics of family firms through empirical analysis.

Although family firms take up a high portion and important position in Korean industries, but studies on the topic are still in their infancy. A great number of minority shareholders appeared with the rapid growth of capital market in Korea, but the market still lacks adequate protection for the minority shareholders. Therefore, the agency problems in Korean firms tend to arise from the relationship between major and minority shareholders, rather than the ones between shareholders and managers. And such agency problems could be more prevalent among family firms in Korea.

This study sampled a number of listed companies in the manufacturing sector between 2000 and 2009, and categorized family firms according to the three methods defined in the study.

Key Words: Family firm, Conformity between book income and taxable income, Value Relevance



**ANALYSIS OF EARNINGS MANAGEMENT THROUGH REAL ACTIVITIES
MANIPULATION IN RESPONSE TO INCOME TAX RATE REDUCTION IN 2008
(EMPIRICAL STUDY OF LISTED MANUFACTURING COMPANIES IN
INDONESIA FOR THE PERIOD 2008-2009)**

**Kristana Linintiassiwi
Universitas Indonesia**

**Christine Tjen
Universitas Indonesia**

ABSTRACT

This study investigates whether listed companies in Indonesia manipulate their earnings downward through real activities to defer income and save corporate tax costs in response to the change of corporate income tax rate in 2008. This study also tests whether the tax factor and non-tax factors affect profit firms (firms operating at a profit) and loss firms (firms operating at a loss) in managing their earnings through real activities. These real activities are measured with sales activities, production costs, and discretionary expenses. The t-test shows that there is indication of income-decreasing earnings management to obtain tax benefit within two years of observation through the sales activities in the sample profit firms, while there is no indication of income-decreasing earnings management in the loss firms. There is possibility that loss firms are less likely to engage in earnings management because of non-tax costs considerations faced by enterprise tax. The earnings management practices through real activities are not affected by corporate tax planning, but earnings management through discretionary expense is affected by the firms' past losses. Also, earnings management behavior is influenced by management flexibility in undertaking such activities and institutional ownership.

**THE FINANCIAL AND NON FINANCIAL
DETERMINANTS OF GOING CONCERN OPINION OF INDONESIA'S LISTED
BANKS IN 2004-2008**

**Maria Christary
Universitas Indonesia**

**Desi A Haris
Universitas Indonesia**

ABSTRACT

The focus of this study is the use of financial information, which is liquidity ratio, profitability ratio, solvency ratio, productive asset ratio, compliance ratio, operating cash flow; and non financial information, which is the percentage of independent commissioners, auditor reputations, prior audit opinions, and block holder ownerships, by auditors in assessing the going concern of listed banks in Indonesia for the period of 2001- 2008. Many prior researchers have identified the determinants, but only a few used banks as the sample. Therefore, this present study will enrich the literature in this area.

Logistic regression is used because the dependent variable is dummy, and the results show that the variables that significantly affect going concern audit opinion in banks are liquidity ratio (*Loan to Deposit Ratio*), productive asset ratio (*Non Performing Loan*), and prior audit opinion.

Key words: Ratio, corporate governance, going concern opinion, bank

Data availability: Data are available upon request



EVIDENCE OF THE AUDIT EXPECTATION GAP IN HIGHER LEARNING INSTITUTION: FROM STUDENT'S PERSPECTIVES

**Noor Afza Amran (PhD)*
Universiti Utara Malaysia**

**Raudah Danila
Universiti Utara Malaysia**

ABSTRACT

The audit expectation gap arises due to the mismatch between what the public perceives the role of the external auditors should be and what the nature and objectives of external auditing are. Presently, the controversy surrounding the misunderstanding of audit work and audit responsibility has led to the critical, litigious environment, which characterizes auditing profession. This study examines the existence of audit expectation gap in Higher Learning Institution among the accounting students. From the questionnaire survey distributed to 200 targeted students that took Auditing papers in Universiti Utara Malaysia (UUM), results show that there was an existence of the audit expectation gap (measured based on student's perspectives). Students placed greater expectation on the auditor's duties compared to what the auditors are supposed to do. As a result, it is important to narrow the expectation gaps since the number of litigations against and criticism of the auditors has been kept increasing. In order to minimize these expectations gaps, students need to be well explained and equipped with the knowledge on the tasks and roles of auditors, and the expectation that the clients/users expect from the auditors professional services.

Keywords: Expectation gap, audit, higher institution, Malaysia.

* Corresponding author:
Noor Afza Amran (PhD)
College of Business
Universiti Utara Malaysia
06010 Sintok
Kedah MALAYSIA
afza@uum.edu.my

AUDIT QUALITY, INVESTMENTS OPPORTUNITIES AND EARNING

Enny Efriani
Universitas Indonesia

Vera Diyanti
Universitas Indonesia

ABSTRACT

This research is intended to investigate impact of investments opportunities to audit quality and the impact of audit quality in limiting earning management in the companies with high investments opportunities. The companies with high investments opportunities require control of management behavior through audit to ensure the owner that management will not behave opportunistically so that management in high investments opportunities companies will produce high quality audit, as proxied Big four auditors. Furthermore, companies with high investments opportunities (IOS) tend to be more flexible in managing accrual and thus, they tend to have high earning management. High quality audit will hopefully decrease the earning management in the companies with high IOS.

