LSE Accounting

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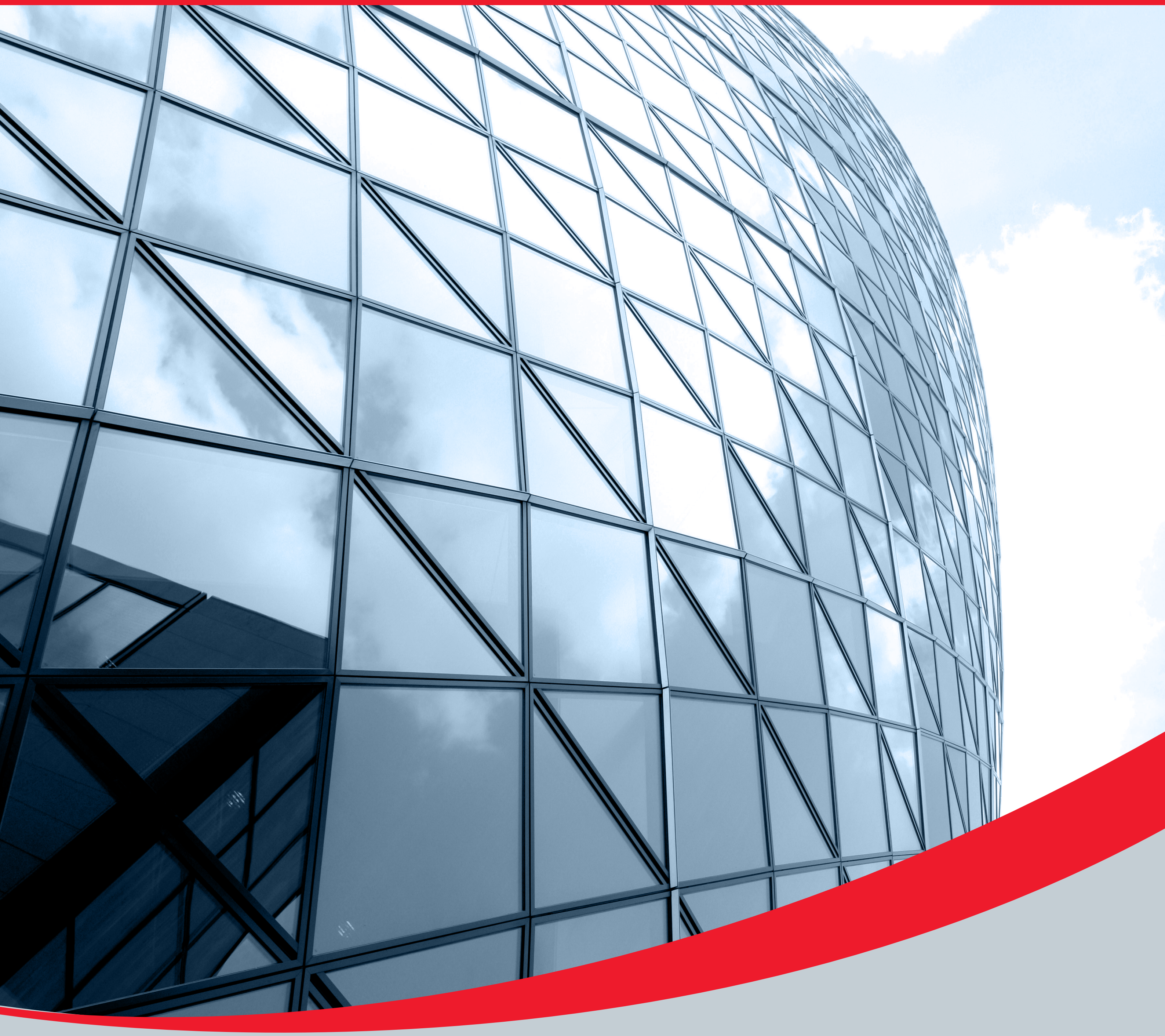

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LSE Department of Accounting

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Accounting Matters

I am writing this column about a month after the Brexit vote. The Brexit portmanteau, however, could not be less descriptive of our department and of the LSE, which have been, and will endeavor to remain, as global as they have always been. Therefore, rather than considering Brexit as a portmanteau of Britain and Exit, I'd like to reinterpret the term as an acronym more appropriate for our department's teaching, research, and public engagement: Bespoke, Relevant, Engaging, X-acting, Interdisciplinary and Topical.

This newsletter is once again rife with events and activities that speak to these features of our department. Both Professors Al Bhimani and Mike Power have received honorary doctorates, the third one for Professor Power, in addition to his recent admission as a Fellow to the British Academy. Both of these colleagues can indeed be characterized as **bespoke**. Al for his broad interests in, and contributions to, accounting and digitization (page 3, 9), inter alia. Mike for his sociologically-oriented accounting research and influential connections to the wider social sciences and humanities (page 8), which have lived on through our department's Center for the Analysis of Risk and Regulation (CARR, page 6), which Mike helped establish. Examples of the recognition of research of this type has been evidenced by the large grant that another colleague in this area in the department – Dr Andrea Mennicken – was able to attract from the ESRC's Open Research Area (page 7).

The work of these colleagues and of CARR is not only bespoke, the ORA-funded research, like some other research in our department, is also truly **interdisciplinary**. This is quite typical for all of the work in CARR—including the *Riskwork* book by Mike Power (page 8) with contributions from other colleagues like Dr Tommaso Palermo (page 11). Several further short inserts in this magazine showcase the varied research that is being undertaken in the department, such as by Dr Stefano Cascino on IFRS (page 2) and myself on target setting (page 5) and performance measurement (page 10). To add, there is the award-winning research on sustainability by Professor Ane Tamayo (page 9) and risk management by Dr Matt Hall (page 15). Further research presentations, publications, accomplishments, recognitions, and prizes are listed in the Academic Highlights on pages 16-17. The vibrancy and wide range of research we encourage is also evident from our three-pronged seminar series shown on page 18.

The **relevance** of our teaching and research is also amply illustrated throughout the pages of this magazine. To mention two examples, take the two conferences that bring researchers and practitioners together in each of the principal areas of accounting: the MARG conference in management accounting, which focused this year on business models and cultures (page 4), and the LSE/Manchester Business School financial accounting conference, which focused on this occasion on the real implications of financial accounting and reporting (page 19). These are events focused on relevant and **topical** issues, garnering the generous support from some key professional bodies – CIMA and ICAEW – as part of our active **engagement** with broader publics.

But the LSE and the department are also **exacting**, demanding or challenging. Certainly for our students, yet they do well in their course work (page 20); they engage actively in their extra-curricular student societies (page 14); and some achieve top scores in their professional exams (page 13), not least because they are taught by some award-winning instructors (page 15). We are also highly demanding of our PhD students (page 12), where our PhD programme is fully geared towards providing the best research training through two tracks, one devoted to the study of interrelationships between accounting, organisations and institutions, and the other to the study of accounting and financial reporting issues from an economics perspective. Bespoke, interdisciplinary, and exacting indeed, besides much else.

A final exciting development in our department in the last year was the successful recruiting of four new faculty, two Assistant and two Associate Professors: Per Ahblom, Maria Correia, Saipriya Kamath and Xi Li (a very global group indeed). Welcome.

So Brexit is not what you thought it might be, certainly not in our department. That said, and all wordsmithing aside, it is a fact that Brexit has created uncertainty, although only that for the moment. Students, colleagues, stakeholders should rest assured that we at the LSE are determined to remain open to the world and that we will remain to see our constituencies as global. The actual Brexit exercise will surely pose very significant social science issues which the world can expect LSE to critically engage with. I hope these pages give you a good sense, albeit a snapshot only, of the truly exciting, challenging, rewarding, and global place LSE and its Department of Accounting are.

Professor Wim A Van der Stede
Head of Department of Accounting
July 2016

Have Unified Standards Made Financial Reporting More Comparable?

The comparability effect of mandatory IFRS adoption is marginal, write Stefano Cascino and Joachim Gassen.

The mandatory adoption of International Financial Reporting Standards (IFRS) by European listed firms in 2005, accompanied by similar regulatory action worldwide, represents one of the most influential accounting rule changes in history. The switch from a diverse set of domestic financial reporting regulations to a common set of accounting standards has affected thousands of companies that differ in terms of size, ownership structure, capital structure, culture and legal environment, among other characteristics.

The adoption of IFRS by tens of thousands of firms worldwide fuelled the expectation that financial accounting practices would become more comparable. European policy makers state that the reason for mandating a common set of accounting standards for listed companies is to "level the playing field" for participants in the European capital markets by increasing the comparability of financial statements prepared by publicly-traded companies across Europe. The International Accounting Standard's Board (IASB) similarly argues that a single set of high quality global accounting standards is meant to provide financial market participants with comparable financial statements and thereby help them make economic decisions.

