



Chartered Institute of
Management Accountants



Ulster Business School

23RD IRISH ACCOUNTING AND FINANCE ASSOCIATION

CONFERENCE

UNIVERSITY OF ULSTER

BELFAST CAMPUS

6TH AND 7TH MAY 2010

ABSTRACTS

(Abstracts are listed according to Parallel Session allocated)



Chartered Institute of
Management Accountants



Ulster Business School

Welcome

It is my pleasure to welcome all delegates to the University of Ulster, Belfast Campus for the 23rd annual conference of the Irish Accounting and Finance Association. May I extend a special welcome to those who have travelled from overseas and to those for whom this is a first visit to Northern Ireland.

This is the third occasion on which the University of Ulster has hosted the Irish Accounting and Finance Association's annual conference since the Association's inception in 1987. The use of the Belfast campus has facilitated an extension to the successful format of parallel streams – it has been possible to hold up to six streams across eight sessions.

A total of forty-six papers are to be presented, representing a diverse range of research activity and I hope you find them inspiring and rewarding. We are honoured to welcome from Canada, Professor Patricia O'Brien, and from London, Professor Michael Bromwich and Professor Alnoor Bhimani – all international and distinguished academics who will address conference at the various plenary sessions.

The organisation of any conference depends on the support of the host institution. I received support and advice from a number of staff within the University of Ulster. I should like to thank in particular Anne Marie Ward, Tony Wall and Joan Ballantine. A special word of thanks is due to the support/administrative staff within the University. I am also indebted to my colleagues in IAFA for their help. The generous support of our sponsors is gratefully acknowledged.

I hope that you enjoy the conference and your stay in Northern Ireland. The conference also provides an opportunity to both catch up with old friends and forge new friendships within the research community.

Dr David McAree
Conference Organiser



GENERAL INFORMATION

CONFERENCE OFFICE

Following registration, the Conference Office will be located in Room 82C02, Floor C, Belfast Campus. If you have any administrative queries, please contact the office. A coat rail will be available for hanging coats and luggage may be stored there on a temporary basis. The room will be locked when vacant.

EXHIBITORS

We are delighted to welcome the following exhibitors to the conference:

- Chartered Institute of Management Accountants
- Chartered Accountants Publishing
- Irish Accountancy Educational Trust
- BPP

WIFI/COMPUTER/EMAIL ACCESS

During the conference delegates may make use of the computing facilities, on condition that they have registered with the University prior to 16th April 2010. Access to such facilities cannot be provided on demand during the conference as the University's I.T. policy requires registration to be completed prior to conference. Access to computing/printing facilities are available in computing labs 82D30, 82D33 (Floor D) and within the Learning Resource Centre (Floor B). Your registered user name and password are required.

CAR PARKING AT BELFAST CAMPUS

No car parking facilities are available at the campus. On-street parking is available and a number of multi-storey car parks are available, including one on Talbot Street, directly behind the Belfast Campus, located convenient to the Ramada Encore Hotel (rear entrance).

CONFERENCE DINNER – HILTON HOTEL, BELFAST

The Conference Dinner will be held at the Hilton Hotel, Belfast and will be preceded by a drinks reception, which will commence at 7.15pm, on the 1st floor, adjacent to the Business Centre. The Hilton Hotel is located at 4 Lanyon Place (Tel: 028 90 277 220), adjacent to the Belfast Waterfront Hall. The Hilton Hotel is a short taxi ride from the Ramada Encore Hotel or Belfast Campus (or approximately 5-10 mins walk). Car parking facilities are available at the Hilton Hotel.

TAXIS

The following are contact numbers for local taxis:

- Value Cabs (028 90 80 90 80)
- Abbey (028 90 588 588)
- fona CAB (028 90 33 33 33)
- Taxi Service (0777 3717 659)

If ordering a taxi for pick up at the Belfast Campus, we suggest you ask to be picked up at the main reception (front entrance) facing York Street.

MAP

A map providing directions to the Belfast Campus of the University is available using the following link: <http://www.ulster.ac.uk/information/location/belfastsigns.html>



CONFERENCE PROGRAMME

Wednesday 5th May 2010

Time		Location
9.00 – 5.00pm	PhD Workshop	82C10

Thursday 6th May 2010

08.30 - 9.45 am	Registration	Floor B, near Conor Lecture Theatre
09.45 - 10.10am	Opening Address	Conor Lecture Theatre (CLT)
10.10 - 10.50am	Parallel Session 1	CLT & 82C04 – 82C10
10.50 - 11.10am	Tea/Coffee	Bridge Area, near 82C02
11.10 - 11.50am	Parallel Session 2	CLT & 82C04 – 82C10
11.50 - 12.55pm	IAFA Plenary	Conor Lecture Theatre
12.55 – 2.15 pm	Lunch	Ramada Encore Hotel
2.15 – 2.55 pm	Parallel Session 3	CLT & 82C04 – 82C10
2.55 – 3.35 pm	Parallel Session 4	CLT & 82C04 – 82C10
3.35 – 3.50 pm	Tea/Coffee	Bridge Area, near 82C02
3.50 – 5.20 pm	CIMA Plenary	Conor Lecture Theatre
5.20 - 6.00 pm	AGM	Conor Lecture Theatre
7.15 – 8.00 pm	Drinks Reception	Hilton Hotel, Belfast
8.00 – late	Dinner	Hilton Hotel, Belfast

Friday 7th May 2010

09.40 -10.20 am	Parallel Session 5	CLT & 82C06 – 82C10
10.20 -11.00 am	Parallel Session 6	CLT & 82C06 – 82C10
11.00 -11.20 am	Tea/Coffee	Bridge Area, near 82C02
11.20 -12.00 pm	Parallel Session 7	CLT & 82C04 – 82C10
12.00 -12.40 pm	Parallel Session 8	CLT & 82C04 – 82C10
12.40 -12.45 pm	Closing Plenary	Conor Lecture Theatre
12.45 - 2.00 pm	Lunch (hot)	Ramada Encore Hotel
	Lunch (packed/to go)	The Streat Café, Floor A, Belfast Campus



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PARALLEL SESSION 1

THURSDAY 10.10 – 10.50am

**THE EFFECT OF THE FINANCIAL CRISIS
ON ENTERPRISE RISK MANAGEMENT DISCLOSURES
BY CANADIAN COMPANIES**

Michael Maingot
Tony Quon
Daniel Zéghal
(University of Ottawa)

ABSTRACT

The purpose of this study is to examine the effect of the financial crisis on enterprise risk management (ERM) disclosures by Canadian companies. We used content analysis of the management discussion and analysis (MD&A) sections of the annual reports.

There were only a few changes in the number of companies reporting on the various types of risk from 2007 to 2008, and very few changes in how they assessed risk exposure (likelihood) and risk consequences or how they managed these risks. The assessments of risk exposure were almost at the “certain” level for foreign exchange, market, economic, and technology risks, while the risk exposure to credit risks were judged to be only “moderate”. The average assessments of risk consequences approached being “major” for market, economic, political, and technology risks, but were just above “minor” for credit risk.

Overall, the typical management strategies were split between accepting and reducing risks, with the strategy of transferring risk dominating only in the foreign exchange and interest rate areas.

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The authors wish to thank the CGA Accounting Research Centre at the University of Ottawa for its financial support.

