

# Abstracts of papers published in IJAIM

Vol. 17, issue 2

## THE EFFECT OF AUDITING FIRMS' TONE AT THE TOP ON AUDITORS' JOB AUTONOMY, ORGANIZATIONAL-PROFESSIONAL CONFLICT, AND JOB SATISFACTION

*Michael E. Bamber*

J.M. Tull School of Accounting, The University of Georgia, USA

*Venkat Iyer*

Department of Accounting and Finance, UNC-Greensboro, USA

### ABSTRACT

**Purpose:** The purpose is to examine the relationship between auditors' perception of their firm's tone at the top and attributes of their professional environment and their job satisfaction.

**Design/methodology/approach:** Research hypotheses are developed based on prior research including research on social judgment theory. Structural equation modeling was used to analyze the data collected through survey of auditors.

**Findings:** Our results show that the tone at the top affects job autonomy and organizational-professional conflict. Each of these variables directly or indirectly affects job satisfaction. We also provide evidence that the tone at the top filters down to at least the senior rank.

**Research limitations/implications:** Our results suggest that a tone at the top that emphasizes audit effectiveness may not only improve the quality of today's audits, but by improving job satisfaction have long term benefits for audit firms' culture. Limitations include response bias and low internal validity associated with the survey method.

**Originality/value:** We empirically measure "Tone at the Top" and we show that a tone at the top emphasis on audit effectiveness is consistent with auditors' own professionalism and may not only improve the quality of today's audits, but by improving job satisfaction have long term benefits for audit firms' culture.

**Keywords:** Tone at the top, Audit effectiveness, Job satisfaction, Audit firms, Organizational-Professional Conflict, Audit quality.

**Paper Type:** Research Paper

## MODERATOR EFFECTS TO INTERNAL AUDITS' SELF-EFFICACY AND JOB INVOLVEMENT

*Kuang-Hsun Shih*  
The Chinese Culture University, Taipei, Taiwan

*Yin-Ru Hsieh*  
Dayeh University, Changhua, Taiwan

*Binshan Lin*  
Louisiana State University in Shreveport, USA

## ABSTRACT

**Purpose:** This study examined the relationship between two variables, self-efficacy and job involvement, of internal auditors of companies. We included organizational control power as another variable to explore its intervention on self-efficacy and job involvement.

**Design/Methodology/approach:** A survey was conducted on 600 publicly listed Taiwanese companies that have subsidiaries in China. A total of 600 questionnaires were distributed to their internal auditors.

**Findings:** The results showed that there is a significant and positive correlation between self-efficacy and job involvement of internal auditors. Organizational control power does not exhibit intervening effects on self-efficacy or job involvement.

**Practical implications:** This study can offer a new perspective for managers of internal auditors because internal auditors' self-efficacy can influence job involvement. Therefore, at the same time of supervising internal auditors, managers should not overlook the need to strengthen internal auditors' self-efficacy.

**Originality/value:** Past discussions on internal auditors are widespread. However, the conclusion of this study, which is focused on the exploration of the relationship between self-efficacy and job involvement, can offer a different insight on the internal auditor domain.

**Keywords:** audit, self-efficacy, job involvement

**Paper type:** Research paper

## ECONOMIC FREEDOM, EQUITY PERFORMANCE AND MARKET VOLATILITY

*Carl R. Chen*  
Department of Economics and Finance, University of Dayton, USA

*Ying Sophie Huang*  
Department of Economics and Finance, Haile/US Bank College of Business,  
Northern Kentucky University, USA

## ABSTRACT

**Purpose:** In this paper, we investigate the relationships between the Index of Economic Freedom, equity market performance and its volatility.

**Methodology/Findings:** Regression results show that adjusted stock returns bear little relationship with economic freedom. On the other hand, economic freedom is associated with lower stock market volatility.

**Value:** Our results imply that a country with greater economic freedom provides investors with better mean-variance investment efficiency.

**Type of paper:** Research

**Keywords:** Economic freedom; Stock returns; Stock market volatility

## **ACCRUALS' PERSISTENCE, MISPRICING AND OPERATING CYCLE - EVIDENCE FROM THE U.S.**

*Qian Hao*

Wilkes University, Sidhu School of Business, USA

### **ABSTRACT**

This paper investigates the effect of operating cycle on the differential persistence of accruals and cash flow, and the market reaction to the different components of earnings across firms with various operating cycles. By examining the U.S. public firms' earnings and the capital market reaction to different components of earnings, from 1964 to 1993, I find that the longer the operating cycle is, the less persistent of accruals are. This result is consistent with Sloan (1996)'s theory that the differential persistence of accruals is attributable to estimation errors in accruals. Moreover, the market efficiency test shows that the mispricing of accruals is greater for firms with longer operating cycle, indicating that investors fixate on earnings, while ignoring the persistence of accruals among firms with different earnings quality. This paper adds to the growing literature that has begun to examine the factors affecting accrual persistence and accrual mispricing by indicating that the length of operating cycle can play a role. In addition, it provides fresh evidence that the market fixates on earnings, thus emphasizing the importance of contextual analysis of financial statement. Finally, it corroborates Sloan (1996) and Xie (2001) that estimation errors in accruals drive the lower persistence of accruals.

Keywords: accruals persistence, accruals mispricing, estimation errors, market fixation, operating cycle

**Vol. 18, issue 1**

**LEVERAGE, LIQUIDITY AND IPO LONG-RUN PERFORMANCE:  
EVIDENCE FROM TAIWAN IPO MARKETS**

*Anlin Chen*

Dept. of Business Management, National Sun-Yat Sen University

*Li-Wei Chen*

Dept. of Business Management, National Sun-Yat Sen University

*Lanfeng Kao*

Dept. of Finance, National University of Kaohsiung

**ABSTRACT**

**Purpose:** This paper examines the long-run performance of IPOs in Taiwan with a five-factor model on a calendar time basis.

