LSE Department of Accounting

LSE ACCOUNTING 9

MAGAZINE OF THE DEPARTMENT OF ACCOUNTING AT LSE 2018/19

LSE ACCOUNTING 9

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ACCOUNTING MATTERS

This is the sixth column of "Accounting Matters" that I am writing for our annual Magazine of the Department of Accounting at LSE. Each of the last three times, I have been thinking that it would be my last one. No matter. But then, who wouldn't want to be the Head of this Department of Accounting?

It is part of a world-renowned institution of the social sciences; it attracts among the smartest students from around the world; it has an enthusiastic professional services staff; and equally, a strong faculty. And on all of these dimensions—our research, our students, our staff, and our faculty—we are among the most diverse you can imagine.

This "wealth" is once again obvious from the contents of this magazine. It features our research in diverse areas and a variety of topics ranging from a historical analysis of the centrality of accounting to financial capitalism (p.10); evidence on the effect of the quality of accounting information on capital allocation decisions (p.12); research on the extent to which accounting-based measures of asset volatility are incorporated when estimating default risk (p.16); an analysis of the behavioural bases that help explain investors' attention to rounding in earnings forecasts (p.18); as well as an essay on a number of critical issues that reliance on algorithms poses for regulation (p.20).

This "wealth" also extends into the Department's teaching, although it is often said that, I quote, "in terms of student satisfaction, London's top universities underperform," but equally that "for most London university students, the positives outweigh the negatives and most would recommend their institution" (*The Economist*, London has excellent universities—but unhappy students, 5 July 2018). This suggests that our alums, with hindsight of time and experience, should be appreciative of their education that they enjoyed at LSE. Indeed, Lilia Stoyanova's testimonial, an MSc Accounting & Finance alumna, clearly suggests this to be the case (p.30). But, encouragingly, the testimonials from our current students, both undergraduate (Erik Dome, BSc Accounting & Finance, p.24) and postgraduate (Krishna Krishnan, MSc Accounting & Finance, p. 2), as well as reflections from the MSc Accounting, Organisations & Institutions student society (p.28), indicate a high degree of student excitement and satisfaction and a very positive student experience. I sincerely believe this is not just sample bias, although of course they have now safely passed their exams and are on their way to promising futures.

But there is no denying that studying at LSE is no walk in the park. This is true academically as well as socially and, for many, culturally as well; given how our students hail from all corners of the world and tend to be very young still, even our postgraduates. To quote the same article as above, "the high proportion of foreign students may contribute to the problem. At LSE, half of undergraduates and nearly three-quarters of the whole student body are from overseas. Being a foreign student can be tough."

That's why the Department, and the School, are investing heavily in the student experience and student support. In the Department, we have just welcomed two Education Career Track faculty to lead our BSc and MSc programmes, respectively— Pik Liew (p.5) and Ken Lee. In addition, the incoming cohort of undergraduates will embark on a revised program with a dedicated cohort just for them in their first-year course; a recalibrated intermediate accounting course in the second year; and more course choices of various accounting subjects in their final year. Furthermore, both our BSc and MSc Programme Directors, as well as all faculty and staff, are hard at work to significantly enhance the social and community aspects of our degrees; the strengthening of our students' soft skills; and the levels of student support we provide, and co-create with them, as well as academic mentoring. We reckon that this will not only maintain our already strong outcomes such as employability and social mobility—where LSE has been leading the sector, and which our students have always enjoyed—but also their time at university while with us.

And so it promises to be another busy year. And even though this has been my umpteenth column, it doesn't feel repetitive, which I guess means we keep changing. I invite you to be part of it, be it as a consumer or producer, or as most, both – as conducers, that is, by "having a hand in it," thanks,

Wim A Van der Stede
Head of Department of Accounting

CAMPUS LIFE

INTERVIEW WITH SRUTHI KRISHNA KRISHNAN
MSC ACCOUNTING AND FINANCE GRADUATE 2018.

A SELF-CONFESSED HARRY POTTER FAN, 25 YEAR-OLD SRUTHI KRISHNA FROM INDIA JOINED THE MSC ACCOUNTING AND FINANCE PROGRAMME IN 2017 AND RECENTLY GRADUATED IN THE SUMMER OF 2018

Her vibrant and energenic persona, her love for numbers and an eye for details helped her to gain the MSc Accounting and Finance degree at LSE. Here Sruthi reflects upon here time on the programme.

What did you do before you came to LSE?

I completed my undergraduate degree in Commerce at PSG College of Arts and Science (Tamil Nadu, India). I then went on to work for Goldman Sachs for a couple of years.

How did you first hear about LSE?

I think the first time I heard about LSE was when I was in high school. LSE's reputation had made it a household name in India and my parents were no different. Whenever we discussed higher education, they always threw LSE into the mix. It was a happy day when I saw that LSE offered the course I wanted to specialize in (for my masters). It was a happier day when LSE offered me a spot. It will be the happiest day when I graduate and become an "alum of the London School of Economics".

How did you study and what have you most enjoyed about your course?

I have always studied independently. But I quickly realized that I needed to find a balance between independent study and group work if I wanted to get the most out of my time here. The group projects that I was a part of largely helped me bridge that gap. I don't think I would have reached the level of understanding I currently have (about my course) if it had not been for some of the discussions I have had with my fellow classmates.

My favourite aspect about my course was its structure. I loved the freedom we were given to choose any unit we wanted and once I got past the hurdle of enrolling myself into a capped unit, it was very rewarding. My mix of subjects included ones I needed for my career (like management accounting), niche market subjects I have been passionate about but never had a chance to study (like real estate finance) and completely new subjects I had zero knowledge about but wanted to try (like corporate disclosures).

> "What set this particular memory apart for me was that the bond we formed that day went beyond the classroom."

What has been the biggest challenge whilst studying?

During my first week here, I noticed how different my under graduation had been (compared to my masters course). I felt what I would call an "educational cultural shock". I had never seen an academic paper; hadn't been exposed to the concept of office hours; and wasn't accustomed to the level of self-reference LSE expected of me.

Now that I am at the end of my course, these challenges seem trivial because as time progressed, I found my groove and got used to the new style of education. I learnt how to read and use academic papers, understood that "office hours" was a fancy term for time allocated to meet professors post class and so on. But, looking back, I would say that my biggest challenge was not the difference in education systems but was, in fact, time. My course was just 9 months long (with almost 2 months of study period). Therefore, it got quite challenging when I wanted to successfully do so much, study so much and accomplish so much in such a short span of time. If I were to spend another year at LSE, this time around, I think it would be a lot less intense.

What is your favourite memory of studying at LSE?

There are a lot of things I will be nostalgic about when I graduate from LSE – having enriching conversations with professors who are at the top of their fields; running for back-to-back classes after "smartly" juggling my personal subject timetable around; complaining about the number of assignments due and then promptly discussing the best way to tackle them; getting unnecessarily overexcited about a project presentation; standing in line outside the Saw Swee Hock building for Iskon food; having snowball fights in Lincoln's Inn Fields during winter – the list goes on.

But my fondest memory of my time at LSE is one that took place outside the campus. After our exams, a friend and I decided to celebrate over a simple lunch. We were stoked when this plan morphed into an entire day out with four friends. What set this particular memory apart for me was that the bond we formed that day went beyond the classroom.

The four of us come from different parts of the world. Throughout the school year, we had spent hours together but, most of our conversations revolved around course work and career paths. However, during our day out the atmosphere was completely different. We were just four girls, in our twenties, looking to have a good time. And we didn't just have a good time; we had an incredibly great time. We ate, we laughed, we joked and we went sight-seeing. We got to know about each other's countries, traditions, families and who we were as individuals. At the end of the day, I came home happy knowing that the four of us would remain friends for years after LSE and that I would cherish this memory forever.

Do you have plans for the next stage of your career?

Before I set off into the next stage of my career, I want to take some time off for myself and indulge the traveler in me. When I head back to India in August, I plan to make a slight career path change and go into consulting. I think consulting is something that would really suit me both personally and professionally and I am super excited to head back into the corporate world.

JAPP CONFERENCE

The theme of the conference this year was "The Limits of Accounting Regulation". Professor Alnoor Bhimani opened the conference highlighting the need to assess the limits of accounting regulation at a point when a decade after the start of the global financial crisis, accounting again faces questions about its quality and legitimacy in many contexts. He noted that the papers accepted for the conference addressed important questions that tie into policy issues.

Joel Tan-Torres, Chairman of the Professional Regulatory Board of Accountancy (Philippines) delivered a plenary session appropriately titled "Auditing Accountancy: Limits and Challenges".

The presented paper addressed topics encompassing aspects of user representation in accounting standards setting, conflicts of interest and accountability, the use of euphemisms in earnings conference calls, audit quality changes arising from the rotation of engagement partners, the limits of tax regulation, and the interactions between mandatory country-by-country reporting, geographic segment reporting, and tax havens. Extensive questions that spoke to the appropriateness of regulation in accounting were debated.

The conference also was marked by celebratory notes on the 38 year history of the *Journal of Accounting and Public Policy*. The journal was co-founded by Professor Lawrence Gordon who remained Editor-in-Chief throughout this time accompanied by Professor Martin Loeb who joined the editorial helm later. Both editors commented on the journal's founding, impact and growing importance today as well as the time being right for a new chief editor to carry the journal forward. The conference series will continue to play a key role as part of the journal.

THE *JOURNAL OF ACCOUNTING AND PUBLIC POLICY* (JAPP) HELD ITS SEVENTH ANNUAL CONFERENCE ON 7 JUNE 2018 AT LSE. THE CONFERENCE ROTATES YEARLY BETWEEN LSE, THE IE BUSINESS SCHOOL IN SPAIN AND THE UNIVERSITY OF MARYLAND'S SMITH SCHOOL OF BUSINESS.

JOURNAL OF
ACCOUNTING
AND PUBLIC
POLICY

DR PIK LIEW IS THE NEW BSC ACCOUNTING AND FINANCE PROGRAMME DIRECTOR

INTERVIEW WITH PIK LIEW

Tell us briefly about your role as BSc Programme Director

My role is to ensure that our students achieve the learning outcomes of the BSc in Accounting and Finance. I oversee and review our courses and the overall programme to ensure that it continues to be one of the leading programmes in the world and our students are equipped with highly sought-after knowledge and skills.

What have you enjoyed about your time at LSE so far?

I have really enjoyed meeting with all the students (both existing and prospective) as well as working together with my colleagues to enhance our education provision.

What do you enjoy about teaching Accounting and Finance?

Accounting and Finance play an important role in our society, not only from a financial but also from the political, technological and social perspectives. I enjoy relating all these aspects in my teaching with the aim of nurturing our students to be responsible future leaders.

What changes will be happening to the BSc programme that affects students starting in 2018/19?

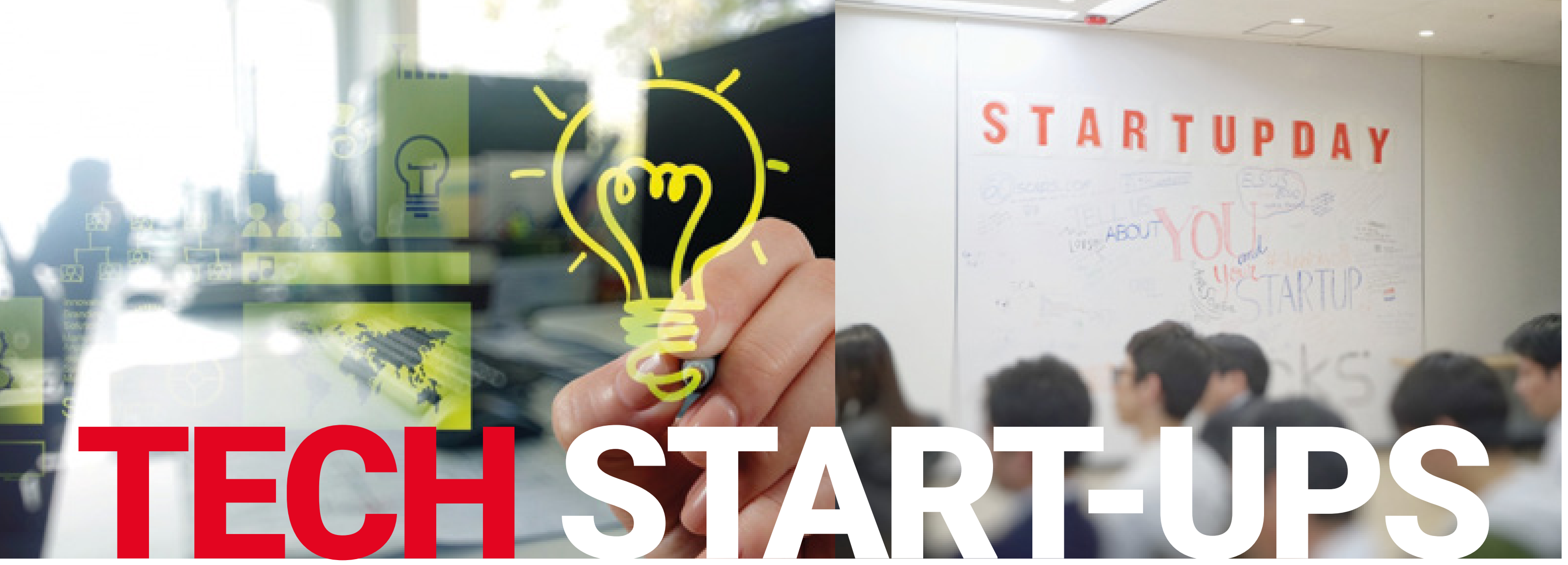
For students joining from 2018/19, we will be introducing new assessment methods, an additional financial accounting component in the second year and more flexibility in choosing specialised accounting optional courses in the final year. Our first-year accounting course has also been assigned its own cohort exclusively for our first-year students so as to help our BSc students to build a learning community within the programme.

