Accounting and Management Information Systems
Vol. 12, No. 2, pp.140–143, 2013

INTRODUCTION TO SPECIAL ISSUE OF JOURNAL OF ACCOUNTING AND MANAGEMENT INFORMATION SYSTEMS

Guest editor

Robert FAFF

I am very honoured and proud to have been invited to take on the important role of guest editor for this special issue of the *Journal of Accounting and Management Information Systems* (*JAMIS*). Most notably, the articles assembled in this issue help celebrate the 100th anniversary of the Bucharest University of Economic Studies. Also, this issue is intentionally designed to coincide with and celebrate the collaboration between AMIS and IAAER in co-hosting this joint congress in 2013: "Accounting and Management Information Systems Research, Education and Practice: Challenges and Opportunities". And finally, I would also like to dedicate this special issue of *JAMIS* to very good friend and colleague of the ASE and AMIS, Professor Lee Yao, who sadly passed away in late 2012. Lee, we will miss you.

Collectively, the eclectic group of articles contained herein, showcases the broad range of research falling within the broad spectrum of studies embraced by *JAMIS*. I wish to record my special thanks to the international scholars for submitting their work to this issue and to the referees that have helped shape and improve the final versions of the papers. The international flavour of the issue is exemplified by the fact that authors come from a range of countries (alphabetical): Australia (Deakin University, LaTrobe University, Monash University, University of New South Wales, University of Queensland); England (University of Birmingham, University of Leeds); Germany (University of Applied Sciences Cologne, University of Bamberg, University of Augsburg); New Zealand (University of Auckland); and Scotland (University of Strathclyde). A brief summary of each article now follows.

The first article in this special issue is Stokes (2013). This is a non-empirical paper that aims to get us thinking about some of the drivers that condition innovation and creativity. Stokes applies this to research, aiming to identify strategies to come up with ideas that have a greater chance of attracting the attention of the leading (accounting) journals. Importantly, Stokes argues that we should aim for the intersection of three important considerations: (1) where we are passionate; (2) where the journals are passionate and (3) where we are trained to research. He neatly ties this all together by suggesting that we should look for creative *opportunity* conditions available to us, apply *approach* conditions conducive to being creative and utilize *thinking* strategies to generate the ideas.

The second article in this special issue is Eierle and Schultze (2013), also a non-empirical paper. As well captured by the title of the paper, the authors explore the role of management as a user of accounting information and what implications this has for accounting standard setters. Eierle and Schultze argue that, since managers will anticipate the way that they are evaluated, any accounting information used to control management has an incentive effect and alters management's internal decision-making. Therefore, standard setters cannot ignore the incentive effect of financial accounting information. In particular, Eierle and Schultze argue that if standard setters consider decision-usefulness and stewardship to be distinct and incompatible, then these roles must be separated and considered explicitly. In this case, managers should not be held accountable for their actions based on accounting information.

Byrne, Clacher, Hillier and Hodgson (2013) is the third article in this special issue – and our first empirical paper. Their core focus is managerial discretion in pensions, value relevance and fair value accounting. Specifically, they consider whether the adoption of fair value addresses many of the concerns that have been voiced about past methods of pension accounting. Accordingly, they investigate the determinants of the assumptions UK managers use to arrive at pension scheme valuation. They find significant differences in the stated assumptions across companies, auditors and actuaries. Further, managers display considerable variation in conservatism when implementing fair value accounting and this variation is related to scheme-specific characteristics, such as asset allocation and pension solvency. Moreover, disclosed amounts are found to be value relevant for stock prices, and together with the observed inconsistency in reporting across firms, brings into question the efficacy of fair value accounting for assessing pension values.