Opening the Box: An Analysis of FTSE 100 Membership Changes from a Microstructure Perspective

Andrey Zholos and Philip Hamill
Queen's University and University of Ulster

Abstract:

In this paper we examine revision events of the FTSE 100 index. At a daily frequency we confirm previous results and find an abnormal return of 1.3% for stocks on the day before they are added to the index, which is reversed the following day. Next, we go beyond the analysis of daily data and investigate trading dynamics from a microstructure perspective. The microstructure analysis is conducted using the London Stock Exchange tick and rebuild order book datasets. From this data we are able to infer order flow and discover that the most significant trading activity occurs at the closing auction on the days before revisions occur. This is an obvious moment for index tracker funds to rebalance their portfolios, because it affords them perfect index replication. However, consideration of an alternative FTSE 100 tracking strategy reveals that the pre-revision abnormal returns could have translated to an annual portfolio excess return of 13 bp at the expense of tracking error of less than 1 bp. We also investigate stock liquidity in terms of order book depth, quoted and effective spreads and spread components, and demonstrate that liquidity improves for stocks added to the index and worsens for deleted stocks.

Keywords: FTSE 100; index fund; market microstructure; liquidity; order book depth; bid-ask Spreads

JEL Classification: G11; G12; G14

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The Evaluation of Strategic Investments by ISEQ Companies: The Emperor's New Clothes?

ABSTRACT

The capital investment literature distinguishes between operational investment decisions and those of a strategic nature. Strategic investment projects tend to be more complex, have higher levels of risk, outcomes are difficult to quantify and significantly impact upon long-term corporate performance. A number of emergent techniques have been linked with strategic investment decision-making (Alkaaran & Northcott (2006)) which contrast with the traditional methods of investment appraisal utilised for operational investments. This paper surveys ISEQ companies in an attempt to identify the extent to which such techniques have been embraced in the evaluation of strategic investment proposals. The evidence suggests that the use of the more sophisticated DCF techniques is greater for the more complex strategic investments than for operational investments. Findings for the emergent techniques are less convincing though an increasing significance is reported in comparison with prior studies.

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AN EMPIRICAL INVESTIGATION OF THE EFFECT OF THIN CAPITALISATION RULES ON THE CAPITAL STRUCTURE DECISION IN UK COMPANIES ¹

Patrick Mulcahy, Dublin City University²

and

Dr. Thomas McCluskey

ABSTRACT

This paper investigates the effect that the thin capitalisation rules have had on the capital structures of UK companies. Prior to this study, the main literature on thin capitalisation tended to come from large accountancy practices in the UK, and thus academic literature was not reported in a systematic fashion. A number of small studies on the topic have been undertaken but the findings are relatively old and the perspective limited.

Prior to the introduction of the thin capitalisation rules companies were free to structure their balance sheets with a mixture of debt and equity as they wished. From a tax perspective it was more advantageous to have a higher level of debt, as there was a related tax advantage in the form of a greater interest deduction. In light of this, thin capitalisation rules were introduced which defined the maximum debt to equity ratio that a firm can operate under without having to pay tax on interest payments. If a company exceeds the statutory limit they will have to pay corporation tax on the interest cost relating to external finance utilised beyond this set limit.

Preliminary research suggests that the changes in the thin capitalisation rules in 2004 have had altered the capital structure policy of UK firms. Specifically, UK firms appear to have reduced debt levels to ensure that they don't fall foul of the new rules. Initial research also suggests that the existing theory on what drives capital structure now also needs to take the thin capitalisation rules into account.

The paper also includes suggestions for future research outlining some considerations that Irish companies should take into account, should the thin capitalisation rules be introduced in Ireland.

¹ This paper is an early draft. Please do not quote without permission of the author.

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CONSIDERING THE IMPACT OF THE GLOBAL FINANCIAL CRISIS ON PUBLIC PRIVATE PARTNERSHIPS: A UK ANALYSIS

Abstract

This paper examines how Public Private Partnerships (PPPs) have been affected by the global financial crisis (GFC). After briefly discussing PPPs, particularly with reference to risk, the paper outlines their contribution to the development of worldwide public infrastructure and highlights some initiatives designed to assist projects following the withdrawal of credit. The paper then analyses the effect the GFC has had on PPPs by investigating over 600 projects to assess whether difficulties in obtaining finance brought about by the crisis has led to a delay in PPPs reaching financial close. The findings suggest that PPPs currently in procurement are finding it more difficult to achieve financial close than pre-GFC projects.

Keywords

Public Private Partnerships (PPPs), Global Financial Crisis (GFC), Treasury initiatives, Non-Profit Distributing (NPD) model

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The Impact of a Work Placement (or Internship) Year on Student Final Year Performance: An Empirical Study

Abstract

This study investigates the impact of students taking a work placement (internship) year upon the final year degree mark and hence classifications achieved by a cohort of students on an undergraduate degree in business studies. In addition, evidence on the impact of total tariff points on entry, the prior study of A-level business studies, gender, prior year degree performance and the relationship between placement achievement and final degree mark is presented. The results suggest that the completion of a placement year, prior tertiary level performance and the prior study of A-level business studies, contribute positively and in a statistically significant way in explaining the final degree mark achieved. Further, whilst placement marks on this programme of study do not contribute mathematically towards the final degree mark, they are positively and significantly related to the final degree mark achieved. The evidence presented suggests that the completion of a placement year on average, improves the final classification award achieved by students from 2.2 to 2.1.

Keywords: *Work placement; degree classification; entry criteria, and gender.*

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PARALLEL SESSION 2

THURSDAY 11.10 – 11.50am

Rules and routines in management accounting: some clarity?

Abstract

A decade ago, Burns and Scapens (2000) proposed a conceptual framework to explain the potentially institutionalised nature of management accounting practices. Since then, many scholars have used their proposals to help explain the relative stability of management accounting practices (see for example Lukka, 2007; Ribeiro and Scapens, 2006; Spraakman, 2006; Hassan, 2005; Dillard et al., 2004; Soin et al., 2002). By and large, the extant management accounting literature primarily reveals relative stability within management accounting practices, but as noted by Burns and Scapens (2000) change is also possible.

This largely conceptual paper proposes to refine the work of Burns and Scapens (2000) by further conceptualising management accounting rules and routines. Research conducted by the author prompted some questioning of the nature of rules and routines as proposed by Burns and Scapens (2000). To provide clarity on the issues arising in the research, some organisational literature is drawn upon. In particular the work of Feldman and Pentland (2003) is adopted to refine and extend the notion of routines in management accounting. Routines are presented as comprising two dimensions, namely (1) the ostensive and (2) the performative dimension. Conceptualising routines in this way potentially explains how management accounting routines are a source of flexibility and change at the same time. The nature of management accounting rules is also explored and a refined definition proposed which may be more conducive to studies of management accounting. Then, the refined conceptualisations of rules and routines is brought together in a proposed refinement of the original Burns and Scapens (2000) framework.

Keywords: management accounting, rules, routines, institutional theory.

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Synthetic Floating Storage: Application of Statistical Arbitrage

Mark Cummins
Andrea Buccay

Abstract

TD3 is the spot freight rate in dollars per tonne for the Very Large Crude Carrier (VLCC) port-port voyage route between the Arabian Gulf (Ras Tanura) and Japan (Chiba). The Time Charter Equivalent (TCE) is an industry standard conversion of freight rates, giving the cost in dollars per tonne per day consistent with time charter rates.

A time-series of TCEs is constructed from an extensive data set of TD3 freight rates over the period Jan 1998 - Jun 2009. With TCEs representing `_spot_` storage costs, synthetic floating storage positions are determined with maturities ranging from 2-11 months. Co-integrating relationships are established between these synthetic storage positions and the corresponding paper forward contracts. The trading performance of a number of statistical arbitrage strategies is tested, assessing overall risk-adjusted return and portfolio risk.

It is shown how Value-at-Risk methods may be used to control the trading parameters around the defined strategies. The results presented are exploratory given the non-tradability of TCEs for most of the sample period. However, with the launch of TCE contracts on the Imarex trading platform in Oct 2008, the results provide significant insights for potential statistical arbitrage opportunities going forward.