Can you tell us about the student mentoring scheme being launched this year and the aims?

We are launching a new peer mentoring scheme whereby second- and final-year students (as peer mentors) will be mentoring our first-year students. Our students have been very active in supporting their "juniors" and this has, interestingly, developed among our amazing students organically without much support. We support this initiative very much and have now teamed up with **LSE Life** to provide valuable training to our students to be peer mentors. This peer mentoring scheme also aims to encourage peer-to-peer support (mainly pastoral) as well as provide an opportunity of building a stronger learning community.

How the Department will be supporting students – new and current?

The Department will continue to extend its supports to all students, both academically and pastorally. Every student will be allocated an Academic Mentor who will provide academic and pastoral guidance during the three years at the Department. We are creating new forums and opportunities where students, faculty and professional services can exchange and share views about our programme and courses. I will be working with my colleagues to provide appropriate support to ensure that all our students continue to be academically challenged and able to develop their personal and transferable professional skills.



TECH START-UPS

A DIFFERENT APPROACH TO FINANCIAL MANAGEMENT NEEDED

ALNOOR BHIMANI
PROFESSOR OF MANAGEMENT ACCOUNTING, LSE

POOR UNDERSTANDING OF FINANCIAL MANAGEMENT IS A KEY REASON FOR START-UP FAILURES, WRITES ALNOOR BHIMANI.

We find ourselves today at the start of an industrial revolution. There have been others of course. The first revolution happened 250 years ago. Its engine was mechanisation. Another, about a hundred years ago, was all about electrification and mass production. Then 50 years ago, electronics and automation started a third revolution.

Right now, our physical and virtual worlds are converging. This is revolutionary because the way we produce, consume, move, communicate and interact are fast altering. Coupling digital technologies with commerce requires a different approach to the financial management techniques that have been regarded as relevant to conventional industrial-era businesses.

What is the purpose of accounting controls and financial management?

In *Financial Management for Technology Start-Ups*, I discuss empirical illustrations and approaches that are appropriate for tech-based business innovations. My research shows that traditional financial management does not provide the financial lens entrepreneurs can use to track their start-ups through growth phases or to meet investor needs for tech-business financial and non-financial information. Growing a tech start-up makes it essential to appeal to an alternative approach to financial management which considers different loops of financial control and different ways of tracking tech start-up performance.

But a legitimate question often asked by entrepreneurs is what purpose do accounting controls and financial management generally serve? If we accept that the raison d'être of any business is always to create value in some way, then financial intelligence becomes essential in considering: Is the business creating value? Is it creating as much value as it set out to? Is it using the fewest resources to generate the most value possible? It's no surprise also that investors need to assess the financial adeptness of business founders seeking funding, since half of small businesses fail within a year in the US, and almost 90 per cent of business failures are due to management mistakes, including a lack of financial responsibility and awareness.

In the UK, studies have shown that more than one third of business failures are due to founders having a poor understanding of financial management. Inadequate financial understanding is also viewed as a key reason for start-up failure across Europe, the Middle East and North Africa and other countries including India, China, Australia and Brazil, among others. This means there is another question to address: Are investors convinced that the start-up they are investing into has the financial intelligence to operate properly?

Tech entrepreneurs cannot rely on conventional accounting. Investors in tech start-ups will want to set targets and they'll want financial and other information about the venture idea and, if funded, its subsequent progress. Tech entrepreneurs need a specific lens that enables them to home in on financial strategies that are in tandem with their cost structures and business objectives. For reasons explained below, they cannot rely on conventional accounting and need simpler and more direct ways to answer these questions. So, tech entrepreneurs need financial and other metrics to manage the business and also to satisfy investors' requests for information.

What type of financial understanding is appropriate?

So what makes tech-based business models different from other entrepreneurial ventures and what type of financial understanding is appropriate? At the heart of technological change lies disruption. Start-ups experiment with different ways of using technology, usually to come up with new forms of benefit for consumers. Business models in tech firms may hinge on better quality of supply, more transparent service, lower prices, new ways of bundling services and often entirely new drivers of value that will create their own further market needs. So we shouldn't expect that where technology has advanced apace and business models have rapidly evolved, financial management understanding should stay still.

Many traditional industrial firms rely on producing in large quantities, making money through economies of scale. They can undercut smaller businesses by focusing on supply, like bulk buying, to push down their material costs. They can also invest in faster and more flexible technologies. As their costs fall, their efficiencies rise, and they become profitable and large within their industrial sectors. But many tech firms focus much more on demand. They use technological innovations to create and expand networks.

The growth of networks becomes self-reinforcing since users get value out of connections and so connections grow further. The larger user base in the network increases demand for the product, which in turn fuels more network expansion and demand. Sometimes, networks connect with other networks creating even more value. If business transactions grow because networks expand in many directions and defy linear pathways, then using financial intelligence that only focuses on supply and that only tracks linear paths of value creation is inappropriate.

Tech firms vs industrial organisations

Consider also the difference between tech firms and industrial type organisations in relation to financial management needs. Tech business models advance as continuous evolution-through-experimentation takes place. They are not like traditional business ventures, where resources required are assessed in relation to anticipated market needs for a product with a known value. There is no certainty in the way product-market fit evolves. A tech firm may want to test out an altered product angle, toy with a new website feature, explore building relationships with influencers, try out a differentiated pricing scheme, play around with a mobile-responsive template, work out novel organic tactics to increase online traffic, and so on. Some experiments will have tiny business repercussions, while others could unleash strategic-level changes. From a financial viewpoint, specific ways of tracking activities that help determine what actions to take, and when to do so become essential. The novel focus of financial and accounting controls is to help start-ups to closely track and monitor experimental activities.

With some digital business platforms, where customers make cash, the tech start-up takes a cut. If the model is premised on a "sharing economy" logic, then value creation is brought about by accessing existing supplies that have not been commercialised. For tech platforms like Airbnb and Uber, the object is to bring users who need a service or product to come together with suppliers who have unused capacity, benefitting all parties. Traditional suppliers such as taxis, trains and other pre-existing transport services would have had to invest into new resources to bring to life their business model. But with tech start-ups entering this business space, existing supply sources are unleashed, bringing spare capacity onto the market. As a result of supply increasing, the traditional providers will have to share customer spend with the new suppliers. This brings down prices across the whole industry, as there's so much more supply. Some profits go to the new suppliers of spare capacity, and some to the consumers who now have more choice with lower price points being available.

Investors in tech-businesses have specific information needs

Naturally, investors considering funding ventures will assess whether there exists risk-return balance of the type they are seeking. All investors will look at how viable a concept is from the outset, and how well the venture will likely develop successful operations in the longer run. For any start-up, there will be an assessment of its business hypothesis, the potential market and the team in particular, to be confident that they can deliver.

In terms of the product concept and market, an investor will look for competitive differentiating features. Perhaps the start-up can better execute something that already has an existing market. Or it might offer an entirely new business model or market to be developed. For tech start-ups, the focus may be on whether, perhaps, the product has lock-in capability where, as we saw earlier, there is resistance for a customer to move away once they've adopted a product in terms of effort and time.

The crucial roles of the founder and the team

If the concept enjoys network effects, this could be a very attractive opportunity, where fast business development and growth become important. The investor will also want to see whether there is uniqueness in the technology, and how far the concept has been developed by the time they step in. Part of investor concern will be with the founders. The team needs to have both solid technical expertise and sales orientation. It also needs to be comfortable with acting on advice, and be flexible around inventors' executive approach and decision-making. This could include times when the investors signal a need to advance the business along a new trajectory. Investors will likely not want a team showing resistance to evolving their product concept or business model. A founder who only wants to stay with the start-up short-term, or wants to stay in a specific role long-term, or who does not show an understanding of the financial dimensions of navigating the start-up to success, will not impress investors.

This article is based on ***Financial Management for Technology Start-Ups*** (2017)

carr NEWS

TRANS CRISIS PROJECT

THE CENTRE FOR ANALYSIS OF RISK AND REGULATION (carr) CONTINUES TO MAINTAIN ITS HIGH PROFILE OF ACTIVITIES THROUGHOUT THE PAST ACADEMIC YEAR.

carr had a busy academic year, most of all developing our flagship research programmes and continuing to provide a leading international venue for debate regarding the study and practice of risk and regulation.

The past few months were dominated by the conclusion of the three-year EU Horizon 2020 funded **TransCrisis project.** This project, which brought together eight institutions in seven countries under the leadership of **carr**, focused on transboundary crisis management in the context of the European Union. Research across the project examined different aspects of crisis, ranging from crisis leadership by political leaders (studied through speeches), the international capacities of European institutions and their accountability, as well as the growing trend towards "backsliding" by member states, for example, the deliberate push-back by certain member states on constitutional commitments towards liberal democracy. **carr**'s own research was devoted to the study of multi-level crisis regimes, involving diverse policy domains, such as invasive alien species, banking regulation, electricity transmission networks and youth unemployment.

Besides producing academic research findings, TransCrisis was also devoted to producing resources for the world of practice, for example, in developing a survey tool for organisations seeking to assess their crisis readiness, in producing a White Paper to inform discussions about future EU governance or in producing recommendations to inform future research priorities. More information is available on the dedicated TransCrisis website (transcrisis.eu) which also features a set of animated films summarising the research findings as well as an e-module on transboundary crisis management.

Managing an international collaboration, such as TransCrisis, offers many opportunities for **carr**. At the same time, such collaboration is also ripe with uncertainties, and the past three years certainly brought their very own transboundary crises that were unforeseen at the time the initial grant application was drafted. For example, constitutional crises, such as Brexit and the status of Catalunya were not on the agenda. Similarly, the refugee crisis had not strained member state solidarity to breaking point, further accentuating tensions that had emerged during the financial crisis. And finally, there had not been an outright political attempt to restrict the activities of one partner institution, namely Hungary's Central European University. Operating in such a context highlights the centrality of **carr**'s work, but also how quickly the conditions for pursuing research and research collaboration can deteriorate.

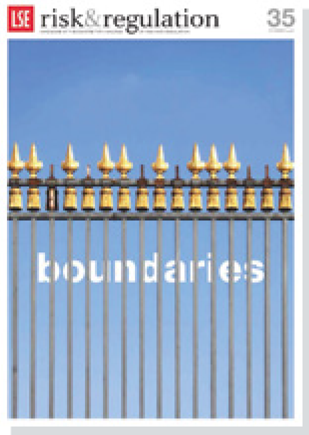
In addition, **carr** continued its international collaboration on the **QUAD (Quantification, Administrative Capacity and Democracy)** project. This project is funded under the "open research area" programme of the ESRC with other European funding bodies. QUAD's work focuses on the use of performance metrics and other indicators in three domains (prisons, higher education and hospitals) across four countries (England, France, Germany and the Netherlands). Amongst other things, this work gives important insights into the growing use of "big data" and algorithms, including the utilisation of "social media" for assessing the performance of public service providers.

Beyond the boundaries of Europe, **carr** is engaged in a three-year collaboration with the Mexican **Centro de Investigación y Docencia Económicas (CIDE)**, funded by the British Academy's Newton Fellowship scheme. Working on the theme of "regulation and development", the collaboration involves exchanges across the two institutions. For example, a team from **carr** visited Mexico City in early June for a set of international workshops together with Mexican researchers.

