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EDITORIAL

The current issue of the journal is brought out at a time when the Editor-in-Chief, Prof. B. Banerjee, is outside India in connection with important academic assignments. It has been possible to publish the issue without much delay because the publication process was started by Prof. Banerjee well before he went abroad.

The issue begins with the address delivered by Prof. Sukumar Bhattacharya at the inaugural function of the National Accounting Conference organised by the Calcutta Branch of the Indian Accounting Association on January 21-22, 1995. In addition to this address, the issue contains seven articles written by reputed academicians of this country and abroad. In his article Ahmed Belkaoui addresses the theme of slack budgeting by focusing on how information distortion takes place in the context of decision making. Rajul Gokarn's article investigates the perceptions of women accounting students and qualified women accountants in India. S. Garai in his article emphasises the extensive usage of accounting ratios in spite of their various limitations. V. K. Vasal's article, which is an extended version of his article published in the last issue of the journal, identifies some fundamental factors that affect extended corporate financial reporting in India. The article contributed by B. H. Desai jointly with N. M. Khandelwal is based on a study of the growth of doctoral-level research in accounting and finance in Gujarat. M. N. A. Ansari and S. M. A. Keyvani's article examines the efficiency and effectiveness of liquidity management in Indian Petrochemicals Corporation Ltd. The article by O. N. Dutta is concerned with the linkage between quality management and profitability.

The Book Review section of the journal contains reviews in respect of two books recently published by the Department of Commerce of the University of Calcutta under its DSA Programme in Commerce. As usual, the present issue contains information relating to various past and forthcoming national and international accounting seminars and conferences.

I take this opportunity to express my gratitude to Prof. D. Prabhakara Rao, General Secretary, and Dr. S. C. Jain, Treasurer, Indian Accounting Association and Dr. J. B. Sarker, Secretary, IAA Calcutta Branch for their active cooperation and support in bringing out this issue.

A. K. Basu
Associate Editor

July 20, 1995

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CHAIRMAN'S ADDRESS*

Hon'ble Chief Justice of the Calcutta High Court, K. C. Agarwal, Prof. Sankar Dhar, Dr. N. G. Choudhury, Dr. H. S. Kulshrestha, Dr. U. L. Gupta, Prof. Bhabatosh Banerjee, Dr. J. B. Sarker, distinguished guests and my brothers and sisters of the Accounting Fraternity—

I welcome you all to this National Conference of Accountants organised by the Indian Accounting Association, Calcutta Branch. The inaugural session and the first day's technical sessions are being held here today at the Shivananda Hall of the Ramakrishna Mission Institute of Culture—a place and an organization hallowed by the names and memories of Sri Ramakrishna and Swami Vivekananda. We are grateful to the authorities of the Institute who have graciously made this Hall available to us for today's deliberations. The eternal message left for the posterity by the two great savants has been the search and pursuit of truth and the accountability for every action that a human being undertakes. Could there be a better place than the present venue for the meeting of accountants whose avowed aims are to record business transactions truly and fairly, to report on the correctness and reality of recorded events and to keep a vigil when others may be asleep.

Here is an assembly of persons whose aim is to learn and disseminate knowledge. An invocation at this stage from the *Kathopanisad* seems to be apposite.

ॐ सहनाववतु, सह नौ भुनक्तु,
सह वीर्यं करवावहै।।
तेजस्वि नावधीतमस्तु,
मा विद्विषावहै।।
ॐ शान्तिः शान्तिः शान्तिः।।

Om saha nābabatu saha nau bhunaktu
saha vīryam karabābahai
Tejasvi nābadhitamastu
mā vidvisābahai
Om sāntih sāntih, sāntih

* Delivered by Prof. Sukumar Bhattacharya, Chairman, Indian Accounting Association, Calcutta Branch at the National Accounting Conference held in Calcutta during January 21-22, 1995.

Let the grace of the Supreme Being always protect us.

Let our discussions be fruitful.

Let us have the ability to grasp what we deliberate upon.

Let us accomplish successfully what we have set out to do.

Let our aims be achieved by our combined efforts.

May the knowledge that we acquire here today bear results.

Let us not harbour any ill-will against others.

Let us be protected from physical ailments (ādhyātmic), accidents (ādhidaivic) and violence from others (ādhibhautic).

Today in India we are in the grips of an economic revolution. Developments in transport facilities and great improvements in communication systems have brought us much closer than ever before to the world community of human beings. The doors of commerce which remained barred earlier are now being unbarred. Domestic and international business activities are increasing by leaps and bounds. In this atmosphere, accountancy being the language of business, the sphere in which accountants and accountancy operate, has undergone radical changes already and is still in the process of development. Today and tomorrow we are going to take stock of the situation, re-examine our duties and responsibilities and redefine our roles in the context of the ever changing economic scenario. There cannot be any doubt that our existing practices have to be greatly modified and that we can no longer afford only to react after something has happened, we have to mould ourselves having regard to the shape of things to come, we have to anticipate.

I do not propose to place before this august assembly a comprehensive account of what the situation is today and what should be our role in the rapidly changing accounting scenario. I shall touch upon some typical issues in accountancy remembering that, among other things, the subject deals with functional areas in recording of events, verification of records, management of business and supply of accounting information to those who constitute management. Whatever the accountant does has to be done in the context of the prevailing economic conditions and the first matter that I place before you concerns *utilisation of human resources.*

The new economic set-up envisages among other things a great improvement in the quality of whatever we produce by use of men, machines, materials and money. Developed countries are improving their existing technology and are evolving new ideas and methods in this field. The authorities in India are desirous that we Indians make full use of

modern technological advances and replace our existing plant and machinery wherever necessary by new ones imported from abroad or produced in this country. Indian businessmen are pursuing this policy, but this has given rise to a difficult economic issue. If a businessman is given the option of choosing between men and machines, the universal experience is that he opts for the machine in preference to man. The reason is obvious, the machine will operate as the operator wants it to operate for it has no mind of its own, but the man may not always carry out the job given to him without raising any question, because he has got the power to think and may dispute a decision taken by others. In this context, when the Government encourages installation of new machines and new technologies, the businessman is likely to accept the idea readily. As a consequence, the new labour-saving devices, constituting a major part of the instrument for economic changes, are likely to result in, and are in fact, already resulting in, the creation of a surplus labour force.

The Government felt that the new policy for economic development would be able to bring into existence new industries, which would in no time be able to absorb the surplus labour, but that expectation has not come true. There has been some growth indeed, but the potential has not been achieved to any marked extent.

That there would be surplus labour, at least for the time being, was not unknown to the authorities and Voluntary Retirement Schemes came into existence as a result, offering substantial monetary compensation to those who chose to retire voluntarily. Many persons have opted for these schemes and have thus voluntarily made themselves jobless. The Government perhaps felt that with a large amount of cash at his disposal, a person retiring voluntarily, would like to start a business venture on his own or jointly with some one else. But this expectation also remains largely unfulfilled. Having enjoyed the security of steady employment involving taking of little risk, most of these newly unemployed persons are unable to reconcile themselves with the risk and insecurity inherent in every business venture. The result has been that such persons generally have used up their newly earned capital in making safe investments yielding some regular income and have remained jobless in the process.

Unemployment has been one of the most serious economic problems of the country, and with the addition of the aforementioned large number of persons currently thrown out of job, the position is bound to get worse. No concrete proposal for tackling this situation has come out from the authorities yet, and this assembly may consider the situation when discussing about management policies in the technical sessions.

I come next to the *original field of accountancy*, i.e., recording transactions in terms of money and subsequently auditing such accounting records. Let it be examined whether the accountants' role here has undergone any significant change in recent times. The accountants' work in this context has one principal objective— supplying correct information and certifying about the truth and fairness thereof. It has to be appreciated that the accountants' handiwork is not an end in itself. It gives information meant for use by others, on which the latter are required to take further action. It is essential therefore that such other persons should receive the information timely. The list of persons who may use the accounting statements is growing larger daily, but it includes at least the following persons or classes of persons besides many others—

* Shareholders/owners
* Persons in management
* Revenue authorities
* Present or prospective creditors
* Prospective investors
* Prospective buyers of the business.

It may be noted now that the information contained in the published accounts only give a report of past events expressed in quantitative or monetary terms. Those do not give any hint of what is currently happening and what will be the shape of things in the immediate or distant future. What useful purpose then do such accounts serve ? One may of course say that when several past years' accounts are studied together, one may be able to discern as to what is the trend of the business carried on by the organization concerned as revealed from such accounts. Besides this, when the published accounts of similarly situated business undertakings run by others are taken into consideration together, it may be possible to make an inter-firm comparison. This may be useful for taking policy-decisions by the management. But the question still remains —are these enough for running a business effectively ? Planning for the future is an absolute necessity for carrying on business for which projections are necessary. For this purpose, knowledge about current events in terms of money is an essential requirement. Then again, for taking corrective action where controllable variances occur or have already occurred, the present position as revealed by accounting information, is a very important consideration for the management. It is for these two last named purposes particularly that the accountant has to strive for preparing promptly accounting details of current transactions and make those available to the management in a summarised but intelligible form. In executing this job the accountant today can call in aid all the new and

developed information systems like computers, digitals, fax machines, telecommunication facilities, etc., etc.

A question arises now. Obtaining information in monetary terms and quantitative figures regarding what is presently happening may be of vital importance to the management of an organisation, but do the other users of accounting statements like shareholders, creditors, investors and others have any access to the information regarding the current and prospective events ?

So far as the shareholders are concerned, they have to remain satisfied with the details furnished in the published accounts which necessarily relate to a year or years which ended some time ago. As regards the current situation, the report of the directors in the published accounts no doubt makes some reference to the situation obtaining after the end of the accounting period to which the said accounts relate, but the remarks made in this regard are of a very general nature giving little clue as to the present situation.

So far as the revenue authorities are concerned, the accounting information required by them generally relate to periods which are already over. They no doubt collect tax in advance, tax deducted at source, etc., but there is no requirement of production of current accounting records therefor. That question arises only when a regular assessment for a past accounting period is taken up.

A prospective investor cannot lawfully demand furnishing of information regarding the current or the latest position, but in the circumstances noted below, details of the up-to-date position may have necessarily to be furnished to the party who demands it. This happens when the organization is desirous of taking a loan, or is on the look-out for transferring its business to an intending purchaser. Where there is a default in settling existing debts owed by the organization, the creditor also may require the management to give details of current position so that such creditor may satisfy himself about the realisability of the outstanding debt owed to him by the company.