In our paper (*What Drives the Comparability Effect of Mandatory IFRS Adoption?, Review of Accounting Studies*, 2015), we investigate whether the adoption of harmonised accounting standards has produced a material effect on the comparability of financial accounting information provided by firms from different institutional environments.

We examine the change in comparability around mandatory IFRS adoption and find it to be centred on firms that face high compliance incentives. Using a broad cross-country sample of mandatory IFRS-adopting firms and applying a variant of the standard difference-in-differences analysis, we first document that the overall comparability effect of mandatory IFRS adoption is marginal.

To test whether a lack of incentives to comply with accounting rules explains the observed marginal results, in a second set of tests we use a sample of hand-collected IFRS compliance data from German and Italian firms and find that firms that comply better with IFRS enjoy more comparability. We then use the identified firm-level compliance incentives (ie, auditor type, board independence, and governmental ownership) to refine our analysis on a broad cross-country sample and find that only firms with high compliance incentives experience a significant increase in comparability around IFRS adoption. Also, we document that country-level enforcement complements firm-level compliance incentives in moderating the comparability effect of mandatory IFRS adoption.

Furthermore, we test the comparability effect of mandatory IFRS adoption using a within-country matched sample of private firms as a control group. Because private firms typically have lower compliance incentives than public firms, this allows us to study the role of compliance while holding the institutional environment faced by the firms constant. Consistent with our main conclusion, we find that the comparability effect of mandatory IFRS adoption is mainly observed for public firms. Similarly, we show that IFRS adoption causes public firms to become less comparable with local private firms that continue to report under domestic standards (GAAP).

Overall, the results of our study suggest that:

- the overall comparability effect of mandatory IFRS adoption is marginal;
- only firms with high IFRS compliance experience substantial increases in comparability;
- firms from countries with tighter reporting enforcement experience larger IFRS comparability effects; within-country comparability is affected by the IFRS mandate in that public firms adopting IFRS become less comparable to private firms from the same country.

Dr Stefano Cascino (LSE) and Professor Joachim Gassen (Humboldt University, Berlin)

This article is based on the paper *What Drives the Comparability Effect of Mandatory IFRS Adoption?, Review of Accounting Studies* (2015)

Professor Alnoor Bhimani Awarded an Honorary Doctorate from Aalto University

Professor Bhimani was conferred an Honorary Doctorate of Science in Economics and Business Administration by the University of Aalto in Finland in May 2016. The degree was in recognition of his research leadership in management accounting and its impact on the research agenda and orientation of the field across Europe. Professor Pekka Ilmakunnas paid tribute to Professor Bhimani's efforts in developing collaborative ties between universities including his service to Aalto University's Scientific Advisory Board.

Other recipients of the award included the President of Finland Sauli Niinistö, Professor Udo Zander of the Stockholm School of Economics, Professor Harrison Hong of Princeton University and Sari Baldauf who served as Nokia's Executive Vice President and has been named among the most influential women leaders in the world.

Wim Van der Stede Speaks at the CGMA 2015 Annual Awards and CFO Forum

In the last academic year, Professor Wim Van der Stede spoke at three occasions on a three-day visit to Shanghai and Guangzhou, starting with the CGMA 2015 Annual Awards and CFO Forum, then at Sun Yat-Sen University, and he also gave the opening keynote at the China Journal of Accounting Studies conference at Jinan University.

During his opening speech at the latter event, Professor Van der Stede called on Chinese scholars, whether or not in collaboration with scholars from around the world, to exploit the vast opportunities that recent initiatives and changes in the regulatory space and accounting field offer for research by allowing to exploit distinctive features of the institutional setting to test and hone espoused theories.

MARG 2016 – Business Models and Cultures




On Thursday 14 April the London School of Economics and Political Science hosted the 37th Annual Management Accounting Research Group Conference. Recent meetings of the group addressed strategic partnerships and management accounting, as well as the state and the future of management accounting. This year the focus was on business models and cultures, offering another perspective on management accounting practice and research at a time when cultural dimensions of operations are receiving increased attention, as is evidenced by the frequent discourse on such areas as risk culture. A strong attendance evidenced the relevance of and interest in the topic, with some 130 registered delegates from both academia and professional practice attending the day-long event at LSE. Such diverse backgrounds and perspectives generated much lively and intellectual discussion throughout the day.

Professor Robert Scapens from the Manchester Business School initiated proceedings with a presentation addressing how cultural differences within an organisation can generate different responses to the introduction of a new business model. Recognising that different business units will have different cultural emphases, the case explored the implementation of a new business model in an organisation consisting of three business units, with each unit emphasizing different logics in their operations. The analysis focused on the introduction of a new structure to the accounting function and how the business units received this change. Results suggested that tensions in the change varied with the extent to which the logics of the business unit and the accounting function were in closer proximity.

Steve Maslin, Partner at Grant Thornton, then spoke about the impact of cultural change and business model shifts on accounting. Steve drew his illustrations from a financial accounting setting. Specifically, he observed an increased inclination to question the relevance of traditional financial reporting models. He noted a call for supplemental reporting information, with a key role identified for management accounting and narrative reporting to supplement traditional financial reporting. While traditionally audited financial statements may remain relevant as a source of information, they increasingly need to be supplemented by information that reflects the key drivers of the organisation's business model.

Anette Mikes, an LSE PhD graduate currently at HEC Lausanne, gave a presentation on risk cultures and business models. She presented an eclectic mix of academic perspectives which incorporated anthropological and conventional business based ideas about culture. This aimed to position culture within the extant management literature. A central thesis from this coverage of the literature was that culture is difficult to change. From this positioning the domains of culture and management accounting were linked, leading to the consideration of risk culture, with a salient point being that within an organisation there can be several risk cultures in place depending on where the attention is focused. This arises through different people having different perceptions of what is meant by risk. Ultimately the organisation's risk appetite was seen to be of paramount importance, with its consideration in conjunction with the various competing objectives and stakeholders of an organisation seen to require a somewhat fluid approach to setting objectives.

Building on the aim of open dialogue and thought sharing, and responding to suggestions from previous conferences, this year's program included a breakout session. Delegates were divided into six groups and each group was charged with the task of considering a range of questions related to the day's agenda items. Topics for consideration included:

- The definition, role and understanding of the business model and the role of the management accountant in formulating the business model;
- How to change an organisation's culture and the measurability and communication of culture throughout the levels of the organisation;
- Risk culture and its influence and role in corporate performance, with a series of questions drawing on the practical experience of the practitioners and their perceptions of risk culture as an enabler or a consequence within an organisation, and its link to broader organisational goals;
- Indicators and signals that point towards the need to redesign a business model.

Continuing the recurrent theme of practical perspectives, Nick Read, Vodafone Group CFO, gave the Distinguished Practitioner lecture. Nick provided an overview of how the Vodafone business model had changed as the company experienced rapid growth in its global presence and product offerings. Culture was presented as a key part of the Vodafone business model and how it tied in, particularly, with employee development, incentives, and career progression.

MARG acknowledges the support of the ICAEW's Charitable Trusts, CIMA's General Charitable Trust, and the London School of Economics and Political Sciences Department of Accounting with thanks for their support in allowing such integration of perspectives on a topical issue in the management accounting field.

Brett Considine and **Felix Vetter**
PhD Students in Accounting, London School of Economics and Political Science

Evidence Suggests that Firms Set Targets to Avoid Small Losses

Professor Wim A Van der Stede discusses how firms' propensity to avoid losses is more pronounced in targeted than reported earnings

The study in brief

An important element of firms' management control systems is the practice of establishing targets for future performance. Such practices serve to organize and coordinate firms' decisions and form the basis for performance evaluation and compensation. In their study, Professor Van der Stede and colleagues provide novel empirical evidence about firms' target-setting practices based on a survey of compensation practices at 666 entities.*

Specifically, they examine the extent to which firms use past performance as a basis for setting earnings targets in their annual bonus plans and assess the implications of such targets for managerial incentives. Perhaps the key finding is about target ratcheting, where prior studies find that firms revise performance targets upwards when their managers exceed prior-year targets, yet do not revise targets downward (or revise them less) when managers fail to meet prior-year targets. These target-ratcheting practices are interpreted as evidence of counter-productive incentives because they presumably motivate managers to withhold effort in order to avoid difficult targets in the future. The authors argue, however, that this interpretation is incomplete and makes inconsistent assumptions about how information about prior-year performance is used when setting future targets.**

But the study also revealed an interesting pattern in firm's earnings distributions, not only in reported earnings, which has been documented before, but also in targeted earnings.