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The Impact of Interconnection on the Irish and UK Wholesale Electricity Markets

Abstract

EU Directives aimed at increasing competition and integration in electricity markets have driven privatisation and deregulation of energy assets in recent years. Recent EU Directives on market integration will be the catalyst for further wholesale electricity market integration between Ireland and the UK. (The Irish electricity market is approximately one tenth the size of the UK market).

The Single Electricity Market (SEM) is a mandatory pool-based spot market for wholesale electricity for all of Ireland and has been operating since November 2007. The England and Wales Electricity Pool (the "Pool") was one of the world's first competitive wholesale electricity markets and began trading in 1990. The Pool was replaced with the New Electricity Trading Arrangements (NETA) in 2002. The current market mechanism which was introduced in 2005 is the British Electricity Trading and Transmission Arrangements (BETTA) and is based on voluntary bilateral agreements between generators and customers.

To date, integration between the Irish and UK wholesale electricity markets has been limited by the physical grid infrastructure that connects the two markets. The effective export capacity on the existing 400 MW Moyle inter-connector (which connects Northern Ireland to Scotland) is 80 MW. A new 500 MW East–West inter-connector (which will run from Dublin to Liverpool) is being built and is due to be completed by 2012. This will facilitate greater integration between the two markets. Additional interconnectors are also planned by both the Irish Government and private operators.

Prices in the UK have traditionally been lower than in Ireland as the UK has a higher share of coal and nuclear generation and lower transport costs for gas.

This paper examines the implications of interconnection for wholesale electricity markets in Ireland and the UK. It explores the likely reaction of rationale market participants to increased levels of interconnection given the different market structures. The paper also examines the other benefits of integration including increased competition, greater security of supply and integration of renewable generation.

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An evaluation of Market-Timing Strategies in the Chinese Stock Market

Hui Hong, Fergal O'Brien, James Ryan

Department of Accounting & Finance

University of Limerick

Abstract

Since the pioneering work by Sharpe (1975) the ability of investors to successfully time the market has been the subject of intense debate. While earlier studies appeared to rule-out the possibility of finding rules that time the market the findings in more recent studies, that sentiment and macro-economic factors tend to be significantly correlated with stock market movements, to some extent offer contradictory evidence. In this paper we test some simple market timing strategies using Chinese Stock Market data over the period 2002 to 2008. Specifically, we test for the predictive ability of a range of variables including Sentiment Variables (Consumer Sentiment Index, Earnings-price [EP] Ratio) and Macro-economic Variables (Consumer Price Index, M2 Money Supply, the T-bond Yield, and the Spread between the EP and the T-bond Yield). We initially calculate historical ranges for the variables and establish whether extreme levels of the variables are correlated with subsequent market downturns. We then construct a market-timing strategy based on switching from a 100% equity holding to a 100% holding in bonds when the variables exceed certain pre-defined thresholds. The results from the various strategies are benchmarked to the returns from a buy-and-hold equity strategy. We find that a market-timing strategy based on the level of the Consumer Price Index generates significantly greater final wealth, even after adjusting for the transaction costs associated with switching. This finding is robust to changes in a number of user-adjustable parameters. In addition, we find that that market timing strategies based on extreme levels of the T-bond Yield and the Spread between EP and T-bond Yield at least perform no worse than the buy-and-hold benchmark. These findings offer some support to the emerging evidence that market-timing based on extreme deviations of certain variables from their long-run historic averages has the ability to enhance investor wealth.

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'Managing Demand Risk in Ireland's Public Private Partnership Roads: A Network Governance Perspective'

**Richard Burke, Waterford Institute of Technology and
Istemi Demirag QueensUniversity Belfast.**

Abstract

This paper examines the perceptions of stakeholders on demand risk in operational Irish toll road Public Private Partnerships (PPPs). Perceptions of risk are important because originally PPPs were not designed as a policy to monitor and manage risks but the recent empirical work has brought out the importance of risk in achieving value for money (VFM) in PPP projects (Froud 2003, and Broadbent, Gill and Laughlin 2006). There have been relatively few studies investigating demand risk in PPPs in transport infrastructure using largely agency theory framework but none of these cover Irish PPP toll roads.

This study draws on the network governance theory and is based on three Irish operational toll road PPP case studies and interviews with 34 key stakeholders. The findings suggest that the effectiveness of existing management of demand risk depends on the perspectives of stakeholders and PPP payment mechanism adopted for the roads projects. Hard toll PPPs are perceived to be effective by the equity financiers, the public sector and constructors as efficiency is encouraged through the transfer of demand risk to the private sector. The private sectors' appetite for risk taking also highlights their preferred choice for demand risk to be allocated to them in hard toll roads. There are differences in how demand risk is priced by the SPV and senior lenders in PPP. Our findings indicate that the lenders and traffic auditors are more conservative in their traffic estimates. Availability payment PPPs are preferred by senior debt holders, end users and the trade unions. The findings have implications for policy makers of future road PPP projects in deciding whether to retain or transfer demand risk to the private sector and how to price toll roads.

Keywords: Public Private Partnerships, Stakeholders, Risk Allocation, Risk Transfer, Demand Risk, Network Governance, Toll Roads, Operational

'The variations of th' thribe is ma-aravelous': the formation and development of the Society of Incorporated Accountants and Auditors in Ireland

Philip O'Regan

University of Limerick

Abstract

The establishment of the Institute of Chartered Accountants in Ireland in 1888 involved the importation of an alien form of professional association into the country. One feature of this model was the closure strategies that it induced. Reacting to the membership model adopted by ICAI, 1901 a group of accountants formed an Irish Branch of the Society of Incorporated Accountants and Auditors, with the express intention of pursuing the interests of the profession via statutory registration such as already enjoyed by their 'peers' in the legal and medical profession.

This paper looks at the origins and development of the SIAI in Ireland, concentrating on cultural and status aspects of this project. It draws in particular on census data relevant to SIAI members in particular and other accountants and professionals.

I would like to gratefully acknowledge the assistance of the Irish Accountancy Education Trust in pursuing this research.

Draft: not to be quoted



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PLENARY SESSION

THURSDAY 11.50am – 12.55pm

Securitization, Transparency and Failure Risk

Patricia C. O'Brien

University of Waterloo, School of Accounting and Finance

In this talk, I will discuss securitization, a funding vehicle used by firms to redistribute risk and increase liquidity by pooling and selling groups of assets. I will explain the typical set-up of a securitization and its potential benefits and risks, including the tendency to concentrate risk in assets retained by the sponsor. I will show how the accounting for these transactions facilitates this risk concentration, and impedes transparency. I will review academic evidence on securitizations, and discuss their role in the recent financial crisis and in Ireland's banking sector today.



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PARALLEL SESSION 3

THURSDAY 2.15 – 2.55pm

Exploring sustainability practices and reporting at Musgrave Group: A case study of an Irish private company.

Abstract

The purpose of this paper is to present the findings of a case study of a large Irish company, Musgrave Group, which has been engaged in sustainability practices and reporting since the late 1990s. In doing so the paper provides an in-depth account firstly of the internal motivations for the company's engagement with sustainability practices and reporting and secondly of the process through which the sustainability practice gained internal support and began to be integrated into the day to day activities of the company. The case study of the company involved a series of interviews with key participants in the sustainability process and documentary analysis. The contribution of the paper is twofold. Firstly it provides insight into the internal factors motivating the company's engagement in sustainability practices and reporting. Secondly it examines the legitimating strategies which have helped the process to gain internal legitimacy leading to the (imperfect) integration of the process into the decision making processes and the day to day activities of the company.