There is yet another occasion when the management is required to give summarised details, certified by the accountant, of the present position. This happens when a company wants to raise new capital from the public. Details of up-to-date accounts have not only to be furnished to SEBI, but have also to be published in the newspapers for the benefit of the public.

The analysis shows the necessity of preparing up-to-date accounts and underscores the duty of the accountants in this regard.

Having noted all these one would like to ask the questions — (1) Who possesses the right to know about the economic situation disclosed

by certified accounts ? And (2) what is the extent of such right ? It has been suggested by S P Sathe in a monograph styled "The Right to Know" that if the information revolution is to succeed, there must be some legal obligation on the part of the Government to supply the same disclosing, among other things, the economic situation in terms of money. The monograph relates to the citizen's right to know about national affairs, but the principle, in my opinion, should apply equally to every organized business entity as that also utilizes the country's economic resources.

Statistics furnished by the Government usually deal with past events. What one would like to know is the present position and future prospects. There must be a radical change in this regard. There should be a right under the constitution under which the citizen will have the right to know and the principle should be extended to all businesses whether operating in the public sector or in the private sector. In the preparation of such information it must necessarily be the accountant who shall have the principal role to play.

The third issue that I bring before this audience arises out of a recent statement in the press regarding *the position of accounts in public sector undertakings of a particular state.* The report is that in as many as 49 such undertakings out of the 50 examined by the Comptroller & Auditor-General of India, the accounts had not been finalised for a large number of years, not to speak of getting those audited. One can guess that the same situation obtains in many other states also. One of the questions that arise is what has the accountant been doing ? There has, no doubt, been a bad lapse on the part of the authorities, but does not the accountant also have a responsibility of his own ? Every company, whether in the public sector or in the private sector, is required to get its accounts duly prepared and duly audited by a formally appointed AUDITOR. If none of these responsibilities has been discharged, the default lies with the company and necessarily with the State Government which controls it and also with the authority which appoints the statutory auditor for every year for every such undertaking. If the statutory auditor has in fact been appointed, his failure to act in the matter is answerable by him. In such an event, he should at least have resigned after pointing out the defaults of the authorities. Details are not available from the press report and it is doubtful whether any authority will care to give an explanation for the sad state of affairs, as the Government usually does not feel that it owes an explanation to the public. But that does not absolve the accountant from his accountability to the profession as also to the citizen generally.

Let me refer now to some issues arising in the practice of auditing and examine whether what is professionally done today meets the

requirements brought about by the changes in the environment created by the new economic policy of the Government.

I first give the instance of auditing of public sector organizations and of the government accounts by accountants employed by the Government itself. While inaugurating the Sixth Assembly of the Asian Organization of Supreme Audit Institutions (ASOSAI), the Vice-President of India, Sri K. R. Narayanan, is reported to have stated that public auditors should respond to the changing needs of public administration caused by the social, political and economic environment, since public auditing is more challenging than the auditing in the private sector. The Vice-President welcomed the shift in emphasis from audit of transactions to an evaluation of systems and processes, programmes and projects with reference to their impact and cost-effectiveness. He further observed that most of the work done by the auditors was wrapped in mystery and not known to the general public, and he advised auditors that they need not be publicity-shy, even as the executive need not be audit-shy.

At the same meeting the Union Finance Minister, Dr. Manmohan Singh, is reported to have cautioned the public administrators that they should not be afraid of audit as that would lead to the creation of a mindset which would be averse to innovation and risk-taking inhibiting speedy decision-making process.

To the auditors, the Finance Minister gave the advice that audit must make due allowance for the fact that in an increasingly uncertain world it was not possible to foresee accurately all the consequences of the proposed course of action at the time of its formulation.

In the course of his talk, the Vice-President observed that an independent audit institution was an important organ of the state especially in a democratic system. He remarked that the world today has been brought closer together by the rapid advances in transport and communications and that people are living in an increasingly interdependent world and in a globalised economy. The audit function has to be redesigned today as to meet the new requirements brought about by the changes that have taken place in the economic scenario. There has been a vast expansion in Government expenditure, and so there has arisen a constant need to update the methodology and technology of audit so as to ensure its effectiveness.

Although the occasion for the remarks made by the Vice-President and the Union Finance Minister was a meeting of auditors working as employees of the Government, their applicability to the auditors operating in the private sector, may be with some modification, cannot be denied.

The Comptroller & Auditor-General has stated in a recent report that the effectiveness of audit depended to a large extent on the responsiveness of administration. Lack of such responsiveness has been brought out clearly by his report regarding the malfunctioning of as many as 49 public sector undertakings out of 50 such organizations operating in a particular state. This matter has already been referred to earlier. In this report, the Comptroller & Auditor-General also referred to the expansion of the scope of audit in response to the changing needs of public accountability. In his view, it was assiduously developing a constructive role of suggesting remedial measures and further improvements not only in accounting and internal controls but also in public administration in general.

A few remarks require to be made in this context. There is an audit department functioning in the field of income-tax for quite sometime now. It has been noticed over the years that the authorities who are entrusted with the task of administering the income-tax law are completely demoralised when faced with an adverse audit note. It has been noticed that the income-tax authorities are habituated to submit to whatever the auditors observe against some action taken by the assessing authorities in the application of the provisions of the taxation laws. Almost invariably such authorities abdicate their own right of interpretation and demand an explanation from the assessees concerned as to why action should not be taken against them on the lines suggested by the audit department. There is of course hardly any reference to the auditors' comments, but the fact remains that the demands for an explanation from the assessees, have their origin almost invariably in the auditors' remarks. In a very large number of cases, where the income-tax authorities have reopened past matters on the advice of the auditors, it has been ultimately found that the adverse remarks were baseless. In spite of this, however, the income-tax authorities even now continue to be guided by the adverse comments made by the auditors in most cases unjustly and unfairly. One must appreciate that by and large such audit function has brought down the morale of the income-tax administrators without assisting the Government by collection of any sizable amount of lost revenue but involving wasteful expenditure of time and money both of the public and of the Government.

Any protest on the part of the taxpayers against this state of affairs is met with disdain. The bureaucrats' reaction to suggestions for improvement of the unfair situation generally has an air of taunt and disparagement stemming from their sense of loftiness of asserted superiority and from their misguided notion of absence of any accountability to the public. But this attitude certainly is not conducive to a healthy co-operation between the powers that be and the general public

which is so necessary for attainment of the nation's recently defined economic goals. It may be noted that such regrettable position is caused by unfair criticism by Government Auditors of the tax authorities' work. These auditors also belong to the accounting community and that is the reason why I have discussed about them to make this Conference truly national.

Leaving the area of Governments' auditors, let the work of the accounting profession whose sphere of activities include both the private and public sectors be now considered. Of late, the profession has come in for sharp criticism and allegations are made that the members of the profession, in many cases, fail to do their allotted jobs properly. The criticism is largely due to the fact that a number of organizations certified by the auditors to be healthy only a little while ago suddenly go bankrupt creating great difficulties for investors and creditors. There cannot be any doubt that in some of such cases the auditors must have been at fault either due to negligence or to connivance with a corrupt management. But one must remember that the auditors' job today is quite different from what it was almost a century ago. Previously, the foremost concern of the auditor was detection of fraud. With vast increases in the volume of transactions over the years, it is no longer possible for an auditor to check each and every transaction which the organization under audit entered into during the period under audit. With a system of internal control and internal audit existing in almost all organizations today, the auditors' burden of checking accounts has been largely simplified. Today in most cases there are generally test checks by random sampling of transactions. The auditor's real job today is to report on the truth and fairness of the accounting statements for the period under audit. If there is any hint of fraud, of course, the checking has to be really thorough, but without any such indication, he can certainly depend upon the reports of the internal auditor after having satisfied himself about the reliability of the internal control and internal audit systems. When a large part of the physical checking work is thus dispensed with, the possibility of a cunning manipulation of the accounts by the management cannot be ruled out. Then again public interest is aroused mostly when reports come in respect of the bad cases only. One must not forget that in the vast majority of cases little exception can be taken to the auditor's certificate.

This, however, does not explain away every thing. One must take note of the fact that where a high degree of corruption prevails in every sphere of activity, there are bound to be some accountants and auditors who join hands with a corrupt management in suppressing truth and presenting a picture which is far from reality and fairness. The report of the Vivian Bose Commission in regard to the Dalmia-Jain group of cases

brought out clearly the fact that accountants and lawyers had actively assisted the management in preparing false accounts with a view to evasion of a large amount of tax.

It is no secret today that in India there exists large tax evasion and that a parallel economy operates here. No one can correctly measure as to how much black money operates in this country. But it can be assumed than in the nefarious task of reporting income at a much lower amount that what has actually been earned, the accountant must have played a major role. I should like to mention here of an event which will bring out the truth of what I have said. In a seminar at the IIMC where the participants were all highly placed accountants in large organizations in India (there were about forty of them assembled at the meeting), I placed the following question for their consideration—

"If your employer directs you to falsify the organization's accounts so that it may be possible to pay a much lower amount of tax than what is properly eligible, what will you do ?"

I was shocked to find that without exception every one answered that he would abide by the direction to manipulate in order to save his job and perhaps have even some reward ! The story ends, and the members assembled here may perhaps consider whether such a situation is at all desirable.

We hear today about the *expectation gap*. What exactly this expression means is the differences in perception between users and auditors of the accounting statements prepared by an organisation's accountants. The statements bearing the signature of the auditor who certifies about the truth and fairness thereof, are of considerable importance to the users for their taking of decisions, and they expect that with the auditor accepting the statements as proper, the users can go ahead making plans based thereon.

