

## Editorial

What is research about? Isn't it about increasing our knowledge about the world? And, as such, about discovering something *new*, creating a *new* visibility, providing a *new* perspective? Probably yes, but what is *new*? And what does it mean to talk about a *new* perspective or a *new* direction in research?

As in most other scientific disciplines, research in accounting is influenced by modes and fashions. At a certain point in time, some topics seem to be 'hotter' than others. Also, some theories or theoretical perspectives are considered more 'up-to-date' than others. And, after a while, a new direction might emerge, gaining attention among researchers, and ultimately becoming a fashionable trend itself.

In a sense, the *new* has to win recognition within a research world still dominated by the 'old'. It has to position itself with respect to



what is already there, it has to enter the dialogue with the established thinking, but only to overcome this thinking eventually. Therefore, the *new* will always have to bear an index of the old, will have to establish a link to what is already there.

Perhaps, this is what distinguishes research from art: it is not (simply) about the imagination of something new, it is rather about the work upon the *new* within an existing order of things, with an existing language of research. And this is perhaps where the difficulty of finding out something *really*

*new* stems from. For the need to link to the established discourse often makes the new appear to be not much more than an extension of the old.

This issue of the newsletter features a report on the *New Directions in Management Accounting* Conference, held in Brussels last December, where the intersection of 'old' and 'new' perspectives could be witnessed in situ. In the research section, Joni Young offers her thoughts on how the category of "the user" has been constructed in accounting standard-setting. As always, I encourage all readers to send me contributions that could be of interest to the EAA community. The next issue of the newsletter shall appear in May.

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### Highlights

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Looking back at the

## 5th New Directions in Management Accounting Conference

Brussels, 14-16 December 2006

From 14 to 16 December 2006, the 5th Conference on New Directions in Management Accounting took place in the Hotel Metropole in Brussels. This bi-annual conference is organized by Kari Lukka, from the Turku School of Economics, and Michael Shields, from Michigan State University. This time, the two chairpersons could welcome more than 150 participants, including many well-known scholars from around the world. In

total, 60 papers on contemporary issues on management accounting were presented, the acceptance rate of papers being about 60 per cent. As in previous years, the conference featured prominent plenary speakers. Robert Chenhall (Monash University), David Cooper (University of Alberta), Henri Dekker (Free University of Amsterdam), David Larcker (Stanford University) and Ken Merchant (University of Southern California) gave the plenary

talks. Robert Chenhall talked about “horizontal accounting”, focusing on the value chain perspective. David Cooper raised the question what “new directions” in management accounting were about. He suggested that researchers should be interested in both the “new” and the “enduring” features of management accounting practice and recommended to take management accounting fashions seriously. Henri Dekker talked about “control at the boundaries”, focusing on governance in inter-firm relationships and the role of trust therein. The issue of governance was also addressed by David Larcker who discussed the usefulness of structural modelling techniques for learning more about how corporate governance works in organizations. Ken Merchant was finally talking about “vertical accounting”, thereby mainly discussing current research on financial and non-financial performance measures.

While the plenary sessions were certainly “highlights” of the conference, the parallel sessions were equally full of interesting ideas and challenging thoughts. Most papers were empirical in nature, with an interesting and stimulating mix between papers which employed quantitative methods and those which were more on the qualitative side. There were also non-empirical papers, however, which addressed methodological or theoretical issues.

Falconer Mitchell, representing the conference sponsor CIMA, gave an overview of CIMA initiatives and presented some examples of current research supported by CIMA.

Finally, there was, as usual, a conference dinner which took place in a traditional Belgium restaurant, and there were rumours that, after the dinner, some participants explored the nightlife of Brussels in more detail...