This research uses panel data from 134 manufacture companies listed in Indonesia Stock Exchange from 2003 to 2007 and thus, the total sample is 670. The sample is then regressed using logit and linear regression methods. Investments opportunities are measured by market-to-book-asset, audit quality is proxied by Big Four auditors and Non-Big Four auditors, and earning management is measured by discretionary accrual level.

The research revealed that companies with high and low investments opportunities tend to be similar in the audit quality. Then, audit quality does not have any impact to reduce the accrual discretionary level in companies with high investments opportunities.

Key Words: Investments Opportunities, Audit Quality, Earning Management, and Accrual Discretionary



HERD BEHAVIOR IN ACCOUNTING POLICIES — WRITE-OFF POLICY OF UPBO IN JAPAN —

Yoshihiro Tokuga
Kyoto University

Toshitake Miyauchi
Otemon Gakuin University

ABSTRACT

This paper investigates rationality of herd behavior in the accounting policy decisions by using a write-off policy of unfunded pension benefit obligation (UPBO) as a research material. Although the accounting standard for retirement benefits in Japan in 2000 allowed the companies to choose the write-off period between one year and fifteen years depending on their write-off abilities, more than 60% of the companies disclosed the period within 3 years, especially one year before the balance sheet date. There might have been herd behavior in policy selections with the companies that currently reported poor income and nonetheless chose a short period of write-off policy. We found that many of these companies did not unreasonably write-off UPBO and that the capital market saw through whether their write-off policies were concomitant with their capabilities or not. If a market is efficient and participants are aware of it, accounting regulator's policy for giving the companies the room for choice does not cause an irrational herd behavior in accounting policy.



VALUE RELEVANCE AND MANDATORY ADOPTION OF ACCOUNTING STANDARDS IN EMERGING COUNTRIES: THE CASE OF IRAN

A. Rahmani (PhD)

Assistant Professor, Alzahra University

Z. Amini (MS)

Lecturer in Universities

Sauber Sheri (PhD)

Allameh Tabatabaee University

Ali Roohi (PhD)

Tehran Azad University

ABSTRACT

We perform an event study to investigate the value relevance of accounting standards and guidance adoption in firms listed in Tehran Stock Exchange (TSE) during the years 1996 to 2009. Our hypothesis is that under the new set of accounting standards and guidance, the value relevance of information is relatively higher. We employ two widely used models price-earnings and return-earnings and the incremental explanatory power of accruals over operating cash flows, to examine the value relevance of accounting numbers. Using 558 year-firm observations over a three-year period before and after adoption of the set of accounting guidance and a four-year period before and after adoption of the new set of accounting standards (translation from IFRS with little adjustment), our study finds that (1) the value relevance of accounting information is significantly higher after adoption of the accounting guidance and (2) lower after adoption of the revised accounting standards.

Keywords: value relevance, Tehran Stock Exchange, accounting standards and guidance



CONSERVATISM IN THE FIRMS WITH WINDOW DRESSING SETTLEMENT

Jong-Seo Choi
Pusan National University

Hyung-Joo Lim
Pusan National University

ABSTRACT

This paper strives to solve two curiosities. First, the paper attempts to test the two most popular conditional conservatism models' abilities for conservatism detection. Second, this paper also has strong intention to test whether there are huge changes in those companies' behaviors or attitudes after experiencing the audit review by FSS which could cause serious damages to their public images and reputations.

The paper went through 4 steps for both Ball & Shivakumar model and Basu model to achieve those 2 main objectives. First, each of the original models was used against the whole sample to test whether they can pick up conservatism. Secondly, the dummy variable, WDSFM was only added on the original model to see the difference in conservatism between the WDS firms and the Non-WDS firms. Third, the indicator variable, WDSPRD was only added to test whether conservatism of the WDS companies can change over time. Finally, both variables were added together to test whether those models surely detect differences in conservatism across WDS and Non-WDS firms as well as across WDS and Non-WDS periods.

According to B&S measure, WDS firms are less conservative than Non-WDS firms and WDS firms during the post period are the most conservative indicating changes in conservatism policies. It also shows that WDS firms in the pre period are more conservative than during the WDS period.

