

Report on 2001 Asia-Pacific Journal of Accounting & Economics Symposium

The Symposium was held on 4-5 January 2001. The Opening Ceremony was graced by a number of distinguished speakers, including Professor Edmond Ko, Vice President (Education), City University of Hong Kong, Miss Susie Ho, Deputy Secretary for Financial Services, Hong Kong Government, Professor Ferdinand A Gul, Director of the Accounting and Corporate Law Centre, City University of Hong Kong and co-editor of the journal, and Professor Judy Tsui, Head, Department of Accountancy, City University of Hong Kong. A seminal research forum by four distinguished scholars immediately followed this. They were Professors Jim Ohlson of New York University, Ross Watts of the University of Rochester, Grace Pownall of Emory University and Katherine Schipper of Duke University. Professor Jim Ohlson focused on accounting concepts and equity valuation and suggested reasons for caution in the use of accounting valuation models in the empirical literature. Amongst the problems he mentioned were firstly that value relevance is basically just a statistical artifact and secondly there are methodological problems in deflating the dependent variable. Professor Ross Watts critiqued the empirical value-relevance literature, pointing out that the commonly made assumptions that (a) the primary user of financial statements (the focus of "relevance") is the investor, and (b) that the goal of accounting is valuation, are moot. In the second half of the research forum Professor Grace Pownall and Professor Katherine Schipper addressed the topic of policy-relevant international accounting research. Both speakers focused on the concept of earnings quality. Professor Pownall couched her review of a number of recent international accounting research papers in terms of the nexus between managers' incentives and opportunities to smooth income, while Professor Schipper addressed the problem of finding an appropriate earnings quality metric in international accounting research.

The research forum was followed by nine paper presentations. Dr. Pearl HN Tan from Nanyang Technological University presented an investigation of goodwill policy choice in a specific knowledge framework. She found that measures of CEO's human capital specificity were positively related and measures of CEO's span of control were negatively related to capitalization of goodwill in Singapore. The discussant was Dr. Charles Chen of City University of Hong Kong. Dr. Kangaporn Narktabtee from Kasetsart University presented results on the incremental value-relevance of cash-flow information linked to the persistence of earnings, using data from Thailand. She found, in contrast to previous studies using US data, that cash flows did not provide incremental information when earnings were more transitory. The discussant was Professor Agnes Cheng of University of Houston. Dr. Li-Chin Jennifer Ho from University of Texas at Arlington presented results regarding how the relative value-relevance of cashflows, earnings and book value changed around the Asian financial crisis, using data from Korea. She found that cash flows became more value-relevant in Korea during the Asian crisis, while both book value and earnings became less value-relevant. The discussant was Dr. Chul Won Park of Hong Kong University of Science and Technology. Professor Agnes Cheng presented results showing that the pricing of earnings depended on the level of "normal" and "abnormal" accruals, these constructs being measured as the predicted accruals and residuals respectively based on the Jones model. The discussant was Dr. T J

Wong of Hong Kong University of Science and Technology. Dr. Kimberly A. Dunn from Baruch College-CUNY presented the results of a logit estimation of the relationship between audit firm characteristics on Type II error in issuing a going concern qualification. Her findings indicated that Big 6 auditors or industry-specialist auditors were not better than other auditors in this respect. The discussant was Professor Dan Simunic. Dr. Jian Zhou from Long Island University—Brooklyn presented results on the relation between corporate disclosure policy and earnings management behavior. His results indicated an inverse relationship between disclosure levels and proxies for earnings management. Dr. Bin Srinidhi of City University of Hong Kong was the discussant. Dr. Paquita Y Davis-Friday from the University of Notre Dame presented an empirical analysis of the implications of the IASC comparability project for IAS adopters in the US. Using 20-F reconciliation data, she found that flexibility in IAS-reported numbers was reduced by the IASC comparability project. Professor Grace Pownall of Emory University was the discussant. Dr. Wonsun Paek from Sungkyunkwan University presented results relating to earnings management in the electric utility industry. His results suggested that managers in rate-regulated utilities were likely to make more income-decreasing accruals than those in incentive-regulated utilities. The discussant was Professor Katherine Schipper. Dr. Glen A. Hansen from Penn State University presented results suggesting that discretionary accruals measures might pick up the effect of such non-accounting structural decisions as acquisitions and divestitures, rather than purely the effect of accounting choice. The discussant was Professor Katherine Schipper.

In the final session, the highlight of the Symposium, the Asia Forum on Corporate Governance was held. Four well-known speakers from the region discussed corporate governance in their countries. Dr. Zhang Wei Guo, Chief Accountant, Chinese Securities Regulatory Commission discussed the progress China has made in the last few years and suggested that further improvements will be made in corporate governance when China entered the World Trade Organization. Dr. Jason J Chen, Partner, Pan-China (Xiamen) CPA, discussed problems of the governing structure in Chinese listed companies. He cited interference by the Government as one of the negative consequences. Professor Kazuo Hiramatsu, Professor of Accounting at Kwansei Gakuin University said that in form the auditors in Japan are independent, but in substance they are not. He discussed in some detail the case of SOGO Ltd that virtually went bankrupt in June 2000. The final speaker was Mr. David Webb, Editor, Webb-site.com. He spoke on the issue of protection of Minority Interest shareholders in Hong Kong and how family owned businesses affected this. He also went on to say that one of the problems is convincing them that they need protection in the first place. Issues raised in the Forum stimulated a lively Question & Answer session from the participants in concluding the Symposium.