As already stated today, the situation has altered due to the vast increase in the number of organizations and the number of transactions in almost every unit. There is today no absolute assurance against fraud and intentional mismanagement. The burgeoning volume of business activity has made detection of fraud more difficult than ever before. As remarked in the January 1994 issue of the *Journal of Accountancy* by Epstein and Geiger at page 60 "Corporate shareholders and other outside parties became increasingly reliant on auditors to attest to management provided information, necessitating a shift in the primary audit objective to providing assurance on externally reported financial information." Today, the auditing profession acts generally on the principle of providing reasonable assurance and not of absolute correctness and truth. The question arises : is provision of "reasonable assurance" enough when almost in every part of the world corruption is the rule of the day ? If in

this context, there is a loss of faith in what the auditors certify, an accountant cannot afford to be complacent. There must be a thorough examination of the position and a method evoked so that the users' confidence may be restored. The users cannot be satisfied with an explanation that the nature of audit has undergone a change, and, it is impossible today for the auditor to devise a means by which the expectations of the users of accounting statements can be duly fulfilled.

The profession's efforts to bridge the *expectation gap* is through formulation of accounting and auditing standards. But the trouble is that it has no control over the actual preparation of accounts. A failure to act according to the standards makes the accountant or the auditor, as the case may be, liable to disciplinary action if such failure is detected, but the authorities, viz., the two Institutes, cannot take any action against the men who primarily commit the irregularities, the men who constitute management.

A solution is suggested, which may be utopian in concept, but still worth considering.

Let the two accounting institutes be the sole appointing authorities for accountants in every sector. The accountability of these persons should be to the particular Institute to which he or she belongs. This will relieve the organizations concerned of having to appoint any accountant themselves whether for writing records or for auditing them. If entire system of imposition and collection of taxes can be by the Government and Government alone, why can we not think about the entire system of accounting and auditing being under the total control of two independent Institutes like the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India ! Let this assembly consider my proposal and find out what suggestions can be made in elevating accountancy to the position from which it can command respect, regard and acceptance from all including the Government.

In conclusion, I have to state that standards and guidelines and even legal compulsion can never fully satisfy the Society's needs in the field of accountancy. Accountancy that recognises the social functions of the accountants' work must be based, as Oliver Wendell Holmes had stated in another context, on the felt necessities of time.

May I now request our Chief Guest kindly to address this gathering ?

Sukumar Bhattacharya
Chairman
IAA Calcutta Branch

January 21, 1995

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SLACK BUDGETING AND INFORMATION DISTORTION : THE IMPACT OF ACCOUNTABILITY AND SELF-MONITORING

*Ahmed Belkaoui**

The effects of one situational characteristic, accountability, and personal characteristic, self-monitoring on slack budgeting are examined. The results of an experiment showed that slack budgeting is consistent with general high accountability and high self-monitoring.

Introduction

Various research examined opportunistic behavior in organizations that is engaged for purposes of self interest maximization [Ferris and Kacmar, 1988, p. 4]. Information management, involving distortion, with-holding, and/or filtering of certain types of information, emerges as a frequent tactic [Allen et al., 1979; Caldwell and O'Reilly, 1982; O'Reilly, 1978]. One area where the distortion of information is most likely is the budgeting process leading to a phenomenon of slack budgeting. Initial efforts have been made to identify some of the personal and situation characteristics that encourage the demonstration of slack budgeting as information input distortion [Belkaoui, 1985; Young, 1985; Waller, 1987]. More concerted research is needed to explore this issue. Accordingly, the present study addresses the issue of slack budgeting by focusing on how information distortion takes place in a context of decision making. More specifically the intent is to explore the extent to which accountability as a situation variable and self-monitoring as an individual characteristic provide a context conducive to such budgeting, i.e. information distortion in a budgeting context.

Slack budgeting and information distortion

The literature on organizational slack shows that managers have the motives necessary to operate in a slack environment [Bourgeois, 1981; Cyert et al., 1961; Leibenstein, 1966; Levin and Wolf, 1976; Pondy, 1967; Singh, 1986]. The literature on budgeting slack considers the budget to be the embodiment of that environment and, therefore, assumes that managers will use the budgeting process to bargain for slack budgeting. As stated by Schiff and Levin, "Managers will create slack in budgets through a process of *understating revenues and overstating costs*" [1970, p. 259]. Various studies examined the phenomena of slack budgeting in organizational contexts [Cyert, March, Starbuck, 1961; Dalton, 1961;

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Barefield, 1970; Belkaoui, 1985; Lowe and Shaw, 1968; Onsi, 1973; Merchant 1981; Young, 1985]. All these studies seem to suggest that budgeting slack involves a deliberate distortion of input information. Distortion of input information in a budget setting arises, in particular, from the need of managers to accommodate their expectations about the kinds of payoffs associated with different possible outcomes. The link between the distortion of input information and the subject's accommodation of their expectations is provided by agency theory and risk aversion. Basically, given the existence of different incentives and information assymmetry between controller (or employer) and controllee (or employee) and the high cost of observing employee skill or effort, a budget-based employment contract (i.e., employee compensation is contingent on meeting the performance standard) can be par eto superior to fixed pay or linear sharing rules (where the employer and employee split the output) [Demski and Feltham, 1978]. Therefore, these budget-based schemes create a risk for the employee given tnat his/her job performance may be affected by a host of uncontrollable factors. As a result, risk averse individuals may resort to slack budgeting through systematic distortion of input information. In addition, any enhanced (increased) risk aversion would, in practice, lead the employee to resort to slack budgeting.

Impact of accountability

The enhancement of risk aversion and the resulting distortion of input information may be more pronounced when accountability is high. Accountability is the degree to which an individual is responsible for a particular outcome. People who are now accountable and subject to justify their decisions are inclined to perform the difficult, cognitive tasks considered to be signs of good decision making. Examples include the consideration of variety of options and impressions [Chaiken, 1980; Tetlock, 1983], consistency in judgment [Cvetkovich, 1978; Hagafors & Brehmer, 1983], and investment of more time and effort [McAllister, Beach and Mitchell, 1975]. In addition, accountability is found to be linked to the management of information and impressions [Fandt and Ferris, 1990]. With high accountability, there was greater use of defensive information and more emphasis on positive aspects of decisions. Could it also be concluded that slack budgeting through information distortion may be a defensive behavior arising from enhancement of risk aversion caused by a high accountability situation ? A person in a high accountable situation would be more risk averse than others and would be ready to resort to any behavior to cover the situation. As a result, he/she may attempt to distort the input information in order to have an attainable budget. This is in line with other evidence showing that information distortion is one of the most commonly observed tactics in a study of managerial respondents [Allen et al., 1979; Caldwell and O'Reilly, 1982; O'Reilly, 1978]. Accordingly, one hypothesis may be stated as follows :

"Individuals placed in conditions of high accountability will introduce more bias into estimates than individuals placed in low accountability."

Impact of self-monitoring

Similarly to the accountability case, the enhancement of risk aversion and the resulting distortion of input information may be more pronounced when self-monitoring is high. Self-monitoring refers to the degree to which individuals attempt to control the images and impressions that others form of them during social interaction. High self-monitoring individuals, out of concern for the situational and interpersonal appropriateness of their social behavior, are particularly sensitive to the expression and self-presentation of relevant others in social situations and use these cues as guidelines for monitoring their own verbal and non-verbal presentation [Snyder, 1974, 1979]. Moreover, "they are sufficiently skilled actors that they can successfully translate their beliefs about what constitutes a situationally appropriate self-presentation into a set of verbal and non-verbal expressive actions that convincingly portrays the "right" person for the situation [Snyder, 1975, p. 94]. Research on information distortion revealed that high-self monitors were more likely to manipulate information to hide failures, and select positive information that gives them a better positive impression [Caldwell and O'Reilly, 1982]. Could it be also concluded that slack budgeting through information distortion may be a defensive behavior arising from enhancement of risk aversion caused by a high-self monitoring situation ? A high self-monitoring individual would be more risk averse than others and would be ready to resort to any behavior to cover the situation. As a result, he/she may attempt to distort the input information in order to have an attainable budget. Accordingly, one hypothesis may be stated as follows :

H2 : "High self-monitors will introduce more bias into estimates than low self-monitors"

Interaction between accountability and self-monitoring

The preceding discussion indicated that the specific situation of accountability and the individual characteristic of self-monitoring may encourage slack budgeting. As a result the following interaction hypothesis is offered.

H3 : "There will be an interaction between accountability and self-monitoring such that high self-monitors in conditions of high accountability will introduce more bias into estimates."

Method

Subjects

The subjects were 76 male and female executives enrolled in a graduate accounting education course at the university of _____. These executives agreed to cooperate and participate in the experiment.

They were told that they were participating in a study in "estimating aptitudes", and were guaranteed full confidence and anonymity. The average age of participants is 32.96 years. The highest and lowest ages are respectively 56 years and 23 years. The average number of years of experience is 5.039. The highest and the lowest number of years of experience are respectively 25 and 2 years.

The participants were randomly assigned to either a high or low accountability condition and were given information about the experimental task. Each participant was assigned the role of the controller of a manufacturing company. The scenario was a budgeting problem. Participants were given the central role in making the budgeting decision. A final series of questions containing the self-monitoring instrument as well as background questions followed.

Experimental task

The experimental material included, one for instructions, one page defining the role of the participant, two pages for a paper and pencil test requiring the subjects to make cost and sales estimates, one page for the self-monitoring instrument and one page for background information.

The instructions stated :

"The purpose of this experiment is to evaluate the determinants of "estimating aptitudes". In order to get a true measure of a person's estimating ability, it is necessary to keep in mind the estimation's objective function which is just to insure that the budget is *attainable* and, second that the budget is *accurate.* In order to accomplish this, I am having you engaged in the estimation of both costs and sales for a fictional company introducing a new product. It is important that you keep the estimation's objective function in mind when making your decision.

The second page was used to define the accountability conditions. Participants in conditions of high accountability were given the following instructions :

> The controller is out of the country this week. You have been asked to act as a temporary controller. *You are responsible* for any decisions you make today. Your performance will be considered in your job evaluation and future career promotions. How will you handle the estimation problems in the next two pages ?

In decisions of low accountability, participants were told :

> The controller is out of the country this week. You have been asked to act as a temporary controller. *You are not responsible* for any decisions you make today, nor will your job performance evaluation or future career promotions will be affected. How will you handle the estimation problems in the next two pages ?

The last two pages of the experimental material included a paper and a pencil budgeting test requiring each subject to make ten estimates on the basis of the estimates of others. Two versions of the budgeting tests were presented : a cost version and sales version. The cost version reads as follows :

> "Assume that you are replacing the controller of a manufacturing concern considering the production of a new product. You are required to submit your estimate of the unit cost of the product if 500,000 units are produced. Your two assistants A and B, in whom you have equal confidence, presented you with preliminary estimates. For each of the cases below, indicate your estimate of costs you would submit."