The first picture shows the distribution of actual earnings and replicates a well-established finding that reported earnings exhibit a "discontinuity at zero" (meaning that there are disproportionally fewer firms with small losses compared to small profits), which has been surmised to suggest, among other explanations, that firms may "manage" earnings to avoid small losses. Whether or not that is the case, it suggest that firms have a "distaste" for slight losses for whatever reason, and several reasons have been examined.

What's new in this study, however, is to present distributions of earnings targets, where Figure 2 shows that the "discontinuity at zero" exists for earnings targets as well. Actually, a comparison of the two pictures suggests that the discontinuity at zero is even more pronounced for target earnings than for reported earnings.

Moreover, we find that earnings targets set at zero are abnormally difficult to achieve compared to other targets. For example, our evidence suggests that the perceived likelihood of meeting a zero earnings target is 24 per cent lower; that is, targets set at zero are clearly harder to achieve.

Combined, our findings imply that firms are reluctant to set negative targets and that the widely documented discontinuity at zero in distributions of reported earnings also extends to earnings targets. Moreover, we find that zero or slightly positive earnings targets are not only more prevalent than are targets just below zero, they are also more difficult to achieve than all other targets.

What might this imply? It indicates that firms are reluctant to set negative targets and instead prefer to "stretch" earnings targets to zero even if it renders such targets difficult to achieve. This suggests that firms do not want relatively small losses or "slight misses", and that they do this by way of providing bonuses for targets at profit. Managers thus have incentives to work hard to prevent losses. What's there to lose, then, other than the loss?

Figure 1

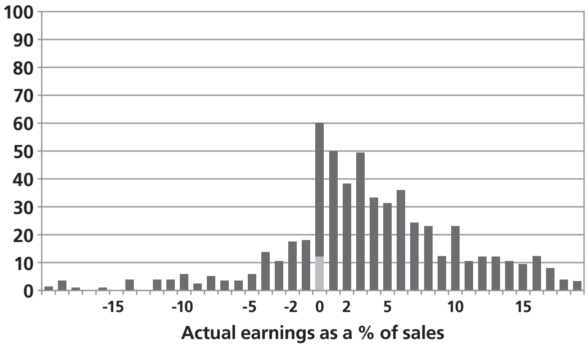
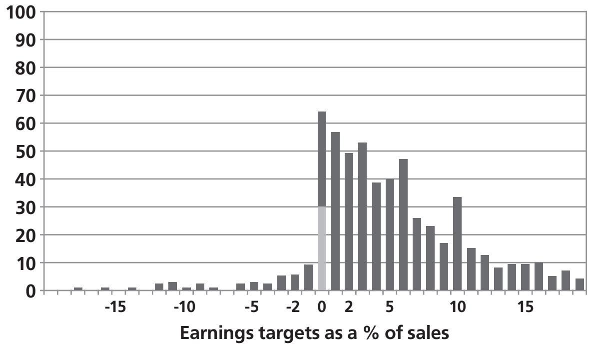


Figure 2



Earnings scaled by sales are plotted in 1% intervals (eg, 0% stands for return on sales equal or greater than 0% and smaller than 1%). The first figure shows 561 entities with 2008 actual earnings between -20% and 20% of sales. The lighter bar at 0% represents 12 entities with 2008 actual earnings exactly equal to zero. The second figure shows 568 entities with 2008 earnings targets between -20% and 20% of sales. The lighter bar at 0% represents 30 entities with 2008 earnings targets exactly equal to zero.

* This articles based on the paper *Earnings targets and annual bonus incentives*, co-authored by Wim A Van der Stede, Raffi J Indjejikian, Michal Matějka and Kenneth A Merchant (2014), *The Accounting Review*, 89(4).

** See "Target Ratcheting," *LSE Accounting*, Vol. 6, p. 17.

Centre for the Analysis of Risk and Regulation

The themes of risk and regulation continue to dominate policy debates and scholarly controversies. The Department of Accounting's Centre for Analysis of Risk and Regulation (CARR) is playing its role in advancing international and national conversations in the worlds of research and practice by questions of fundamental public and academic significance.

Regulation in Crisis?, one of CARR's central themes, continues to drive much of our intellectual agenda. One central theme in contemporary debates, for example, is the call for more "engagement". Calls for more engagement have been motivated by a sense of general disappointment with the effectiveness of the existing toolsets of economic regulation in incentivising companies in public interested ways. Beyond the level of universal endorsement of engagement, there has, however, been far less debate about what engagement might actually imply. For some, it is about moving to a world of minimal regulatory involvement and directly negotiated settlements between customers and regulated firms. For others, it is about advanced consultation and stakeholder involvement. Such processes also challenge the understanding of regulator's roles and core competencies. CARR conducted research into engagement processes in water regulation in Scotland, England and Wales as well as brought together leading practitioners in UK economic regulation to contrast their experiences with engagement.[1] This initiative allowed for cross-sectoral learning and established greater understanding of the underlying pre-requites to generate desired outcomes.

Greater engagement has also been a theme in the regulation and oversight of intelligence services. Jeremy Bentham explicitly excluded espionage from his transparency principle that he sought to apply to every other aspect of government activity. One particular trend has been the growth of legal compliance, of internal watchdogs and the changing status of legislative oversight. How to oversee intelligence service's work without interfering with effective operations featured heavily in a CARR workshop that brought together an international group of observers and practitioners.

Questions of good governance also featured in a joint workshop between CARR and Insolvency II Wire titled "The Governance Trap". Bringing together a group of regulators and industry participants from a range of regulated sectors, discussion focused on the ways in which "good governance" had become an important regulatory principle across sectors. However, across sectors, there were concerns about how to assess good governance and how to avoid unintended consequences.[2]

Contemporary research involves collaboration with international partners. CARR is leading two large grants, bringing together leading researchers from European universities. Our latest international collaboration, funded by the Economic and Social Research Council and its national equivalents in France, Germany and the Netherlands, is devoted to the theme "Quantification, Administrative Capacity and Democracy" (QUAD). This project is introduced by Andrea Mennicken in a separate piece in this issue. Moving into its second funding year, the other major international consortium is devoted to transboundary crisis management (TransCrisis transcrisis.eu), funded under the European Union's Horizon 2020 programme. Bringing together eight institutions from seven EU member states, this consortium is devoted to the study of transboundary crisis management at different levels of governance. Apart from leading the overall consortium, the specific CARR research contribution is to focus on the interaction between different levels of administration in the management of risks and crises.

CARR's role in offering a venue for engagement with fundamental questions in the worlds of risk and regulation facilitated the formation of a new relationship between CARR and the Food Standards Agency (FSA), namely the creation of a co-funded position for an early career researcher to generate research and apply it in the context of the evolving landscape of UK food regulation. Across the LSE, this position is a novel initiative to promote close ties between the worlds of research and practice and we are grateful to the LSE and the FSA for making this initiative financially feasible.

As debates about risk and regulation shape everyday life, CARR provides an international venue for publicly minded interdisciplinary research collaboration involving opinion-shapers, decision-makers and stakeholders. It is only through such an open, curious and independent approach to important questions that transformative research innovation can take place and ways in which constructive forms of governance can be explored.

CARR is departmental research unit in the Department of Accounting committed to the interdisciplinary study of risk and regulation.

carr
centre for analysis of risk and regulation

[1] For further information, see CARR discussion papers 82 and 83 (lse.ac.uk/accounting/CARR/publications/discussionPapers.aspx)

[2] For further information, see solvencyiiwire.com/governance-trap-future-regulation

CARR Project Receives ESRC Funding Under the Prestigious Open Research Area Award Scheme

Andrea Mennicken and Martin Lodge have been awarded a prestigious grant of £591,000 by the Economic and Social Research Council under the Open Research Area (ORA) for the Social Sciences programme to study relations between quantification, administrative capacity and democracy (QUAD).

The research is being conducted by a multidisciplinary team of social scientists based in the Centre for the Analysis of Risk and Regulation at LSE, the Centre de Sociologie de l'Innovation at Mines ParisTech (France), the Faculty of Sociology at Bielefeld University (Germany), the Department of Management Accounting and Control at Helmut-Schmidt University Hamburg (Germany) and the Institute of Political Science at Leiden University (Netherlands).

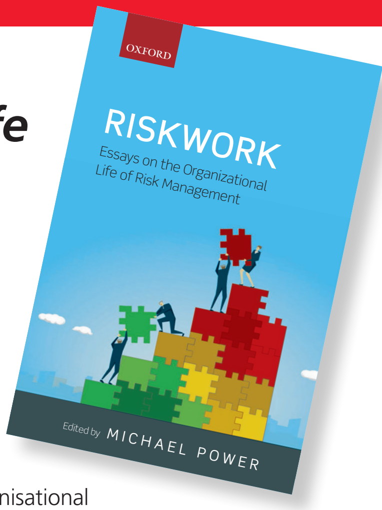
The three year research project is supported by more than €1.9million in research grant funding awarded through the "Open Research Area (ORA) for the Social Sciences" programme by the Agence Nationale de la Recherche (ANR, France), Deutsche Forschungsgemeinschaft (DFG, Germany), the Economic and Social Research Council (ESRC, UK) and the Nederlands Organisatie voor Wetenschappelijk Onderzoek (NWO, Netherlands).