As a departmental research unit, **carr**'s future is contingent on attracting research funding and in remaining relevant to leading debates in risk and regulation. We were delighted to renew our relationship with the Food Standards Agency for a further two-year postdoctoral research position in food regulation. This position builds on the important work by Dr Jeremy Brice over the past two years, including his work on the emergence of "online platforms" as critical topics for food regulation.

carr's role is not merely in developing collaborative research into risk and regulation across disciplinary boundaries. We are also continuing our cross-sectoral **Regulators' Forum** to provide a venue for confidential exchange of experiences and knowledge co-creation with regulatory practice. Moreover, we have recently launched a bi-annual "Higher Education Roundtable" dedicated to regulation and governance in higher education. The first meeting featured Sir Michael Barber, Chair of the new higher education regulator, and the Office for Students. Apart from such institutionalised venues for exchanges between the practice and study of risk and regulation, we are also devoted to providing a platform for specific events, such as our international workshop on 'expertise and advice in executive government' held in May this year.

The end of academic years and research projects also means saying farewell: Dr Lydie Cabane has left us at the end of the TransCrisis project to join the University of Leiden as an assistant professor.



risk & regulation **magazine, issue 35.**

Martin Lodge and Andrea Mennicken Director and Deputy Director of **carr**
lse.ac.uk/accounting/carr

ACCOUNTING PLAYED A CENTRAL ROLE IN THE RISE OF

FINANCIAL CAPITALISM AS WE KNOW IT TODAY

IN THE EARLY MODERN AGE, ACCOUNTING WAS THE SITE OF FINANCE; WITHOUT IT, THE EUROPEAN PAYMENT SYSTEM WOULD HAVE COLLAPSED, WRITES NADIA MATRINGE.

NADIA MATRINGE
ASSISTANT PROFESSOR OF ACCOUNTING, LSE

Since the pioneer writings of Weber and Sombart, the debate on the nexus between accounting and the rise of capitalism has caused a lot of ink to flow. Literature on the subject has focused on assessing the capacity of the double-entry form to promote "rational" decision-making based on profit calculation. While the classical approach, drawing on Weber and Sombart's initial thesis, sees accounting as the tool of early businessmen's quest for profit, Basil Yamey and others after him have demonstrated that early double entry bookkeeping (DEB) could be, but was actually not, utilised to calculate commercial profit. The question then becomes: what did early businessmen use accounting for, and did accounting at all play a role in the development of capitalism?

Research in the archives of early modern Italian banks reveals that a correlation between accounting and the rise of capitalism can be found in the area of finance capital. Indeed, it shows that DEB contributed to the emergence and expansion of an economic system that has been defined as financial capitalism – understood as the subordination of commerce, industry and political power to financial interests or the logic of capital accumulation.

Analysis of the standard transactions performed by the Salviati Bank of Lyon – a major player in Europe's main financial centre in the mid-16th century – reveals the crucial role of accounting in creating, shaping and developing Europe's two most important international financial markets in the early modern age: the foreign exchange and the fair deposit market.
The study relies on the analysis of 7239 transactions performed by the Salviati both on commission and for their own account in relation with 209 commercial partners located in Europe's main trade and banking centres (1544-1547). Such transactions are not a mere reflection of the Salviati's own commercial practices, since their account books functioned in correlation with those of hundreds of commercial partners, mirroring the entries recorded in them. Furthermore, the Salviati themselves were typical of Lyon's financial aristocracy, described by historians as having discretely controlled the economic and institutional life of the city. Finally, incursions in the accounting systems of other early modern Tuscan firms (Corsi, Saminiati, Martelli) shows normalisation of accounting and banking practices among these banking firms throughout Europe (figure 1).

The notion of performativity is useful to shed light on the relationship between accounting and markets. Indeed, what is meant by the statement that accounting "made" financial markets is, first, that money was created and moved by simple assertion in the account books of bankers.
In this sense, the accounting discourse had the same power in relation to money that the priest's words have in relation to marriage – therefore accounting can be considered performative in the Austinian sense of illocutionary.
Many payments, fund transfers and credit

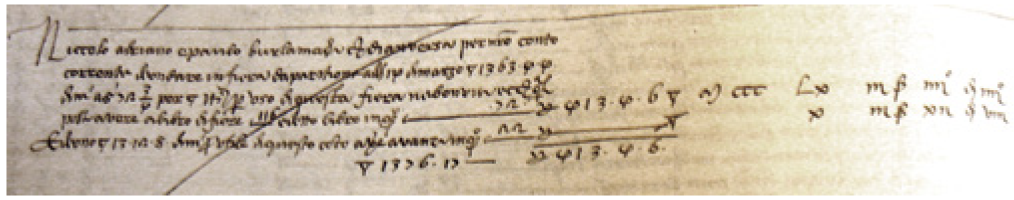


Figure 1. Recording of an actual exchange transaction in the ledger of the Salviati bank

Book-keeping in the True Italian Form of Debtor and Creditor by Way of Double Entry (1771), by Internet Archive Book Images.

operations existed only in the account books of bankers. Such transactions were not a preliminary stage preceding payments in cash: they were the payments. Comparison between debt and cash reserves revealed the absence of correlation between them, also confirmed by other banking practices where bank money and cash were used indifferently and proved to be substitutable.

As far as their use as money is concerned, the legitimacy of accounting entries was neither the sovereign's social credit (as in the case of official currencies) nor the cash reserves of banks. It was the economic interdependency of banks and the information system they used for assessing each other's reliability, which mostly relied on word of mouth and commercial correspondence. Not only did business letters convey information about the financial health of commercial houses, they also served as a medium through which the accounts that business partners held on commission for each other were exchanged and verified, before being copied by principals (agent-principal positions were interchangeable) in their account books. Thus, the fact that clients might rush to their banks asking for gold in times of crisis in the 16th century, just as they might do today, did not determine, any more than today, the structure and logic of the banking system or the nature of "accounting money".

The second, slightly more complex, aspect of accounting's performativity, concerns the impact of the double-entry logic on the structuring of financial markets. The conceptualisation of clearing inherent to double-entry engendered credit and clearing transactions at an international scale. This process closely relates to the notion of economic performativity first introduced by Michel Callon, according to which economic models and theories create economic systems that function as they predicted.

This research demonstrates that not only international clearing mechanisms, but also the emergence of an international fair deposit market were, in practice, consequences of the double-entry form. Indeed, on fair locations, the cessation of all payments between each of the four annual fairs transformed any credit or debit balance at the end of a fair into a time deposit or a loan to be settled at the next. After clearing, the remaining balances were settled in cash or deferred (with interest) to the next fair. In other words, Lyons banks charged overdrafts and remunerated surplus on current accounts. The term deposito appeared in relation to these practices in the 16th century international fairs of Lyon, Antwerp, Castile and Besançon. The rate of the deposito was quoted at the end of each fair, together with exchange rates on foreign markets, and started to circulate in commercial correspondence. Consequently, "external" clients, who otherwise had no business at the fairs, started to invest and to borrow on the Lyon deposit.

While the double-entry form engendered numerous international clearing and credit mechanisms, this performative process was accompanied by small-scale deviations, ie, cases in which double-entry was used to both perform and conceal illegal transactions contrary to the regular functioning of financial markets – such as the sale of bills of exchange at an illegal rate. Such deviations well illustrate the concept of "counterperformativity" defined by Donald McKenzie as occurring when the adoption of a model leads to a situation in which price patterns undermine the very model that was devised to explain them.

Thus in the early modern age, international trade and banking were supported by a network of interconnected accounting systems of commercial partners. This accounting network appears as a major infrastructure, if not the site of finance, without which the whole European payment system would have collapsed. Accounting thus played a central role in the rise of financial capitalism as we know it today.

This article is based on author's working paper titled **Ratio Pecuniam Parit, Accounting and the Making of Financial Markets in the Early Modern Age**

THE QUALITY OF FINANCIAL INFORMATION

EXPLAINS WHY STOCKS AND BONDS CO-MOVE

FIRMS THAT REPORT CONSERVATIVELY PROVIDE A TIMELY, CREDIBLE SIGNAL TO BONDHOLDERS, LEADING TO CO-MOVEMENT AND INFORMING ASSET ALLOCATION DECISIONS, WRITES STEFANO CASCINO.

The sensitivity of corporate bond returns to changes in the value of equity is a fundamental input for portfolio asset allocation. Since imperfect correlation of asset returns is a key assumption in portfolio theory, stock-bond return co-movement is important to determine the diversification benefits of bonds, and to hedge common exposures across the two asset markets. Because bonds exhibit on average lower expected returns, a higher stock-bond return co-movement implies a greater allocation to equities.

The finance literature has extensively studied the phenomenon of stock-bond return correlation at the 'aggregate level', providing evidence on how macroeconomic factors impact the return association across portfolios of stocks and bonds. Prior studies find that stocks and bonds exhibit a positive return co-movement with substantial time-series variation. However, evidence on stock-bond co-movement at the 'firm level' (ie, return correlation between stocks and bonds issued by the same firm) is surprisingly scant.

Similar to aggregate co-movement, understanding firm-specific stock-bond return correlation and its cross-sectional determinants is important for asset allocation. This is because wealth transfers from debt holders to shareholders are likely correlated across firms (especially during periods of economic downturn) and hence very difficult to diversify.

In a recently published Stock-Bond Return Co-Movement and Accounting Information, I examine how an important attribute of financial reporting quality, 'accounting conservatism', affects stock-bond return co-movement at the firm level. Companies' financial statements are usually regarded as "conservative" if managers require a higher degree of verification to recognise possible future gains vis-à-vis possible future losses. This reporting convention typically leads companies to prudently understate, rather than overstate, their net assets. Prior research has shown that conservative financial statements can contain management's opportunistic behaviour by mitigating moral hazard problems. Similarly, I argue that conservative financial reports provide bondholders with a credible and contractible signal that improves monitoring thus preventing wealth transfers. (Figure 1).

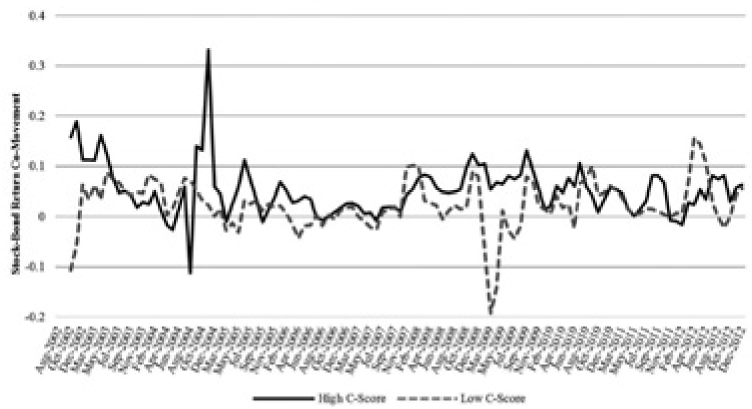


**Figure 1.
Stock-bond return co-movement time series for high versus low conservatism**

> "My study provides evidence that accounting conservatism increases the extent of stock-bond return co-movement."

According to structural models of default risk, an upward revision in firm expected cash flow should increase both the value of equity (because of increased profitability) and the value of debt (because of lower bankruptcy risk). Hence, stock and bond returns should exhibit a positive correlation on average. However, differences in the payoff structures of shareholders and bondholders may give rise to agency conflicts. Shareholders may expropriate bondholders' wealth by engaging in risk shifting activities (ie, by switching from safe to risky investments). These wealth transfers from bondholders to shareholders represent a manifestation of agency problems which reduce (or even reverse) the correlation between stock and bond returns.

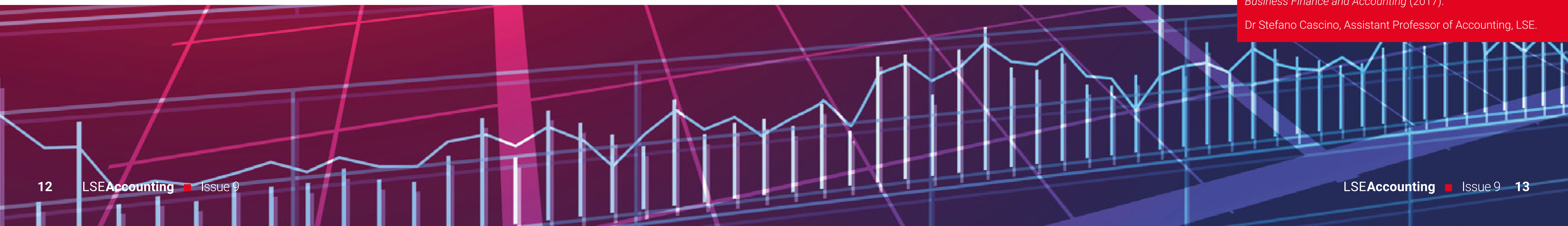
Firms that choose to report conservatively provide a timely and credible signal to bondholders. This is in line with the conjecture that conservative financial reports improve bondholders' ability to monitor managerial actions and effectively intervene if needed.