The empirical results from Basu measure also show similar conclusions however, some results were either NOT significant or showed the opposite sign. However, Basu measure also clearly shows that WDS firms are more conservative during the post periods than during the WDS periods. To sum up, both models can be said to be well specified however, Ball & Shivakumar measure exhibits better results in this empirical investigation but, Both models show changes in attitude or behavior regarding conservatism after the discovery



THE INFLUENCE OF BOARD OF COMMISSIONERS, AUDIT COMMITTEE, INTERNAL AUDITOR AND INDEPENDENT AUDITOR AGAINST FRAUDULENT FINANCIAL REPORTING POTENCY

Wiwik Utami
Mercu Buana University

Diaz Priantara
Mercu Buana University

ABSTRACT

This research has purpose to study the partial and simultaneous influence of board of commissioners, audit committee, internal auditor and independent auditor against fraudulent financial reporting potency. Those factors are expected to be able to minimize discretionary accrual which become proxy for fraudulent financial reporting potency.

Research population is non financial public listed companies at Indonesia Stock Exchange which have already published their annual reports 2009 up to August 2010. There are 64 companies obtained as research sample which is randomly selected. Discretionary accrual is measured by accrued working capital approach, board of commissioners is measured by percentage of number of independent commisoners, independent auditor is measured by Public Accounting Firm size, internal audit is measured by its competency and audit committee is measured by its independency and competency, while role of commissioner and audit committee is measured by percentage of meeting attendance during 2009. Multiple regression is used to analyse the data.

The result of study summarizes that only audit committee have negative relationship to discretionary accrual. It means that fraudulent financial reporting potency can be minimized by the existence of independent audit committee in spite of its influence is significant at level 10%.

EFFECT OF GOOD CORPORATE GOVERNANCE AND ORGANIZATION CULTURE ON INFLUENCE OF DIVIDEND POLICY ON EARNINGS MANAGEMENT

I Gusti Ayu Made Asri Dwija P
Udayana University

Sutrisno
Brawijaya University

Eko Ganis Sukoharsono
Brawijaya University

Bambang Purnomosidhi
Brawijaya University

Putu Sudana
Udayana University

ABSTRACT

The Study is motivated by the phenomenon of cases originated from the actions of opportunistic earnings management that harm stakeholders. In fact, regulators have advised the adoption of good corporate governance (GCG) to every company, but a satisfactorily result is not yet found. The issue of the study is the agency conflict due to dividend policy that might motivate management to take earnings management action, by considering the organizational culture and GCG that are considered to affect earnings management behavior. The purpose of this study is to examine and analyze the effect of dividend policy, GCG, and organizational culture on earnings management.

This study is a quantitative research approach using Partial Least Square (PLS) analysis. The population of the study is companies listed on the Indonesia Stocks Exchange in the period of 2007 to 2009. Sample selection is conducted using a purposive sampling technique, where the unit of analysis is the firm. The study uses secondary data source of company's financial statements and the primary data sources of organizational culture data collected by distributing questionnaires. Test of the validity and reliability of research questionnaire is performed prior to hypothesis testing.

The results of the study conclude that agency theory can explain the phenomenon of agency conflict due to dividend policy. The results show that the agency conflict due to dividend policy has positive effect on earnings management. The main finding of the study is that agency conflict due to dividend policy can be minimized by the existence of GCG and organizational culture, so that opportunistic earnings management can be reduced. Other finding of the study is that GCG negatively affect earnings management, while the organizational culture has no direct effect on earnings management.

Keywords: dividend policy, good corporate governance, organizational culture, and earnings management.

**THE IMPACT OF CORPORATE GOVERNANCE AND SHAREHOLDER
MONITORING MECHANISMS ON COST OF DEBT: EMPIRICAL EVIDENCE
FROM MALAYSIAN LISTED FIRMS FROM 2003 TO 2007**

Zulkufly Ramly
University of Malaya

Dr. Hafiz Majdi Ab Rashid
International Islamic University Malaysia

Associate Professor Dr. Nazli Anum Mohd Ghazali
International Islamic University Malaysia

ABSTRACT

This paper investigates the effect of corporate governance and shareholder monitoring mechanisms on cost of debt of Malaysian listed firms. We develop a corporate governance index consisting 139 items in six broad categories for assessing the quality of firm corporate governance. We classify shareholder monitoring mechanisms into ownership concentration, family, insider and government ownerships. Using panel sample from 2003 to 2007, our regression results show that high corporate governance quality and ownership concentration lower firm cost of debt. Debt issuers value corporate governance mechanisms in the forms of board structure and procedures, board compensation practices, shareholder rights and relations, accountability, transparency and audit and social and environmental activities as integral components of a good corporate governance framework.