Through quantification, public services have experienced a fundamental transformation from "government by rules" to "governance by numbers", with fundamental implications not just for our understanding of the nature of public service itself, but also for wider debates about citizenship and democracy. This project scrutinizes the relationships between quantification, administrative capacity and democracy across three policy sectors (health/hospitals, higher education/universities, criminal justice/prisons) and four countries (France, Germany, Netherlands, UK). It offers a cross-national and cross-sectoral study of how managerialist ideas and instruments of quantification have been adopted and how they mattered. More specifically, it examines (i) how quantification has travelled across sectors and states; (ii) relations between quantification and administrative capacity; and (iii) how quantification has redefined relations between public service and liberal democratic understandings of public welfare, notions of citizenship, equity, accountability and legitimacy.

More details about the project can be found on the CARR website: lse.ac.uk/carr

Q U A = D

quantification, administrative capacity and democracy



Riskwork: Essays on the Organizational Life of Risk Management

Accidents and disasters provide much of the empirical raw material and motivation for both academic and practitioner studies of risk. Since Barry Turner's classic study of "man-made disasters" in 1978 and Diane Vaughan's equally significant analysis of the Challenger shuttle disaster in 1996, risk studies have been largely conducted in the shadow of things going wrong. Notable exceptions include the work of Karl Weick and Kathleen Sutcliffe on the forms of sensemaking and attention at stake for organisational actors in high risk environments which demand high reliability.

This collection of essays builds on this second body of work – focusing on the normal, everyday and even mundane organisational settings for risk management. The various contributions deal with the situated management of risk in a wide variety of settings – aviation, mental health, railway project management, energy, toy manufacture, financial services, chemicals regulation, and NGOs. Each chapter connects the analysis of risk with critical themes in organisation studies more generally based on the authors' access to, and observations of, actors in the field. The emphasis is upon the variety of ways in which organisational actors, in combination with a range of material technologies and artefacts, such as safety reporting systems, risk maps and key risk indicators, accomplish and make sense of the normal work of managing risk – "riskwork" to coin a term.

The chapters reveal that the routine and everyday work of risk management is highly varied, entangled with material artefacts which represent and construct risks and, importantly, is not confined to formal risk management departments or personnel. This view of the distributed nature of this riskwork in organisations lives uneasily with more formalised risk management protocols and accountability requirements. In addition, riskwork as an organisational process involves issues of identity and values which are often contested and do not feature in conventional risk management guidance. When we exam this "back stage" we see that encounters are more emotionally charged than images of rational calculation lead us to believe. Organisation actors expend effort to construct and make visible certain kinds of risk object while others are less visible.

These careful studies of "normal" risk management are not irrelevant for the understanding of disasters and accidents. However, instead of analysing the causes of risk crystallisation with the benefit of hindsight, each chapter suggests that whether risks and dangers are incubating is an open empirical issue and not always easy to perceive at the time. Beyond the obvious culprits of non-compliance with regulations and other forms of manifestly deviant behaviour, the real challenge both for scholars and for risk managers is to examine how the normal, unremarkable and mundane features of organisational life, including issues of organisational design, can be sources of risk.

Mike Power
Professor of Accounting

Riskwork: Essays on the Organizational Life of Risk Management is published in September 2016 by Oxford University Press

Professor Michael Power Awarded an Honorary Doctorate from Turku School of Economics

In the Ceremonial Conferment of May 2016, **Professor Michael Power** was awarded the degree of Doctor of Economics Honoris Causa by Turku School of Economics, Finland. The Honorary Doctorate is in recognition of Professor Power's outstanding international research record and significant contributions from conducting interdisciplinary research in the areas of risk management, auditing and corporate governance.

Two Awards Recognising Research by Professor Ane Tamayo in Corporate Social Responsibility

European Corporate Governance Institute Award

The 2016 Standard Life Investments Prize for the Best Paper in the ECGI Finance Working Paper Series was awarded in April at the London School of Economics and Political Science to Professor Karl Lins (University of Utah), Professor Henri Servaes (London Business School), and Professor Ane Tamayo (LSE) for their paper on "*Social Capital, Trust, and Firm Performance during the Financial Crisis*" (working paper 446/2015).

The BlackRock Research Prize

The BlackRock Research Prize for best paper on capital markets, funds management, and mutual funds was awarded to doctoral student Hami Amiraslani and Professor Ane Tamayo for their paper "*Corporate Social Responsibility and the Agency Cost of Debt during the Financial Crisis*" with Professor Karl Lins (University of Utah) and Professor Henri Servaes (London Business School). The award was presented to the authors during the Australasian Finance and Banking Conference at the Institute of Global Finance of the University of New South Wales in December 2015.

Professor Bhimani Speaks on Accounting in "the Digital Era"

Professor Alnoor Bhimani delivered three international talks addressing the question of the future of accountancy and wider management education in the face of the challenges presented by the digital economy.

Speaking at Bocconi University, Italy, and at The University of Technology Sydney, Australia, he noted the impact of macro-social and economic global shifts which are altering the volume and forms of data being produced and consumed and the consequent options for business models and enterprise design. He spoke to an audience of accounting scholars noting that the ongoing digital data explosion will alter accounting practices with or without accountants' involvement.

Professor Bhimani discussed world demographic changes, urbanisation, and the extending economic influence of Eastern economies, the growth of regulatory requirements and the advent of communicative technologies on data expansion over the next decade. Central to digitisation's consequences for the finance function is whether accountants promote or simply observe technological changes impacting data generation and use.

He noted that investments were being made into higher resolution smart devices which are accelerating digital data growth in developed countries whilst there exists fast paced ongoing penetration of mobile platforms in developing nations. He suggested that accounting's historical focus solely on formal structured data processing and reporting is increasingly under pressure.

He discussed Big Data, analytics, blockchain, artificial intelligence, robotics, 3-D printing and the "internet of things" as technological innovations driving organisations through both a physical and an information transformation of major significance. He articulated a number of measures which need to be addressed by professional financial expertise bodies, accountancy institutes and business schools.

Specifically, Professor Bhimani highlighted the need to train information professionals who are adept in co-mingling IT skills with finance expertise alongside corporate strategy, all the while honing communicative capacities to managers' and wider stakeholders' information needs.

In his speech at the Lahore School of Management Sciences in Pakistan, Professor Bhimani addressed the implications of the data deluge associated with the widening use of digitised communication technologies. Highlighting social, economic, cultural and demographic trends in South Asia, he commented on the regions extremely fast and increasingly pronounced penetration of internet enabled mobile devices. He argued that whilst the growth of data production is driven by internet penetration, increased investments by users into more sophisticated devices enabling higher informational resolution will drive a "second" data deluge in the next decade.

Professor Bhimani highlighted the link between digital connectedness and GDP growth which is becoming increasingly manifest in Asian economies including that of Pakistan. As a consequence, managerial practices and decision making approaches grounded in industrial economy principles will, in some contexts, need to alter and evolve toward servicing digitised enterprise environments.

The article is extracted from Professor Alnoor Bhimani's talks at Bocconi University, Italy; The University of Technology Sydney, Australia; and Lahore School of Management Sciences in Pakistan.

With Manager Performance Metrics, the Tricky Question is How to Reward Long-term Thinking

Wim A Van der Stede discusses the advantages and pitfalls of return vs profit metrics.

Some time ago I was asked to comment on a study[1] that found that the use of accounting return measures and non-financial measures in bonus plans was associated with managers' long-term focus. This suggests that proper performance measurement systems can affect managers' horizon and alleviate myopia.

Myopia is indeed a pervasive issue in business, as the Kay Review[2] suggests (amongst countless others). The blame is often squarely on performance measurement (eg, Kay, p. 75): "Ratios such as earnings per share and return on equity can be influenced by reducing the denominator rather than by increasing the numerator, so that these metrics can show positive returns even if the underlying value of the business is only maintained or even reduced."

Evaluating managers on the basis of accounting profits will predictably provide incentives to increase short-run profits by cutting new product development, training, etc. even if doing so reduces value long term. While the counterproductive effects associated with accounting performance measures are well understood, Murphy & Jensen[3] argue, like Kay, that "even-worse problems are created when these measures are expressed as ratios or rates of return" (p. 29). To lay it on thick, Murphy & Jensen (p. 32) state that "if it is a performance measure and a ratio, it is wrong."