David Cooper (left) and Kari Lukka (right)

## Upcoming EIASM events

- EDEN Doctoral Seminar in Case-based Research in Management Accounting, Brussels, 10-14 April 2007
- European Accounting Association Annual Congress, Lisbon, 25-27 April 2007
- European Academy of Management Conference, Paris, 16-19 May 2007
- MAR 2007 - Cost and Performance in Services and Operations, Trento, 18-20 June 2007
- Workshop on Accounting and Regulation, Siena, 20-22 September 2007
- 4th Conference on Performance Measurement and Management Control, Nice, 26-28 September 2007

## Impressions from the EDEN Doctoral Seminar on Producing and Evaluating Knowledge in Management Accounting

In December 2006 I had the opportunity, together with 15 other PhD students, to participate in the Eden Doctoral Seminar on Producing and Evaluating Knowledge in Management Accounting, held in Brussels at the EIASM. The group was made up of students from almost all over the world – ranging from Australia over Pakistan, and Russia, to Europe, including Finland, Denmark, Germany, Switzerland, Austria, Italy, Spain and the UK.

This seminar presented a great opportunity for all of us. Before the seminar started we had to acquaint ourselves with major writings on qualitative as well as quantitative approaches to management accounting. Additionally, we had to submit an introduction for a hypothetical future publication. In the seminar, we had to assume the role of

reviewers, analyze the introductions of the others and present the results to the rest of the group. I think I speak for the whole group when I say that this was the ‘highlight’ of the seminar, as we got comments on our writing and a better sense of what is needed to carry out high quality research. We got remarks on our work not only from our fellow student colleagues, but also from the faculty, consisting of Peter Miller from London School of Economics, Chris Chapman from Said Business School and Frank Hartmann from Rotterdam School of Management. And personally I am very thankful to all of them for their comments! The idea of the seminar to combine both quantitative and qualitative approaches to research was a very good and appreciated feature, and it caused very interesting methodological debates.

I left Brussels with even more work to do, but with a better feeling on how to do it. The fact that the seminar was linked to the 5<sup>th</sup> EIASM Conference on New Directions on Management Accounting was also very much appreciated, as we then had even more time together and additional chances to build our future networks.

Finally, the most inspiring part of all that, and the thing that I will remember most from these three days, are all the friends I met. It was amazing how quickly we all bonded and how much fun we had, during the seminar itself, and in the evenings afterwards. This was my first Doctoral Seminar but for certain not the last, so until next time – take care!

*Fredrik Ellebring, University of Innsbruck*

### Call for Papers

## 4th EARNet Symposium

October 26 - 27, 2007

### Fourth EARNet Symposium hosted by the Aarhus School of Business, Aarhus University

October 26th & 27th, 2007

The European Audit Research Network (EARNet) was founded in April 2000. Its objective is to foster research and the exchange of ideas among auditing scholars and researchers on a European level. EARNet promotes young auditing researchers, organises a European Auditing Research Symposium every other year, supports the access to research funds and provides a platform for joint publications.

The fourth European Auditing Research Network Symposium will be held on October 26th and 27th, 2007 in Aarhus, Denmark. The symposium starts on Friday at noon and ends on Saturday afternoon. The scope of topics is intended to be broad and includes European research papers that deal with all fields of auditing research. Keynote speaker will be John Kellas (Chair of the IAASB).

A special Workshop for papers from

Ph.D. students will be held on Thursday, October 25th, 2007 (Call for Papers and further information on [www.ear-net.eu](http://www.ear-net.eu)).

To be eligible for presentation, manuscripts written in English must be sent to [annette.koehler@uni-due.de](mailto:annette.koehler@uni-due.de) by the end of May 2007, submitted in Word format and accompanied by an abstract. The paper and the abstract should be presented uniformly on A4 pages, typed, single spaced, 12-point, headed by title, author(s) and affiliation(s) and address for correspondence.

The accepted papers as well as the abstracts will be included in the congress material. Each paper will be supplemented by a discussant. Papers from Ph.D. students are also welcome. Authors will be notified of acceptance by July 2007. There will be a best paper award.

Presenters will be entitled to a € 100 deduction in Conference Fees.