Keywords: corporate governance index; agency cost of debt; cost of debt; ownership structure; emerging market; Malaysia



AUDIT OVERSIGHT BOARD (AOB): ISSUES ON AUDIT QUALITY AND EARNINGS MANAGEMENT

Zuraina Sal Salbila Binti Mohamed
Universiti Teknologi MARA
zsalsabila@yahoo.com

Associate Professor Dr Zuraidah Mohd Sanusi
Universiti Teknologi MARA
zuraidahms@salam.uitm.edu.my

Professor Dr Takiah Binti Mohd. Iskandar
Universiti Kebangsaan Malaysia
takiah@ukm.my

Dr Lee Teck Heang
Monash University Sunway Campus
lee.teck.heang@buseco.monash.edu.my

ABSTRACT

The Audit Oversight Board (AOB) was formally established in Malaysia on 1 April 2010. The primary objective of the study is to examine the effects of the AOB on audit fees, non audit fees and earnings management. The study also aims to examine the relationship between audit quality and earnings management. Using the pool sample of 174 firm-years public listed companies for the year 2009 and 2010, the study found a significant increase in audit fees. However, the increase of non audit fees and earnings management is not statistically significant. Additionally, using multiple regressions, the study found a significant relationship between audit quality and earnings management. Specifically, there is a significant positive relationship between audit fees and earnings management. The findings also show a significant negative relationship between non audit fees and earnings management as well as a negative relationship between auditors type and earnings management. It is believed that the results of the study could be a corner stone to regulators, auditors and researchers to conduct further investigation on the impacts of AOB and on audit quality and earnings management.

Keywords: AOB, audit fees, non audit fees, types of auditors, earnings management.

Correspondence Author:

Dr Lee Teck Heang

School of Business, Monash University Sunway Campus

Email: lee.teck.heang@buseco.monash.edu.my



DETERMINANTS OF INTERNAL AUDIT CONTRIBUTION TO STRATEGIC MANAGEMENT: MALAYSIAN EVIDENCES

Nor Hafizah Zainal Abidin*
International Islamic University Malaysia
nhafizah@iiu.edu.my

Hasnah Haron
Universiti Sains Malaysia

Amirul Shah Md Shahbudin
Universiti Sains Malaysia

ABSTRACT

This paper examines from agency perspective how internal audit experience, audit committee attributes, risk management and control systems influence internal audit contribution to strategic management. The study analysed data collected from 117 head of internal audit function in public listed companies on Bursa Malaysia. Internal audit experience, audit committee qualification, audit committee review, risk management and control systems are found to be significantly positively related to internal audit contribution to strategic management. Findings indicate that audit committee concern is not a significant predictor of internal audit contribution to strategic management. This paper has provided empirical evidences to support the findings from previous qualitative studies. Besides, this study has enhanced the understanding of predictors of internal audit contribution to strategic management in a context of mandatory environment.

*Corresponding author

THE IMPACT AUDIT FIRM ROTATION TO AUDIT QUALITY: CASE STUDY OF REAL AND QUASI ROTATION IN INDONESIA

Fitriany
Universitas Indonesia

Sidharta Utama
Universitas Indonesia

Dwi Martani
Universitas Indonesia

Hilda Rosietta
Universitas Indonesia

ABSTRACT

In Indonesia, rotation is not only applied to auditor but also to audit firm. This regulation creates quasi (unreal) rotation. This research purposes to examine whether there are any differences on audit quality between real and quasi audit firm rotation. This study will also examine whether the audit firm rotation from the big accounting firm to a non big accounting firm (or vice versa) will produce a different quality of audit. This paper will contribute to the country that will implement the rule of audit firm rotation, as the green paper stated that mandatory rotation of audit firms – not just of audit partners – should be considered . The audit quality is measured by earning quality (predictive value, timeliness, representational faithfulness and neutrality perspective). The sample data are taken from the public listed companies, from 1999-2001 (before the regulation) to 2004-2008 (after the regulation).

This research found that many audit firm use quasi rotation, but generally no evidences showing the difference of audit quality between real and quasi audit firm rotation. The rotation regulation has not given any impact to audit quality. Hence, it is necessary to consider other regulation to improve audit quality. In the pre regulation period, audit quality from predictability perspective of a company doing rotation from non Big-4 firm to Big-4 firm is higher than a company doing rotation from non Big-4 firm to non Big-4 firm. On the other hand, the audit quality from timeliness perspective of a company doing rotation from non Big-4 to Big-4 is lower than company doing rotation from non Big-4 firm to non Big-4 firm. In the post-regulation period, this research proved that there are no differences in the audit quality between Big-4 and Non Big-4 related to the timeliness perspective. Nevertheless, there is still a difference in predictability perspective which Big-4 has higher quality.

Keywords: Audit Quality, Real Audit Firm Rotation, Quasi Audit Firm Rotation



IMMERSING ACCOUNTING EDUCATION IN BEAUTY: A CLASS ACTION RESEARCH

Dr. Ari Kamayanti
STIE Mahardhika Surabaya, Indonesia

Prof. Iwan Triuwono, PhD., Ak.
Brawijaya University

Gugus Irianto, PhD.
Brawijaya University

Dr. Aji Dedi Mulawarman
Brawijaya University

ABSTRACT

Accounting education is presently trapped into fulfilling concepts of beauties consisting of masculinity, colonization and relativity. These three concepts are the reflections of secularism as delineated by Al Attas. Masculinity relates to disenchantment of nature, colonization relates to desacralization of politics and relativity relates to deconsecration of values. To break out of these concepts, beauty of God must be inserted into accounting education. Using extended Freirean to Class Action Research as methodology, other marginalized beauties that are inserted through the values of love, humility, hope and faith into accounting education. This class research action provides empirical evidences of how immersion of accounting education in the beauty could be done in the corridor of *tawhid*.