How does that jibe with the finding that I was asked to discuss[1], showing that accounting return measures have an even greater beneficial effect on managers' long-term orientation than non-financial measures (presumably because including a cost of capital notion makes accounting return measures different from profit measures in affecting managerial long-term orientation)?

They have a point (although up to a certain point only). Indeed, while accounting profit measures take both (but only) revenues and expenses into consideration, they ignore the cost of the capital employed. As such, accounting profit measures provide incentives to invest in any project that earns a profit, but not necessarily earns more than the cost of capital. Conceptually, then, any measure that also takes into account the cost of capital must be more "complete" and, therefore, more "congruous" with long-term value creation. By implication, firms that are concerned about the long term should put relatively more weight on accounting return measures than on profit measures.

That is, however, assuming that the operational features of the measure and the implementation of the performance measurement system do not undermine this conceptual logic. And there are two dials to this: whether or not the "return" measure is expressed as a ratio (rather than as a residual income measure) or vis-à-vis a target.

If the measure is expressed as a ratio, one could argue that managers are possibly more likely, but certainly vastly more able, to scupper the long term intended focus than with profit measures, as indeed they now have both a numerator and denominator to play with to try and meet their target — which perhaps is the reason why Murphy & Jensen deem return measures even worse. In banks, Andrew Haldane[4] at the Bank of England similarly condemned ROE measures as having contributed to short-termism, arguing that they have led to excessive gearing [ie, more numerator with less denominator] which for "longer-term investors is a road to nowhere" (p. 12), because it causes managers to "put risk ahead of return and short-term ahead of long-term performance" (p. 13). This of course gets exacerbated when the targets set for returns (or expectations from executives or shareholders) are more challenging.

So here is the irony. Whereas return measures may helpfully invoke a level of awareness about returns in managers' minds, rather than merely a preoccupation with profits, it is not clear that such awareness by itself will be enough to curtail short-termism. Worse, managers held accountable in their performance evaluations for ratio-type return measures may actually have extra ammunition to act myopically in their decision making as they can now focus not only on trying to increase the numerator (accounting profits), but also may be tempted to try and decrease the denominator. When they do, value is likely to suffer.

But will they? Can we assume that the informational effects of awareness about returns will dominate any motivational effects triggered by concerns to meet or exceed return targets? I reckon it may not. The right measurement focus (awareness of returns) undoubtedly is a good start, a necessary but unlikely sufficient condition to mitigate myopia. Particular elements of incentive system design (especially targets and the pressure to meet them), and the extent of decision rights over capital investments, are likely to remain the more potent drivers. Part of the issue can be alleviated by using non-ratio return measures, such as value-added or residual income measures. Surely, accounting return measures of any type under any condition aren't quite like the ropes that tied Ulysses to the mast to resist the call of the sirens.

[1] Abernethy, M. A., J. Bouwens, and L. van Lent. 2012. The role of performance measures in the intertemporal decisions of business unit managers. *Contemporary Accounting Research*, 30(3), 925-961.

[2] Kay, J. 2012. *The Kay Review of UK Equity Markets and Long-Term Decision Making*. London, UK (Final Report, July 2012), available at bis.gov.uk/kayreview

[3] Murphy, K. J., and M. C. Jensen. 2011. CEO bonus plans, and how to fix them. *Working Paper*, Harvard Business School and USC Marshall School of Business.

[4] Haldane, A. G. 2011. Control rights (and wrongs). Wincott Annual Memorial Lecture (London, 24 October 2011), available at wincott.co.uk/lectures/Andy_Haldane_2011.pdf

Why Airplanes Take Off and Land Safely Despite All the Risks

Tommaso Palermo discusses how culture is hardwired in safety processes and systems.

You are sitting on an airplane, enjoying the end of a flight back home. The flight lands OK, the pilot and crew thank you for choosing airline X – persuasively saying that they look forward to seeing you again on board – the doors open OK and you can happily disembark the aircraft. It happens for thousands of flights daily: how is it possible?

Each flight is subject to a large number of potentially risky manoeuvres and operations from taking off to landing. What makes all these operations safe? To find out, I looked at safety practices in a large airline, interacting with personnel from the safety department and observing some of their tools at work. The research focus was not, as usually happens in studies of risk management, on crises and incidents but, on the systems and processes that are "green".

The argument is simple. The study of the extraordinary rare incident is likely to end up with conventional explanations for failure such as ignored warnings, information deficits and shortcuts in the wake of disasters. The study of what makes routine operations safe can be instead intellectually stimulating, not least because it allows us to learn about the functioning of complex operations. It also offers practical lessons. Not surprisingly, following the financial crisis and major corporate failures and scandals, there seems to be an increasing interest in learning from safety practices in aviation by institutions working in the financial sector. An indicative example is a recent document published by a professional association of internal auditors as part of a market-led initiative to gather insight into corporate culture and the role of boards in measuring and assessing culture.

The initial interactions with personnel from the safety department articulated the importance of something called "just culture". This reflects an "atmosphere of trust" in which people are incentivised to report safety information, but in which they are also clear about where the line must be drawn between acceptable and unacceptable behaviour. In other words, if you report something, it should be clear what happens next. A genuine mistake is OK. A wilful violation is not.

Is "just culture" all that matters? Not quite. The main lesson from the case is that a widely touted motif and aspiration for a "just culture" works if hardwired and operationally expressed in processes, monitoring systems and technologies.

There are two facets to the way in which just culture is hardwired in processes and monitoring systems. On the one hand, they are a source of support to risk identification and analysis. Reporting should be kept easy. The analysis of what is being reported should also be kept easy. For example, in the airline, there are no thresholds to what needs to be reported (simply: everything!); it is possible to report via smart phone apps with access to the internal reporting system; the system helps to support cross-functional interactions as the investigation progresses; the system also helps to create an audit trail of everything that is being done until feedback is provided to the reporter.

On the other hand, processes and monitoring technologies are also a source of discipline, making it almost impossible for people not to report. Various monitoring systems recreate a "room with no corners". Possible issues such as doing the wrong turn while flying the plane is picked up anyway. So, you better report any problems before you are made to report it or found out not reporting it. As put by one safety manager of the airline, that "helps" people to be honest as there are "no corners to hide".

Somebody sceptical, perhaps due to frustration with previous attempts to work with (risk) culture might say: reporting and analysing risk is one thing, but making it meaningful and changing behaviour is another. In addition to notions of just culture and technology, you need to make people realise something is wrong and grab their attention.

What would "grab" their attention? In the case of the airline, safety personnel were focusing more on building trust and leveraging some kind of sense of humour rather than formal policies and prohibitions.

One example made this focus clear. Flight monitoring technologies may show landings outside the normal parameters. This is not always bad. For instance, in some cases, it may reduce transfer time to the terminal buildings. So there is no immediate risk, but there is a latent risk that people get used to that behaviour. And a long landing is not a good idea in specific contexts such as a short runway. So monitoring technologies tell you about a potential issue, and people may have also reported about it. In line with a notion of "just culture", this reporting may lead to actions to change behaviour to correct what can be seen as a genuine mistake. What can be done? You can define a formal policy saying that long landings are bad. Or, as in the case of the airline, you can take satellite photographs of the runway and overlay these on top of the actual touchpoint on the runway where the aircraft was. And then send this directly to the crew, and say: 'How do you feel about it?'

Hopefully that would make pilots and crew members feel a bit more uncomfortable. And us – as passenger – a bit more comfortable when catching the next flight home.

Dr Tommaso Palermo
Lecturer of Accounting

This article is based on the research article *Technoculture: Risk reporting and analysis at a large airline*, in M. Power, *Riskwork: Essays on the Organizational Life of Risk Management*, Oxford University Press (2016)

Interview with PhD student Daphne Hart

Daphne Hart is a class teacher for the AC100 course and academic adviser in the Department of Accounting.

What is your background prior to starting the PhD in Accounting programme?

Upon completing a Masters in Economics at Tel-Aviv University and after teaching for several years at the Recanati Business School's MBA programmes, I decided to pursue an academic career. I spent a year in France, studying and teaching finance at INSEAD, and after graduating with a Masters in Management, I joined LSE. Over the years, in addition to teaching, I was involved in several research projects and consultancy to companies and the public sector.

What is your research about?

Broadly, I am interested in executive compensation and managerial incentives. I care about how the decisions managers make influence their remuneration and how the structure of managerial compensation affects the actions of managers. Currently, I am focusing on Directors and Officers' Liability Insurance, which is part of executives' pay packages. I am studying how accounting reporting practices influence firms' incentives to purchase insurance for their managers.

Is there a typical day in the life of a PhD student?