Rebecca Maughan

School of Accounting and Finance

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University of Amsterdam Business School

University of Amsterdam

[Early first draft – not for quotation]

Voluntary Disclosure, Accounting Quality, Personal Communication and Market Value

Joachim Lammert and Christoph Watrin, University of Münster, Germany

Abstract

Based on the assumption that voluntary corporate transparency reduces information asymmetries between the company and the capital market, theoretical models identify a liquidity effect and a reduction of estimation risk of existing and potential investors that finally lead to an increase in market value and a decrease in the equity cost of capital respectively. Despite the reasonable appearance of the theoretical insights, the empirical evidence on the suggested influence so far has only been mixed. This paper shows that previous empirical research is characterised by one fundamental limitation that could be responsible for the discrepancy between theoretical and empirical findings: It regularly focuses on one form of communication neglecting the fact that listed companies transfer information to the capital market via different forms of communication. As relevant forms of communication are not taken into account relevant omitted variables and a misspecification of the regression model are the consequences. This leads to erroneous conclusions if the different forms of communication are correlated.

We find that voluntary corporate transparency can be induced by three important forms of communication: (1) voluntary disclosure in annual reports and other relevant media; (2) accounting quality, which is characterised by voluntarily waiving earnings management and a regarding high quality level of accruals, and (3) personal communication, which stands for the intensity with which a listed company personally communicates with professional capital market participants, such as in meetings or on the telephone. We analyse the influence of voluntary disclosure, accounting quality and personal communication on market value within a single simultaneous regression model. Our analysis generates several new insights consistent with theoretical models and with further hypotheses. Based on our simultaneous regression model we are able to compare the effects of the different forms of communication while through the use of a subsequent grouping we are able to examine the effects of their concurrence. We find that a listed company's market value can be increased most effectively by intensive personal communication with institutional investors who manage vast amounts of capital. Accounting quality also has a significant positive impact.

However we find that voluntary disclosure within annual reports can only cause an increase in market value if it compensates for low accounting quality and a regarding high degree of information asymmetries.

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Boundary Negotiation within a Changing Regulatory Space for Irish Accountants

Mary Canning (Dublin City University) & Brendan O'Dwyer (University of Amsterdam)

ABSTRACT

Regulation can be conceived as mainly a matter of organisational routine, of institutionalised procedures, punctuated by economic or political occasional crises. Such crises serve the function of inducing change, or at least initiating a search for alternative institutional arrangements. This paper examines the aftermath of one such (primarily political) crisis of faith in the accounting profession in Ireland that manifested itself in the mid-1990s and led to a lengthy process spanning almost a decade aimed at altering the institutional arrangements governing the regulation of professional accounting bodies (PABs) operating in Ireland. Drawing on the theoretical frame of regulatory space, this paper examines the process through which the regulatory arrangements governing the activities of professional accountants in Ireland were re-negotiated and re-shaped over an extended period (1999-2009). The primary evidence used in this study is drawn from the submissions made by the PABs during this period to the bodies responsible for the reform of the regulatory space for Irish accountants.

The paper analyses the negotiation of the boundaries between the different accounting actors as part of the regulatory space realignment. It reveals the extent to which some PABs continually drew on their extensive resources in seeking to limit the identity, mandate and power of the Irish Auditing and Accounting Supervisory Authority (IAASA), thereby questioning its legitimacy. Yet, we also highlight evidence suggesting that the IAASA, with its limited resources, has robustly resisted such attempts and maintains control within the newly formed regulatory space. We conclude by identifying the broader implications of our findings both empirically and theoretically and offer suggestions for future research.

Dedicated Short Bias Hedge Funds – Just a one trick pony?

Abstract

During the recent period of significant market unrest in 2007 and 2008 dedicated short bias (DSB) hedge funds exhibited extremely strong results while many other hedge fund strategies suffered badly. This study, prompted by this recent episode, investigates the DSB hedge funds performance over an extended sample period, from January 1994 to December 2008. Performance evaluation is carried out both initially at the individual fund level and then on an equally weighted dedicated short bias hedge fund portfolio using three different factor model specifications and both linear and nonlinear estimation techniques. We conclude that DSB hedge funds are indeed more than a one trick pony. They are a significant source of diversification for investors and produce statistically significant levels of alpha. Our findings are robust to the specification of traditional and alternative risk factors, nonlinearity and the omission of the flattering credit crisis period.

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Accounting and the everyday life of medicine – a review of a case study

Abstract

This paper examines whether the calculative practices of management accounting have seeped into the everyday lives of doctors and nurses in the context of a large university hospital in Ireland. The paper explores whether there is a link between the programmatic discourse of the provision of efficient health care and the actions of doctors and nurses in their everyday lives. It documents the evolution and strategic ambitions of new management accounting practices during a longitudinal study and examines whether they have become embedded in the organizational life of the hospital nine years following their introduction. Drawing upon the literature on governmentality and practice theory, the study finds that doctors and nurses at the operational level did not become calculable or governable persons as the clinical budgeting information was not devolved beyond the most senior doctors and nurses. In addition the language of medicine remained more dominant in this setting than the language of cost or costliness. The study reveals an impenetrability of the medical enclosure preventing the development of a medical-financial hybrid in this particular setting. This compares and contrasts with other studies, where in some contexts a process of hybridisation of medical expertise was observed and in other countries where the professional enclosures were more resistant to hybridisation.

Keywords or phrases

Governmentality, management accounting practice, strategic uses of accounting, practice theory approach, hybridisation, professional enclosures.

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Student expectations of studying introductory accounting modules: A review of the first year experience

Margaret Healy, Maeve McCutcheon & Amirhossein Hajbaba

ABSTRACT

Accounting is taught to students taking a wide range of courses across the business domain, and often as a compulsory subject. Research suggests students bring a number of preconceptions to the study of introductory accounting modules (Lucas, 2000; Healy et al., 2009).

Expectations based on prior study of accounting at second level, perceptions of relevance to future career prospects and students underlying motivations for taking accounting modules impact upon the learning approach adopted by each student and the quality of learning outcomes achieved (Howorth, 2001; Byrne & Willis, 2008). Research suggests that student views are modified by their learning experience; however there is little evidence describing these changes in the context of Irish students taking accounting modules.

This paper explores how the views of students taking introductory accounting modules change over their first year of study. Data used in the study was derived from a questionnaire administered to first year students during scheduled lecture hours, at the commencement and towards the end of the 2008-2009 academic year. The study compares the views of students with different levels of prior study of accounting and with different motivations for studying accounting, and describes how initial perceptions of the nature of the subject and the challenges it poses changed over the study period.

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Chartered Institute of
Management Accountants



Ulster Business School

PARALLEL SESSION 4

THURSDAY 2.55 – 3.35pm

The Development of New Accounting Metrics for Supply Chain Risk and Inventory Management

ABSTRACT

This paper presents the findings from an Action Research project on the topics of supply chain risk and inventory management. The main purpose of the research work was to generate findings relevant to both practitioners and researchers in these areas. A complementary methodology was used that incorporated quantitative and qualitative approaches to data generation, analysis and interpretation. This included the analysis of a database, conducting interviews and compiling findings from various sources to produce a short case study on Cisco Systems Incorporated.

The project was initiated by a software company with a product offering that can reduce liquidity risk and improve inventory management in supply chains. Standard accounting ratios were not designed to measure these factors for firms that outsource significant parts of their operations. Based on variables contained in a database of 114 outsourcing companies, new accounting metrics were developed that measure liquidity risk and the efficiency of inventory management throughout the entire supply chain. In this way, the practical benefits of using the company's software can be illustrated.

The paper concludes that there is a need to update international accounting standards to fully account for modern business practices in outsourcing. The huge potential liabilities and inventory write-offs arising from these practices emphasise the need for further research in this area.

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Pension Scheme Deficits – Have scheme trustees a case to answer?