Furthermore, I find that the effect of accounting conservatism on stock-bond return co-movement is more pronounced when default risk is higher and debt maturities are longer. Finally, in line with findings from prior research, I show that conservatism and bond covenants jointly increase stock-bond return co-movement.

My findings are relevant for financial reporting regulators, auditors, and investors. By showing how the quality of financial reports in general, and accounting conservatism in particular, affects firm-specific stock-bond return co-movement, my research offers important insights for portfolio asset allocation. Firm-specific co-movement matters for asset allocation decisions because wealth transfers from debt holders to shareholders are unlikely to be independent across firms and, as a result, are difficult to diversify. Especially in periods of economic downturn, debt-equity conflicts may deteriorate systematically across firms in the economy, and thus many firms may exhibit wealth transfers at the same time. Consequently, understanding how accounting conservatism relates to firm-level co-movement of equity and bond returns is of importance for the optimal allocation of funds across the two asset classes.

This article is based on **Stock-Bond Return Co-Movement and Accounting Information**, *Journal of Business Finance and Accounting* (2017).

Dr Stefano Cascino, Assistant Professor of Accounting, LSE.



MARG CONFERENCE MANAGEMENT ACCOUNTING

MARG

MANAGEMENT ACCOUNTING RESEARCH GROUP

EXPLORING NOVEL PATHWAYS

DAVID TRODDEN

ON THURSDAY 19 APRIL 2018 THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE HOSTED THE 39TH ANNUAL MANAGEMENT ACCOUNTING RESEARCH GROUP (MARG) CONFERENCE.

Recent MARG meetings have addressed the rapidly changing business environment and its effects on business models and cultures, strategic partnerships, as well as the state and future of Management Accounting (MA). This year continued this theme. Over 130 delegates from practice and research attended the LSE event.

Professor Alnoor Bhimani welcomed delegates and Professor Jan Bouwens from the Judge Business School at the University of Cambridge started the conference with a provocative arguement that "one measure of performance is enough". Professor Bouwens engaged the audience with a clip from *The Wolf of Wall Street* and invited members to attempt a simple task which he used to demonstrate how powerful manager's behaviour can be. He continued by relating how a performance measure like on-time arrival and the objective of being in the top five in the industry saved Continental Airlines from bankruptcy.

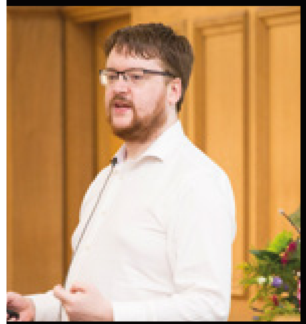
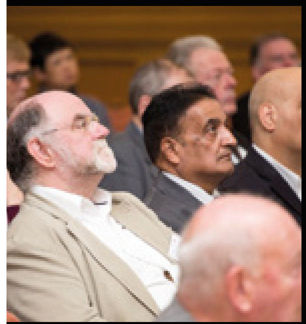
The second speaker, Julia Heberle, from New South Wales (NSW) Health Authority spoke about **From Volume to Value: Changing the Landscape of Healthcare Performance Measurement**. Many of the existing performance measures are one dimensional and have unintended consequences, eg, the four hour wait target leads staff to unidimensionally focus on the time targets. NSW Health's definition of "Value is Health" encompasses outcomes (that matter to patients), experience of care, as well as efficient and effective care (in relation to costs). Using ABM has led to system redesign aiming for process improvements, state-wide service planning, partnerships and better procurement models. Julia concluded saying that moving from "volume to value" is a journey; that patients must be at the centre of any service delivery model – the whole patient journey. To achieve this requires a major cultural shift, even a paradigm shift.

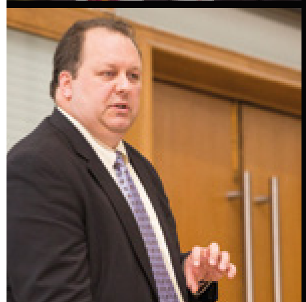
An enlightening after lunch session on artificial intelligence and automation, blockchain, cyber security and data called **The AB(C)D of New Technologies and Accounting** was given jointly by David Lyford-Smith, IT Technical Manager, ICAEW and Rick Payne, Finance Director Programme, ICAEW.

Artificial Intelligence (AI) is sensing the environment, assessing and then comparing the goal to determine the next action. AI appears human as it includes perceiving, learning, rationality and interacting with the environment. A short demonstration of a Chatbot using Microsoft QnA Maker was provided by Rick.

David Lyford-Smith introduced us to Blockchain which is often associated with crypto currencies especially Bitcoin. David defined Blockchain as universal entry bookkeeping having three key features, namely "Propagation, Permanence and Programmability".





The fourth presentation was on **innovations and costing advances** which was given by Anthony Pember, Senior Manager of Public Sector at Grant Thornton and board member of CAM-I (the Consortium for Advanced Management International). Anthony's key theme was that successful integration of cost and performance requires that both cost and performance be collected using a common framework or taxonomy.

The fifth session was a panel addressing **Is Management Accounting Ready for the Future?**, which included Elaine Harris, Professor of Management Accounting at the University of Roehampton; Gordon Potter, Associate Professor at Cornell University; Julia Mundy, Principal Lecturer, University of Greenwich; and Emeritus Professor of LSE, Michael Bromwich.

Elaine Harris found the contrast between the first two presentations very interesting. The first suggested reducing measures right down to a single number; whereas, the second was about the Australian Health Sector, where they have multiple measures that may be aggregated.

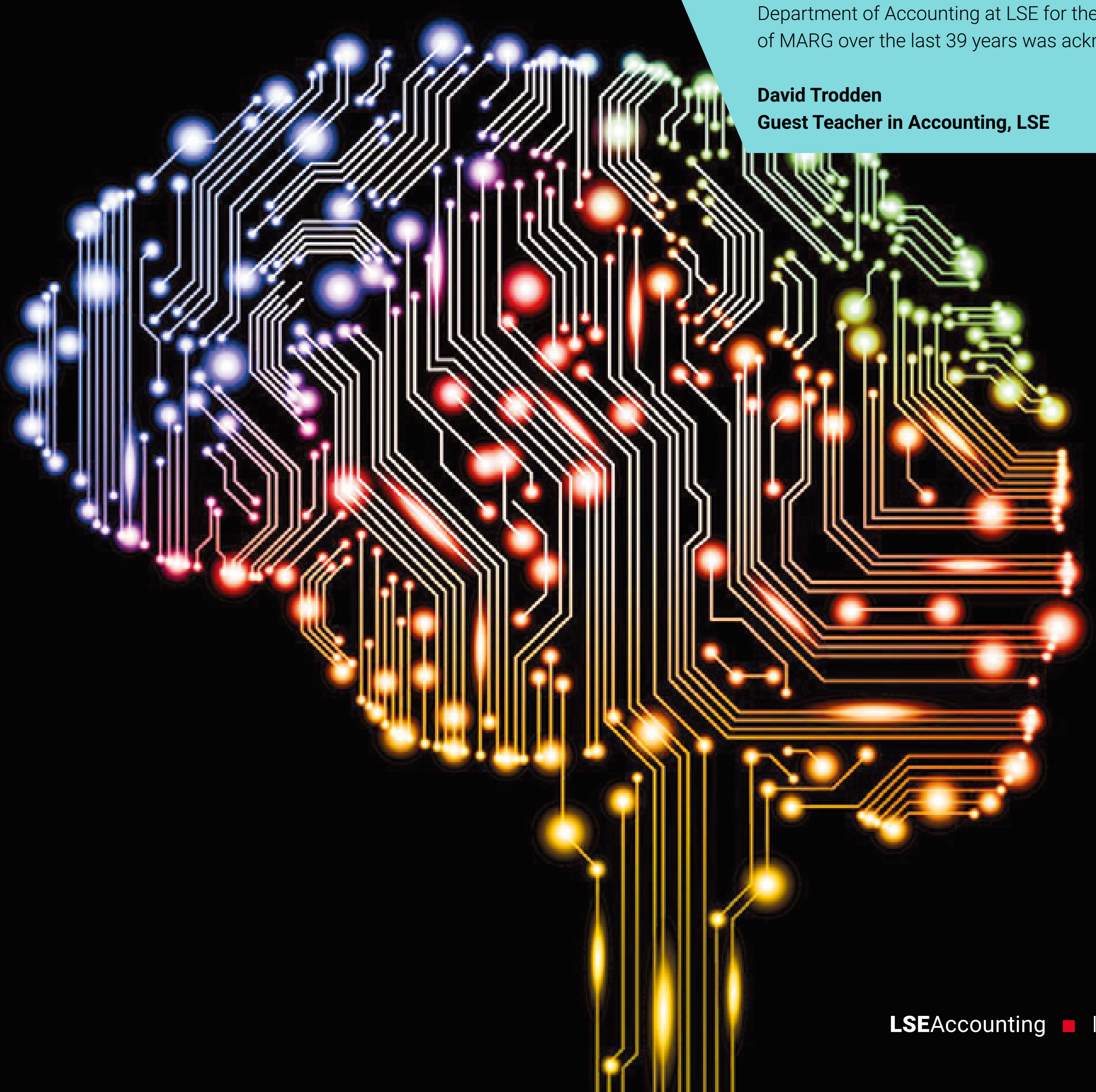
Julia Mundy stated that key for the future of MA is not that the problems will go away, but the risk of losing ownership of the solutions. An important problem raised by Gordon Potter is the difficulty in attracting excellent students to MA. Many empirical researchers trained in MA gravitate to financial accounting due to data availability and publishing opportunities.

The final session, the MARG 2018 Distinguished Practitioner Lecture, was a presentation by Steve Morgan, Enterprise Controller at Microsoft UK on **Finance Innovations at Microsoft: Machine Learning and AI**. Steve included live demonstrations from his support toolkit at using "Machine Learning" to dramatically improve Microsoft's revenue forecasts in terms of both accuracy and reducing the number of people needed.

Steve also demonstrated two uses of Chatbots at Microsoft. One was used to provide training materials, compliance policies and answers to questions from members of the Microsoft finance team. The other Chatbot was used to facilitate the retrieving of relevant data from their database on their customers.

The generosity of the Charitable Trusts of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Management Accountants (CIMA), and the Department of Accounting at LSE for their support of MARG over the last 39 years was acknowledged.

David Trodden
Guest Teacher in Accounting, LSE



CREDIT MARKET INVESTORS

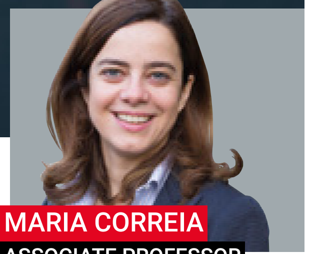
MAY NOT BE PAYING ENOUGH ATTENTION TO FUNDAMENTAL ASSET VOLATILITY

THE MARKET DOES NOT APPEAR TO FULLY INCORPORATE ACCOUNTING-BASED MEASURES OF ASSET VOLATILITY INTO CREDIT SPREADS WRITE MARIA CORREIA, JOHNNY KANG AND SCOTT RICHARDSON

Fixed income markets are very large. As of 31 December 2016 there was over $12 trillion of outstanding corporate debt from companies in developed markets. Yet, despite the size of this asset class, little research has explored the role of fundamental analysis in the context of credit markets.

Default risk, ie, the risk that a debt issuer will not make all the required contractual payments, is a key risk in credit markets. A workhorse model in understanding default risk and how it links to the pricing of corporate debt is the work of Robert Merton. A common theme in the Merton model, and in its many subsequent variations, is that a firm will default if it has an insufficient asset value to satisfy its debt commitments. A firm's closeness to default is a function of both the expected difference between asset values and debt commitments and volatility.

For a given asset value and capital structure today, higher expected volatility implies a higher probability that future asset values will not cover debt commitments (ie, a greater chance of default). Asset volatility is thus an important primitive for determining default risk.
In a recently published paper, we conduct a comprehensive empirical analysis of the usefulness of market-based and fundamental-based measures of volatility from the perspective of a credit investor. The US Financial Accounting Standards Board (FASB) recognises the potential usefulness of fundamental information contained in general purpose financial reports for both equity and debt investors. The information contained in the historical volatility of fundamentals differs from market-based measures. Financial statements are, in fact, prepared under modified historical cost accounting



MARIA CORREIA
ASSOCIATE PROFESSOR OF ACCOUNTING AT LSE

JOHHNY KANG
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(not full mark to market) and a recent study by Stephen Penman suggests that the unconditional conservatism built into financial reporting creates the possibility of risk to be reflected in the outputs of that system.