It is hard to say there is a typical day. Each day is different as the life of a PhD student involves various activities and roles. There are days dedicated to preparing classes and teaching, others are dedicated to meeting with supervisors and research activities or to seminars. I particularly enjoy seminar days. On these days we have a seminar given by a guest speaker, as part of the three seminar series run by the Department of Accounting. The guest speakers usually present one of their working papers or a research project. A typical seminar day will often start with an informal chat about the seminar paper with other PhDs over coffee. It follows with the seminar itself, which is a fascinating hour and a half of collective discussions in response to the paper. Usually after the seminar the PhD students have an hour long meeting with the guest speaker. These meetings are insightful as it sheds light on the work ethics and research philosophies of different academics. The guest speakers are always very generous, take interest in our work and provide us with sound advice about academic life and professional development. I find these seminar days inspirational and motivating.

What is your favourite aspect of being a PhD student?

My favourite aspects are the research itself and the research community. As a PhD student, I get to identify interesting questions and phenomena, and then search for potential explanations. Research is an evolving process which is improved by constant feedback from colleagues and supervisors. Essentially, my fellow PhDs, the accounting faculty and especially my supervisors keep challenging me which allows me to push myself and my research forward. I enjoy this constant drive to better understand things.

What is your least favourite aspect of being a PhD student?

My least favourite aspect is having deadlines. I have a lot of independence and I often schedule my own working hours and deadlines. However, the price of this independence is having to adhere to those personally set deadlines, which sometimes require great self-discipline and determination.

How much teaching do you do?

I started teaching at the LSE in my second year (2015/16). I was a class teacher for AC100, which is an introductory course to accounting. In the Michaelmas term I taught Financial Accounting, and in the Lent term I covered Managerial Accounting and Finance. I had two classes on Friday afternoon throughout the year.

What do you enjoy about teaching?

I truly enjoy interacting with students, during classes or office hours. I like to make the class material more engaging, by providing examples and developing the students' intuitions, so that my students will be able to easily tackle similar problems themselves. Knowing that I contributed to a student's success is gratifying.

What would you like to pursue in your career after you achieve your PhD?

I aim to pursue an academic career. I would like to continue to teach and conduct research, likely in the area of managerial incentives and employee compensation. I also enjoy analytical research and would like to carry out more work in this area in the future.

Finally, what advice would you give to anyone considering a PhD in Accounting at LSE?

Try to get as much information as possible about an academic career in general and the PhD programme in particular. The Accounting Department holds several PhD information sessions every year. These are very helpful, providing detailed information about the programme and allowing prospective students to ask questions of faculty and current PhD students. If you are unable to attend the information sessions, there is a lot of information available on the Department of Accounting's and the school's websites.

Alumnus Spotlight: Katerina Cervenkova, MSc Accounting and Finance 2014

My name is Katerina Cervenkova originally from the Czech Republic, now living in Jersey, Channel Islands. I achieved a top score out of over 25 thousand students who took an ACCA exam in Audit and Assurance in June 2015. How did it happen?

I started my university education at Charles University in Prague studying economics. Participating in the Erasmus programme and spending a semester in London as part of my undergraduate degree motivated me to apply for a Master programme abroad.

My attention was drawn to the London School of Economics and Political Science well known for the research-led teaching and outstanding academic research. Before I enrolled in my Master degree I attended a summer school course at LSE which was academically enriching and relevant and, hence, further cemented my decision to pursue a degree at LSE.

The MSc in Accounting and Finance was an easy choice since I had worked as an intern in the audit department at EY in Prague during my undergraduate degree. Working in audit is a great opportunity to gain insight into the operations and financial aspects of many companies over a short period of time. One of the crucial capabilities of an auditor is familiarity and a good understanding of accounting frameworks. LSE's MSc programme was simply the best fit as it offered a great combination of advanced accounting and finance modules.

During my studies at LSE, I managed to secure a job from PwC in Jersey, Channel Islands, also thanks to the excellent worldwide reputation LSE enjoys.

Perhaps my choice of location may seem a bit unusual. However, I absolutely enjoy every moment on the island. Be it because of the long stretches of beautiful sandy beaches that are on your doorstep or the variety of sporting activities (including surfing and sailing) you can participate in. In addition, London can be reached from Jersey in 40 minutes by plane whenever you fancy a West End show.

Jersey is a major international offshore financial centre making it attractive for graduates seeking exposure to finance. In addition, I particularly like the size of our PwC office in Jersey. With less than 200 employees coming from all over the world, you get to know each other very quickly across all ranks both on the professional and personal level through working together and numerous sports and social events.

The support provided by PwC and my family, the enjoyable environment that Jersey has to offer together with my knowledge obtained at university, my curiosity and perseverance all contributed greatly to my achievement of a top exam result and becoming an ACCA Global Prize winner that I am very proud of.

LSE Students' Union Accounting Society

The 2015/16 academic year has been a busy year for the LSESU Accounting Society. The Society's committee and subcommittee have been working closely with the Department of Accounting in order to provide the best opportunities to the LSE students throughout the year.

The Society has held various events to maximize the benefits for our members. Regarding the career side, we collaborated with the Chartered Institute of Management Accountants (CIMA), organised the Mock Assessment Centre where participants enhanced their teamwork and group presentation skills through working on business case studies. We also organised a Tax Game workshop with EY where participants were able to network with the professionals and gain insights on how accounting knowledge is related to the taxation in the business field. The Society also held the annual dinner at the end of academic year to increase bonding within members across years 1 to 3.

Looking into the academic side, we aimed to foster a close community for LSE students. We continue our AC100 Peer Tutoring Session, providing support and help to our members in tackling problems related to the AC100 course. Special thanks to our Academic Director, Jean Li, who worked closely with Chris Constantinou, the Teaching and Learning Support Manager of AC100 to ensure the AC100 Peer Tutoring Session ran smoothly. We also extend our gratitude to every peer tutor who made the programme happen.

The Department of Accounting has been providing support and contributed a lot to the Society's success in events and running our initiatives. We are looking forward to continuing to work with the Department of Accounting in the future.

Kailey Wong
President, LSESU Accounting Society 2015/16

LSE Students' Union Accounting, Organisations and Institutions Society

What a truly unique experience this past academic year has been. One of the major contributors of enjoying the LSE experience has been the Accounting, Organisations and Institutions (AOI) Society.

This year our elected committee got to work straight away with finding possible academic and non-academic activities. Introduction to Bloomberg, Long Essay workshops and a Christmas dinner were all included in Michaelmas Term.

Lent Term started off with guest speaker Stephen Cooper, who is a member of the International Accounting Standards Board (IASB) and Alumnus of the LSE Department of Accounting. Following his insights on the endorsement process of IFRS 9, a standard about financial instruments in response to the financial crisis, the Department of Accounting provided a generous reception to chat and discuss relevant topics among participants.

Samia Msadek, Practice Director of Global Governance at the World Bank, gave her insight on "good" Governance implementation in emerging countries and performance measurement of social objectives, such as poverty reduction. Both events, IASB and World Bank, were very well attended, and excellent complements to the academic discussions in our courses.

A "Make-Your-Own Pizza Party" also rounded up the Lent Term and allowed us to spend more quality time together.

Looking forward, we encourage the next AOI class to expand on our initiatives and continue to make the AOI experience an exceptional one. To support next years' class, we designed and created a roll-up banner for a professional appearance.

We would like to direct our thanks to everyone that has attended our events, thank you to the Department for all their help, and we especially would like to again thank all our guests for their time. It has been truly a pleasure to be part of this exceptional AOI experience.

The 2015/16 Committee: Marc Brodmann (President); Kristoffer Hansen (Secretary); Leigh Baldwin (Event Manager); and Timothy Cheng (Treasurer)

Management Accounting Research: David Solomons Prize

Matthew Hall (LSE) with Anette Mikes (HEC Lausanne) and Yuval Millo (Warwick Business School) were awarded the David Solomons Prize for their paper "How do risk managers become influential? A field study of toolmaking in two financial institutions" which appeared in *Management Accounting Research*. The £1,000 prize is sponsored by the Chartered Institute of Management Accountants (CIMA). The David Solomons prize is awarded for the best article in each annual volume of *Management Accounting Research*. The winning paper is determined by votes from members of the Editorial Board.

LSE Students' Union Teaching Awards 2016

The Teaching Excellence Awards are the only awards at LSE that are student-led: students make the nominations and students choose the winners.

At this year's ceremony, held at the Saw Swee Hock Student Centre, the Department of Accounting's **Imran Malik** (pictured with LSESU General Secretary Nona Buckley-Irvine) was the winner of the LSE Award for Mentoring and Personal Development. The LSESU Teaching Excellence Awards is awarded to teachers who have made a real impact on students, whether through excellent feedback, pastoral support, knowledge sharing or sheer inspiration.

Moreover, **Dorothy Toh** and **Hami Amiraslani** were awarded the LSE Class Teacher Award, given to graduate teaching assistants in recognition of their outstanding contribution to teaching at LSE.