Abstract

This paper looks at the statutory role and responsibilities of trustees. It seeks to demonstrate that inconsistencies in the calibre of trustees and trustee training across Irish occupational pension schemes, may increasingly leave scheme trustees exposed to legal challenge as to the manner in which they have discharged their responsibilities to scheme members. It draws an analogy between the role of scheme trustees and the role of executive/non executive directors. It suggests that while a trustee's statutory responsibility could be regarded as akin to that of an executive director, the practice of trustees more closely correlates with the practice of non executive directors. But while directors, executive and non – executive have a code of corporate governance to supplement legislation and employment/service contracts in prescribing how they should behave, there are marked inconsistencies in the level of training and wealth of guidance afforded to trustees. This potentially limits the ability of trustees to understand and carry out their trustee responsibilities and may leave them with a case to answer to pension scheme members who suffer financial loss from scheme collapses or major restructurings.

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Insights into the Merger Integration Process: A Study of JPMorgan Chase & Co.

Abstract

JP Morgan Chase & Co., the well known global financial services firm has grown primarily via the medium of mergers. The objective of this paper is to explore the integration process and the role of organisational culture in influencing the outcome of the mergers. Specific emphasis is focused on the two transformational mergers, that of the Chase Manhattan Corporation and J.P. Morgan merger in 2001 and the J.P. Morgan Chase & Co., and Bank One Corporation merger in 2004. Semi-structured interviews were conducted with senior managers of JPMorgan Chase & Co. in order to elicit their perceptions.

The findings suggest that the key motives for the mergers are growth and diversification of the business platform. In addition, it emerges that integration executed with speed and clarity demonstrates leadership capability and establishes and reinforces trust in management. Furthermore a clearly defined common vision and operational strategy for the merging companies is also deemed to be essential. Similarly, successful integration post-merger is deemed to require adequate consideration in the due diligence period pre-merger. Surprisingly, the role of organisation culture which heavily influenced the integration mode employed during the early phase of the integration process was found to receive much less attention in the later stages.

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**Improving company retention on student placement programmes:
an action research-based case study**

Frank Walsh

Waterford Institute of Technology

Seán Byrne

Waterford Institute of Technology

ABSTRACT

Utilising the action research methodology, this study investigates work placement employer retention for the undergraduate BBS Degree at Waterford Institute of Technology (WIT), having observed some decline in retention rates. The project involved problem diagnosis, intervention planning, intervention execution and evaluation with a view to enhancing the retention rates for the 2008/9 academic year. From the theoretical perspective, there is a paucity of research in the work placement arena and this work builds specifically on the work of Ellis and Moon (1998). The action research cycle involved a survey of 130 companies who had taken WIT students in the first two years of the placement programme, workshops with the work placement team in WIT, and the making of a number of interventions with respect to enhancing placement.

The survey findings reveal differences in the ranking of importance of college selection criteria by employers, as well the impact of the placement managers' characteristics and general economic conditions on the placement process. The findings on the interventions made during the action research cycle show that the overall employer work placement retention percentage went up in the 2008/9 year, albeit by a small amount. The paper evaluates these outcomes and makes a number of suggestions for further academic research and some recommendations for the institutional practice of work placement management.

**Accounting for the Irish poor: Social and financial controls
during the immediate pre-Famine period, 1838-1845**

Ciarán Ó hÓgartaigh

(University College Dublin),

Margaret Ó hÓgartaigh

(All Hallows College, DCU)

and

Tom Tyson

(St. John Fisher College, NY)

Abstract

Famine and poverty are international, ever-present phenomena and an area of burgeoning research interest in accounting and accounting history. For example, Walker (2004, 2008) recently critiqued the role of accounting during the old (pre-1834) and new (post 1834) English poor law periods. In the latter paper, Walker argued that accounting was, “a facilitative device in the stigmatisation of the poor in England and Wales (2008, p.454), while in the former he stated that, “we have another instance of the role of accounting texts in constructing the social world (2004, p. 124). Both papers encouraged further research and stimulated the current examination of accounting for the poor in Ireland and its focus on the early, pre-famine years of the Irish poor law (1838-45) – a law patterned closely on the earlier English version and until 1847 centrally supervised by a common board of commissioners.

This paper’s conclusions derive primarily from data contained in the Minute Books of regular meetings of the Castlebar Union’s board of governors, as well as from the Poor Law Commission’s annual summary reports. Analysis of these materials suggests a more dispassionate appraisal of accounting texts, one in which accounting neither constructed a social world nor stigmatized recipients of poor relief. Instead, accounting is better viewed as *reflecting* the dynamics of a complex, divisive, and highly controversial and social undertaking – governmental redistribution of wealth – during a laissez-faire era when utilitarian and individualistic principles dominated discussions of political economy. On a broad perspective, accounting can be viewed as providing rationality and transparency to a social experiment that was encumbered with moral ambiguity and imbedded conflicts of interest. More specifically, accounting texts contain the documentation required by an absentee administrative cadre to monitor expenditures and ensure that procedures in the statute were carried out as specified.

Tax Compliance and Non-Compliance: Clarity or Confusion?

*Kieran Gallery*¹

Abstract

Research in the area of tax compliance has evolved over the last three decades, so that it now spans a wide variety of disciplines from accounting to sociology. This evolution (and the range of theoretical models and research approaches used) has become so wide-ranging that it is important to take stock, and ensure that we do not lose sight of the importance of the principal terminology underpinning tax compliance research.

The purpose of this paper is to explore whether tax compliance research provides clarity or confusion regarding its research parameters. The proposed methodology is to review a sample of tax research papers from the previous 30-35 years, to investigate whether or not sufficient attention has been given to detailing the intricacies of important terms such as compliance, non-compliance or evasion.

The methodology used aims to highlight the importance in clarifying the scope of the tax compliance research that ensues, and the potential consequences of getting it wrong.

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CIMA PLENARY

THURSDAY 3.50 – 5.20pm

Global Change and Management Accounting: Past, Present and Future

Professor Michael Bromwich

Professor Alnoor Bhimani

London School of Economics

Abstract

This presentation will focus on past conceptions of what traditionally shaped management accounting and considers the current and future status of the field. It will reflect particularly on emerging contemporary issues, including management accounting in an environment of accelerating globalisation, fast-paced technological change, financial crisis challenges and speculates on other factors that may burgeon and affect the management accountant's future role.



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Ulster Business School

PARALLEL SESSION 5

FRIDAY 9.40 – 10.20am

A best evidence synthesis on the link between budgetary participation and managerial performance

A.B. Bonache^{1*}, J. Maurice¹, K. Moris²

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Abstract

Using the best evidence synthesis method (Slavin, 1995), we find out an accurate summary on the link between budgetary participation (BP) and managerial performance (PM). The use of selection criteria allowed to decrease the heterogeneity. Our results report the presence of the heterogeneity by cultural and industrial contingencies. Australian surveys reveal a non-significant positive link and American surveys reveal a significant positive link. However these two results suffer from heterogeneity of the sample. Only Taiwanese surveys reveal a positive and significant link under the sample homogeneity principle. This last result has to encourage researchers to continue the study of publicly traded firms in the Taiwan Stock Exchange to study the causal link between the two variables with a Granger test and to study the evolution of this link over time in other countries.

Development and use of a web based interactive accounting game.

Stephen McNamee

University of Ulster

Abstract

This presentation will discuss the development and use of a web based interactive accounting game. The game is used to assist in the teaching of important accounting principles to accounting and non-accounting students.

The game demonstrates:

- The principles of double entry bookkeeping, the method of recording accounting transactions.
- The difference between profit and cash.
- The relationship between the Income and Expenditure Account and the Balance Sheet.

Students are presented with a series of transactions for a business and are required to draw up that period's financial accounts. These are compiled using 'drag and drop' technology.