The sales version reads as follows :

> "Assume that you are replacing the controller of a manufacturing concern considering the production of a new product. You are required to submit your estimate of the sales volume of the product if the price is set at $10.80. Your two assistants A and B, in whom you have equal confidence, presented you with preliminary estimates. For each of the cases below, indicate what estimates of sales you would submit."

Each question was followed by a list of ten pairs of numbers, representing the ten pairs of estimates by the two subordinates. The experiment involved the choice between the estimates of costs and two estimates of sales. The cost estimates are indicated below :

Cost estimates presented to participants

Case	A's estimates	B's estimates	Your estimates
(1)	$1.54	$6.75	$ _____
(2)	$8.42	$4.56	$ _____
(3)	$3.25	$7.52	$ _____
(4)	$1.25	$4.35	$ _____
(5)	$6.24	$4.70	$ _____
(6)	$1.80	$7.30	$ _____
(7)	$6.89	$1.65	$ _____
(8)	$3.25	$7.52	$ _____
(9)	$4.74	$1.54	$ _____
(10)	$3.20	S5.35	$ _____

The sales estimates were similar in value except that the cost estimates are expressed in dollars and those for sales in units. However the sales estimates were presented in various different orders to obscure the similarities in values. One such order of sales estimates is indicated below :

Sales estimates presented to participants

Cases	A's estimates	B's estimates	Your estimates
(1)	320,000 units	535,000 units	_____
(2)	474,000	154,000	_____
(3)	325,000	752,000	_____
(4)	689,000	165,000	_____
(5)	180,000	730,000	_____
(6)	654,000	470,000	_____
(7)	125,000	435,000	_____
(8)	325,000	752,000	_____
(9)	842,000	456,000	_____
(10)	154,000	675,000	_____

Upper and lower limits of 10 pairs for costs ranged from multiples of 125 to multiples of 842 and included : two pairs in which the difference was approximately a multiple of 200; two pairs in which the difference was approximately a multiple of 300; two pairs in which the difference was approximately a multiple of 400; two pairs in which the difference was a multiple of 521; and one pair in which the difference was a multiple of 386.

Self-monitoring scale

Participants completed Snyder's (1974) Self-Monitoring Scale, a set of 25 true-false self-descriptive statements that measure individual responsiveness to social cues. The set included items which describe (a) concern with the social appropriateness of one's self-presentation; (b) attention to social comparison information as cues to appropriate self-presentation, (c) the ability to control and modify one's self-presentation and expressive behavior, (d) the use of this ability in particular situations, and (e) the extent to which the respondent's

expressive behavior and self-presentation is cross-situationally consistent or variable. The instrument has been found to have a multifaceted dimensional scale that predicts social behavior (Snyder, 1979). Scores ranged from 1 to 20. The mean and standard deviation for the self monitoring scale were 11.56 and 4.38 respectively. The coefficient alpha reliability estimate for this scale was .76. A median split procedure (median = 13.10) was used to transform self-monitoring into a dichotomous variable (low, high) for purposes of data analysis.

Post experimental questionnaire

All participants completed a questionnaire testing the efficacy of the experimental manipulation as well as providing background information. The manipulation check question inquired whether the participant perceived himself as accountable for the experimental decision. The background information included age, gender, and number of years of managerial experience.

Design and analyses

The two types of accountability conditions (low, high), the two types of self-monitoring (low, high) and the two types of budgeting decisions (cost and sales estimate) resulted in a 2 x 2 x 2 x N factorial design. The 76 subjects were randomly assigned to experimental conditions and exposed to one of the two different scenarios. The assignment of subjects to the accountability condition was made as a random basis. Subjects were designed as low or high as the individual characteristic of self-monitoring based upon whether their score fell below or above the median value. The nature of the task is assumed to lead the subjects to build slack. First, it asks for an attainable budget. Second, the courses being taken by the subjects emphasize the notion of biased payoff schedule within an organization. Therefore, following the argumentation used by Cyert et al. [1961, p. 254], if the payoffs are perceived to be biased or if they are perceived to depend on considerations other than the relations between the estimate and the true value, the tactical decision on biasing the estimate becomes more important to the estimator.

Results

Manipulation check

Results show that participants in the high accountability condition (M = 17.50) reported greater felt accountability than those in the low-accountability condition (M = 9.20), ($F(1,148) = 180.52$, $p < .001$, $w2 = .67$).

Effects of accountability and self-monitoring

Each subject's cost and sales estimates, E, were transformed into a summary statistic, x, which represented the weight assigned to the larger of the two given numbers in the pair presented to the subject such that

$$E = X U + (1 - X)L$$

where U is the upper number and L the lower number.

The use of a linear combination of the two estimates was considered superior to a single reliance on the mean. In effect the summary statistic, X, highlights the bias, brought by the subject to his/her estimates better than a single use of the mean estimate. It is used in this study as the data base for the analysis of variance. The mean estimate does not highlight the bias because it gives equal weight to the observations.

The analysis of variance is summarized in Table 1. The main effects were significant. The nature of the accountability, the type of budgeting decision as well as the level of self- monitoring had a significant impact on the weight assigned to the largest estimate at $\alpha = 0.05$. The interaction effects were also significant at $\alpha = 0.0001$. The nature of the interaction effects is indicated by an inspection of the cell means. The means are shown in Table 2. A response of 0.5 is unbiased and responses of greater than 0.5 for cost estimates and less than .05 for sales estimates represent slack creation. Table 2 indicates that slack creation appears to be created in (a) cases of high accountability, (b) cases of high self-monitoring and (c) cases of high accountability and self-monitoring. The patterns of the results supports the three hypotheses.

Table 1
Summary Analysis of Variance

Source of Variation	df	SS	MS	F value
Model	7	4.70508	0.67215	18.15*
A. Budgeting Decision	1	0.52934		14.30*
B. Accountability	1	0.16577		4.48**
C. Self-Monitoring	1	0.18414		4.97**
A.B.C.	4	3.82582		25.83*
Error	144	5.33322	0.37029	
Corrected Total	151	10.0372		

* significant at $\alpha = 0.01$

** significant at $\alpha = 0.05$

Table 2

Means of Cells Summary Table

a. Panel A : Accountability and Self-Monitoring

	Low Accountability		High Accountability	
	Low Self-Monitoring	High Self-Monitoring	Low Self-Monitoring	High Self-Monitoring
Costs	0.25928	0.42526	0.52631	0.79500
Sales	0.67785	0.41263	0.36083	0.30684

b. Panel B : Accountability

	Low Accountability	High Accountability
Costs	0.35484	0.67627
Sales	0.52515	0.33697

c. Panel C : Self-Monitoring

	Low Self-Monitoring	High Self-Monitoring
Costs	0.41303	0.63162
Sales	0.46424	0.38372

Discussion

The above results suggest that (a) subjects in either high accountability of high self-monitoring and (b) high self-monitoring in conditions of high accountability resort to slack budgeting through information distortion in the budgeting process.

These results supported earlier empirical findings that sales and costs would tend to be estimated with a bias even though the bias might be in a different direction for each type of estimate and that estimates within a complex decision making system involve attempts by estimators to control their payoffs [Cyert et al., 1961; Belkaoui, 1985; Young, 1985 Waller, 1987]. The difference arises in the nature of the motivation for slack behavior. Our results show that the bias introduced by the estimators is more prevalent in cases of high accountability and high self- monitoring.

One possible interpretation is that slack budgeting behavior occurs as a result of being consistent with an enhanced risk aversion due to high self-monitors being placed in situations of high accountability. Both high accountability and high self-monitoring apparently accentuated the risk aversion leading to distortion of input information.

Conclusion

Certain hypotheses on slack budgeting were deduced from an examination of the impact of accountability and self-monitoring on the distortion of input information. Three results appear. First, high accountability as well as high self-monitoring has an impact on organizational estimation decisions. Second, high self-monitors placed in situation of high accountability will resort to a slack budgeting behavior.

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ADVANCEMENT FOR WOMEN ACCOUNTANTS IN INDIA : PERCEPTION OF STUDENTS COMPARED TO REALITY OF WORKING WOMEN ACCOUNTANTS

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This study is aimed at evaluating the perceptions of two groups of women in India. One group is female accounting students and the other is female qualified Chartered Accountants. It first investigates whether female accounting students believe that they will encounter problems associated with advancement in the accounting profession. A comparison between the beliefs of female accounting students and the reality faced by the working accounting women is then made. The study reveals that there are wide disparities in perception between these two groups of women.

Introduction

Historically, there is substantial amount of literature available that dates back to the early 1900s which documents the discriminatory practices against professional women in organization[1]. These discriminatory practices have in the past discouraged and hindered women from entering the accounting profession.

The changing role of women in the work force

From early 1900 to the 1970s the U. S. Bureau of Census and the U. S. Bureau of Labor Statistics have shown that most women were concentrated in occupations that were predominantly female. In 1970 half of all women workers were employed in 17 occupations, while half of men workers were employed in 63 occupations[2]. Also, until then there had been the existence of the family wage system, where women received wages through the agency of men; meaning that men were predominantly the earning members in the family while women were homemakers. But in the 1970s and 80s the labor force participation of women changed dramatically. Not only was there a tremendous increase in the growth rate of women in the work force, but there was a disproportionate increase of women in clerical positions. A very small increase of women was seen in professional and technical areas[3] Given this pattern of participation

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of women in the broader work force, the same increase in women participation can be demonstrated in the accounting profession.

According to a 1992 study by the American Institute of Public Accountants on the "Supply of Accounting Graduates," the trend is that 50% or more students graduating with a degree in accounting are women. The following table, excerpted from the study mentioned above, presents data on graduating accounting students by gender for the past several years[4] :

Table 1

Accounting Graduates by Gender

	Male	Female
1988-89	51	49
1989-90	50	50
1990-91	50	50
1991-92 (projections)	47	53

The above trend is not unique to the United States of America, but seems a global phenomenon. Furthermore, the same study also found that for the past several years, the breakdown between male and female hirees each year by public accounting firms has been close to half and half[5] :

Table 2

Proportion of Male and Female New Graduate Recruits by Public Accounting Firms

	Male %	Female %
1989	52	48
1990	41	59
1991	49	51
1992 (projected)	52	48

The study

The purpose of this study was to evaluate the perceptions of two groups of women. One group is female accounting students and the other is female accountants who are Chartered Accountants. The focus has been to investigate whether female accounting students believe that they

will encounter problems associated with advancement in the accounting profession. A comparison between the beliefs of female accounting students and the reality faced by the working accounting women is then made. Several other issues relating to barriers faced by female accountants have also been addressed which are described in the study hypotheses and analyses section below.