Selected Academic Highlights 2015/16

Dr Ahmed Abdalla

Presentations

INSEAD; Bocconi University; Cass Business School; King's College London; Stockholm School of Economics

Dr Dimos Andronoudis

Presentations

American Accounting Association Annual Meeting (New York)

Dr Vasiliki Athanasakou

Awards

Multinational Finance Society 2015 Young Researcher Best Paper Award

Publications

Investor Attention to Rounding as a Salient Forecast Feature (with A Simpson), International Journal of Forecasting (2016)

Presentations

Canadian Academic Accounting Association Annual Meeting; Multinational Finance Society Annual Conference; American Accounting Association Annual Meeting (New York); Accounting Conference at Temple University; Manchester Business School; Ivey Business School; Hanken School of Economics; University of Piraeus; University of Stirling; Nottingham Business School

Academic Visits

Ivey Business School, Western University, European School of Management and Technology

Professor Alnoor Bhimani

Awards

Honorary Doctorate of Science at Aalto University

Publications

Voluntary Corporate Sustainability Reporting: A Study of Early and Late Reporter Motivations and Perceived Outcomes (with H Silvola and P Sivabalan), Journal of Management Accounting Research (2016)

Presentations

Lahore University of Management Sciences; University of Technology Sydney; Bocconi University

Dr Jose Carabias Palmeiro

Awards

American Accounting Association Financial Accounting and Reporting Section Meeting – Best Paper winner for *The Real-Time Information Content of Macroeconomic News: Implications for Firm-Level Earnings Expectations*

Presentations

American Accounting Association Financial Accounting and Reporting Section Meeting

Dr Stefano Cascino

Publications

Professional Investors and the Decision Usefulness of Financial Reporting (with M Clatworthy, B Garcia Osma, J Gassen, S Imam and T Jeanjean), research monograph commissioned by EFRAG and ICAS (2016)

Presentations

American Accounting Association Financial Accounting and Reporting Section Meeting; King's College London; Lancaster University Management School; LUISS Business School; University of Ghent; Manchester Business School; Keele Management School; European Accounting Association Annual Meeting (Maastricht); Singapore Management University Accounting Symposium; Hong Kong University of Science and Technology Accounting Research Symposium

Dr Prajakta Desai

Presentations

European Financial Management Association Annual Conference (Basel); European Accounting Association Annual Congress (Maastricht); Accounting and Finance Association of Australia and New Zealand Annual Conference

Dr Pascal Frantz

Presentations

European Financial Management Association Annual Meeting (Basel)

Dr Martin Giraudeau

Presentations

Harvard Business School; Max Planck Institute for the Study of Societies

Dr Matthew Hall

Awards

2016 David Solomon Prize for Best paper in *Management Accounting Research*

New Appointments

Associate Editor, *Management Accounting Research*

Publications

Realising the Richness of Psychology Theory in Contingency-Based Management Accounting Research, Management Accounting Research (2016)

Who and What Really Counts? Stakeholder Prioritisation and Accounting for Social Value (with Y Millo and E Barman), Journal of Management Studies (2015)

Presentations

Keynote address at the 13th Annual Conference of Management Accounting Research, WHU Otto Beisheim School of Management; University of Technology Sydney

Professor Bjorn Jorgensen

Publications

Discretionary Disclosures to Risk-Averse Traders: A Research Note (with T Kirschenheiter), Contemporary Accounting Research (2015)

Market Exit Through Divestment: The Effect of Accounting Bias on Competition (with H Chen), Management Science (2015)

Presentations

Accounting and Finance Research Forum (Brisbane); Darden Accounting Spring Camp; Chinese University of Hong Kong; Hong Kong University of Science and Technology; Saïd Business School; Keele University; WHU Otto Beisheim School of Management

Dr Lukas Löhlein

Publications

From Peer Review to PCAOB Inspections: Regulating for Audit Quality in the US, Journal of Accounting Literature (2016)

Presentations

British Accounting and Finance Association Annual Conference

highlights

Professor Richard Macve, Emeritus

Presentation

American Accounting Association Annual Meeting (New York)

Dr Nadia Matringe

Presentations

Association of Business Historians and the Society for Business History Congress, Humboldt University; Ludwig-Maximilians University Munich; Institute of Modern and Contemporary History; Le Laboratoire de Recherche Historique

Dr Andrea Mennicken

Publications

Valuation and Calculation at the Margins (with E Sjogren), Valuation Studies (2015)

New Appointments

Visiting Scholar Max Planck Institute for the Study of Societies, Cologne (April-July 2016)

Professor Peter Miller

Publications

How Analysts Process Information: Technical and Financial Disclosures in the Microprocessor Industry (with E Beccalli and T O'Leary), European Accounting Review (2015)

Presentations

World Congress of Accounting Historians (Chieti-Pescara)

Dr Julia Morley

Publications

Internal Lobbying at the IASB, Journal of Accounting and Public Policy (2016)

Presentations

American Accounting Association Annual Meeting (Chicago); Society for the Advancement of Socio-Economics Annual Conference

Dr Tommaso Palermo

Publications

Technoculture: Risk Reporting and Analysis at a Large Airline, in M Power (Ed) *Riskwork: Essays on the Organizational Life of Risk Management*, Oxford University Press (2016)

Presentations

Interdisciplinary Perspectives on Accounting Conference (Stockholm); European Group for Organizational Studies Colloquium (Athens); Global Management Accounting Research Symposium (Copenhagen); Economics and Social Research Council "People Risk" seminar; University of Innsbruck; HEC Lausanne

Professor Peter Pope

Publications

Asymmetric Persistence and the Market Pricing of Accruals and Cash Flows (with T Konstantinidi and A Kraft), ABACUS – A Journal of Accounting, Finance and Business Studies (2016)

Forecasting Risk in Earnings (with T Konstantinidi), Contemporary Accounting Research (2015)

Professor Michael Power

Awards

Fellow, British Academy
Honorary Doctorate from Turku University

New Appointments

Editor, *Accounting, Organizations and Society*

Publications

How Accounting Begins: Object Formation and the Accretion of Infrastructure, Accounting, Organizations and Society (2015)

Qualitative Research in Auditing: A Methodological Roadmap (with Y Gendron), Auditing: A Journal of Practice and Theory (2015)

Riskwork: Essays on the Organizational Life of Risk Management, Oxford University Press (2016)

Building the Behavioural Balance Sheet: An Essay on Solvency 2, Socio-Economic Newsletter (2016)

Presentations

Gaming Metrics conference at the University of California Davis; Cambridge Risk Summit at Judge Business School

Dr Ana Simpson

Publications

Investor Attention to Rounding as a Salient Forecast Feature (with V Athanasakou), International Journal of Forecasting (2016)

Professor Ane Tamayo

Awards

European Corporate Governance Institute Prize for *Social Capital, Trust, and Firm Performance during the Financial Crisis* (with K Lins and H Servaes)

BlackRock Prize for *Corporate Social Responsibility and the Agency Cost of Debt During the Financial Crisis* (with H Amiraslani, K Lins and H Servaes)

Professor Wim A Van der Stede

Publications

Management Accounting in Context: Industry, Regulation and Informatics, Management Accounting Research (2016)

Big Data, Bigger Picture, Financial Management (2016)

Points to Consider When Self-Assessing Your Empirical Accounting Research (with H Evans, M Feng, V Hoffman and D Moser), Contemporary Accounting Research (2015)

Presentations

Ghent University, Sun Yat-sen University

Plenaries at XV Grudis Conference and Doctoral Colloquium, Lisbon School of Economics and Management; China Journal of Accounting Studies Annual Conference, Jinan University (Guangzhou); CGMA China Annual Awards and CFO Forum (Shanghai); American Accounting Association Annual Meeting (Chicago) Presidential Lunch Plenary

Dr Marcus Witzky

Presentations

European Accounting Association Annual Congress (Maastricht); Vienna University of Economics and Business

Department Seminars 2015/16

Accounting Research Forums

11 November 2014
Katherine Schipper
Duke University
Payoffs to Aggressiveness

16 March 2016
Alfred Wagenhofer
University of Graz
Effects of Increasing Enforcement on Firm Value and Financial Reporting Quality

18 March 2016
Maria Loumioti
University of Southern California
Discretion in Collateralized Loan Obligations Reporting

25 April 2016
Brad Badertscher
University of Notre Dame
Day 30: The Tacit Quarterly Information Event in the Banking Industry

9 June 2016
Panos Patatoukas
University of California
Short Sales Constraints and IPO Pricing

24 June 2016
Sonia Konstantinidi
Cass Business School
A Closer Look at the Value Premium: Evidence from a Multiples Based Decomposition

Financial Accounting Seminars

24 September 2015
Naomi Soderstrom
University of Melbourne
Estimation Bias and Monitoring in Clean Development Mechanism Projects

30 September 2015
Jenny Li Zhang
University of British Columbia
What Are the Costs of Admitting Mistakes for Foreign Firms?