### General conference information

Venue: The Radisson SAS Scandina-

vian Hotel, Scandinavian Congress Center, Aarhus, Denmark

Conference Fee: The Conference Fee of €300 includes hotel accommodation (one night), breakfast, lunch and the Conference Dinner on October 26th.

Social Programme: Information about sightseeing, concerts, museums etc. can be found on [www.asb.dk/conferences/earnnet](http://www.asb.dk/conferences/earnnet).

### Registration and further information

EARNet Conference Secretary

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## Call for Papers

## 13th World Continuous Auditing and Reporting Symposium

The 13th World Continuous Auditing and Reporting Symposium (WCARS 13) will be held in **Ferrara** on **June 15-16, 2007**, hosted by the Faculty and Department of Economics of the University of Ferrara, Via Voltapaletto 11, Ferrara, in collaboration with the "Continuous Auditing and Reporting Laboratory" at Rutgers University, USA. The Symposium will take place in the premises of the new seat of the Faculty located in a 15th century palace right in the heart of the medieval side of the town.

Continuous Auditing (CA) is a rapidly emerging and increasingly important area in accounting, both in practice and in research. A June 2006 PricewaterhouseCoopers survey finds that 50% of U.S. companies use continuous auditing techniques and 31% percent of the rest plan to do so. The four global audit firms all have major CA initiatives and software vendors such as ACL, CaseWare, Approva and Oversight are aggressively marketing CA solutions. Official centers for CA exist in both the United States and the European Union, and there have been a dozen conferences in continuous auditing held around the world, heavily attended by both academics and practitioners. Previous non-US Symposia were held at Salford (2003), Monte Carlo (2004), Valletta (2005), and Sao Paulo (2006). Papers and presentations from prior Conferences can be found at <http://raw.rutgers.edu/continuousaudit>.

Scientific Coordinators of WCARS 13 are Professor Stefano Zambon, University of Ferrara, Convenor of the Symposium (zmbfn@unife.it, +39 348 4449316), and Professor Miklos Vasarhelyi, Rutgers University (miklosv@andromeda.rutgers.edu, +1 973 3535002).

Papers, presentations, and ideas for panels are requested, with both academic research works and professional presentations being welcomed. Please submit these materials in a word document to the Symposium secretary, Ms. Barbara Jensen, no later than May 1st, 2007

(bjensen@andromeda.rutgers.edu, +1 973 3535172).

Tentative topics on the program are:

- Continuous auditing, monitoring, and control;
- International company experiences with continuous audit;
- Proposed continuous audit trust services;
- Continuous audit software;
- Enhanced business reporting and continuous reporting;
- Automatic confirmations;
- The role of XBRL in continuous auditing and reporting;
- Continuous reporting and auditing of non-financial information (e.g., intangibles, social, environmental disclosure).

**Registration deadline** is June 1st, 2007.

The symposium website <http://raw.rutgers.edu/wcars13/> will be active shortly and contain information on the Symposium agenda, registration, directions, speakers, and hotels.

Ferrara is located 40 kilometers (25 miles) from Bologna, and not far away from Venice, Florence, Siena, Padua and the Adriatic. A family friendly, UNESCO world heritage listed city, Ferrara has magnificent tourist attractions, including castles, cathedrals, and medieval walls. The bicycle is the typical transportation means used by everybody. Vineyards abound in the region and excellent transport links make it an ideal base to explore eastern Italy and the Venice area. A powerpoint presentation with information on Ferrara is available on the Conference website. The Bologna International Airport serves as the entry point for visitors to Ferrara.

Should you have any questions, please contact the Convenor, Prof. Stefano Zambon (zmbfn@unife.it), or Ms. Barbara Jensen (bjensen@andromeda.rutgers.edu).

## Letter to the editor

On page 4 of the EAA Newsletter 4/2006, a report on "The Social Rule of Numbers" - An Interdisciplinary Conference at the University of Frankfurt by Uwe Vormbusch reads as follows:

"Considering that German economics in Gestalt of 'Betriebswirtschaftslehre' still doesn't show a deeper interest for critical accounting studies, it was no surprise that only a few German economists and management scholars found their way to the conference."