The data

A random list of names of female accountants was generated from the directory of Western Region of Chartered Accountants in India. 200 questionnaires were mailed, out of which 128 usable responses were received yielding a 64% response rate. For the student group 200 questionnaires were administered to junior and senior female accounting students at colleges in Bombay out of which 150 were usable responses, yielding a 75% response rate.

The survey

The questions addressed on the survey instruments were developed based on the available literature which stresses the increased numbers of female graduates with a degree in accounting, leading to a greater number of women accountants in the work force. It would be logical to expect that increased number of female accountants also means that there would be a greater proportion of women achieving top management level or partnership positions. Yet the literature indicates the opposite[6] Hence, the questions asked here relate to the perceived problems for advancement.

Separate questionnaires were developed for the two groups. There were several demographic questions on both the survey instruments such as their age group, marital status, and number of children if applicable. Information was also sought regarding their chosen field of work such as for a CA firm, in the government, private industry, educational institution, self employment, etc. as well as the number of years in that work environment. For the students an inquiry was made whether they planned to earn a CA certification or not as well as their choice of work environment.

Study hypotheses and analyses

Several hypotheses were specifically tested in this study. It was hypothesized that there should be significant differences between the expectations of students and the reality faced by working professionals in terms of : actual career paths chosen by women versus aspirations of students, their ownership of their place of work, the nature of role models both academic and nonacademic, their own perceptions as well as how men perceive work-home-career conflicts faced by women, their

perceptions of problems faced during advancement in a male dominated professions and demographic differences. These hypotheses were evaluated on the basis of the chi-square statistic which tests for the independence between the perceptions of the two groups of subjects on the issues mentioned above.

Following are the specific null hypotheses that were tested and the findings thereof using the chi-square statistical test of significance.

Employment options

H1 null : There is no difference in the distribution of likely employment options among female accounting students and the distribution of positions among female working accountants. For example, the proportion of students who believe they will work for a CA firm is no different than the proportion of female CAs in the working population.

Such proportions were tested for CAs, employment expectations in private firms, employment in a government establishment, employment in own business, employment in own CA firm, employment in an educational institution and employment in other establishments. The null hypothesis could not be rejected for all but two of the employment options since the student's perceptions of areas of employment match with the actual distribution of employed female accountants in the same proportion. These exceptions were highly significant ($p < .01$). Both the exceptions were regarding the choice of employment such as working for one's own business and working for one's own CA firm. These differences are described more fully in the next hypothesis. The following table is presented to show the responses of expectations of students as compared with the actual working population in different areas of employment.

Table 3

Expectations versus Reality of Employment

Work for :	Students %	Working Women %
A CPA Firm	17	23
Private Industry	34	27
Government	13	7
Own Business	34	9
Own CPA Firm	12	22
Educational Institution	2	7
Other	5	10

Own business/own CA firm

H2 null : There is no difference in the proportion of students expected to be self employed and the proportion of female working accountants who in fact are self employed.

The null hypothesis was rejected since the chi-square statistic was significant at the .01 level. It was found that there was a higher proportion of students (34%) who aspired to work for one's own business as compared with only 10% of working women who actually owned and worked for their own business. It was also found that a smaller proportion of students believed (12%) that they would work for their own CA firm as compared with 22% of working women who actually worked for their own chartered accountants' firm. Both these can be noted from table 3.

Role models

H3a null : There is no difference in the perceptions of female students and working female accountants in their having academic role models who have shaped their aspirations/careers.

The null hypothesis was rejected since the chi-square statistic was highly significant ($p < .01$). 32.6% of the student population believe that they have had role models within the academic institution that have shaped other aspirations for becoming accountants while 42.2% working female accountants felt that they had role models in their academic institutions that influenced their decision to become accountants.

H3b null : There is no difference in the perceptions of female students and working female accountants in their having non- academic role models who have shaped their aspirations/careers.

The null hypothesis was not rejected. The beliefs of students and the working females were not significantly different. 49.3% of students felt that they were influenced by non-academic role models while 42.2% women accountants felt that non-academic role models had contributed in shaping their career choices as accountants.

Next, a comparison is made between female student perceptions of work-home conflict and what the female working accountant perceives as the organizational culture's and top management's perception on the issue of work-home conflict.

Work-home-career conflicts

H4a null : There is no difference in the perceptions of female students on work-home conflict and working female accountants beliefs of the organizational culture's perceptions on the same issue.

The null hypothesis was rejected because there is a difference in the beliefs of the two groups of women about top management's perceptions of a woman's role. 41.5% of working female accountants felt that top management was of the opinion that women have to make a choice between home and career while only 32.7% of students believed that in their work environment management will expect them to choose between home and career.

Also, 38% of working accountants in the sample claimed to have given up an advancement opportunity voluntarily for the sake of family considerations, compared to 52% of the student accountants who perceive no conflict between work and home.

Women's issues committee

H5 null : There is no difference in the proportion of students expecting problems if there is no women's issues committee at the work place and the proportion of working women accountants who claim that there is no women's issues committee at their work place.

The null was rejected ($p < .02$). 37% of the students perceived that there would be problems in advancement if there was no women's issues committee at the work place. On the other hand, 52% of the working women strongly felt that there was a need for a women's issues committee at their work place.

Men's beliefs in regard to women's expectations

H6 null : There is no difference in the proportion of female students and the proportion of female working accountants who believe that men believe that women do not aspire for top management positions.

The null hypothesis was rejected since at the .01 level. In this instance it was found that female students were more likely (62% of the sample) than working women (51% of the sample) to feel that "men believe women do not aspire for top management/partnership positions."

Next, a comparison is made between female student's perceptions versus female working accountants with regard to the seriousness of obstacles to advancement. Further, it is inferred whether the perceived problems are attributed to lack of policies or opportunities.

Obstacles to advancement

H7 null : There is no difference in the perceptions of female students and female working accountants with regard to expectations of problems for advancement as a result of lack of policies.

The null hypothesis was rejected ($p < .01$). Both groups perceived problems in advancement. 55.5% of the female students expected to face problems in advancement. 60.1% of the working women accountants perceived such problems as a result of lack of policies while only 36.8% expected such problems as a result of lack of opportunities.

Top management aspirations

H8 null : There is no difference in female student's expectations of how high they will reach in their career and the "reality" of what positions female working accountants actually attain.

The null hypothesis was rejected as a result of a very significant chi-square statistic ($p < .01$). Comparing expectations of female students as to how high they will advance in their career and the "reality" of what positions female working accountants have actually attained, it was found that while 52.1% of students expect to make it to the top, about 26.4% actually have achieved such distinction. 25.7% of the student population aspire to achieve senior management status to 9.1% that have achieved such a status. Only 19.4% would be satisfied with junior/middle management positions whereas 17.4% are actually in junior/middle management positions. 24.8% (versus 1.4% student aspirations) of the working women have chosen other career paths.

Table 4 summarizes all the findings.

Table 4

		Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %
Role Models Academic	Students	8.3	24.3	29.9	24.3	13.2
	Employed	8.1	34.1	13.8	34.1	9.8
Role Models Non-Academic	Students	12.0	37.3	20.4	23.2	7.0
	Employed	8.1	34.1	13.8	34.1	9.8
Work-Career Conflicts	Students	10.7	22.0	15.3	33.3	18.7
	Employed	40.7	27.6	15.4	10.6	5.7
Women's Issues Committee	Students	10.3	26.9	33.1	23.4	6.2
	Employed	16.1	35.5	33.1	9.7	5.6
Men's Attitudes	Students	4.7	15.5	17.6	29.1	33.1
	Employed	6.5	19.5	22.8	40.7	10.6
Problems in Advancement	Students	9.0	29.2	26.4	24.3	11.1
Due to Lack of Policies	Employed	15.3	33.9	22.6	17.7	10.5
Due to Lack of Opportunity	Employed	20.2	18.5	16.1	35.5	9.7

Demographics

Table 5

Age Distribution of Respondents

	18-25 %	26-30 %	31-35 %	36-40 %	40 and Above %
Students	98.7	.7	—	—	.7
Employed	17.7	49.2	22.6	8.9	1.6

Table 6

Marital Status of Respondents

	Single %	Married %	Divorced %	Widowed %	Other %
Students	98.7	1.3	—	—	—
Employed	47.2	50.4	1.6	.8	—

Table 7

Number of Years in the Work Place

	0-3 Years %	4-6 Years %	7-10 Years %	10 + Years %
Employed	40	35	14	11

As can be expected, more than half of the students were under the age of 25 years whereas more than half of the women in the employed sample were 36 years and above. This latter statistic plus the number of years in the work place suggests that women have not reached aspired levels not as a result of their nit being in the work place long enough to achieve higher positions, but for other reasons such as "glass ceiling" or higher aspirations that can be realistically achieved, etc.

Implications and conclusions

From the results of the above study one can conclude that the aspirations and expectations of female students are much higher for advancement in the accounting career than what working female accountants have faced in the actual work environment. Specifically, a much higher percentage of the female student population seemed to have

both academic and non-academic role models that have inspired them to choose accounting as their career path than the working female accountant. This may be so since one can observe that there is a trend towards larger numbers of female graduates, hence more possibilities of female role models. It may also be due to the fact that students are less mature, worldly and impressionable.

The question of work-home-career conflict is perceived as a problem for a majority of working accountants while only 40% of students feel that they will face such conflicts. Also, a larger percentage of women accountants have found that a women's issues committee is essential for solving some of these conflicts. On the subject of men's attitudes toward women achieving top management positions, a higher percentage of students perceived that as a problem while only a small percentage of women felt that they were faced with negative attitudes from men.

On the question of obstacles to advancement, both groups believed that they anticipated problems in career advancement. Working women accountants identified the source of such problems to a lack of proper policy measures to be an important reason for obstacles while a smaller group of women accountants actually felt that lack of opportunities was a major problem towards advancement.