Keywords: Beauty, secularism, accounting education, class action research.

*Allahu jamilun yuhibbu'l-jamal*⁴
Al Hadith

⁴ "God is beautiful and God loves beauty!"



THE PHD SUPERVISORY RELATIONSHIP IN THE ACCOUNTING DISCIPLINE

Erlane K Ghani
Universiti Teknologi MARA
erlanekg@yahoo.com

Jamaliah Said
Universiti Teknologi MARA
lia533@yahoo.com

ABSTRACT

This study examines the nature and quality of supervisory relationship of the PhD supervisors and PhD supervisees within the accounting discipline. Using a questionnaire survey on fifty one PhD supervisors and their supervisees, this study examines whether there is a difference in the expectations between the PhD supervisors and their supervisees. The results show that PhD supervisee group tend to agree that having common research interest and professional reputation of the supervisors as an important factor whereas the PhD supervisors perceived the PhD supervisees' past research and work experience as a major influence in choosing their supervisee. The results also show that PhD supervisors and PhD supervisees have different satisfaction level on the supervisory relationship characteristics. The results also show that there is a significant different in supervisory selection criteria between PhD supervisors and supervisees in terms of common research interest and PhD supervisee's/supervisor's work habit and personality. A key finding in this study is that the selection criteria and satisfaction of supervisory relationship characteristics vary between the PhD supervisors and supervisees. Therefore, it is recommended that PhD supervisees need to be aware of the supervisory selection criteria of their potential supervisors in order to be accepted by the later party. PhD supervisees also need to be aware of the supervisory relationship characteristics expected by their PhD supervisors need order to complete their study successfully.



UNIVERSITY STUDENTS ENTREPRENEURIAL INTENTION: PERCEPTION OF COMMERCE STUDENTS AT SHIRAZ REGION

Dr Jamal Roudaki
Lincoln University
jamal.roudaki@lincoln.ac.nz

ABSTRACT

This research examines the attitudes of students about impediment and stimulation of entrepreneurial activities in one hand and their perceptions about the component of an appropriate university entrepreneurial curriculum and importance of sources for their future job selection on the other hand. A sample of 227 accounting, management and economic students from three higher education institutes located at Shiraz (Iran) region responds to the questionnaire survey. Results indicate that the students have moderate score of mean on all barrier and motivation factors. Gender; age and major of study are not significantly related to their perception about the importance of barrier, motivation, component of an appropriate entrepreneurial university curriculum and sources for future job selection. They believe that loan/credit and government regulations are the most important barriers. Connecting job with passion/hobby and realizing idea/vision are considered as the most important motivation factors. Communication and marketing are assigned as the most important component of a university entrepreneurial curriculum whilst other component of the curriculum such as management, finance and accounting gained a high level of importance. When it comes to job selection the most important sources are personal experience and background university studies. Nevertheless, lack of university entrepreneurial program is considered as important barrier factor by the respondents.

Keywords: Iran entrepreneurship, barriers, motivation, educational needs, curriculum components



DIVERSIFICATION, IDIOSYNCRATIC RISKS AND BANK EQUITY RETURNS

Chien-Yun Chang
Hsiuping Institute of Technology

Zhen-Yu Chen
Chang Jung Christian University

Jian-Hsin Chou
NKFUST Taiwan

ABSTRACT

Following the global trend in the financial market, on November 2001, the Financial Holding Company Act was enacted and formally implemented in Taiwan to provide banks, securities firms and insurance companies with a mechanism for cross-industry operations. Are diversified Financial Holding Companies more efficient than narrowly focused banks? Does diversification have a significant impact on bank's risk and operation performance? The debate on this topic has not reached a consensus in the academic banking literature. In this paper, we address this issue by comparing the equity returns and risks of Financial Holding Companies with traditional banks in Taiwan and Hong-Kong. Moreover, this paper uses a firm-level idiosyncratic risk, instead of systematic risk measure, as an important factor in explaining equity return. Specifically, the study primarily uses a two-factor model proposed Stone (1974), based on both market risk and yield curve risk factors, to test whether diversification can provide an important motive for bank consolidation.

The empirical results have a number of implications for different stakeholders. First, there is a significantly inverse relationship between return on asset (ROA) and idiosyncratic risk for all kinds of banks in both markets. Second, diversification does result in a negative relationship with the idiosyncratic risk for traditional banks in Taiwan and Hong-Kong banks. However, for the Financial Holding Companies in Taiwan, the results are not consistent. Third, there were no evidence of a link between equity return and diversification for traditional banks in Taiwan and Hong-Kong, but there is a significantly negative relationship between equity return and diversification for the Financial Holding Companies in Taiwan.