The game is designed to supplement rather than replace traditional teaching methods. It should enhance the student learning experience by:

- Presenting double entry bookkeeping in a more accessible format.
- Providing immediate feedback to students on their understanding of double entry.
- Allowing large groups of students to work together simultaneously.
- Assessing students' understanding in a creative manner.

Students' attitude to the game is evaluated by means of a questionnaire completed immediately after first use of the game. Students' usage of the game is subsequently recorded to a database for further analysis.

The game has been developed within the University of Ulster jointly between the Ulster Business School (McNamee and Green) and Access and Distributed learning (Beggs and O'Neill).

The Evolution of the UK Charities Statement of Recommended Practice: A View Through the Lens of Stakeholder Theory

NOEL HYNDMAN AND DANIELLE McMAHON

Abstract

Research almost 30 years ago identified significant poor accounting practice in UK charities. As a consequence, a journey was commenced with the aim of improving accounting and reporting as a basis for improving accountability by charities. Much of this change has been effected through the publication of evolving Statements of Recommended Practice (SORPs) on accounting and reporting by charities. This paper analyses the evolution of the SORP through time using insights from stakeholder theory, and argues that the key stakeholders influencing the evolving SORP have been government and the accounting profession.

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Keywords: charities; accounting; reporting

**A marriage of convenience? The convergence of tax and accounting rules in the UK
and the Republic of Ireland.**

John Ward

Claire Scott

University of Ulster

Abstract

The relationship between accounting and tax rules in calculating the trading profits of enterprises have suffered from systemic ambivalence over the years. The UK courts have latterly moved towards a position where generally accepted accounting principles have been invested with almost normative status. The Irish courts have not had the opportunity to elaborate on their position, but it is clear that the Irish tax authorities have generally espoused the UK judicial approach in practice. In recent years, the legislatures in both countries have taken their cue from this new jurisprudential emphasis by aligning accounting and tax treatments in the area of research and development, intellectual property and other intangibles. However, the need to achieve defined economic objectives has meant that there are still discrepancies and also that this convergence has been confined to corporates. Strikingly, there has been in some instances evidence of a growing divergence simultaneously in the tax and accounting treatment of tangible assets. The purpose of this paper is to explore the drivers underpinning the uneasy and sometimes volatile relationship between the tax and accounting rules. A comparative approach has been adopted, contrasting the approaches adopted by the UK and the Republic of Ireland respectively, and seeking to locate these in the context of their distinctive fiscal cultures.



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PARALLEL SESSION 6

FRIDAY 10.20 – 11.00am

Gender Diversity at Senior Managerial Levels within Northern Ireland NDPBs – an Empirical Analysis

Tony Wall

Joan Ballantine

University of Ulster

Abstract

This paper presents the results of an investigation of gender diversity at senior managerial levels in executive Non-Departmental Public Bodies (NDPBs) in Northern Ireland. In addition to presenting the findings of gender diversity levels generally within the NDPBs studied, the gender diversity of key positions, namely Chair and Chief Executive Officer is also reported upon. Finally, the extent to which gender diversity within the NDPBs investigated is associated with the size of NDPB (as measured by expenditure) and the sector in which it operates is also analysed. The paper concludes by identifying a number of policy issues arising from the findings.

Accounting and Social Movements: *an exploration of praxis and the class nature of accounting information*

Stewart Smyth

Abstract

Critical accounting research maintains as a central tenet the need to change society, moving towards a more emancipated state. The question of how this tenet should be upheld has been discussed intermittently, including the interventions by accounting academics into a range of arenas such as education or social struggles. This paper takes an alternative approach to such interventions by building on the existing work looking at praxis. In the process, the nature of accounting information is explored and the need for critical accounting research to be linked with existing social movements is developed.

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Performance information in the annual reports of the Irish Public Sector: a study of the County Enterprise Boards

Francis McGeough

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ABSTRACT

The use of quantitative, often non-financial, targets and performance measures by businesses and not-for-profit organisations has received sustained attention in the academic literature. In the public sector this has been particularly driven by the rise and influence of New Public Management (NPM), resulting in a shift from issues of policy to issues of management, and the break-up of traditional bureaucratic structures. One aspect of these changes is an increasing focus on quantitative measures of performance as a support for better decision making and more appropriate accountability in the public sector. Such information is deemed to be important for public sector organisations to show their efficiency and effectiveness in spending public funds.

Driven by the NPM agenda, public sector organisations have sought to develop targets that cover all aspects of an organisation's performance. The Irish Public Sector has officially endorsed this process through the Strategic Management Initiative (SMI). The lead departments (Finance and An Taoiseach) have published a wide range of policy documents for the implementation of SMI. However, the recent OECD report and McCarthy report have highlighted serious issues with the implementation of SMI. In particular the Irish public sector organisations have published detailed strategy statements but with limited (if any) targets contained within these. This reduces the level of accountability as the organisations are not comparing actual performance levels against a preset level of expected performance.

The City and County Enterprise Boards (CEBs) are locally based organisations charged with the task of developing local enterprises. The cost of running these amounts to €40m per annum.

This paper seeks to examine the possible role of quantitative targets and measures in CEB's in general and, through an exploratory study of the annual reports of the CEB's, the nature and breadth of the usage of targets and measures are examined. What is found is that there is a substantial gap between the official government position and the reality as presented in the annual reports. The CEBs are found to publish a varying amount of performance information with an almost complete absence of targets. In addition much of the information is out of date and low level. The implications of this for the development of performance reporting in the Irish Public Sector will be explored.

Cognitive Ethical Reasoning of Tax Practitioners: A Preliminary Investigation Using a Tax Specific Version of the Defining Issues Test (DIT)

Elaine Doyle,^{1*} Jane Frecknall-Hughes² and Barbara Summers³

ABSTRACT

Ethical dilemmas involving tax issues were identified by members of the American Institute of Certified Public Accountants (AICPA) as posing the most difficult ethical or moral problem for them (Finn, Chonko & Hunt, 1988, pp. 607-609). The KPMG tax shelter fraud case, which came to light in 2003, proves that the tax profession has not gone untainted in the age of numerous accounting and corporate scandals such as the Enron débâcle (Sikka & Hampton, 2005). High profile scandals serve to highlight the problems caused by differences in ethical judgement among accountants and tax practitioners and the issue of ethics has been brought publicly to the forefront of the profession. However, the issue of ethics in tax practice has been largely unexplored in the academic literature (Erard, 1993; Marshall, Armstrong & Smith, 1998; Frecknall Hughes, 2002), and little work has yet been done to examine how tax practitioners approach ethical dilemmas.

Cognitive psychology posits that before an individual reaches a decision about how to behave ethically in a specific situation, ethical or moral reasoning takes place at a cognitive level. Kohlberg's (1969, 1973) stage sequence theory identifies six stages of ethical reasoning and Rest's Defining Issues Test (1979, 1986) provides us with a means by which to measure the ethical reasoning ability of individuals using hypothetical ethical dilemmas of a broad social nature. The theory and the psychometric test have been widely used over the past thirty years to test the ethical reasoning ability of accountants in many jurisdictions and to identify the variables that might influence ethical development. Given that ethical reasoning ability enables individuals to determine how they will behave when faced with an ethical dilemma, it is vitally important to the tax profession, the tax administration, the policy makers and the educators that we learn all we can about the ethical reasoning ability of tax practitioners and how this may impact on their ethical judgements. In considering the ethical reasoning ability of tax practitioners three main issues need to be considered: the impact of the tax context itself on the issues raised; the potential for the profession to be attractive to people for whom a particular level of moral reasoning predominates; and the training/socialisation of practitioners in their professional context. We investigate these issues in our preliminary analysis. Using Rest's Defining Issues Test as a blueprint, a context-specific test was developed which aims to measure the ethical reasoning ability of tax practitioners in their working environment (Doyle, Frecknall Hughes & Summers, 2009). This was made comparable with the DIT in terms of the levels of moral reasoning that could be invoked, thus increasing the comparability of moral reasoning scores in the two contexts. In addition the reasoning of the tax practitioners in the study across the two contexts was compared with that of lay people, who were not tax specialists.