We source our market-based measures of asset volatility from traded security prices in both secondary equity and bond markets. We also consider forward-looking market information, and, specifically, the implied volatility from at-the-money put and call options. Our fundamental-based measures of volatility are obtained from primary financial statements and are designed to capture fundamental volatility in unlevered profitability. We use a wide range of fundamental volatility measures, including

(i) historical volatility in profitability, margins, turnover, operating income growth and sales growth;

(ii) dispersion in analyst forecasts of future earnings; and

(iii) quantile regression forecasts of the interquartile range of the distribution of profitability (this last measure follows the approach of a recent paper by Sonia Konstantinidi and Peter Pope).

> "We find that combining information about volatility from market and fundamental sources improves forecasts of corporate bankruptcy."

Our empirical analysis is based on a comprehensive panel of US corporate bond data, which includes all the constituents of the Barclays US Corporate Investment Grade Index and the Barclays US High Yield Index. It comprises three main steps. First, we examine the relative importance of market- and fundamental-based measures of asset volatility to forecast (out-of-sample) bankruptcy and default, using both traditional discrete-hazard modelling and classification and regression trees (CART). Second, we assess the relative importance of market- and fundamental-based measures of asset volatility to explain variation in credit spreads. We incorporate asset volatility in this analysis using both an unconstrained approach and a constrained approach based on the Merton structural model. Third, we explore the relative importance of market- and fundamental-based measures of asset volatility to forecast future credit excess returns.

We find that combining information about volatility from market and fundamental sources improves forecasts of corporate bankruptcy. Furthermore, combining market- and fundamental-based volatility estimates improves the explanatory power of cross-sectional credit spreads. In addition, we document that the constrained use of asset volatility significantly improves our ability to explain cross-sectional variation in credit spreads. This is because the relation between leverage and asset volatility and default risk and hence credit spreads is inherently nonlinear.

Most importantly, the combined evidence of our default and credit spreads analyses suggests that the importance of fundamental-based measures is relatively higher for predicting default than it is for explaining credit spreads. This raises the possibility that credit markets are not paying enough attention to fundamental-based measures of volatility and motivates us to examine the relative importance of market- and fundamental-based measures to forecast future credit excess returns. Consistently, we find that measures of credit risk mispricing that incorporate fundamental asset volatility better predict credit excess returns. Our results suggest that the market is not fully appreciating the information content of financial statement information when forming views on expected default.

Disclaimers:

AQR Capital Management LLC invests in, among other strategies, securities studied in this paper. The views and opinions expressed herein are those of the authors and do not necessarily reflect the views of AQR Capital Management LLC ("AQR"), its affiliates, or its employees. This information does not constitute an offer or solicitation of an offer, or any advice or recommendation, by AQR, to purchase any securities or other financial instruments, and may not be construed as such.

The views expressed here are those of the authors alone and not necessarily those of BlackRock, its officers, or directors. The paper is intended to stimulate further research and is not a recommendation to trade particular securities or any investment strategy.

This article is based on the paper Asset Volatility, *Review of Accounting Studies*, 2018, Volume 23, Issue 1, pages 37–94.

HOW MUCH ATTENTION DO INVESTORS PAY TO ROUNDING IN EARNINGS FORECASTS?

ROUNDING IS LIKELY TO BE LESS INFORMATIVE THAN OTHER ATTRIBUTES, BUT IT'S MORE SALIENT AND EASY TO PROCESS, WRITES VASILIKI ATHANASAKOU AND ANA SIMPSON

Evidence exists that investors are subject to attentional constraints when making economic decisions and as a result focus on subsets of publicly available information that are more salient, ie, that tend to stand out and are easier to process. Selective attention to salient stimuli can be economically justified if time and attention are costly.

A large literature to date examines limited investor attention to information released by firms, eg, in earnings announcements and annual reports. A number of studies focus on how the form of information released by analysts, being key intermediaries in capital markets, affects investors' abilities to assimilate earnings-related information.

In our study we focus on the roundness of analyst earnings-per-share (EPS) forecasts (hereafter referred to as rounding). Rounding manifests itself in forecasts that end in zero or five (eg, $1.00, $1.50, $1.15). We examine whether and to what extent investors pay attention to the rounding feature of analyst forecasts at forecast revision announcements, given all other informative forecast characteristics that they can observe. The characteristics that investors use in appraising forecast quality include: analysts' prior forecasting ability, brokerage firm affiliation, forecast frequency, forecast timeliness, firm-specific experience, firm and industry expertise.

Rounding represents a common type of measurement error in discrete quantitative data based on subjects' responses or observers' assessments. It reflects a cognitive process associated with less effort, uncertainty and imprecision. Consistent with this notion, prior studies document that financial analysts issuing rounded forecasts are usually less informed and exert lower effort. The forecasts of such analysts are also, on average, less accurate.

On the one hand, rounding is likely to be less informative to investors than other forecast attributes because, unlike these other characteristics, rounding is binary. Apart from revealing that a forecast is less accurate, the rounding feature has no further implication for the relative precision of the forecast. On the other hand, the rounding feature of a forecast is a more salient and easy-to-process characteristic and may thus serve as a summary costless indicator of forecast accuracy. By focusing on the rounding of analyst forecasts, we aim to assess variation in investor attention to salience along three dimensions.

First, we examine whether investors respond more strongly to rounding as a salient forecast feature than to other more informative but less salient forecast characteristics (eg, forecast horizon, prior forecast accuracy, firm experience, forecast frequency, forecast timeliness, broker size). Second, we ascertain whether investor reaction to salient forecast information is affected by the repetition of the salient feature. Finally, we study the variation in investor attention to salience by investor type.

In our empirical tests, we document that when responding to analyst forecast revisions investors place a larger weight on rounding than on other more informative but less salient forecast characteristics. The investor response to rounding is more pronounced in the presence of multiple rounded forecasts, disclosed in analyst reports simultaneously, and is attributed primarily to less sophisticated investors. We also provide evidence on investors' delayed assimilation of the information content in rounded forecasts subsequent to the forecast announcement date. This result is consistent with investors' reliance on rounding acting as a deterrent for investors to fully appraise all remaining informative cues.

Our evidence suggests that both analysts and investors fail to understand the costs associated with rounded forecasts. For analysts, the simplicity of avoiding a rounded forecast by adding or subtracting an extra cent implies lack of effort and lack of incentives to be precise (eg, low trading gain potential on the stock followed). This is consistent with prior evidence that analysts issue rounded forecasts as a result of cost-benefit considerations, i.e. when there are low economic incentives to issue accurate forecasts. Also, in the presence of multiple tasks, analysts may ignore rounding as a signal of lower quality since accuracy in analyst forecasts has a much smaller role in determining their compensation than other factors, such as increase in analyst visibility and customer rating, stock picking, and attracting investment banking business.

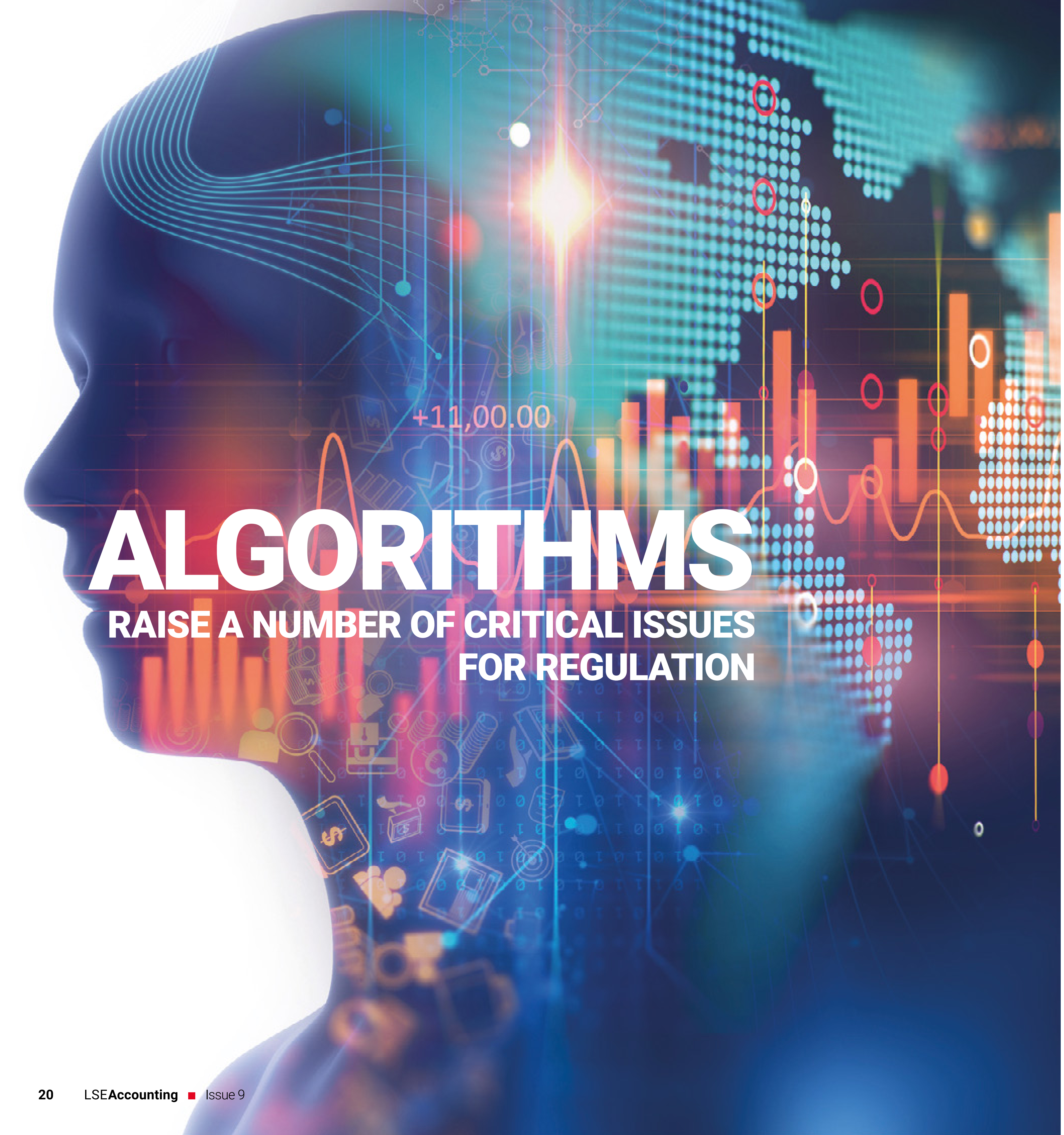
From an investor perspective, attending more to salient and easy-to-process forecast features, such as rounding, implies less attention to informationally equivalent or more informative forecast characteristics (eg, prior forecast accuracy and analyst firm-specific experience). While investors may lose money by ignoring all aspects of the economic environment, inattention to the whole set of available information may be economically justified because time and attention are costly. Selective attention is further justified by the vast amount of available information, which increases information processing costs. Therefore, salience in earnings-related signals may affect investors' assimilation of information given the opportunity cost of time needed to process all informative cues.

Our study sheds light on the scope of limited investor attention. It unravels an important role for salient cognitive reference points in influencing investor perceptions, which may have important valuation consequences. An interesting avenue for further research would be to explore whether firms or analysts strategically use salient cognitive reference points (eg, focal colours, vertical and horizontal lines) as a way of influencing investor perceptions.

Our evidence also reveals an important role for the repetition of salient quantitative information in influencing investor judgements, which would be interesting to investigate further in the context of companies' annual reports. Finally, there is evidence suggesting that analysts tend to neglect relevant financial statement information. In this regard, it will be an interesting avenue for future research to examine analysts' attention to salient earnings-related firm disclosures with varying information content.

This article is based on the authors' paper **Investor Attention to Rounding as a Salient Forecast Feature**, *International Journal of Forecasting* (2016)

Vasiliki Athanasakou and Ana Simpson, Assistant Professors of Accounting, LSE



ALGORITHMS

RAISE A NUMBER OF CRITICAL ISSUES FOR REGULATION

ALGORITHMS HAVE GROWING RELEVANCE TO THE DELIVERY OF PUBLIC SERVICES, ALONG WITH OPEN AND BIG DATA, WRITE MARTIN LODGE AND ANDREA MENNICKEN.

ANDREA MENNICKEN
ASSOCIATE PROFESSOR OF ACCOUNTING, LSE

MARTIN LODGE
DIRECTOR OF THE CENTRE FOR ANALYSIS AND RISK AND REGULATION (carr)

The regulation of and by algorithms has become of growing relevance to the delivery of public services, coinciding with the related interest in open and big data. Debates about the consequences of the rise of algorithms have been however limited. Early contributions considered whether the rise of algorithmic regulation and new information technologies represented a fundamental (mostly benevolent) change in opportunities for citizens and states. Others pointed to the likely reinforcement of existing power structures (such as the detecting powers of states), or the rise of new unregulated and private sources of surveillance, and yet others noted the likely complexification effects of the use of computerised algorithms in generating new types of unintended consequences.