Keywords: Diversification, Idiosyncratic Risk, Bank Equity Returns

**THE EFFECT OF BASEL I ACCORD ON CAPITAL ADEQUACY RATIO
IMPLEMENTATION AND ITS RELATIONSHIP WITH CREDIT RISK AND
BANK'S POSSESSION TYPE**

Afsaneh Tavangar
Islamic Azad University-Central Tehran Branch

Golriz Imani
Islamic Azad University-Central Tehran Branch

ABSTRACT

This survey evaluates the effect of Basel I statement implementation on banks' capital adequacy ratio and its relationship with credit risk and bank's possession type according to international institutes and Basel committee approvals. Seventeen banks were selected as statistical population of state-run and private banks over the period 2001-2009.

Results showed that the regulation based on Basel Accord that imposed by Central Bank of Islamic Republic of Iran had no influence on bank sectors behavior to increase their capital adequacy ratios(CAR). In other words, the average of CAR was less than 8% before and after implementation. Moreover, there is a direct but weak relationship between the ratio of capital adequacy and banks credit risks, i.e. the more increasing in credit risk, the more increasing in ratio of capital adequacy. Hence, banks took actions to soar their capitals over the period of this survey (2001-2009) by developing credit risk to reduce the negative effects of this increase. However, there is a significant difference between the capital adequacy ratio in state-run banks and that of private sector. The average of private banks' capital adequacy ratio is considerably higher than that of the state-run banks.

Keywords: Capital adequacy, Basel I Capital Accord, credit risk, bank regulations

JEL Classification: G21, G28



**THE EFFECT OF CHANGES IN BOOK-TAX INCOME DIFFERENCE ON
BOND RATING CHANGES
(EMPIRICAL STUDY OF GO PUBLIC COMPANIES IN INDONESIA
FOR THE PERIOD OF 2003 - AUGUST 2010)**

**Puspita Rani
Universitas Budi Luhur**

**Christine
Universitas Indonesia**

ABSTRACT

This study aims to investigate the effect of changes in Book Tax Difference toward changes in bond ratings in Indonesia. The gap between accounting profit and tax profit is divided into two different categories namely Positive Book Tax Difference and Negative Book tax Difference. This research also includes several other financial information variables as independent variables that assessed the effect of bond rating variable. The other variables include firm size variable, Earning per Share, Loss, Operating Cash Flow, Leverage, Book to Market Ratio and other types of industrial companies.

This research is conducted on 54 samples of bond that produced 138 bond ratings changes of data during the period of 2003 to August 2010. Bond ratings used in this study were rated bonds issued by PEFINDO (Indonesia Credit Rating Institution). Data processing is done with the tool of SPSS software for Windows 19. Hypothesis testing is done by using Ordinal Logistic Regression due to the dependent variable has ordinal scale data.

The research proves that the main independent variables namely Large Positive Book – Tax Income Difference Changes (LP Δ BTD) and Large Negative Book – Tax Income Difference Changes (LN Δ BTD) do not have significant negative effects on the variable of Bond Rating Changes (Δ RATING). While the research results for other control variables include the change of Company Size (Δ SIZE) variable has a positive effect but not significant, LOSS variable has no significant negative effect, change of Earning Per Share (Δ EPS) variable has a significant positive effect, change in cash flow operation (Δ CFO) variable has a positive effect but not significant, change of Leverage (Δ LEV) variable has a significant negative effect, as well as variable of change Book to Market Ratio (Δ BTM) also has a negative effect, not significant, whereas the latter is industry variable indicates positive effect but not significant toward the variable of Bond Rating Changes.

Keywords: Book Tax Difference, Bond Rating



THE ACCOUNTABILITY PERCEPTIONS BETWEEN THE AUSTRALIAN NATIONAL TAXATION AND REGISTRATION AUTHORITIES AND REGISTERED TAX AGENTS: AN AUSTRALIAN PERSPECTIVE

Eric Clubb
The University of Sydney
eric.clubb@sydney.edu.au

Professor Brendan O'Connell
RMIT University

ABSTRACT

Purpose –The purpose of this research is to better understand the concept of “due care” and “reasonable care” within the context of the accounting profession’s discharge of the delivery of professional services. This research will focus on the delivery of professional taxation services in Australia. These keys terms are explored within the context of an accountability theory framework with a focus on performance and policy accountability.

Design/methodology/approach - This research is a descriptive study based on semi structured interviews and a literature review on the accountability theoretical framework linking to the key elements of professional judgement with performance and policy accountability theory.