Finally, reaching the top and breaking the "glass ceiling" was aspired to by a larger group of students compared to the realty of how many female working accountants have actually made it to the top.

Summing up, there are wide disparities in perceptions between female students and the working professional in the accounting discipline. In general, female students perceive less of an "uphill climb" and a "hostile" culture than the one that awaits them upon graduation.

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EMPIRIC PERTINENCE OF RATIO ANALYSIS

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Texts on management accounting, financial management and related areas express doubt about the utility of information revealed through accounting or financial ratios in financial statement analysis. The financial ratios are still widely used by academicians as well as by practitioners in spite of their limitations. Some of the said uses together with the shortcomings in the applications of statistical techniques using financial ratios are discussed in this article.

I. Introduction

Texts on management accounting, financial management and related areas express doubt about the utility of information revealed through accounting or financial ratios in financial statement analysis mainly due to the following three main types of limitations :

(i) The information is based on historical costs, i.e., not adjusted for general or specific price changes.

(ii) The information is based on different accounting techniques or methods adopted by different firms or in different years.

(iii) The information merely explains past results instead of indicating the future.

Nevertheless, the financial ratios are still widely used by academicians as well as by practitioners in spite of their limitations. Some of these uses are discussed in the succeeding pages.

II. Univariate treatments of accounting ratios

In the treatise by Lev (1974) several univariate uses of the financial ratios are reported in Chapter Three and early practices of multivariate ratio analysis methods in the form of indices are also discussed in that chapter. Practitioners, especially the bank officers, considered the ratios individually (e.g., the current ratio, the acid test ratio or the debt-equity ratio etc.) to judge the short-term or long-term liquidity position or the credit worthiness of a borrower. Matsumoto et al (1991) also conducted

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a survey recently of bank officers about their perception of importance of various financial ratios in lending decisions.

A significant use of accounting ratios is for prediction of probable bankruptcy of a business unit sufficiently in advance, by using the ratios in discriminant analysis models. With the help of these ratios business units are classified into bankrupt and non-bankrupt categories. In the early ages of exploration of this area univariate uses of ratios were introduced (Beaver, 1967; Sen, 1979). Tamari (1966) used arbitrary weights to combine them. In a subsequent stage of research in this area, multivariate discriminant analysis technique was applied to solve classificatory issues.

In Chapter 12 of the treatise by Westwick (1973) discussion on univariate use of ratios is made. In this book in the course of discussion about integrated control by ratios, the another identified the main constituents of the whole business, viz., (a) shareholder (individual), (b) the stock market, (c) financial policy, (d) major profit centres and (e) major departmental contributions. The ratios are treated, in that book, not as a weighted-sum-type of score but individually. In many other text books on management accounting or financial management, several uses of ratios by individual treatment are discussed.

Niederhoffer & Regan (1972) considered individually the ratio of earning change and market value of equity share to investigate into the relationship of stock prices and earnings. Chen *et al* (1986) used Tobin's *q* (the ratio between market value of a firm and its capital employed) to assess market power of a firm.

III. Multivariate treatment of accounting ratios

In a later stage of the research on the area of prediction of business failure, as mentioned earlier, multivariate discriminant analysis technique is being extensively used. There are ample references in the literature to the papers by Wilcox (1971), Joy & Tollefson (1975), Eisenbeis (1977), Ohlson (1980). Ohlson (1980) applied the multivariate linear econometric methods of conditional logit analysis (using accounting ratios) to get probability of failure of a business unit to avoid some fairly well known problems associated with multivariate discriminant analysis (MDA) technique applied on financial ratios. Wilcox (1971) used non-linear combination of ratios to estimate the probability of financial failure.

Using discriminant analysis technique Cheung & Ellis (1993) examined the ability of financial ratios to predict takeovers in Hong Kong.

To study the leverage and dividend policy Brigham & Gordon (1968) used multivariate model taking debt-equity and dividend payout ratios into account. For Indian cement and automobiles companies Mittal & Singla (1992) applied the multivariate regression analysis technique. Using debt-equity mix as dependent variable and size, asset mix, business risk and growth rate as independent variables, they searched for the determinants of debt-equity mix.

Using classification theory multivariate treatment of ratios was made by Williams & Goodman (1971) to classify corporations on the basis of their financial characteristics and by Kamaiah & Date (1987) to identify bank groups in India on the basis of earnings and expenditure ratios only. Attempts were also made to determine the optimum ratios of invested long-term capital-mix, i.e., the ratio of fixed capital to total capital employed, for some Indian industries, by using aggregate data in multivariate regression [Garai & Mallik (1988)].

Johnson (1979) used factor analysis to identify important financial ratios. Multivariate discriminant analysis technique was applied by Joshi & Ramani (1991) to determine the most relevant set of financial measures (ratios) to control the company level performance by taking the Indian paint industry as a case study.

Using stock market data for 56 companies of the USA, Benishay (1961) used multivariate regression technique to examine empirically the determinants of the differences in rates of return on corporate equities (E/P-ratio). The dependent variable was regressed against some 'corrector' and 'risk' variables, most of which were accounting ratios. Whitheck & Kisor Jr. (1963), on the other hand, performed regression analysis, using price-earning ratio as dependent variable and three other (ratios etc.) as independent variables for cross sectional data of 135 American stocks. Cross-sectional multiple regression study for 30 companies in Indian cotton textile industry was performed by Sharma (1989) to explain the variability in price-earning ratios with the help of six regressors (including leverage ratio and dividend pay-out ratio).

Hong(1977) empirically studied the inflationary effect on share price in micro level using different ratios in a multivariate model. Mear & Firth (1988) used nine company-specific variables (some of which are accounting ratios) and one industry variable to study the risk perception of stocks by financial analysts, taking the Brunswik lens model framework. Ou & Penman (1989) utilised the logit model to get probability of earning changes and simultaneously used 68 accounting variables (most of which were ratios) as descriptors. For predicting the perceived risk class of securities Capstaff (1992) used market data of the UK and tried to explain

the risk perceptions by using a combination of three accounting variables (most of which were ratios) as descriptors. For predicting the perceived risk class of securities Capstaff (1992) used market data of the UK and tried to explain the risk perceptions by using a combination of three accounting variables (current ratio, asset size and variability of E/P-ratio) and the market beta, applying the multivariate discriminant analysis technique.

To test the information content in financial statements for some Indian companies, Rao & Manickaraj (1993) constructed eight principal components from some accounting ratios derived from the said financial statements. They used those components as independent variables, in a regression model. The dependent variable was the price of the security for the month of release of financial statements.

Desai (1965), Sarkar (1971), Kumar & Mohan (1975), Ojha (1976), Chandra (1978), Zahir (1982), Krishan (1984), Dixit (1986). Chawla & Srinivasan (1987) attempted to study the relationship of share price with some financial ratios and size, in the Indian scenario. The ratios considered were dividend per share (DPS), earning per share (EPS), book value per share (BPS), return on investment (ROI), yield and leverage. In the earlier studies of the present author (Garai, 1989a, 1989b), it was hypothesised that the aspects of share price, i.e., the average, relative dispersion indicating risk etc. of it, is dependent on overall performance in terms of operating and financing efficiencies (expressed by some financial ratios) of the company. A comprehensive model on objective basis was accordingly constructed. In many cases, the statistical significance of this model was established through canonical correlation analysis. In another study (Garai, 1990), some applications of the model were also demonstrated. To determine the factors affecting equity share prices in India, Zahir (1992) performed a regression analysis, the dependent variable for such regression being the average of high and low share prices and the independent variables comprising seven internal ratio and other variables and four external variables (including all India share price index). For this purpose, he classified the shares into more and less volatile categories and he analysed the data for them separately. The external variables except the RBI share price index (for more volatile shares) were not found to be statistically significant in this study Mahapatra & Sahu (1993) also studied the behaviour of equity share prices in India. For a multiplicative regression equation model, he used the average of annual high and low equity share price as dependent variable. The independent variables were asset size, ROI, leverage, DPS, EPS, BPS and yield. The result indicated that only dividend per share and yield significantly explained the variations of the prices of 'Group A' shares.

IV. Shortcomings in the applications of statistical techniques using financial ratios

The general limitations in the use of accounting ratios are specified in the beginning of the present article. While using financial ratios in statistical analyses, Lev & Sunder (1979) advised the practitioners and researchers to consider carefully (i) the industry way factors, (ii) the spurious correlation due to common denominator, (iii) the choice of an optimal firm size variable and (iv) the treatment of outlier observations.

Most statistical techniques (based on sampling theory) require the distribution of the variables to be (multivariate) normal for performing parametric tests. Though the study by Ricketts & Stover (1978) was not able to reject the normality hypothesis of accounting ratios for commercial banks in the USA, the studies by Bedingfied *et al* (1985) and Kolari *et al* (1989) rejected the said hypothesis on the same ratios of commercial banks in the same country but for different time periods. Kolari *et al* (1989)), instead of finding the normality even after exclusions of outliers, noticed other types of Pearsonian Shape of distributions.

Eisenbeis (1977) and Ohlson (1980) criticised the discriminant analysis technique using accounting ratios for predicting possible bankruptcy on technical considerations. They also pointed out the problems arising out of the employment of the technique.

V. Summary and conclusion

In spite of certain fairly well known general limitations of the utility of ratios constructed from traditional financial statements released by the companies and other firms, the accounting ratios are widely and fruitfully used in different important areas through univariate or multivariate treatments of them. These areas include the judgement of short-term or long-term solvency position and credit worthiness of a borrower, prediction of probable bankruptcy of a business unit in advance with the aid of multivariate discriminant analysis, logit model or other techniques, classification of business units of various categories, identification of important financial ratios, study of share price behaviour following various viewpoints etc. Albeit while applying statistical techniques to draw a conclusion from samples by use of parametric tests, some shortcomings, in the applications of the said techniques utilising those ratios, should be considered carefully.

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CORPORATE CHARACTERISTICS AND EXTENDED FINANCIAL REPORTING—SOME INDIAN EVIDENCE

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This article is a sequel to Vasal (1994) identifying determinants of social reporting in India. In the present research paper an attempt has been made at identifying determinants of extended financial reporting (EFR) in India. Using definitions and measurements on independent variables used in Vasal (1994), the major conclusion of the present research paper is that determinants of extended financial reporting are different from those of extended social reporting in India. This conclusion has its implications for using precise definitions for the concepts of financial and social reporting in the empirical studies.