What, however, can be understood as 'algorithmic regulation'? Is there something clearly identifiable and distinct from other types of regulatory control systems that are based on standard-setting ('directors'), behaviour-modification ('effectors') and information-gathering ('detectors')?

One distinctive feature is that algorithms can 'learn' – and that the codes on which these algorithms are 'set' and 'learn' are far from transparent. A second component is the supposedly vast computing power in processing information. A third characteristic concerns the enormous 'storage' capacity that allows (potentially) for comparison and new knowledge creation. A fourth element might be the insidious nature in which 'detection' does take place: users casually consent to highly complex 'conditions of service' and are not necessarily in control of the ways in which their 'profiles' are being processed and utilised.

Similarly, behaviour modification is said to work by using architecture and 'nudges'. In other words, one might argue that algorithmic regulation is an extension to existing control systems in terms of their storage and processing capacity; they are qualitatively different in that much of the updating is performed by the algorithm itself, in ways that are non-transparent to the external observer, rather than derived from rule-based programming; and it is distinct in its reliance on observation and default-setting in terms of detecting and effecting behaviours.

At the same time, the notion of decision-making and 'learning' by the algorithm itself is certainly problematic. No algorithm is 'unbiased' in that the initial default setting matters, and so does the type of information that is available for updating. To maintain 'neutral', algorithms might therefore require biased inputs so as to avoid highly undesirable and divisive outcomes. Instead, what is called here 'by the algorithm itself' is that the ways in which these algorithms 'learn' and what kind of information they process is not necessarily transparent, not even to those who initially established these codes. Understanding the 'predictions' of algorithms is inherently problematic: they resemble the multiple forecasting models used by hurricane watchers where one day's 'perfect prediction' might be completely 'off' the following day.

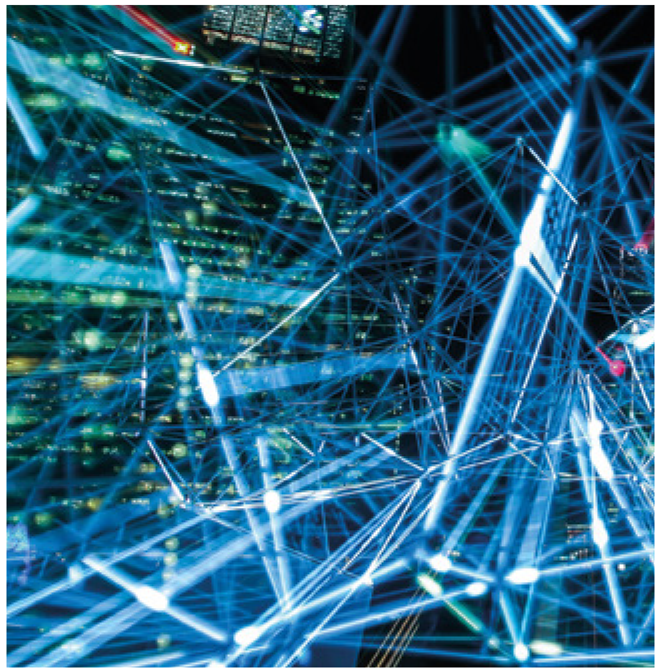
In addition, there are a number of critical issues for regulation. Firstly, what is the impact of algorithms on 'users' of public services? One might argue that algorithmic regulation brings in new opportunities for users as it generates powerful comparisons that potentially grant users greater choice options on the market (and quasi-market) place than before. Similarly, algorithmic regulation can also be said to increase the potential for 'voice': enhanced information can be used for a more powerful engagement with users (eg, users of public services). The threat of 'choice' and 'voice' might make providers of services more responsive to users.

At the same time, the fact that simple search results can already have powerful choice-deciding consequences raises questions as to how informed user choice can be obtained in an age of 'google knowing' (the unquestioned acceptance of the most prominent search results).

As individual experiences disappear into 'big data', engagement is mediated. The lack of transparency about the ways in which user experiences are mediated – and through which means – remains a central part of the debate. Different means of mediating such experiences exist – they might be based on explicit benchmarking and league-tabling (thereby relying on competitive pressures), or on providing differentiated analyses so as to facilitate argumentation and debate, or on enhanced hierarchical oversight. As noted, algorithms are not neutral. They are not just mediation tools, but are of a performative and constitutive nature, potentially enhancing rather than reducing power asymmetries. In short, the regulation by algorithm calls for the regulation of the algorithm in order to address their built-in biases.

Secondly, as regulation via algorithm requires regulation of the algorithm, questions arise as to what type of controls are feasible. In debates about the powers of state surveillance, one argument has been made that the state's 'intelligence' powers are more accountable than those of private corporations. Such a view is controversial, but it raises the question as to how state and non-state actors should be held accountable (ie, reporting standards potentially backed by sanctions) and transparent (ie, allow for external scrutiny). Transparency might also increase potential vulnerability to manipulation. Given the transnational nature of much corporate activity, it raises also the question of jurisdiction and the potential effects of national and regional regulatory standards (such as those relating to privacy).

Thirdly, there are questions that concern the kind of regulatory capacities required for the regulation of and by algorithm. Arguably, this is the age of the forensic data analyst and programmer rather than the lawyer and the economist. Altering regulatory capacities in that way may prove challenging in itself. However, it is also likely to be testing as the analytical capacities of the 'forensic data analyst' need to be combined with other capacities in terms of delivery, coordination and oversight. It also requires



What can be understood as 'algorithmic regulation'?

new types of combinations of analytical capacities; for example, when it comes to the regulation of information, it is not just the presentation of particular 'facts' that requires monitoring, it is increasingly also their visualization. In the field of energy, it requires, for example, the combination of engineering and data analysis.

Furthermore, there is the question at what point such regulation of the algorithm could and should take place. One central theme in ethical debates has been the default setting – algorithms should not be set to make straightforward ethical choices, but should be programmed so as to make 'context-dependent' choices. Such a perspective is problematic as no algorithm can be 'neutral'. As information can emerge and 'wiped' (but not everywhere), and as complex information systems generate new types of vulnerabilities, as information itself can be assessed in remote (non-intrusive) ways, regulatory capacity is required to deal with information in 'real' rather than 'reactive' time.

An additional central issue for the regulation of algorithms is vulnerability to gaming and corruption. We define 'gaming' as the use of bots and other devices to mislead; information flows are generated that might, at first, appear as 'real', but, on second sight, reveal that they are generated by artificial means and/or are inflated so as to provide greater visibility to some 'information' than others. This might be related to the use of social media to communicate certain messages, or it might be used to enhance the visibility of certain websites on search engines. In contrast, corruption is the explicit attempt to undermine the functioning of the system rather than its exploitation. This is therefore the world of cyber-security and the protection of critical infrastructures that increasingly operate in the cloud without sufficient protocols to deal with 'black swans', let alone, 'fancy (or cozy) bears' (Haba, 2017).

In response, it might be argued that regulation by algorithm makes gaming less likely when it comes to oversight. Performance management by target and indicator is widely said to suffer from extensive gaming and manipulation. The power of algorithms to deal with information could be said to enhance the possibilities of regulators to vet information in unpredictable ways, thereby reducing organisational opportunities to game. However, assessing complex organisations via algorithms remains a complex undertaking that does not necessarily enhance the predictive powers of regulatory oversight.

> “...algorithms should not be set to make straightforward ethical choices...”

Finally, fundamental ethical questions remain. Artificial intelligence devices can quickly turn racist as they process embedded information and their explicit and implicit biases. This raises issues about the transboundary effects of national (state and non-state) efforts to set standards, and the differential interests of users – insisting on 'privacy' on the one hand, but also demanding 'ease of use' on the other. Lastly, it raises the ethical question about the nature of public policy: what kind of expertise should be prioritised?

In sum, the question of how to deal with the regulation of algorithms returns us to the underlying normative position established by Harald Laswell in his call for an interdisciplinary field of 'policy analysis', namely the need for a population with knowledge of and in the policymaking process. How, therefore, the regulation of and by algorithm in the area of public service is pursued is of critical importance for the study and practice of risk and regulation.

Article appeared originally in ***risk & regulation***, the magazine of LSE's Centre for Analysis of Risk and Regulation.

GRADUATE SPOTLIGHT

Recent graduate, Erik Dome, Class of 2018, reflects on his time studying on the BSc Accounting and Finance programme

Born and raised in Slovakia, this is my first time to study abroad and I made a decision to study Accounting and Finance as I was seeking a degree with plenty of real-life applications, and this course definitely provides them. I received the Kadas Scholarship and decided that LSE was a clear first choice for me as it is one of the leading institutions in this field, situated in the centre of London. Moreover, I also appreciate that in comparison to other universities, the school offers scholarships that helped me cover my tuition fees.

What did you most enjoy about your course?

Personally, I really like that professors use a lot of updated real-life examples and case studies. These make lectures very stimulating and also encourage better understanding of theoretical concepts.

What have you enjoyed about living in London?

There is everything in London, but you need to get used to relatively long travel times. Galleries, museums, theatres, Wembley Stadium, Olympic park, cycle routes, ice skating... there are so many things to do. However, I think the most important benefit of living in London is the people you meet there. Ranging from young start-up enthusiasts and artists to senior managers of leading worldwide conglomerates. The more events you attend, the better it gets.

Top society to join?

Definitely the best society to join is Jiu Jitsu. Or any other AU club (Athletics Union). It is the best opportunity to meet your peers and relax. If you know that you want to keep a balanced schedule, individual sports are the best option for you.

Top study tips to your fellow students

The first year is a time to catch up in areas you lack adequate skills and experience and develop a good community of friends. The important thing is to make a plan how you want to achieve those objectives and not neglect any of them. For those seeking a career in the financial sector, look for spring weeks and summer internships and do not be afraid to submit your application as soon as possible as they recruit on rolling basis.

The second year will be an academic challenge. Expect a jump up in the difficulty of subjects. The important thing is to prioritise. For those seeking an employment straight after graduation it is also a chance to apply to plenty of summer internships offering extensions to graduate positions. It is a very hectic year so it is good not to forget to care about yourself and your friends.

The good thing about the final year is that you actually know what you should expect as well as you already have set your academic objectives. On the other hand, it is also an opportunity to start to think about what you are going to do after graduation. The earlier you start, the more options you have.

Being involved in the SSLC – why and what did you enjoy about this?

SSLC (Student-Staff Liaison Committee) was wonderful opportunity to share opinions, provide constructive feedback and represent student voice to the department. I realised how hard is to eclipse your own opinions in order to present views of the majority of students. Being a student representative is about responsibility. Responsibility to LSE and its community. I would say, it is easy to be a student representative, but hard to be a good one.

Which moments or activities during your studies really influenced your career choices and opportunities?

At the LSE you will feel huge peer pressure – everybody is applying to internships, therefore you apply as well. Take opportunity to get experience, to talk to people working in the industry and get some idea how the 'real world' looks like. Networking events organised be various societies or companies themselves definitely helped me to decide that I really would like to work in financial services. However, when applying, it is important to keep in mind that you can influence certain things to a great extent, but the final decision depends on others.

Favourite Accounting module and Why?

Definitely AC211 for me. There were plenty of current real-life scenarios. I got the opportunity to work in the best team I ever had at the LSE on the design of a balanced scorecard.

Favourite place on campus?

Terrace of the Shaw Library.

Best place to get a meal or coffee in or around campus?

6th Floor Café (Weston Café) in LSESU Building. It is a wonderful place to have a quick chat with your friends or work on your assignments. There is also a nice view from the terrace and most importantly kind staff.

Which has been the most interesting LSE public lecture you have attended?

Definitely the public lecture by Ben Bernanke, ex-chairman of the Federal Reserve. This lecture gave me a lot as it was an opportunity to listen to opinions of the person taking huge responsibility for the response of the Fed to the financial crisis. During the lecture, I realised how hard is to make decisions having an impact on lives of billions of people, and that our society requires leaders willing to accept challenges and take accountability for the decisions.

What do you wish you'd known as a student?

Do not be afraid to step outside your comfort zone. In other words, do not be afraid to try things that you think you would not enjoy or cannot see any benefits from doing them. Just give it a try. Whether it is society, sports club, trip with friends, volunteering... it definitely helps you to broaden your horizons. Sometimes plan A does not work out, plan B was supposed to be an alternative plan, but things happen. It is really good to know about different alternatives in order to be able to quickly generate plan C. I think that in such situations, it is very important to have as broad a mind as possible, and good friends around you!

In three words, describe your time at LSE?