In my now more than 15 years with Johann Wolfgang Goethe University in Frankfurt/Main, I never met someone from the Institut für Sozialforschung who wanted to discuss "Critical accounting studies". I have never been asked to comment on a working paper and had not received any information on the conference. If there would have been any interest on behalf of the organizers of the conference to have a discussion with representatives of the German 'Betriebswirtschaftslehre' they could have easily approached me as the chair of the accounting department of our Faculty of Business Administration and Economics which has a fine history in developing accounting thought in many dimensions. Just to add: the Institut für Sozialforschung is just across the Street from the main building of our university where the accounting department is located.

*Prof. Günther Gebhardt*

*Johann Wolfgang Goethe University,  
Frankfurt/Main.*



Joni Young on

## The construction of “the user” in financial accounting standard-setting<sup>1</sup>

Drawing on a decision usefulness perspective, the FASB has defined the objective of financial reports as the provision of information useful for making investment and credit decisions. This objective for financial reports has subsequently achieved a taken-for-granted status. Academics, standard-setters, regulators and others frequently justify the recognition of particular transactions and the adoption of specific accounting practices by reference to their purported usefulness.

Despite its current dominance, the emphasis on decision usefulness and the insistence that the accounting standards issued by a standard-setter must produce information useful for investment and credit decisions is relatively recent. Prior to the FASB’s emphasis on this objective “appropriate” accounting principles or practices were those that conformed with accepted accounting conventions such as the matching principle or historical cost. Accounting objectives were not connected to a “who” or “why” but were instead described and defined in terms of the activities performed by accountants such as recording, classifying or measuring. The usefulness of accounting reports was assumed to result if a company “properly” measured income and “properly” reported financial position.

This assumption grew increasingly untenable as criticisms about accounting flexibility and lack of uniformity appeared in the business press to be echoed by members of the U.S. Congress and the Securities and Exchange Commission as well as some audit practitioners. Faced with these criticisms, the AICPA established a new standard-setting group, the Accounting Principles Board (APB), that was intended to develop accounting principles “as in the nature of pure research” (Jennings, 1958). The APB, however, failed to connect accounting principles to research and was judged to move too slowly in reducing accounting flexibility as criticisms of accounting continued.

Within this environment, some accounting academics and practitioners turned to the newly emergent science of decision to help rationalize accounting standard-setting. Drawing upon rational choice models of decision, these individuals stressed the importance of developing clearly defined goals and objectives that could guide the development of specific accounting standards. As one former APB chairman later stated: “... it was believed that if we could reach agreement on the objectives, everything else would fall into place” (Defliese, 1977, 62). A series of documents emerged that outlined possible objectives for financial accounting. A Statement of Basic Accounting The-

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*“The users of interest to the standard-setting process were limited to those who were like investors and creditors”*

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ory (ASOBAT), a 1966 American Accounting Association document, defined accounting in terms of its usefulness and was later described as the first document to “emphasize the significance of users and their decisions to accounting practices (Staubus, 1999; Zeff, 1999)” (Young, 2006, 587). In 1971, the AICPA formed a study group charged with developing the objectives of financial statements. (The Study Group was also referred to as the Trueblood Committee). Drawing on theories of economic decision making, the Study Group also stressed the importance of users (here limited to investors and creditors) and stated that the basic objective of financial statements was to provide information useful in making economic decisions. In its later statement on the objectives of financial reports, the FASB drew heavily upon the Study Group report and developed a similar objective that shared the focus on investors and creditors as users of financial reports.

This shift to a user-oriented focus occurred despite the absence of information about how particular investors and creditors used accounting information. ASOBAT and the Study Group report admitted this ignorance even as they advocated the user orientation. However, rather than gathering information from the physical readers of financial reports, these documents instead worked to efface differences between different types of financial statement readers and also questioned their competence and reliability.