**Design/methodology/approach:** Besides the Fama-French three factors, we also incorporate leverage and liquidity into the factor model to measure IPO five-year performance. The sample consists of 261 IPOs issued in Taiwan OTC during 1991 and 2002. Our actual data cover the period from 1991.01 to 2007.12.

**Findings:** Contrary to findings of previous studies on U.S. IPO markets, we find that Taiwan IPOs experience better long-run performance than the market even after adjusting for the common factors in the capital markets.

**Original value:** We argue that survival rate of Taiwan IPOs would be the reason why Taiwan IPOs do not underperform in the long run.

**Paper type:** Research paper

**THE EXTERNALITIES IN SOCIAL ENVIRONMENTAL ACCOUNTING**

*Cornelia Dascălu, Chirața Caraiani, Camelia I. Lungu,*

*Florian Colceag and Raluca G. Gușe*

The Bucharest Academy of Economic Studies, Romania

**ABSTRACT**

**Purpose of this paper:** The purpose of this paper is designed by many situations which request decisions that are suit unilaterally, without to give the ideal equilibrium conditions and underlines external effects or externalities. We are facing with a competition for life and the systems that sustain it, where the competitor is the economy in progress arising external costs not-included in market prices

**Design/methodology/approach:** The study is based on the fundamental research that is related to inductive accounting theory and uses scientific methods for identification of theoretical and practical difficulties of recognizing the externalities in social environmental accounting.

**Findings:** The main finding of our paper is that the information portfolio for the assessment of the externalities will contribute to the accurate estimation of the accounting offer and to the objective judgment of the requested information of this kind within the global performance management. This feat will allow construction of a pertinent informational base concerning the externalities, for integration of the external social costs into the conventional accounting model with a view to smoothly substantiate the socioeconomic and environmental policies.

**Practical implications:** Our research focuses on designing a social arrangement that, in the presence of externalities can offer an optimal allocation of resources and thus a maximization of welfare for the Romanian companies.

**Value of paper:** We can help put the organization in a stronger competitive position in relation to firms that apply only conventional accounting and are not extensively and creatively in using the outcomes of expanding social environmental accounting in its decision-making.

**Keywords:** Externalities, Social cost, Private cost, Social environmental accounting, Global performance

## **INFORMATION TECHNOLOGY IMPLEMENTATION FOR CONTINUOUS IMPROVEMENT: EVIDENCE IN SPANISH SME'S**

*Raquel Perez Estebanez, Elena Urquía Grande  
and Clara Isabel Muñoz Colomina*  
Universidad Complutense de Madrid, Spain

### **ABSTRACT**

**Purpose:** This research study is aimed, based on empirical evidence, at measuring the degree of adaptation of Information Technologies (IT) used by the SMEs as well as at analysing the degree of IT knowledge and interest in new international accounting standards as factors that align strategies and organizational culture towards continuous improvement. To compete in the global markets, many small and medium-size enterprises (SMEs) need to develop new strategies and use new technologies.

**Methodology:** An empirical study has been conducted in order to acquire first-hand knowledge of the real situation of SMEs in Spain, as well as to analyze from the results the variables' performance. To do so contingency tables have been developed with the Pearson chi square analysis, to find out whether there were dependent-effect relationships among the poll results items.

**Findings:** As a result we have found that—while in the short-term the SMEs polled have a high degree of IT implementation, and manage to solve their accounting, fiscal and financial issues—when asked about their interest in some more sophisticated IT, both the levels of knowledge and implementation are very

low. On the other hand, research results reveal a trend toward continuous improvement in the long-term of Spanish SME's as the majority shows a high interest in international accounting standards.

**Limitations:** These are the usual ones of an empirical survey-based paper, mainly obtaining data and the definition of questions in terms of their typology and number. Another limitation is the fact that those responding to the survey were the ones in charge of the Accounting Department. Thus, the possibility of extrapolating further results concerning business planning, strategy, and culture may be biased.

**Novelty:** This paper not only provides new information for companies themselves and Public Administrations but also for practitioners and academics leading to additional research considering the increasing interest in the subject.

**Keywords:** Small and Medium Enterprises (SME's), Information Technologies, International Accounting Standards, Continuous Improvement, Empirical Evidence.

## **MBA ACCOUNTING MODULE TEACHING, ASSESSMENT AND CURRICULUM DESIGN: AN EXPLORATORY STUDY**

*Chin-Bun Tse*

Accounting and Finance Division, University of Bedfordshire Business School

---

### **ABSTRACT**

**Purpose of this paper:** The paper investigates MBA students' performance in handling alternative type of accounting questions in order to generate some insights for future MBA accounting module teaching and assessment design.

**Design/methodology/approach:** The study employs two approaches: First, statistical analysis is used on a large sample of MBA students' accounting modules results on two different types of questions. Secondly, common problems are identified from the assessments and summarized for analysis.

**Findings:** There is a statistically significant difference in performance between two types of assessment methods. The difference can be logically explained from analyzing the common problems identified in MBA students' accounting assessment scripts.

**Research limitations/implications:** This research provides only preliminary findings for the purpose of 'rethinking' of future MBA accounting module design. Further work is required to investigate the impacts of MBA students' personal characteristics, e.g. year of working experience, first degree discipline etc, on their accounting module performance.

**Practical implications:** This paper provides some important practical insights that suggest that the current MBA accounting module design 'may be' incorrect in terms of topic coverage, delivery schedule and expectation.

**Value of paper:** The paper will initiate a new debate on how future MBA accounting modules should be, and how to teach and assess it. Keywords: MBA, accounting curriculum, assessment strategies

---

**Paper Type:** Research Paper

---