1. Introduction

Broadly speaking, business objectives can be classified into two major categories, namely financial and social. While the former set of objectives relate to commercial and financial performance of a business unit, the latter set of objectives are concerned with the social performance of a business entity. In an earlier article, Vasal (1994) has argued that a modern business entity can no longer hope to survive, let alone grow, in a 'Friedmanian World' where the only social responsibility of businesses is to increase profits. In other words, social performance of a business enterprise now is as important, if not more, as its commercial and financial performance. In Vasal (1994), dissemination of information on social consequences of business activities has been termed as 'social reporting'. Given the aforesaid definition of 'social reporting', it is argued here that 'financial reporting' should, strictly speaking, cover only those aspects of working and affairs of business which do not fall in the realm of 'social reporting'. The conventionally followed definition of financial reporting has, however, not paid due regard to this fact and financial reporting has included information disclosures even on aspects covered in the realm of social reporting (see for example Wallace, 1988). It is, however, proposed in this study that financial and social reporting should, respectively, correspond to financial and commercial performance, and social performance of the businesses. In the light of this, the present study has defined financial reporting in a strict sense, that is disclosures

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on working and affairs concerned with financial and commercial performance of businesses. The study has marshaled some empirical evidence for appropriateness of such a precise definition of financial reporting in empirical studies which aim at identifying determinants of inter-corporate variations in reporting through, say, annual reports. To restate, the two-fold objectives of present research paper are, first, to identify some significant corporate characteristics explaining the observed inter-corporate variations in financial reporting through the medium of corporate annual reports (CAR), and second, to compare the set of identified determinants with those found for social reporting in Vasal (1994).

2. Approach to the problem

The problem of measuring and analyzing inter-corporate differences in financial reporting can be approached in two different ways. Under the first approach financial reporting is defined in terms of all such disclosures in an annual report which pertain to the issues covered within the ambit of financial reporting. However, a serious shortcoming of this approach is that it does not make a distinction between statutorily required and non-statutorily required disclosures. As an alternative, financial reporting can be defined in terms of non-statutorily required disclosures only, termed Extended Financial Reporting (EFR) in this study. The rationale for adopting this alternative approach is that corporate entities, by and large, tend to conform to the governing corporate laws. Moreover, requirement of statutory audit (and a supplementary audit of public sector companies by the Comptroller and Auditor General (C&AG) in India) further ensures that all applicable provisions of the corporate laws are observed diligently by the companies. Thus, inter-corporate variations in reporting, if any, would generally relate only to disclosures not mandated under the laws. In view of this, in the present paper, this alternative approach has been followed in isolating the determinants of financial reporting in India.[1] Moreover, EFR is a better indicator of enlightened self- regulation by a company.

2.1 Regression model

In order to identify company characteristics explaining inter- corporate variations in EFR, a multiple regression model has been designed. The designed model expresses EFR as a function of variables representing varying financial characteristics and diverse socio-cultural milieu of sample companies. The form of equation used for estimating the functional relationship is :

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_j X_j + e$$

where,

Y = FININDEX = extended financial reporting score,

a = intercept,

$b_j = b_6$ to b_{23} = regression coefficients for industry dummies

b_1 to b_{23} = regression coefficients,

X_1 = SIZE = Size of a company,

X_2 = GOVTAGE = Age of a company,

X_3 = ROTA = Profitability,

X_4 = NOCGREV = Review of accounts by C&AG (Dummy variable),

X_5 = ICAI = Best presented accounts competition (Dummy variable),

$X_j = X_6$ to X_{23} = DPE_1 to DPE_{118} (Industry Dummy variables), and

e = regression residual.

In the foregoing model, like Vasal (1994), 23 explanatory variables are used to explain the behavior of dependent variable. Amongst the explanatory variables, variables X_1 to X_3 are quantitative while the others, X_4 to X_{23}, are qualitative (dummy) variables. Since sample companies have been divided into nineteen industry-groups, the industry variable has resulted into eighteen dummy variables DPE1 to DPE18 (see Vasal (1994) for details).

2.2 Sample and data

The present study is based on a sample of companies selected from the Indian Public Sector. A choice for central public sector companies (CPSC) has been made for the reasons given in Vasal (1994). In the study, based on the availability of annual reports for four cross-sectional years 1988 to 1991[2], a sample of 129 CPSC is taken. The industry-wise grouping of companies, using industry classification adopted by the Department of Public Enterprises (DPE) in 1990-91 is given in Vasal (1994).

2.3 Data problems

In the study, a serious problem was noticed at the time of measuring some of the selected financial variables for the sample year 1989. The problem related to a change in the accounting period resorted to by six sample companies. Owing to this, operating data for these six companies especially on flow variables like turnover, net profits etc. have lacked comparability both on an inter-period and on an inter-corporate basis. In

order to remedy this problem data on flow variables for the above said six companies were annualized by using appropriate adjustment factors.

2.4 Variables

2.4.1 Dependent variable — financial reporting score (FININDEX)

Like Vasal (1994), quantum of information disclosure in annual reports has been measured by using the 'disclosure index' method. Significantly, this method has been used widely in the similar kind of research studies conducted all across the world. To operationalize the selected method the following steps are taken. First, a list of twenty-eight items that relate to various aspects of financial reporting has been prepared.[3] Second, using 'modified dichotomous approach', financial reporting score for a company is defined and measured as a ratio of number of items disclosed to what was expected to be disclosed by the company concerned.

2.4.2 Independent variables

As stated in sub-section 2.2, the present study employs 23 explanatory variables in the designed regression model. These variables are same as those examined in Vasal (1994). For the sake of brevity, details on definitions and measurements of these variables have been omitted[4]. Notably, the hypothesized relationship of each of these variables with the financial reporting scores are same as those discussed in Vasal (1994).

3. Empirical results and discussion

The detailed results of regression model specified in sub-section 2.2 are given in Table-1. The results are for the four sample years 1988 to 1991. In the following paragraphs results obtained in this study have been analyzed along with a comparison of the same with results found in Vasal (1994) for social reporting scores.

Results presented in the table show that coefficients of SIZE, GOVTAGE, and ROTA are positive in all the years. NOCGREV has negative coefficients over the entire sample period. The aforesaid results on the direction of behavior of independent variables are same as those reported in Vasal (1994). Over the period of study, coefficients of the other two variables, with odd exception, have signs comparable with those found in Vasal (1994). Whereas, ICAI has a positive sign in all years except 1989, in Vasal (1994) this variable had positive coefficients in all the years. Coefficients of DPE1 to DPE18 (industry dummies) are consistently negative in all sample years and for all industries except DPE14 ('Transportation Services' industry) which has a positive coefficient

TABLE — 1
Multiple Regression Analysis

Dependent Variable FININDEX **Number of Observations** 129

Variable	Expected Sign	1991 Coefficient (t-value)	1990 Coefficient (t-value)	1989 Coefficient (t-value)	1988 Coefficient (t-value)
ONE		0.3900	0.3473	0.3000	0.2654
		(3.675)	(3.377)	(2.970)	(2.814)
SIZE	(+)	0.0168	0.0143	0.0201	0.0230
		(2.807)	(2.431)	(3.530)	(4.236)
GOVTAGE	(+)	0.0390	0.0563	0.0535	0.0403
		(2.270)	(3.591)	(3.519)	(3.036)
ROTA	(+)	0.0376	0.0425	0.0500	0.373
		(1.919)	(1.467)	(1.461)	(0.841)
NOCGREV	(–)	–0.1802	–0.1794	–0.1612	–0.1488
		(7.107)	(7.413)	(6.798)	(6.747)
ICAI	(+)	0.0544	0.0345	–0.0208	0.0144
		(2.380)	(1.727)	(1.012)	(0.717)
DPE1	(?)	–0.0947	–0.0921	–0.0713	–0.0445
		(1.245)	(1.205)	(0.968)	(0.622)
DPE2	(?)	–0.1227	–0.1218	–0.1333	–0.0999
		(1.716)	(1.696)	(1.891)	(1.442)
DPE3	(?)	–0.2024	–0.1777	–0.1738	–0.1450
		(2.818)	(2.479)	(2.419)	(2.093)
DPE4	(?)	–0.1869	–0.2104	–0.1530	–0.1283
		(2.857)	(2.562)	(2.113)	(1.795)
DPE5	(?)	–0.1117	–0.1082	–0.1121	–0.0862
		(1.533)	(1.477)	(1.541)	(1.214)
DPE6	(?)	–0.1464	–0.1410	–0.1566	–0.1272
		(2.038)	(1.960)	(2.194)	(1.815)
DPE7	(?)	–0.0459	–0.0574	–0.0864	–0.0703
		(0.623)	(0.792)	(1.195)	(0.997)
DPE8	(?)	–0.1632	–0.1449	–0.1444	–0.1372
		(2.201)	(1.962)	(1.977)	(1.922)
DPE9	(?)	–0.0839	–0.0625	–0.0805	–0.0342
		(1.155)	(0.854)	(1.112)	(0.485)
DPE10	(?)	–0.1454	–0.1031	–0.0992	–0.0688
		(2.017)	(1.436)	(1.389)	(1.004)
DPE11	(?)	–0.1544	–0.1827	–0.1535	–0.0726
		(1.777)	(1.955)	(1.680)	(0.811)
DPE12	(?)	–0.1526	–0.1402	–0.1592	–0.1265
		(2.079)	(1.922)	(2.175)	(1.785)
DPE13	(?)	–0.1094	–0.0983	–0.0847	–0.0380
		(1.437)	(1.291)	(1.129)	(0.521)
DPE14	(?)	–0.0283	–0.0611	–0.0225	–0.0464
		(0.328)	(0.735)	(0.262)	(0.575)
DPE15	(?)	–0.1554	–0.1504	–0.1399	–0.0914
		(1.949)	(1.899)	(1.800)	(1.216)
DPE16	(?)	–0.1986	–0.1605	–0.1260	–0.0985
		(2.546)	(2.061)	(1.612)	(1.305)
DPE17	(?)	–0.1772	–0.2103	–0.1659	–0.1211
		(2.198)	(2.545)	(2.029)	(1.524)
DPE18	(?)	–0.1942	–0.1782	–0.1338	–0.0735
		(2.480)	(2.233)	(1.707)	(0.961)
Adjusted R – Squared		0.7090	0.6758	0.6562	0.6908
F(23, 105)		14.5607	12.5985	11.6220	13.4332

in 1990. In contrast, Vasal (1994) had shown that industry dummies were generally negative with the following exceptions—DPE1 ('Steel' industry) in 1991; DPE4 ('Petroleum' industry) in 1990 and 1991; and DPE14 ('Transportation Services' industry) in 1990. Thus, coefficients of all independent variables, in general, have expected signs in the present study and are generally in agreement with those in Vasal (1994).