In the next set of three articles, the authors have a common focus on the role of auditors and audit independence: Carey and Tanewski (2013); Wang and Hay (2013) and Monroe and Hossain (2013). Specifically, the fourth article in this special issue is Carey and Tanewski (2013). They investigate voluntary demand for auditing by Australian farm businesses, focusing on incentives to conduct an audit arising from internal sources. They hypothesize that an external audit assists management in enhancing internal control by complementing the process of profit planning and control (budgeting) and that increased family conflict provides an incentive to engage external audits. Carey and Tanewski's (2013) results support the predicted impact of both size and debt on audit, and further support the hypothesized impact of budgeting. Notably, they find that family conflict has no impact on voluntary demand for auditing by farm business.

The fifth article in this special issue is Wang and Hay (2013) and represents the second empirical paper focusing on audit research. They argue that, while existing evidence has not usually shown that auditors lose their independence when providing non-audit services, the risk that they could do so is still a concern to regulators and financial report users. Their paper examines whether there is a relationship between non-audit services and the loss of independence for publicly listed New Zealand companies in 2011. They motivate this study based on recent regulatory changes in New Zealand that strengthened independence requirements, which are likely to mitigate any impairment caused by the provision of non-audit services. Their results show that there is no impairment of independence with respect to audit fees and auditor tenure. However, there is some evidence of impaired auditor independence in relation to the audit opinion.

The sixth article in this special issue is Monroe and Hossain (2013), another empirical piece that represents the third (and final) paper focusing on audit research. A prior study, Carey and Simnett (2006) using a period when there was no restriction on the length of audit partner tenure, reports a significant negative association between long audit partner tenure and the propensity to issue qualified going-concern opinions for financially distressed companies. Monroe and Hossain (2013) revisit this issue using Australian data from a period after the introduction of mandatory audit partner rotation and find a significant positive association now prevails. In a sense regulation does matter. Their findings suggest that the implementation of mandatory audit partner rotation has improved audit quality.

In the next set of three articles, the authors have a common focus on modeling the role and impact of risk in financial markets: Moorhead and Brooks (2013); Nandha, Brooks and Faff (2013) and Di Iorio, Faff and Sander (2013). Specifically, the seventh article in this special issue is Moorhead and Brooks (2013). The aim of this empirical paper is to examine the effect that the introduction of the euro currency had on returns volatility across the different members of the currency union. Moorhead and Brooks (2013) find that overall there is a distinct change in the dynamics of asymmetric volatility across the various stages in the introduction of the euro. While their first (early) sub-period shows evidence of asymmetric volatility in only a few countries, in later sub-periods almost all of the countries analysed display asymmetric volatility.

The eighth article in this special issue is Nandha, Brooks and Faff (2013) and represents the second empirical paper focusing on risk and financial markets. Analysing a globally representative set of airline indices, this study demonstrates that oil price or oil price regimes (delineated by the first gulf war and the 9/11 terror attacks) *alone* do not have any significant implications for airline stock prices. However, they show that airlines stocks are prone to the *combined* effects of oil volatility and oil regimes determined by globally significant events/shocks.

The ninth article in this special issue is Di Iorio, Faff and Sander (2013) and represents the third (and final) paper focusing on risk and financial markets. This paper examines the sensitivity of financial sector stock returns to interest rates (both long-term and short-term) and exchange rates. Specifically, they investigate the impact of the introduction of the euro on European financial sector risk for a representative group of key euro and non-eurozone countries. Generally, their findings suggest that while Banks are more sensitive to short-term interest rates, the Financial Services and Insurance sectors are more sensitive to long-term interest rates. There is no notable trend in sensitivity pre-/post-euro and differences in terms of the impact of interest rate changes across countries are suggestive of integration and differences in financial structures and regulation. Further, interest rate sensitivity increases significantly with increasing time intervals. Finally, Di Iorio, Faff and Sander (2013) document little evidence of exchange rate exposure across all countries and sectors.

The final article in this special issue, Alexander (2013), is very different from all the other articles herein. This paper is neither empirical nor analytical. Its core focus is the Soviet Accounting Bulletin (SAB), published from 1973 to 1983. The SAB provides rare and fascinating direct insights into the role, function and position of the bookkeeper/accountant in the Soviet system.

I trust that you will enjoy reading these assembled articles that cover a broad range of research topics, approaches and philosophies.