Findings - Through data collected from semi structured interviews of the various stakeholder organisations linked to the provision of taxation services to private clients, insight is gained on the perceptions of these two terms. This research seeks to explore how the concept of reasonable care within the context of taxation services delivery, may require the exercise of professional judgement to a level higher than expected under the previously existing professional accountant’s understanding of due care.

Research limitations/implications – This research is qualitative in construction. While the literature review and semi structured interviews of key stakeholders provides some useful insights into the understanding of these two terms, more focused data will need to be collected. This research will be extended into a second phase by the distribution of a survey instrument to a small number of professional tax accountants to validate if the institutional perceptions of Due Care and Reasonable Care are in agreement with the wider membership.

Practical implications – clarification in the adoption of the term reasonable care will bring a greater level of certainty for the accounting profession’s discharge of its accountability in the delivery of taxation services.

Originality/value – The research expands the concept of due and reasonable care within the context of the accountability theoretical framework.

Keywords: Due care, reasonable care, accountability, taxation, Australia

CONSERVATISM AND COST OF EQUITY CAPITAL: MULTI DIMENSIONAL MEASUREMENT APPROACH

Hendrik Gamaliel
University of Sam Ratulagi

Slamet Sugiri
Universitas Gadjah Mada

ABSTRACT

Conservatism is a long lasting phenomenon and permanent issue in accounting practice. Until recently, conservatism develops in two forms, those are ex ante and ex post which have various measures. This study examines the effect of various measures against the relationship between conservatism and cost of equity capital. This study investigates that different measurements influence the relationship differently. This study found that only one measurement, valuation model measure, which is able to explain the association. Meanwhile, the other two measurements, book-to-market and accrual measures are unable to explain the association. This study suggests that different measures of conservatism relate differently on different articulations. Furthermore, financial report users must carefully digest the essence of conservatism measurement concept when defining the conservatism and interpreting its relationship with cost of equity capital.

Keywords: ex ante and ex post conservatism, cost of equity capital, conservatism measurement

We appreciate all doctorate students, Faculty of Economics and Business, University of Gadjah Mada, Indonesia. Any kinds of criticism and comment are expected at @s_sugiri@feb.ugm.ac.id, or #hendrik_gamaliel@yahoo.com.com



LOAN COLLATERAL AND ACCOUNTING CONSERVATISM

JEFF ZEYUN CHEN

University of Colorado at Boulder

zeyun.chen@colorado.edu

GERALD J. LOBO

University of Houston

gjlobo@uh.edu

YANYAN WANG

Xiamen University

yanyanwang@xmu.edu.cn

LISHENG YU

Xiamen University

yulisheng@xmu.edu.cn

ABSTRACT

We examine the relation between the use of collateral and accounting conservatism for a sample of Chinese firms during 2001 to 2006. China provides a powerful setting for testing the direct effect of accounting conservatism on collateral requirements because of the government's tight control over interest rates during our sample period, which severely limits lenders' use of loan pricing (through interest rates) to differentiate across borrowers with different risks. We document that accounting conservatism and the use of collateral are negatively related, after controlling for firm performance and risk. The negative relation is consistent with collateral and accounting conservatism being used as substitute mechanisms to reduce the agency cost of debt. Further analysis reveals that the substitutive relation is attenuated by borrower and lender state ownership. These results are consistent with our hypotheses that the marginal benefit of accounting conservatism, as reflected in reduced collateral requirements, is less pronounced for state-owned enterprises and for firms that obtain more loans from state-owned banks.

Keywords: Loan collateral; Accounting conservatism; Debt contracting; State-owned enterprises; State-owned banks

JEL Classification: G21, M41 s

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THE EFFECT OF ACCOUNTING DISCLOSURE, CONCENTRATED OWNERSHIP, AND ACCOUNTING HARMONIZATION TO EARNINGS QUALITY: THE CASE OF ASIA PACIFIC

Alfonsa Ingrid Carolina
Universitas Indonesia

Dr. Ratna Wardhani, SE, Msi
Universitas Indonesia

ABSTRACT

This study aims to determine the influence of the level of disclosure and concentrated ownership on the quality of earnings in the context of differences in the degree of local standards to IFRS convergence between countries. This research was carried out against the companies listed on stock exchanges of Indonesia, Singapore, Hong Kong, and Australia. This study will use a multidimensional measure earnings quality using the five measures of earnings quality which are earnings predictability, earnings management, earnings response coefficients, and conservatism. In general, this study found that higher levels of disclosure by companies, the high quality of earnings reported by companies. In the context of increasingly high demand for convergence of accounting standards to IFRS, this study supports the role of convergence in improving the quality of corporate earnings. The use of accounting standards to IFRS convergence will strengthen the influence of the level of disclosure to earnings quality.

Key words: Disclosure, ownership, degree of convergence of local GAAP to IFRS.