By effacing differences, the authors of these reports ignored the possibility that various potential users might desire different, and even conflicting, information. They instead asserted an overlap of desired information and argued that information that met the needs of some (i.e., investors and creditors) would also serve the information needs of many others. In this way, the users of interest to the standard-setting process were limited to those who were *like* investors and creditors. In addition, the reports (and/or their background papers) questioned the competence of readers (including the privileged investors and creditors) in determining what information was relevant to their decisions and/or in articulating their information needs to standard setters. These moves facilitated the substitution of relatively simple economic models for physical users. By drawing on economic models, accounting could provide the information that users *should* find useful. Accounting could then be said to provide useful information even though standard-setters, academic accountants and others knew little about the information needs or decision models of particular financial statement readers.

Unfortunately, the user orientation adopted by the FASB and the connection of accounting and standard-setting to decision usefulness have not eliminated criticisms of either accounting or the standard-setting process.

*(continued on next page)*

The construction of “the user”... (continued from page 5)

Revenue recognition practices, stock option accounting and many other matters have been scrutinized and criticized. The FASB has been faulted for its failure to more effectively involve users in the standard-setting process<sup>2</sup>.

In *Global Capital Markets and the Global Economy*, the CEOs of six leading global audit networks<sup>3</sup> offer criticisms of accounting and standard-setting. They advocate developing a new reporting model driven by the wants of users of company information and offer to start a conversation about these wants through a series of roundtables. Although the authors ask “What information should public companies produce to better serve all stakeholders ... -- investors, analysts, employees, customers and policy makers” (p. 5), they later indicate that a “full” conversation requires only the involvement of investors, companies, analysts and auditors (p. 6). Indeed the authors conclude that the “primary purpose of company reporting is to empower investors” (p. 20). In other words, they continue to efface differences between various possible types of users of business reports.

Although the authors advocate engaging users, only a limited subset is likely to be asked to participate in redefining/developing a new business model. This similarity to the narrow conception of the financial statement user previously employed will likely work to continue the dominance of economic discourse with its emphasis on growth and efficiency in deciding the types of information that should be reported. Certainly, it works to severely limit the types of accountability relationships that might be constructed and evaluated through accounting statements and other forms of business reporting. This almost exclusive focus of accounting on investors and creditors hinders its use in reporting on any ‘moral responsibility that might be owed by the economic agent to parties other than the entity’s owners’ (Shearer, 2002, 570). Rather than opening the door for potentially far-reaching changes in business reporting by exploring different purposes and/or emphasizing different users, these authors continue to limit accounting and its reports and possibly their long-term

usefulness and viability.

#### Notes:

- (1) This essay is largely based upon Young (2006).
- (2) The FASB has made greater efforts in recent years to obtain the views of investors and other users of financial reports.
- (3) These include Pricewaterhouse Coopers, KPMG, Grant Thornton, BDO, Deloitte, and Ernst & Young.

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## CIMA Visiting Professor Lecture 2007



CIMA is delighted to announce that Professor Michael Shields, of Michigan State University, will be delivering the 2007 CIMA Visiting Professor Lecture.

The lecture, entitled “**Management Accounting Change: Organisational Causes and Individual Effects**”, will be delivered at CIMA offices, London, on Thursday **17<sup>th</sup> May 2007 at 6:00pm**. For more information please see <http://www.cimaglobal.com/visitingprofessor2007>.

Places for the CIMA Visiting Professor Lecture are strictly limited. If you are interested, please contact Kati Kuusisto tel: +44 (0) 208 849 2497 or [Kati.Kuusisto@cimaglobal.com](mailto:Kati.Kuusisto@cimaglobal.com).

Professor Shield’s visit is in association with the University of Dundee, where he will be speaking on Tuesday 15<sup>th</sup> May 2007.

<http://www.dundee.ac.uk/accountancy/whatson/Michael%20Shields.html>

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