13 November 2015
Michelle Hanlon
Massachusetts Institute of Technology
Changes in Corporate Effective Tax Rates Over the Past Twenty-Five Years

18 November 2015
John Hand
University of North Carolina
Hedge Fund Voluntary Disclosures

11 February 2016
Igor Goncharov
Lancaster University Management School
Does Reporting Transparency Affect Industry Coordination? Evidence from the Duration of International Cartels

10 March 2016
Hans Christensen
University of Chicago
The Real Effects of Mandatory Dissemination of Non-Financial Information through Financial Reports

11 March 2016
Jennifer Blouin
Wharton School, University of Pennsylvania
Understanding the Informativeness of Book-Tax Differences

Accounting, Organisations and Institutions Seminars

8 December 2015
Anette Mikes
HEC Lausanne
Fifteen Years On: Reflections on the Kursk Submarine Rescue Failure

26 January 2016
Will Davies
Goldsmiths, University of London
The Sovereignty of Numbers: Measurement and Power Under Neoliberalism

2 March 2016
Christopher Napier
Royal Holloway, University of London
Accounting History and Theorising About Organisations: Insights into Management Accounting Research

27 April 2016
Yuval Millo
University of Leicester
Anglo-Irish and the Social and Organisational Roots of the Irish Banking Crisis

25 May 2016
David Stark
Columbia University
Attention Networks in Financial Markets

Academic Visitors

Naomi Soderstrom
University of Melbourne
September 2015

Anne Jeny
ESSEC Business School
September – November 2015

Roland Speklé
Nyenrode Business School
October 2015

Prabhu Sivabalan
University of Technology Sydney
November – December 2015

Gerardine Doyle
University College Dublin
February 2016

Marie-Léandre Gomez
ESSEC Business School
October – November 2016

Yong Gyu Lee
Sungkyunkwan University
September 2016 – February 2017

Real Implications of Financial Accounting and Reporting, 10th LSE/MBS Conference

The Department of Accounting hosted the 10th LSE-Alliance Manchester Business School conference in June 2016. The conference has been rotating between LSE and MBS over the last eight years, being jointly funded by the Economic and Social Research Council (ESRC) and the Institute of Chartered Accountants in England and Wales (ICAEW).

The conference provides a forum for academics, policy makers and practitioners from around the world to debate topical issues in capital markets-based research to inform policy making and generate research ideas. The conference has grown to become an important annual event in the diaries of many of the participants, and a key input into the thought leadership programme of ICAEW. The appeal of the series has also expanded internationally through the participation of delegates from the United States, Australia, China and around the world.

This year the conference tackled the issue of the real implications of financial accounting and reporting, which is of great interest to practitioners, policy makers and academics. A key innovation this year, largely driven by the nature of the topic, was the addition of a keynote session covering the practitioners' perspectives with representatives from both the corporate world, Steve Webster, Non-Executive Director of Kodak Alaris, and from financial analysts, Ken Lee, Head of European Equity Research at Barclays. Academic insights were offered by a keynote academic speech from Professor Terry Shevlin, University of California Irvine, and four academic papers including research co-authored by LSE faculty members Bjorn Jorgensen and Ana Simpson.

Two interesting insights emerged during the day. While there is a consensus among academics that accounting and disclosure choices have real effects on firm operations, there was much debate over the economic significance of such effects. And, in the corporate world and capital markets, opinions vary substantially depending on how the user defines financial accounting; that is, as a compliance exercise or the building blocks of everything that companies or analysts do.

Dr Vasiliki Athanasakou
Assistant Professor of Accounting

More information available online: lse.ac.uk/accounting/news/10th-LSELUMSMBS-Conference.aspx

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E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL

Presentation Ceremony and Student Prizes

The following prizes were awarded to Accounting students for their excellent examination performance at the 2015 and 2016 presentation ceremonies.

2015 prize winners

BSc Accounting and Finance prizes

The **HC Edey Prize** was awarded jointly to Clarrisa Luk and Jin Ni Ooi for excellent performance in the BSc Accounting and Finance degree overall.

The **Mazar Prize** for excellent performance in AC340 was awarded jointly to Gemma Rhodes-Cheong and Hanlin Tsien.

The **WT Baxter Prize** was awarded to Christopher Irish for excellent performance in the BSc Accounting and Finance degree overall.

MSc Accounting and Finance

The **Emeritus Professors' Prize** for outstanding examination performance in the MSc Accounting and Finance was awarded jointly to Nils Nygaard, Ngoc Thang Nguyen and Hanfei Yu.

MSc Accounting, Organisations and Institutions

The **Anthony G Hopwood Prize** for outstanding examination performance in the MSc Accounting, Organisations and Institutions was awarded jointly to Gerald Nelson and Dip Patel.

2016 prize winners

BSc Accounting and Finance prizes

The **HC Edey Prize** was awarded to Wi Lic Cheong for excellent performance in the BSc Accounting and Finance degree overall.

The **Mazar Prize** for excellent performance in AC340 was awarded to Myles Hodgson.

The **WT Baxter Prize** was awarded to Zuzanna Kraszewska for excellent performance in the BSc Accounting and Finance degree overall.

MSc Accounting and Finance

The **Emeritus Professors' Prize** for outstanding examination performance in the MSc Accounting and Finance was awarded jointly to Chang Guo, Morten Faye Eriksen and Xiaoyang You.

MSc Accounting, Organisations and Institutions

The **Anthony G Hopwood Prize** for outstanding examination performance in the MSc Accounting, Organisations and Institutions was awarded to Franziska Burkart.

The **St James's Place Academy Prize** for excellence in the accounting essay was awarded to Chung Yan Jessica Cheung, Akshay Joshi and Aixhan Sambetbayeva.

Faculty

Ahmed Abdalla *LSE Fellow*

Per Ahblom *Assistant Professor of Accounting*

Dimos Andronoudis *LSE Fellow*

Vasiliki Athanasakou *Assistant Professor of Accounting*

Alnoor Bhimani *Professor of Management Accounting*

Jose Carabias Palmeiro *Assistant Professor of Accounting*

Stefano Cascino *Assistant Professor of Accounting*

Yasmine Chahed *Lecturer in Accounting*

Maria Correia *Associate Professor of Accounting*

Prajakta Desai *LSE Fellow*

Pascal Frantz *Lecturer in Accounting and Finance*

Martin Giraudeau *Assistant Professor of Accounting*

Bjorn Jorgensen *Professor of Accounting and Financial Management*

Saipriya Kamath *Assistant Professor of Accounting*

Liisa Kurunmäki *Associate Professor of Accounting*

Xi Li *Associate Professor of Accounting*

Lukas Lohlein *LSE Fellow*

Nadia Matringe *LSE Fellow*

Andrea Mennicken *Associate Professor of Accounting*

Peter Miller *Professor of Management Accounting*

Julia Morley *Lecturer in Accounting*

Christopher Noke *Associate Professor of Accounting, Departmental Tutor*

Tommaso Palermo *Lecturer in Accounting*

Peter Pope *Professor of Accounting*

Michael Power *Professor of Accounting*

Ana Simpson *Assistant Professor of Accounting*

Ane Tamayo *Professor of Accounting*

David Twardowski *LSE Fellow*

Wim A Van der Stede *CIMA Professor of Accounting and Financial Management, Head of Department of Accounting*

Marcus Witzky *LSE Fellow*

Emeriti

Michael Bromwich *CIMA Professor of Accounting and Financial Management, Emeritus*

Richard Macve *Professor of Accounting, Emeritus*

Visiting Fellows and Professors

Elena Beccalli *Visiting Professor in Accounting*

Peter Holgate *Visiting Professor in Practice*

Jo Horton *Visiting Senior Fellow in Accounting*

Wayne Landsman *Visiting Professor in Accounting*

Martin Walker *Visiting Professor in Accounting*

Joni Young *Visiting Professor in Accounting*

Administrative Team

Justin Adams *Administrator*

Rebecca Baker *PhD in Accounting Programme Manager*

Yvonne Guthrie *Department Manager*

Muhammed Sabih Iqbal *MSc Accounting, Organisations and Institutions Programme Manager*

Sandra Ma *BSc Accounting and Finance Programme Manager*

Dorothy Richards *Graduate Admissions Manager, Diploma* and *MSc Accounting and Finance Programme Manager*

Elizabeth Venning *Student Information Centre Assistant*

Leavers

Farewell, and best wishes to **Matthew Hall** with many thanks for his contributions to the department over the years.

LSE Accounting

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