Challenge, Friends, and Fun

AWARDS

FACULTY AWARDS

Peter Miller, Professor of Management Accounting has become a British Academy Fellow for his contributions to the humanities and social sciences. He is amongst seven LSE academics and 76 distinguished scholars to be elected to the British Academy Fellowship in 2018, joining over 1,400 Fellows. Professor Miller's research area focuses on accounting, organising, and economising in both the public and private sector; analyses of modes and devices of governing; New Public Management reforms, with particular reference to healthcare.

TEACHING AWARDS 2017-18

Farooq Mahmood and Felix Vetter were awarded the LSE Class Teacher Award, given to class teachers and graduate teaching assistants in recognition of their outstanding contribution to teaching at LSE in the field of Accounting.

For Farooq Mahmood who not only teaches on the AC100 Elements of Accounting and Finance, but also lectures on the Managerial Accounting module, the award is "in recognition of (his) skill in developing and delivering lectures on a challenging course. His outstanding approach is reflected in excellent student feedback scores."

60 SECONDS

WITH FAROOQ MAHMOOD

How did you get into teaching?

For me, this has been a rather organic transition from a full-time accounting practitioner into teaching. Even, when I was a student myself, I enjoyed being part of study groups. I particularly enjoyed explaining the concepts to my peers and this interest developed into lecturing professional accountancy courses such as ACCA and CIMA in the evenings after my day job as an accountant in practice and then in industry. I thoroughly enjoyed explaining the concepts in simplified ways; it was not long before I was sure that lecturing/teaching was a very fulfilling profession for me, and the rest is history. Although, I am still very much involved in the "world of work," I would still think that I cannot imagine living a life without teaching.

What do you enjoy most about working with students?

Working with students offers a whole host of exciting opportunities. Thankfully, our students at LSE are eager to know the relevance of the taught theory in the outside world. It gives me the opportunity to reflect on my own work as an accountant by linking theory with practice and then draw upon the real-life examples which are stimulating both for the students as well as me. Accountants are evolving with time and the inquisitiveness of students keep me interested in staying abreast with the developments in the field by proactively keeping an eye on the most contemporary business news that could be relatable in my lectures.

You lecture the second half of the AC100 course – what do you enjoy about managerial accounting and what changes have you brought to the course?

Managerial Accounting is an old and established discipline within accounting. It is as relevant today, as it was in the past. That said, an accountant should evolve in response to the technological advancements and embrace them as an opportunity rather than a threat to apply the managerial accounting theory. It is a very exciting subject as it makes accounting meaningful, relevant and a sought-after function for the entire management. My lectures and notes bring in real life application of the subject, so that our students remain engaged and find the relevance of the subject to what they will be doing in their practical lives.

What tips do you have for engaging students and ensuring they all participate in class?

A class is a very different ball game compared to a lecture. The student-teacher gap must be bridged by encouraging frank and open discussions on class topics. We have a very diverse mix of student backgrounds at the LSE. This is an exciting, yet challenging environment where some may culturally or otherwise be less open than others. An engaging, two-way flow of communication is vital. Involving students in class discussions by opening the floor through (sometimes) open-ended questions can be very helpful. Shyness of quieter students can be removed by initially listening to them in smaller groups whilst they are engaged in group discussions. Setting student expectations clearly and early on, not only breaks the ice but also helps students in preparing according to the requirement.

You ask students for feedback on your teaching/lecture. How has student feedback helped you develop as a teacher?

Immensely… It is not possible to read every person's mind and to assess their personal needs unless they are given the confidence to speak up without the fear of being judged. I believe that student feedback should be dealt with swiftly and where possible, robustly too. Small changes in light of student needs can go a long way in their learning experience.

What would you say is the hardest part of being a teacher?

Undergraduates are grown-ups and there is only so much that a teacher can do to motivate them. Some intrinsic drive is very important for a student to actively and usefully participate in a class. They need to be regular, punctual and prepared before every session. Once these ingredients are missing, teaching may not achieve its true potential in those (effectively) 50-minute sessions. This could, therefore, be disappointing for a teacher, who is normally well prepared and enthused for a session. That said, the Accounting department takes teachers' development very seriously, so that we are effective in classroom situations. There is plenty of support available for teachers through the LSE Teaching and Learning Centre, in order for us to contribute in making learning pleasurable.

STUDENT AWARDS 2018

MSc Accounting and Finance

Winners of the **Emeritus Professors Prize** for outstanding examination performance in the MSc Accounting and Finance was awarded to **Philipp Kelbling, Yuwen Xu** and **Tong Zhong**.

Diploma in Accounting and Finance

Joint winners of the **Department of Accounting Prize** was awarded to **Louis Kerzerho** and **Kohki Okada**.

MSc Accounting, Organisations and Institutions

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

STUDENT AWARDS 2018

The following prizes were awarded to Accounting students for their excellent examination performance at the 2018 presentation ceremonies.

BSc Accounting and Finance prizes

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

"I am deeply honoured to receive the H.C. Edey Prize! The undergraduate programme has equipped me with both the technical knowledge and practical skills which I hope to apply in my career in finance at Goldman Sachs. In my 3 years at LSE, I was able to pursue interests beyond accounting and finance, from leadership roles in LSESU societies to studying modules from other academic fields. That being said, my best piece of advice would be to make the most out of the opportunities that LSE has to offer!"

Nina Bhargava, 2018

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

LSE STUDENTS ANNOUNCED AS WINNERS OF THE ST JAMES'S PLACE PRIZE

Two graduating Masters students from the London School of Economics were awarded the St James's Place Prize for Academic Excellence in Accounting in a recent ceremony.

The two students were presented with their Awards by Jason Flood, Executive Director of the St James's Place Academy and Professor Wim A Van der Stede, Head of Department of Accounting from the LSE.

The two winning candidates were **Olivia Catherine Rose** and **Tara Sangani**. The prizes were presented to the two winning candidates at the St James's Place Academy in Mayfair, London, during an informal ceremony in the presence of both candidates' parents and family.

In a move to extend the activities and reach of its acclaimed and industry-leading Academy training program, St James's Place joined forces with the LSE to award an annual prize to two students on LSE's MSc Accounting, Organisations and Institutions program. The prize was awarded to students who achieved the highest marks in a 6,000 word essay, which accounted for 50% of the mark for one of the compulsory courses on the MSc program.

Congratulating the prize winners, Jason Flood said: "We are pleased to continue to work with LSE and support its Accounting faculty through this prize and continue to be astounded by the incredible standard of entries; Olivia's and Tara's submissions stood out from their peers and we wish both of them the best in their future careers."

Professor Wim A Van der Stede from the LSE added: *"Our MSc programme in Accounting, Organisations and Institutions is intellectually demanding. Our students consistently write excellent Long Essays, often taking risks to make new and original arguments. The work by Tara and Olivia was exceptional even by these high standards. We are very grateful to the St James's Place Academy for sponsoring these prizes and for providing this recognition for the achievements of our students. We look forward to continuing our link with the Academy over the coming years and we wish Olivia and Tara our best for their future careers."*

STUDENTS SOCIETY NEWS

LSE STUDENTS' UNION ACCOUNTING, ORGANISATIONS AND INSTITUTIONS SOCIETY

The LSESU Accounting, Organisations and Institutions (AOI) Society provided students with a forum to cultivate and strengthen relationships, connect with experienced alumni and learn from notable professionals representing various industries.

The Society organised a number of academic and leisure activities throughout the 2017-18 academic year with the aim of exposing students to valuable professional and academic insights as well as building and strengthening a sense of an AOI community.

The first event organised by the AOI Society was the alumni event where past students such as Nadine De-Gannes, Fellow at the Department of Accounting and Michelle Almaz, former LSESU AOI Society President (2016-2017) among others, shared their experiences and provided advice to current students. By organising an event where alumni and current students participated and interacted, the basic foundation of the AOI curriculum was laid and the bonds between students were reinforced.

Building on this successful alumni event, the Society hosted a number of professional events, where experienced individuals were invited to share their professional insights and expose students to the business world. Katie Thorpe, the former Deputy Chief Operating Officer at Rothschild Capital Management Ltd and former senior manager at PwC discussed her responsibilities with regard to investor relations, key differences between working for an investment trust and a large organisation such as the PwC, as well as the implications of being a woman in the corporate world. Mark Hunter LSE alumni and a retired PwC partner and an expert in financial crime, fraud and dishonesty in regulated firms and anti-money laundering, was also invited. He gave a case study to students on the Lehman Brothers financial scandal as he had worked on the administration of the case, leading the accounting aspects of litigation to return customer assets from Lehman affiliates in Japan and the USA.

In addition to the academic events, students participated in off site visits such as a guided tour of the Bloomberg headquarters in Europe where students were exposed to the history and the professional environment of the company and gained insights into the Terminal and possible exciting careers. Among the many social events held, the most successful one was the end of final exams celebration, where the society organised a pub-crawl for students, which began at the iconic LSE George IV Pub and finished at a nightclub in Soho. The main guest was the Director of the AOI programme, Professor Michael Power who came for a short time at the start of the night and conveyed his good wishes to the AOI students.
The AOI Society maintained its status and built on the reputation set by previous AOI cohorts. Overall, the AOI Society was able to bridge the gap between the academic and professional environment as well as strengthen the AOI community by creating a strong network among current and former AOI students. We hope future AOI students will perpetuate the legacy left by the previous AOI society, in order to reinforce the AOI community by involving past, present and future students.

Finally, we would like to express our deepest gratitude to the Accounting Department for their constant support and without them the events could not have been organised in such a successful manner.

Nakul Garg (President); Yogita Nayar (Vice-President); Majd Deghles (Secretary); Prateek Kansal (Treasurer); and Nadim Al Banner (Treasurer/Sponsorship Manager)

Organisations
Institutions
Accounting

Members of The LSE Students' Union Accounting, Organisations and Institutions Society

ALUMNI SPOTLIGHT

LILIA STOYANOVA
MSC ACCOUNTING AND FINANCE (2008)

Can you give a brief introduction to yourself and the degree for which you studied at the Department? What year did you start? And what are you doing now?

My name is Lilia Stoyanova, I am Bulgarian and have lived in the UK for more than 10 years now. I completed the MSC in Accounting and Finance in 2008 and I now work in financial services in London.

What did you do before you came to LSE?

After completing my undergraduate studies in economics at DePauw University in the US, I worked in strategic planning for a US airline company for one year.

What did you most enjoy about your course?

LSE and the MCS in Accounting and Finance provided me with a unique experience as a result of its diversity of students, the quality and personalities of professors and of course also the great location in central London. You feel immediately connected with the "real world" as the course offered both relevant practical teaching (through professors and guest lectures) and also academic rigour.

What was your favourite module and why?

My favourite module was "Management Control Systems" as it showed me the importance of incentive systems and how to apply them to different real life scenarios. This is something that I benefit from still today when assessing investment opportunities and fund managers
and it also is one of the reasons for my current interest in behavioural science.

What has been the biggest challenge since leaving the LSE?

After a very traditional start at an international investment bank and the education and training that comes with it, the biggest challenge for me has been to take the time and identify the role in financial services that is compatible with my own long-term career and personal goals. For me, moving from an investment bank into an asset management role has been the right decision, even though it did not feel obvious at the time.

What is your favourite memory of studying at LSE?

Being able to leave the building and then being in the midst of central London with all its life and activity! This of course applies to having fun, but also to the fact that a myriad of professional opportunities are right next to you!

Do you have plans for the next stage of your career?

I have a fond interest in behavioural science and in the next stage of my career would like to spend more time on this subject and incorporate it into my role.

Do you have any advice for students, starting on their academic MSc journey?

Make use of the breadth of guest lectures, roundtables and discussions that LSE offers outside of the core course. These are unique opportunities to witness and participate in debate with high-profile personalities which is something you won't have much time to do afterwards!

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

PHD IN ACCOUNTING INFORMATION SESSION

LEARN ABOUT THE PROGRAMME AND SCHOLARSHIP OPPORTUNITIES, MEET CURRENT PHD STUDENTS AND FACULTY

The Department of Accounting at LSE takes pride in its diverse faculty and student body coming from across the globe to engage in the study of economic, institutional and organisational aspects of accounting and financial management.

Dates
Wednesday 28 November 2018 and Wednesday 27 February 2019

Time
13.00-14.00

Location
Old Building, Houghton Street, London WC2A 2AE

For further information visit lse.ac.uk/accounting or contact Rebecca Baker, PhD Programme Manager on **accounting@lse.ac.uk**

Closing date for September 2019 start is 14 June 2019*.

*Please note that ESRC and LSE Studentship have separate closing dates. Visit the Graduate Admission for more details.

The Department has close links with the Centre for Analysis of Risk and Regulation, enabling you to attend regular seminars, workshops and conferences given by internationally renowned speakers.