The preliminary results indicate tax practitioners are not significantly different from lay people on the standard DIT, indicating that differential attraction to the profession is not dictating behaviour. We find that the tax context does affect moral reasoning, but only for tax practitioners, indicating that training/socialisation in that context are the drivers of behaviour. Additional analysis indicated that the behaviour of participants from the Big Four firms was not different from other practitioners in the private sector.

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PARALLEL SESSION 7

FRIDAY 11.20am – 12.00pm

**Effects of Institutional Structures on Accounts Manipulation:
AN INTERNATIONAL STUDY**

ETUMUDON NDIDI ASIEN^{*,+}

JULINDA NURI, PhD⁺

Abstract

This paper identifies, and then examines, whether some institutional structures or environmental factors (external as well as internal) can help explain the occurrence of accounts manipulation. Specifically, it investigates at the country-level whether the level of corruption, legal origin, extent of press freedom, the State's dominance of the economy, the State's involvement/interference/interest in firms, and institutional ownership (at the firm-level) can influence the occurrence or otherwise of accounts manipulation. We hypothesise that these factors are likely to explain the occurrence or non-occurrence of the act in publicly traded firms.

Data for the study are collected on reported cases of accounts manipulation in newspapers in 36 countries around the world. All empirical data come from archival sources and cover the period January 2000-June 2008, inclusive. They are analysed using multivariate data analysis techniques.

We document evidence that the level of corruption, press freedom, and institutional ownership are likely to mitigate the occurrence of accounts manipulation whereas State's interest in firms and State's dominance of the economy are likely to aid the occurrence of the act. Association test conducted on legal origin indicates that there is a significant association between legal origin and likelihood of accounts manipulation occurring, depending on the legal origin.

Keywords: *Accounts manipulation, corruption perceptions, press freedom, legal origin, State's interest in firms, state-owned enterprises, institutional ownership.*

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**THE INTERACTION EFFECTS OF EARNINGS, DIVIDEND AND CAPITAL GEARING
SIGNALS: ADDITIONAL UK EVIDENCE**

Dr David McAree*

Dr Peter Green**

ABSTRACT

This study examines the existence of interaction effects of the joint announcement of annual earnings, dividend and capital gearing information, with respect to raw returns to equity. The study is performed on a sample of up to 138 companies quoted on the UK Stock Exchange, employing data over a two year period to 2001. A novel approach in terms of modelling interaction effects is adopted insofar as the modelling of such effects is extended to include 3 interaction effects within each dummy variable as compared to 2 interaction effects within each dummy variable as modelled in the current literature.

The rationale for such modelling is an attempt to capture additional variables impacting dividend policy and thus encapsulate this additional information disclosed by management with respect to interaction effects between earnings and dividend signals. The results of the study do not provide support for the existence of an interaction effect between earnings, dividend and capital gearing information with respect to raw returns. This result is dependent however, upon the model specification tested and the return window adopted. The question as to which model is most appropriate to test the issues of interest, is a moot point.

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Financial Policies and Practices of Companies Listed on the Irish Stock Exchange: Capital Structure, Dividends, and Capital Budgeting

Abstract

This paper reports the results of a comprehensive survey of the chief financial officers of companies listed on the Irish Stock Exchange regarding their companies' financial policies and practices and the effects of the global financial crisis. The survey focused upon three major areas of financial policy and practice: capital structure, dividends, and capital budgeting. Postal questionnaires consisting of various closed-ended and open-ended questions were used to obtain information regarding the company's financial policies and practices in November 2009. The survey response rate was 41.9 percent.

The responses of financial executives of listed companies in Ireland to the survey questions on capital structure policy are generally consistent with the pecking order hypothesis. They believe that the long-term survival of the company and maintaining financial independence are the most important considerations affecting a company's financing decisions. They also appear to believe that a company's investment and dividend decisions are more binding than capital structure decisions.

As in previous surveys of Irish companies, the responding executives expressed the belief that reasons for dividend policy changes should be adequately disclosed to investors, dividend payout does affect share value, and companies should avoid increases in dividends that might have to be reversed in a year or so. Lintner's lagged partial adjustment model continues to be generally consistent with the practices of listed Irish companies.

The responding executives considered NPV and payback to be important the most important quantitative evaluation methods for evaluating and ranking capital investment projects. DCF methods are used by the listed companies in our sample to a much greater extent than reported for Irish companies in previous surveys. Multiple risk-adjusted discount rates are not widely used. In estimating the cost of equity capital, the most popular method is the CAPM.

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A Synopsis of the Development of the United Kingdom Credit Union Movement

Professor Donal McKillop

Queen's University Belfast

Professor Anne Marie Ward

University of Ulster, Jordanstown

Professor John O.S. Wilson

University of St Andrews

Abstract

Credit unions are non-profit, self-help cooperative financial organisations that provide simple financial services and are geared to attaining the economic and social goals of their members and their wider local communities. Credit union success in the United Kingdom (UK) has been somewhat patchy. In Northern Ireland (NI) the credit union movement is relatively strong; however, in Great Britain (GB) the movement has not been successful to date. Regulation in both regions was similar until 2002 when changes were enacted to the legislation governing GB credit unions. No such change occurred in NI as this region was struggling to achieve its own national governing identity. This paper provides background information on the credit union movement in both regions and discusses the impact that previous and proposed regulatory changes have had, and are expected to have on the performance and financial stability of the movement in the two regions. The authors conclude by suggesting that the forthcoming regulatory changes in the GB credit union sector are premature, recommending a period of stabilization before further change is promoted. In contrast the authors welcome the proposed regulatory changes being mooted for the NI sector, though suggest that caution be exercised in respect of joining the Financial Services Compensation Scheme (the UK deposit protection scheme) and in respect of promoting the use of grant funding.

Boards of Commercial Semi-State Bodies: An Exploration of Individual Director Motivations and its Impact on Board Decision Making

Anna Egan, Joseph Coughlan, Rebecca Maughan,

Abstract

Although commercial semi-state bodies have traditionally played an important role in the Irish economy (MacCarthaigh, 2009), recently these organizations have come under increasing scrutiny due to issues surrounding their corporate governance. In particular, concerns have been raised regarding the differing steward objectives and the perceived political interference such boards face (Reeves and Ryan, 1998, OECD, 2005, Lee, 2007). Such criticism has resulted in calls for further research to be carried out in this area (O'Connor, 2009). This paper attempts to address such concerns through an exploration of the motivations of individual directors in taking up appointments on semi state boards and board process in semi-state bodies.

Much of the previous research regarding the board of directors has focused on board role (Burton, 2000, Ade-Ajayi, 2004, Sussland, 2005) and composition (Baysinger and Butler, 1985, Muth and Donaldson, 1998, Bhagat and Black, 1999), particularly those of publicly listed companies. It has been argued that in order to extend our knowledge of board decision making, research must be expanded to include areas such as director cognition and motivations (Roberts, 2002, Leblanc, 2004, Gupta et al., 2008). By exploring individual director motivations in their decision to adopt board seats, this research seeks to develop our understanding of board process.