**EARNINGS MANAGEMENT DURING GLOBAL FINANCIAL CRISIS (GFC):
EVIDENCE FROM THE AUSTRALIAN LISTED MANUFACTURING COMPANIES
BETWEEN 2005 AND 2009**

Elvia R. Shauki

Universitas Indonesia

elvia.shauki@unisa.edu.au

Siti Nurwahyu Harahap

Universitas Indonesia

nung@cbn.net.id

Yanivi Bachtiar

Universitas Indonesia

nivi_bach@yahoo.com

ABSTRACT

The purpose of this paper is to investigate whether firms expect to voluntarily increase company's earnings higher than expected earnings during an economy-wide financial crisis, like the Global Financial Crisis (GFC). Earnings management is where managers choose accounting and reporting methods as well as estimates that do not adequately reflect their firms' underlying economic performance, especially during the difficult time that the company is facing (i.e. during the crisis). By using company's financial reporting, this study is aimed to find out reasoning behind manager's behaviour especially surrounding the crisis period where *efficiency* and not *opportunistic perspectives* of Positive Accounting Theory (PAT) is applied. Prospect Theory introduced by Kahneman and Tversky (1979) is also applied in this study. Using descriptive statistics and statistical test on mean differences, this study is conducted. First, using descriptive statistics, statistical figures of three DA's models (Jones, Dechow and Kaznik) was calculated in order to observe DA figures in the period between 2006 and 2008. Secondly, using statistical test on mean differences this will look at the different DA patterns of each model between 2006 (non crisis year), 2007 (crisis year), and 2008 (non crisis year).

This paper finds that firms that are expected to have lower profit due to crisis used accruals to increase their reported earnings during the global financial crisis did not engage in income increasing earnings management. Even though it was found that there has been a significant change in the pattern of Discretionary Accruals of the companies in 2007 as response to crisis compared to non crisis years. In reverse to earlier findings, we find that the tendency to release "good earnings news" (i.e., increase in earnings) observed in prior research is reversed for the Australian manufacturing firms during the GFC this may have been wiped out by the fact that GFC has minor influence to the manufacturing industries. This paper benefits academic literature by extending the present theorization for earnings management particularly during the economic-wide crisis. The evidence contributes to the literature on earnings management for the Australian manufacturing companies during an economy-wide financial crisis.

VOLUNTARY DISCLOSURE, CONSERVATIVE ACCOUNTING, LIFE CYCLE STAGES, AND FIRM VALUATION

**Dr. Lodovicus Lasdi
Unika Widya Mandala**

ABSTRACT

Using the accounting valuation model by Feltham and Ohlson (1995), this study examines firm valuation attributable to (1) the joint effects of accounting conservatism and extent of voluntary disclosures on firm valuations and (2) the joint effects of accounting conservatism and life-cycle stages.

Samples are publicly listed companies in Indonesia Stock Exchange (IDX) during 2000 to 2007. Sampling was done with purposive sampling method. There are as many as 177 sample firms used in testing hypothesis 2, 3, 4, and 5. However, this research only used 74 sample firms test hypothesis 1. This is based on the fact that very few public companies that publish annual reports consistently in the years of observation of this study. Before testing hypotheses, this study conducted an effective model selection research first. Results show all models of hypothesis testing using a more efficient predictive model, which is a fixed effect model. The classical assumption test results also show that all models pass the test of hypothesis testing classical assumptions.

The results of this study give evidence that accounting conservatism, voluntary disclosure and life cycle stage affects the value relevance of accounting or non accounting information. The study also give evidence that market differently evaluate accounting information for firms in different life cycle stages and conservatism accounting affect the relationship between life cycle stage and company valuation. The study was driven from the equity valuation implications of the relationship between accounting conservatism and the operating assets and the relationship between operating assets and operating accruals in the Feltham & Ohlson model (1995).

Keywords: conservatism accounting, voluntary disclosure, life cycle stages, dan market valuation

THE EFFECT OF AUDIT QUALITY ON EARNINGS MANAGEMENT AND FIRM VALUE

**Auliffi Ermian Challen
Universitas Indonesia**

**Dr. Sylvia Veronica Siregar
Universitas Indonesia**

ABSTRACT

This study aims to investigate the effect of audit quality (measured by audit firm size and auditor industry specialization) on earnings management (accrual and real activities earnings management) and on firm value. This study uses samples from Indonesian Stock Exchange with 912 firm-years for the period 2006 to 2009. The results show that firms audited by industry specialist auditors have lower accrual earnings management, but higher real activities earnings management. On the other hand, firms audited by the Big 4 has higher accrual earnings management than firms audited by non-Big 4. This may occur because firms probably find difficulties to engage in accrual earnings management when audited by industry specialist auditors, hence they choose the real earnings management instead. However, audit firm size has negative effect on real activities earnings management. These findings suggest that accrual earnings management and real activities earnings management are used in substitute by management. This study also shows that real activities earnings management has negative impact on firm value.

Keywords: audit quality, audit firm size, auditor industry specialization, accrual earnings management, real activities earnings management, firm value.



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