We aim to attract PhD applications from those who have an interest to pursue research in, but not limited to, the following areas:

- Accounting, regulation and financial reporting
- Accounting and financial management
- Accounting, organisations and institutions
- Management accounting and organisational control
- Accounting, governance and risk management
- Accounting and public policy
- Accounting history

The PhD programme in Accounting at LSE enables students to develop the required technical, methodological and intellectual skills for conducting research of the highest international standards and gives them the opportunity to become members of an integrated community of researchers and leading academics.

Recently completed doctoral theses titles include: "Accounting and Climate Change: The Two Degrees Target and Financing the Transition to a Low-Carbon Economy"; "The Changing Constellations of Audit Quality"; "Essays on Debt Contracting"; "Essays at the Intersection of Financial Accounting and Tax Avoidance".

SELECTED ACADEMIC HIGHLIGHTS 2017/18

DR PER AHLBOM

Awards
Peter Högfeldt Award for Outstanding PhD Thesis in Business Administration (2017)

Presentation
Interdisciplinary Perspectives on Accounting Conference, Edinburgh

DR VASILIKI ATHANASAKOU

Presentations
Stockholm School of Economics; University of Gothenburg; Korea University Business School; the Multinational Finance Society

Publications
Review of Financial Management for Technology Start-Ups: A Handbook for Growth (A Bhimani), *International Journal of Accounting* (2018)

PROFESSOR ALNOOR BHIMANI

Presentations
2018 EAA Annual Congress; Grant Thornton; Karakoram International University; University of Law London; Ismaili Centre; University of Technology Sydney; 2018 Journal of Accounting and Public Policy Conference

Publications
A Study of the Linkages Between Rolling Budget Forms, Uncertainty and Strategy (with P Sivabalan and K Soonawalla), *British Accounting Review* (2018)

How Do Enterprises Respond to a Managerial Accounting Performance Measure Mandated by the State? (with N Dai, P Sivabalan, and G Tang), *Journal of Management Accounting Research* (2018)

DR JOSE CARABIAS

Presentations
University of Notre Dame

Publications
The Real-Time Information Content of Macroeconomic News: Implications for Firm-Level Earnings Expectations, *Review of Accounting Studies* (2018)

DR STEFANO CASCINO

Awards
American Accounting Association FARS Excellence in Reviewing Award (2017); LSE Excellence in Education Award (2017)

Presentations
WHU-Otto Beisheim School of Management; University of Pisa; 2018 EAA Annual Congress; University of Porto; Cambridge Conference on Alternative Finance

Publications
Group Affiliation and Default Prediction (with W Beaver, M Correia, and M McNichols), *Management Science* (2018)

DR YASMINE CHAHED

Appointments
Financial Reporting Council (FRC) Financial Reporting Lab Steering Group

Presentations
Annual Global Professions Fest: Technology and the Disruption of Professional Work, London; Critical Perspectives on Accounting Conference, Québec City; King's Business School; Interdisciplinary Perspectives on Accounting Conference, Edinburgh; 7th Interpretive Accounting Workshop, London; 5th Workshop on the Politics of Accounting, Innsbruck

DR MARIA CORREIA

Appointments
Editorial Board, *Review of Accounting Studies*; Associate Editor, *Accounting and Business Research*

Presentations
Hong Kong University of Science and Technology; Chinese University of Hong Kong; Manheim University; Tilburg University; Lancaster University; University of Pisa; Norwegian School of Economics

Publications
Group Affiliation and Default Prediction (with W Beaver, S Cascino and M McNichols), *Management Science* (2018)

Asset Volatility (with J Kang and S Richardson), *Review of Accounting Studies* (2018)

DR HENRY EYRING

Publications
Performance Effects of Setting a High Reference Point for Peer-Performance Comparison (with VG Narayanan), *Journal of Accounting Research* (2018)

PROFESSOR BJORN JORGENSEN

Appointments
Associate Editor, *Journal of Accounting and Public Policy*

Presentations
2018 AAA Doctoral Consortium; Center for Accounting and Education Conference; 2018 EAA Annual Congress; 2018 Journal of Accounting and Public Policy Conference; 2018 International Network of Business and Management Journal Editors Conference; Cambridge University; HEC Paris

Publications
Market Exit Through Divestment: The Effect of Accounting Bias on Competition (with H Chen), *Management Science* (2018)

DR LIISA KURUNMAKI

Publications
Economising Failure, Democratising Failure: Designing a Failure Regime for NHS Hospitals (with A Mennicken and P Miller), *Actes de la Recherche en Sciences Sociales* (2018)

DR XI LI

Awards
International Centre for Pension Management Research Award (2017); Review Award for *Review of Accounting Studies* (2017)

Appointments
Research Fellow, Newton Centre for Endowment Asset Management, Cambridge Judge Business School; Editorial Board, *The Accounting Review*

Presentations
International Symposium in Finance, Crete; Newton Charity Seminar, London; Women in Governance, New York; Responsible Investment Dinner, New York; Biscay ESG Global Summit, Bilbao; 2018 EAA Annual Congress; Conference on Investing for the Long Term, Cambridge Judge Business School; ICMA Centre, University of Reading; Southwestern University of Finance and Economics; RBC Global Asset Management ESG Seminar; International Council on Mining and Metals Webinar; PRI Academic Network Conference; Principles for Responsible Investment, Berlin

Publications
The Effects of a Mixed Approach toward Management Earnings Forecasts: Evidence from China (with X Huang, S Tse, and J Wu Tucker), *Journal of Business Finance and Accounting* (2018)

PROFESSOR RICHARD MACVE, EMERITUS

Presentations
University of Birmingham; University of Essex; 2018 AAA Annual Meeting

DR NADIA MATRINGE

Presentations
Nantes Institute for Advanced Study; Interdisciplinary Perspectives on Accounting Conference, Edinburgh

Publications
Review of Beggar Thy Neighbor: A History of Usury and Debt (C Geisst), *European History Quarterly* (2018)

Le Dépôt en Foire au Début de L'époque Moderne: Transfert de Crédit et Financement du Commerce, *Annales: Histoire, Science Sociales* (2018)

DR ANDREA MENNICKEN

Presentations
University of Jyväskylä; RWTH Aachen; University of Innsbruck; Interdisciplinary Perspectives on Accounting Conference, Edinburgh

Publications
Economising Failure, Democratising Failure: Designing a Failure Regime for NHS Hospitals (with L Kurunmäki and P Miller), *Actes de la Recherche en Sciences Sociales* (2018)

The Foucault Effect in Organization Studies (with S Raffnsøe and P Miller), *Organization Studies* (2018)

PROFESSOR PETER MILLER

Awards
Fellow of the British Academy

Publications
Economising Failure, Democratising Failure: Designing a Failure Regime for NHS Hospitals (with L Kurunmäki and A Mennicken), *Actes de la Recherche en Sciences Sociales* (2018)

The Foucault Effect in Organization Studies (with A Mennicken and S Raffnsøe), *Organization Studies* (2018)

DR TOMMASO PALERMO

Awards
2018 LSE Teaching Prize at Major Review

Presentations
European Group for Organizational Studies Colloquium, Copenhagen; Interdisciplinary Perspectives on Accounting Conference, Edinburgh; Royal Holloway; HEC Paris

Publications
Accounts of the Future: A Multiple-Case Study of Scenarios in Planning and Management Control Processes, *Qualitative Research in Accounting and Management* (2018)

The Dynamics of (Dis)integrated Risk Management: A Comparative Field Study (with M Arena and M Arnaboldi), *Accounting, Organizations and Society* (2017)

PROFESSOR MICHAEL POWER

Presentations
Critical Perspectives on Accounting Conference, Quebec City; European Group for Organization Studies, Copenhagen

Publications
Creativity, Risk and the Research Impact Agenda in the United Kingdom, *The European Review* (2018)

PROFESSOR ANE TAMAYO

Presentations
London Business School; University of Bristol; 12th Annual Tel Aviv International Conference in Accounting

PROFESSOR WIM A VAN DER STEDE

Appointments
EAA Doctoral Colloquium, Co-chair

Presetations
12th Annual Tel Aviv International Conference in Accounting; Annual Conference of China Young Accounting Scholars, Peking University; 2018 EAA Doctoral Colloquium; 2018 AAA Management Accounting Doctoral Colloquium; Tilburg University; Free University Amsterdam (VU); University of Amsterdam (UvA); University of Bristol

Publications
Multitasking Academics, *Issues in Accounting Education* (2018)

CFO Role and CFO Compensation: An Empirical Analysis of their Implications (with A Caglio and A Dossi), *Journal of Accounting and Public Policy* (2018)

'Global' Management Accounting Research: Some Reflections, *Journal of International Accounting Research* (2017)

DEPARTMENT SEMINARS 2017/18

ACCOUNTING, ORGANISATIONS AND INSTITUTIONS SEMINARS

25 OCTOBER 2017
Martin Messner
Universität Innsbruck
Institutional Work and the Boundaries of a Practice: Idealistic and Pragmatic Approaches to Beyond Budgeting

7 FEBRUARY 2018
Darlene Himick
University of Ottawa
The Organisation as Site of Security

7 MARCH 2018
Thomas Matys
University of Hagen
The Organisational Production and Consumption of Ratings

14 MARCH 2018
Rebecca Elliott
London School of Economics and Political Science
Second-order Economization Risks of Insuring Climate Change: The Case of US Flood Insurance

16 MAY 2018
Dan Bouk
Colgate University
Lives in Corporate Service: How Depreciation Made Capital Human and Humans Capital in Twentieth Century United States

30 MAY 2018
Eli Cook
University of Haifa
The Pricing of Progress: Economic Indicators and the Capitalization of American Life

ACCOUNTING RESEARCH FORUMS

4 OCTOBER 2017
Christian Leuz
Chicago Booth School of Business
The Death of a Regulator: Strict Supervision, Bank Lending and Business Activity

22 FEBRUARY 2018
Ranjani Krishnan
Michigan State University
Uncertainty and Compensation Design in Strategic Inter-Firm Contracts

FINANCIAL ACCOUNTING SEMINARS

21 SEPTEMBER 2017
Gavin Cassar
INSEAD
Peer Effects in Subjective Performance Evaluation

28 SEPTEMBER 2017
Peter Easton
University of Notre Dame
Conservative Accounting and Free Cash Flow

12 OCTOBER 2017
Eric So
Massachusetts Institute of Technology
Flight-to-Dividends: The Role of Earnings in Periods of Capital Scarcity

2 NOVEMBER 2017
Peter Joos
INSEAD
Looking Under the Hood: Quantitative vs Qualitative Inputs to Analyst Forecasts of Fundamental Risk

16 NOVEMBER 2017
John Barrios
Chicago Booth School of Business
Boards of a Feather: Foreign Directors around the World

2017

2018

18 JANUARY 2018
Paul Healy
Harvard Business School
Director Perceptions of their Boards' Effectiveness, *Size and Composition, Dynamics, and Internal Governance*

1 FEBRUARY 2018
Amir Amel-Zadeh
SAID Business School
Are All Insider Sales Created Equal? New Evidence from Form 4 Footnote Disclosures

8 FEBRUARY 2018
Shuping Chen
University of Texas
The Market for Corporate Control and Information Quality: Evidence from Peer Firm Disclosure Response to Takeover Threat

8 MARCH 2018
Anne Beatty
Fisher College of Business
Pay for Praise: Do Rating Agencies Get Paid More When They Provide Higher Ratings? An Examination of the Consequences of the Recalibration of Municipal Debt

15 MARCH 2018
Stanimir Markov
Southern Methodist University
Can Employees Glimpse the Future? Evidence from a Social Media Platform

22 MARCH 2018
Anastasia Zakolyukina
Chicago Booth School of Business
Information Distortion, R&D, and Growth

26 APRIL 2018
Stephen Stubben
David Eccles School of Business
Private Equity's Diversification Illusion: Evidence from Fair Value Accounting

3 MAY 2018
Patricia Dechow
USC Marshall School of Business
How Do Accounting Practices Spread? An Examination of Law Firm Networks and Stock Option Backdating

10 MAY 2018
Masako Darrough
Zicklin School of Business
Do Mandatory Disclosure Regulations Result in Positive Information Externalities? Evidence from the Effect of Mandatory IFRS Adoption on US Firms

17 MAY 2018
Skralan Vergauwe
Lancaster University
Distracted Analysts

24 MAY 2018
Zahn Bozanic
Ohio State University
Securities Law Expertise and Corporate Disclosure

7 JUNE 2018
Dan Amiram
Columbia Business School
Does Financial Misconduct Pay Off Even When Discovered?

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FAREWELL

PETER POPE and **CHRISTOPHER NOKE** on their retirement, and **MARTIN GIRAUDEAU** on his appointment at Sciences Po.

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