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 facility—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 biases 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 alumni, 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 MSQ, 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 conduits, that is, by “having a hand in it,” thanks.

Wim A Van der Stede
Head of Department of Accounting

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lse.ac.uk/accounting
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Email: accounting@lse.ac.uk
Edited and prepared by Sandra Ma and
Wim A Van der Stede
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Her vibrant and energetic 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 her 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 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 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 tison 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 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.

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.

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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 electricity 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 need to understand their businesses as they seek funding, start-up or to meet investor needs. Entrepreneurs need to understand the value creation process of their firm to financial management which considers different types of relevant information. Growing a tech start-up 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 management financial services provide? If we accept the reason behind 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 is no surprise also that many investors need to assess the financial adequacy of businesses for aspiring start-ups and others could unravel the drivers of value that will create their own further market needs. So we shouldn’t expect that where technology has advanced 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 complex 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 control 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 turns 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. 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 products and markets evolve. 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 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 and business models have rapidly evolved, financial management understanding should stay still.

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, benefiting 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 demand with the new suppliers. This brings down prices across the whole industry, as there is 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 differentiation. 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 investors’ 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 for a long-term, or who does not show an understanding of the financial dimensions of navigating the start-up to success, will not impress investors.
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 rife 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 Catalonia 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.
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 discreetly controlled the economic and institutional life of the city. Finally, incursions in the accounting systems of other early modern Tuscan farms (Cors, Sammini, 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 transactions in the ledger of accounts of bankers. In this sense, the accounting discourse had the role of rationalising 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 Gallon, according to which economic models and theories create economic systems that function as they predicted.
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, WRITE 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’ (i.e., 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.

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 (i.e., 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.
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 argument 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 a 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 ABCD 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.
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 (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. 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 relationship 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.

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This article is based on the paper “Asset Volatility, Review of Accounting Studies, 2018, Volume 23, Issue 1, pages 37–44.”
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, i.e. 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, e.g., 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 (e.g., $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, 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, 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 (e.g., 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 (e.g., 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 (e.g., prior forecast accuracy and analyst firm-specific experience). While investors may lose money by ignoring all aspects of the economic environment, attention 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 unveils 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 (e.g., 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.
ALGORITHMS HAVE GROWING RELEVANCE TO THE DELIVERY OF PUBLIC SERVICES, ALONG WITH OPEN AND BIG DATA, WRITE MARTIN LODGE AND ANDREA MENNICKEN.

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 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 complication 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 transparency 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 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 ‘viral’ (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 crazy) 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.

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 Harold Laswell in his call for an interdisciplinary field of ‘policy analysis’, namely the need for a population with knowledge of and in the policy-making 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.
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 more events you attend, the better it gets. Managers of leading worldwide conglomerates. The living in London is the people you meet there. Ranging to do. However, I think the most important benefit of

**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.

**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 by 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.

**Which 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.
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 lectures on the Managerial Accounting module, the AC100 Elements of Accounting and Finance, but also outstanding contribution to teaching at LSE in the field of Accounting.

THOMAS MILLER

Managerial Accounting is an old and established discipline within accounting. It is as relevant today, as it was in the past. That said, reforms, with particular reference to healthcare.

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 HC 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

What 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.

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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 Steede, 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.

Professor Wim A Van der Steede 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.”

Congratulations to 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.”

STUDENTS SOCIETY NEWS

The LSESU Accounting, Organisations and Institutions 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 professional events, 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 service 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 night club 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 Nayyar (Vice-President); Majd Deghles (Secretary); Prateek Kansal (Treasurer); and Nadim Al Banner (Treasurer/Sponsorship Manager)
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 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.

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.

<table>
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<th>Academic Highlights 2017/18</th>
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<tbody>
<tr>
<td><strong>Professor Bjorn Jorgensen</strong></td>
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<td>Appointments: Associate Editor, Journal of Accounting and Public Policy</td>
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<tr>
<td>Presentations: 2018 AAA Annual Congress; 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</td>
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| **Dr Lisa Kurunmäki** |
| Publications: Economising Failure, Democratising Failure: Designing a Failure Regime for NHS Hospitals (with A Meninck and P Miller), Actes de la Recherche en Sciences Sociales (2018) |

| **Dr Xi Li** |
| Publications: International Symposium in Finance, Crete; Newton Charity Seminar, London; Women in Governance, New York; Responsible Investment Dinner, New York; Bscay 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 |

| **Dr Henry Eyring** |
| Publications: Performance Effects of Setting a High Reference Point for Peer-Performance Comparison (with VG Naranayan), Journal of Accounting Research (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 |

| **Dr Andreas Meninck** |
| 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 A Meninck 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 |

| **Professor Ane Tamayo** |
| Presentations: London Business School; University of Bristol, 12th Annual Tel Aviv International Conference in Accounting |
| Appointments: EAA Doctoral Colloquium, Co-chair |
| Presentations: 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 |

| **Professor Peter Miller** |
| Awards: Fellow of the British Academy |

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WHO’S WHO

FACULTY

PER AHBLÖM
Assistant Professor of Accounting

VASILIKI ATHANASAKOU
Assistant Professor of Accounting

ALNOOR BHIMANI
Professor of Management Accounting

JOSE CARABIAS PALMEIRO
Assistant Professor of Accounting

STEFANO CASCINO
Assistant Professor of Accounting

YASMINE CHAHED
Lecturer in Accounting

MARIA CORREIA
Associate Professor of Accounting

HENRY EYRING
Assistant Professor of Accounting

PASCAL FRANŽ
Lecturer in Accounting and Finance

BJORN JÖRGENSEN
Professor of Accounting and Financial Management

SAIPRIYA KAMATH
Assistant Professor of Accounting

LIISA KURUNMÄKI
Associate Professor of Accounting

KEN LEE
Associate Professorial Lecturer, MSc Programme Director

XI LI
Associate Professor of Accounting

PIK LI EW
 Associate Professorial Lecturer, BSc Programme Director

NADIA MATRINGE
Assistant Professor of Accounting

ANDREA MENNICKEN
Associate Professor of Accounting

PETER MILLER
Professor of Management Accounting

JULIA MORLEY
Lecturer in Accounting

TOMMASO PALERMO
Assistant Professor of Accounting

MICHAEL POWER
Professor of Accounting

ANEESH RAGHUWANANDAN
Assistant Professor of Accounting

ANA SIMPSON
Assistant Professor of Accounting

ANE TAMIYO
Professor of Accounting

WIM A VAN DER STEDE
CIMA Professor of Accounting and Financial Management, Head of Department of Accounting

EMERITI

MICHAEL BROMWICH
CIMA Professor of Accounting and Financial Management, Emeritus

RICHARD MACVE
Professor of Accounting, Emeritus

PETER POPE
Professor of Accounting, Emeritus

PROFESSIONAL SERVICES

JUSTIN ADAMS
BSc Accounting and Finance Programme Manager

REBECCA BAKER
PhD in Accounting Programme Manager

YVONNE GUTHRIE
Department Manager

MUHAMMED SABIH IQBAL
MSc Accounting, Organisations and Institutions Programme Manager

SANDRA MA
Student Community and Operations Manager

DOROTHY RICHARDS
Graduate Admissions Manager, Diploma and MSc Accounting and Finance Programme Manager

SAalah UDDIN
Student Information Centre Assistant

FAREWELL

WAYNE LANDSMAN
Visiting Professor in Accounting

BRIAN SINGLETON-GREEN
Visiting Professor in Practice

MARTIN WALKER
Visiting Professor in Accounting

JONI YOUNG
Visiting Professor in Accounting

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

WHo’s who

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