Semi-state organizations have traditionally operated in important strategic sectors such as the infrastructure and utilities industries (OECD, 2005) and the significant amount of control that the government holds over such boards has been raised as an issue (ICTU, 2005). Commercial state organizations have also become increasingly prominent at an international level in recent years (Cull and Xu, 2000). As such concerns have been raised regarding the workings of such boards (Hancock, 2009) and the possibility that political cronyism will result in exploitation of board positions in these organizations (OECD, 2005). By exploring the role of individual members on the board, this research will contribute to a better understanding of board process. In doing so, this research will help to bridge the gap between our understanding of board structure and it's relationship to performance (Ong and Wan, 2008). Given the exploratory nature of this research, the primary data source for this study will be semi-structured interview with various members of commercial semi-state boards. This method of data collection has been chosen as it offers a focused approach to questioning, while also allowing for probing and interaction with the interviewee. Furthermore, in recent years there have been calls for greater use of qualitative methodologies in this field (Leblanc, 2004, Brennan and Solomon, 2008) and the adoption of semi-structured interviews addresses this issue.

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**IS 'NECESSARILY' REALLY NECESSARY? :
EVIDENCE OF SCHEDULE E EXPENSES DEDUCTIONS
AMONGST IRISH EMPLOYEES**

Paula Farrelly

PWC

Pauline Willis *and Thomas McCluskey

Dublin City University

Abstract

TCA 1997 s. 114 is the main rule governing the deductibility of employee expenses from Schedule E emoluments. The words in this rule have been stated to be restricted and rigid in their application so that for any expenses to be deductible, the holder of the office or employment must be “necessarily obliged” to incur the expenses in the performance of the duties of that office or employment. However despite this rigidity certain expenses (flat rate deductions) are deductible from Schedule E income without the requirement to show any obligation on the part of the employee to incur those expenses. The findings of studies by the Irish Taxation Institute and the Consumers Association of Ireland have reported that PAYE taxpayers in general appear to under-claim tax credits, allowances and relief entitlements. This study investigates the extent to which Irish employee taxpayers are remiss in claiming flat rate expenses to which they are entitled. Responses were obtained of 563 taxpayers who are entitled to claim flat rate deductions. The findings clearly demonstrate that there is confusion amongst taxpayers as to their entitlements in this area. Our paper recommends that employers should be required to notify the Revenue Commissioners of the occupation of their employees as part of their compliance obligations so as to ensure that employee entitlements to the flat rate deductions applying to their occupations are properly coded into the employee’s annual tax credit certificate.

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Management Accountants



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PARALLEL SESSION 8

FRIDAY 12.00 – 12.40pm

Nonlinear and chaotic patterns in Japanese video game console sales and consequences for management control

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Abstract

This paper investigates the behavior of weekly hardware sales in the Japanese video game sector. Tests for detection of nonlinearity and chaos were used. It is found that weekly hardware sales exhibit linear and non-linear behaviors during the product cycle. Then, the implications of our findings for management control in the video game sector are analysed.

Key words : forecasting, sales budget, time series, dynamical systems, chaos theory

The Explanatory Capacity of Single Sided Lévy Parameters in the Credit Derivatives Market

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Abstract

This paper combines Fourier methods with the Wiener-Hopf factorization of Lévy processes and employs the resultant analysis to, ex-post, examine the implied jump signals from credit default swaps. The Wiener-Hopf factorization provides the link between the characteristic functions of the maximum, minimum and the Lévy process itself. This paper builds survival probabilities along the credit curve for different companies in the European iTraxx index over a period of six years.

Underlying jump dynamics are evidenced in the implied parameters, particularly during the latter half of 2007. Provisional analysis suggests that the implied parameters (in particular the implied default threshold) contain useful explanatory power in terms of its ability to highlight volatility and risk in the CDS spreads. These parameters may afford useful trading and risk analysis tools.

**Case-based Teaching in Large Group Settings:
Identifying the Challenges**

John Doran, Margaret Healy, Maeve McCutcheon, Steve O'Callaghan

ABSTRACT

Teaching with case studies offers learners in the business disciplines the opportunity to engage with the world of practice in a meaningful manner, described by Hoskins (1998) as “helping to overcome some of the worst fixations of traditional pedagogy” (p. 57). The inherent “plasticity” of the medium (Rippin *et al.*, 2002) allows teachers to capitalise on the established benefits of case-based teaching (*c.f.* Libby, 1990). The tasks of analysis, reasoning and decision-making provide an active learning experience while small and larger group discussion facilitates interaction with others and the development of key life skills such as teamwork and presentation skills. Cases provide a valuable opportunity to bring relevance and reality into the classroom, promoting the integration and application of the underlying knowledge base (Boyce *et al.*, 2001).

Class sizes, together with other institutional factors, have been identified as barriers for lecturers to the successful implementation of case-based teaching (Libby, 1991). Biggs (2003) distinguishes between the managerial aspects and the educational aspects of large-class teaching. This paper explores case-based teaching in the Irish educational context. Much undergraduate accounting and finance teaching in Irish third level institutions is delivered to large classes. This study compares the teaching of cases in large and small groups, with a view to identifying the specific challenges that arise in the large group setting. The findings point to challenges concerning: the design of a delivery process which allows for ‘structured informality’; time constraints, which restrict opportunities for student participation and lecturer feedback; and the problem of providing an opportunity for all students to ‘have a voice’, whilst avoiding repetition and disengagement.

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Can a Regional Economy survive the Global Credit Crunch? – The Case of Northern Ireland

Dr Lisa Bradley – University of Ulster, e.bradley@ulster.ac.uk

ABSTRACT

This paper considers the effects of the current global financial crisis on Northern Ireland, a post-conflict, regional economy that in recent years has prioritised attracting Foreign Direct Investment (FDI) in the financial services sector, to help bridge its productivity gap with the rest of the UK. This paper considers the future of such a strategy in light of the changing global economy and the opportunities that have been lost and created in the financial services sector by asking the question “Can Northern Ireland beat the global credit crunch?”

Hospital Governance: An Exploration of Case Study Methodology

Ailish M. O' Brien and Niamh M. Brennan

Abstract

This paper examines the use of case study methodology in conducting research on the governance of hospitals. It forms part of a wider study into the role of clinicians in clinical quality initiatives. Hospitals have come under scrutiny in recent years to be increasingly accountable for the quality and transparency of their work. The role of clinicians is seen to be a critical element in the successful implementation of clinical quality initiatives. The research problem seeks to explore the role clinicians play in these initiatives.

Case study methodology is considered the most appropriate methodology. Much of the literature to date in relation to hospital governance is based on quantitative work, with questionnaires and archival methods most commonly used. The paper reviews the broad management literature in relation to case study methods. Case study research lends itself to asking "how" and "why" questions and can use a wide variety of evidence, such as documents, artifacts, interviews and observations (Yin, 2009). It may thus be a useful tool to seek answers to matters relating to clinician involvement in clinical quality initiatives.

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**Investigating the antecedents and implications of role conflict for
non-executive directors: a conceptual model**

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Niamh Brennan

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ABSTRACT

Prior research suggests that non-executive directors are expected to perform multiple complementing and/or contrasting roles and that their ability to execute multiple roles influences how their effectiveness is judged. Under role theory the concurrent appearance of two or more incompatible expectations for the behaviour of a person can result in role conflict. Research indicates that role conflict is a key determinant of organisational behaviour that can have both a positive and a negative influence on role-holders and their organisations. Arguably the variety of roles that non-executive directors are expected to perform increases the potential for role conflict to occur and may influence how their effectiveness is judged.

The paper presents a conceptual model that is informed by role theory, a theory with potential significance but relatively unexplored in the field of corporate governance. The model addresses (a) the potential sources of role conflict experienced by non-executive directors, (b) the factors that influence non-executive directors' reactions to role conflict, and (c) the implications of role conflict on non-executive directors' effectiveness. The model is developed in the context of unlisted family firms due to their unique characteristics and economic importance.

The paper contributes to existing research at a theoretical and contextual level. It responds to calls for theoretical pluralism and alternative contexts and in doing so offers a unique opportunity to enhance our understanding of the role and effectiveness of non-executive directors.

Key words: Non-executive directors, role theory, role conflict, family firms

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