

Report on the Asia-Pacific Journal of Accounting & Economics Symposium 2004

The Symposium was held at Mutiara Hotel in Kuala Lumpur, Malaysia on 5-6 January 2004. The pulsating sound of the Kompang (Malay Drum) and a traditional dance performance by a colourful troupe of Malay dancers highlighted the start of the Symposium.

First, an introduction was given by Professor Ferdinand A Gul, Director of the Accounting and Corporate Governance Centre and Head of the Department of Accountancy at City University of Hong Kong. **Colonel Professor Dato' Dr Ahmad Fawzi Mohd Basri**, Vice Chancellor of Universiti Utara Malaysia, and Professor Judy Tsui, Dean of Faculty of Business at The Hong Kong Polytechnic University each gave keynote addresses at the Opening Ceremony. **Professor Katherine Schipper** of the US Financial Accounting Standards Board addressed the audience on behalf of **Professor William Felix**, President of American Accounting Association who was unable to be present at the ceremony. **Yang Mulia Datuk Raja Arshad Raja Tun Uda**, Executive Chairman of PricewaterhouseCoopers, Malaysia officiated the opening of the Symposium.

After the Opening Ceremony, a **Research Forum** was held where Professor Katherine Schipper gave a presentation on Earnings Quality. She discussed the significance of earnings quality and noted that earnings quality can be assessed indirectly by assessing earnings attributes that are observable and measurable. The desirability of earning attributes was examined in an empirical context.

The paper sessions immediately followed. In the first round, Dr Wuchun Chi of the National Chengchi University presented a paper that examined how, using data from Taiwan, auditor tenure and audit-firm tenure affect earnings quality, taking into consideration mandatory auditor rotation, as required by Sarbanes-Oxley Act 2002. He concluded, amongst other points, that audit-firm tenure played a key role in the quality of earnings and that lower earnings quality is associated with lengthy audit tenure. Dr Jong-Hag Choi of the Hong Kong University of Science and Technology presented evidence suggesting that biases exist in management earnings forecast and that the biases are predictable. His results showed that investors respond to the predicted bias when the forecast is announced, yet the response to predicted bias decreases as the level of investors' private information search activity increases. The discussants for these papers were, respectively, Professor Agnes Cheng of the University of Houston and Professor Eli Bartov of New York University.

In the second round of paper sessions, Dr Andrew Ferguson of the University of New South Wales discussed the value of audit quality in a capital market setting. He examined the relation between differential auditor quality and post earnings announcement drift and found that it may be possible to infer something on audit quality from capital market reactions. The discussant for this paper was Dr Bin Srinidhi of City University of Hong Kong. Dr Richard Morris of the University of New South Wales presented evidence that transparency in Indonesian corporate financial reports had increased following the Asian

Financial Crisis in 1997, yet overall, the level of transparency remained low. The discussant was Dr Mahmud Hossain of Nanyang Technological University.

The first day ended with a paper session by Dr K.K. Raman from the University of North Texas who presented evidence suggesting that prior to the 1997 Asian Financial Crisis, the Big Four accounting firms in the ASEAN (Association of South East Asian Nations) countries were not providing higher quality audits than non-Big Four accounting firms, and they were also perceived by investors as not providing higher quality audits relative to non-Big Four auditors.

The second day opened with a Research Forum on Research on Conservatism by Professor Ross L. Watts of the University of Rochester. Professor Watts used his paper: Conservatism in Accounting to discuss his theory and evidence in this area, and talked about Conservatism's effects and the alternative explanations which drive Conservatism.

This was followed by a paper session in which Professor S. P. Kothari of Massachusetts Institute of Technology argued that earnings is better matched with delivered performance, thus making earnings more attractive and useful in compensation contracts than stock prices. The discussant in this session was Dr Bin Srinidhi of City University of Hong Kong.

In the final round of paper sessions, Dr David H. Lont of the University of Otago presented results which showed that investors do respond to the implementation of SEC certification requirements, which require the CEO and CFO of SEC registrant each to swear under oath the accuracy and completeness of the firm's annual and quarterly financial statements. Professor Ross L. Watts was the discussant of this paper. Dr Sudhir C. Lodh of the University of Western Sydney examined the effects of various ownership structures of Thai firms on firm performance. The discussant was Dr Wilson Tong of The Hong Kong Polytechnic University.

A special session - "**Malaysian Studies**" - was featured alongside the **Forum Papers** session in the Symposium. A total of nineteen papers were displayed in these two sessions. The authors of these papers were able to discuss their research openly with other academics in an informal environment.

A **Corporate Governance Forum** was held in the final session of the Symposium. The Forum was chaired by Professor Ferdinand A. Gul and included the following distinguished speakers: Professor Dan A. Simunic of The University of British Columbia, Mr Philip T. N. Koh, Partner of Messrs Lee Hishammuddin, Dr Tong Daochi, Deputy Director-General of the China Securities Regulatory Commission, Dato' Seri Megat Najmuddin Khas, President of Malaysian Institute of Corporate Governance and Professor Joshua Ronen of New York University.

Professor Dan Simunic discussed the concept of audit quality differentiation across classes of audit firms (Big and non-Big firms). Mr Philip Koh discussed the reforms of corporate governance in Malaysia. Dr Tong Daochi gave a talk on corporate governance reforms of listed companies in China. Dato' Seri Megat Najmuddin Khas focused his talk on corporate governance issues and challenges facing Malaysia, and highlighted important elements of The Malaysian Code on Corporate Governance. Professor Joshua Ronen discussed his idea of financial statement insurance as a possible way to tackle the

conflict of interest problem that exists between management and shareholders. Dr Xijia Su of City University of Hong Kong presented a talk on the accounting profession in China and the problems and challenges facing the profession.

Professor Ferdinand Gul concluded the Symposium with a short presentation on three of his papers. His first paper used H-shares and local shares on the Hong Kong Stock Market to investigate whether strong investor protection would make a difference in the quality of earnings. Results showed there is a linkage between legal protection, enforcement and quality of accounting information. The second paper concerned auditor independence, and evidence showed that if you have non-audit services, there is likelihood that auditors up to a certain point would compromise their independence. His third and last paper provided evidence which showed that the predictability of earnings is weaker if there are high non-audit fees.

To wrap up the day, a Symposium Dinner was held at the **Royal Selangor Club**. The club, founded in 1884, overlooks the Federal Court and the immaculately kept Padang, now known as Independence Square.