The table shows that coefficients of SIZE, GOVTAGE, and NOCGREV are highly significant in all sample years. The coefficients of NOCGREV are significant at 1 percent in all years. SIZE and GOVTAGE also have coefficients significant at 1 percent for 3 of the 4 years. In the odd year (SIZE in 1990 and GOVTAGE in 1991), coefficients are significant at 5 percent level. In Vasal (1994) regression coefficients of SIZE and GOVTAGE were highly significant at 1 percent level in all the sample years. But NOCGREV had non-significant coefficients in all sample years even at 5 percent level of significance and at 10 percent level in all years except 1989. Further, coefficients of ICAI in the present study are found significant in 1990 and 1991 at 10 percent and at 5 percent, respectively. However, in Vasal (1994), coefficients of ICAI were observed significant at 1 percent level in 1990 and 1991, and at 10 percent level even for the year 1988. For ROTA, regression coefficients in this study are non-significant at 5 percent level in all sample years. At 10 percent level, coefficient of ROTA is significant in 1991 only whereas in Vasal (1994) coefficient of ROTA was significant in 1989 at 5 percent level of significance. In a nutshell, analysis of empirical results has revealed a dissimilar set of statistically significant determinants of extended financial reporting vis-a-vis social reporting. The salient features of the above discussion are as follows. First, Corporate size, Age of a company, and Review of Accounts by C&AG are the three most important determinants of the inter- corporate variations in extended financial reporting. Second, participation of companies in Best Presented Accounts Competition does not explain financial reporting scores significantly on a consistent basis. Third, Profitability does not appear to be an important determinant of the extent of financial reporting. Fourth, in comparison with the results on determinants of extended social reporting discussed in Vasal (1994), NOCGREV is a very significant determinant of inter- corporate variations in financial reporting scores[5].

On the significance of 18 industry dummy variables, the following results are obtained on a consistent basis. First, for only one industry— 'Coal and Lignite' — regression coefficients are highly significant at 5 percent level in all sample years. In comparison, 'Textiles' industry had statistically significant coefficients at 5 percent level in all sample years for social reporting scores in Vasal (1904). Second, for four industries— 'Petroleum', 'Chemicals and Pharmaceuticals', 'Medium and Light

Engineering', and 'Textiles' — regression coefficients in all years are significant only at 10 percent level. In Vasal (1994), two industries with similar results were 'Contract and Construction Services', and 'Tourist Services'. Third, for six industries — 'Steel', 'Fertilizers', 'Heavy Engineering', 'Transportation Equipment', 'Trading and Marketing Services' and 'Transportation Services' — coefficients are statistically non-significant at 10 per percent level in all sample years. In Vasal (1994), five industries — 'Steel', 'Coal and Lignite', 'Petroleum', 'Chemicals and Pharmaceuticals', and 'Transportation Services' — have shown statistically non-significant coefficients at 10 percent level in all sample years. Therefore, it follows that only for two industries — 'Steel' and 'Transportation Services' — regression coefficients are statistically non-significant at 10 percent level for both financial and social reporting scores. Fourth, seven industries have shown mixed results on the significance of their regression coefficients over the sample years in this study versus ten industries identified in Vasal (1994). To conclude, at 10 percent level of significance, implications of the results discussed on industry dummies are : (i) Consistently significant negative coefficients of five industries imply that reporting by companies in these industries is relatively lower than others. The corresponding number of industries is three in Vasal (1994). (ii) Non-significant coefficients of six industries — 'Steel', 'Fertilizers', 'Heavy Engineering', 'Transportation Equipment', 'Trading and Marketing Services' and 'Transportation Services' — suggest that reporting by companies in these industries is not significantly different from 'Telecommunication Services' industry (industry for which all the 18 industry dummies are zeros). In Vasal (1994) five such industries were identified with 'Steel' and 'Transportation Services' being common to both. (iii) Mixed results on significance for coefficients of seven industries do not permit making of any generalizations on the reporting behavior of relevant companies. In Vasal (1994) the number of such industries is ten. Thus, industry dummies have isolated five industries that have consistently lower financial reporting scores. These are 'Coal and Lignite', 'Petroleum', 'Chemicals and Pharmaceuticals', 'Medium and Light Engineering', and 'Textiles'. Three industries identified in Vasal (1994) having consistently lower social reporting scores were 'Textiles', 'Contract and Construction Services' and 'Tourist Services'. Notably, only 'Textiles' is common to both the studies showing significantly lower social as well as financial reporting scores. Apparently, the most revealing finding of the impact of industry dummies on financial reporting scores is that the 'Petroleum' industry has shown statistically significant negative coefficients in all sample years although all companies included from this industry are highly successful in financial terms. At a conservative level, this finding has suggested that, net of the effects of other explanatory variables,

financial disclosures by Petroleum companies are relatively lower than at least seven other industries.

The overall significance of relationship between financial reporting scores and six explanatory variables has been assessed in terms of adjusted R-square and F-test values. The observed values of adjusted R-squared indicate that 65 to 70 percent variation in financial reporting is explained by the independent variables. F-values, showing significance of the overall regression model, have also been found significant at 1 percent level for all sample years, thus, implying a statistically significant relationship between disclosures on financial reporting items and the selected explanatory variables.

4. Conclusions

The present research study is a pioneering effort in identifying some fundamental factors which affect extended financial reporting in India. Using a multivariate analysis framework, the main empirical conclusion of the study is that Corporate size, Age of a company, Review of Accounts by C&AG and Nature of Industry are the most important determinants of extended financial reporting in India. Also , the results have shown that determinants of extended financial reporting are different from those of the extended social reporting.

Endnotes

1. In terms of 'disclosure index' method absolute differences between companies under either approach would be the same. However, values of inter-corporate variations in financial reporting are stated in a narrower range when they are expressed as ratios under the former method.

2. The cross-sectional years 1988 to 1991 correspond to the fiscal years 1987-88 to 1990-91. A fiscal year begins on April 1 and ends on March 31. At the time of collection of data, 1990-91 was the latest year for which annual reports were available.

3. NAA (1974) has identified four major areas of social performance as community involvement, human resources, physical resources and environmental contributions and product or services contributions. In his study, Ramanathan (1979) has also included energy usage, research and development and productivity statistics as areas of social reporting. Fair business practices has also been listed as an area of social reporting in the study by Ahmed and Zeghal (1986). In the present study all disclosures related to aspects covered under the above major areas of social reporting have been excluded in the construction of the disclosure index. The list of items included in the disclosure index is available with the author.

4. Those interested in the detailed definitions and measurements of independent variables may refer to Vasal (1994).

5. Results of stepwise regression have lent further support to the importance of NOCGREV in explaining the inter-corporate variations in financial reporting scores. In stepwise regression NOCGREV has entered in the equation of step number one in all the four sample years.

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19th All India Accounting Conference of the IAA

The 19th All India Accounting Conference of the Indian Accounting Association will be held under the auspices of the Vikram University, Ujjain. The topics selected for the 19th conference and the seminar are : (1) Accounting Education and Research : Challenges for the 21st Century (Chairman : Prof. Bhabatosh Banerjee, Department of Commerce, Calcutta University, Calcutta-700073) ; (2) Macro Accounting (Chairman : Prof. N. M. Khandelwal, Head, Dept. of Commerce, Saurashtra University, Rajkot-360005) and (3) Globalization and Tax Reforms (Chairman : Prof. Bhagwati Prasad, Director, Kousali Institute of Management Studies, Dharwad-580003). The conference will be held on 26 & 27 December, 1995. Two copies of each paper should be sent to the chairman concerned by 31 July, 1995. For further details regarding the conference contact : Professor Nageswar Rao, Dean, Faculty of Management Studies, Vikram University, Ujjain-456010 or Professor D. Prabhakara Rao, General Secretary, IAA, 2 Shanmukha Apartments, China Waltair, Visakhapatnam-530023.

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DOCTORAL RESEARCH IN ACCOUNTING —A SURVEY OF GUJARAT STATE

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This article is the result of a survey undertaken with a view to inventorising doctoral-level researches in accounting in various universities in Gujarat. The survey reveals that the state of doctoral-level research in accounting in Gujarat is far from satisfactory. An endeavour has been made in the article to identify the factors that are responsible for this. Efforts have also been made to suggest ways and means for promoting healthy growth of doctoral research in accounting in the state.

I. Introduction

The present paper is based on the results of a survey conducted by the authors. The survey was undertaken with a view to inventorising the doctoral-level researches in the field of accounting and finance in various universities / institutes in the state of Gujarat. Based on the findings, gaps have also been identified to point out the need for further research. This, of course, includes the promising areas of accounting research based on emerging environment of liberalisation, globalisation and developments in information technology.

II. Sources of data

The survey is based on the information collected through correspondence. Annual reports of the M. S. University, Gujarat University and Saurashtra University were scanned. Information related to South Gujarat University was provided by the Head, Department of Industrial and Business Management of that University. The Sardar Patel University did not provide any information. Information relating to the Indian Institute of Management, Ahmedabad was obtained from its publication entitled *Abstracts of Fellow Programme in Management Dissertation 1984-90.* The survey excluded North Gujarat University and Bhavnagar University

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because both are newly set up. The present survey covers the period from the inception, which means June 1976 in the case of Gujarat University, June 1979 in the case of Saurashtra University, June 1960 in the case of M. S. University and June 1977 in the case of South Gujarat University. For the universities the period covered is upto December 1993. However, in the case of IIM, Ahmedabad, it covers the period 1980-1990.

III. Organisation set up

The M. S. University, Vadodara, has a separate post-graduate department of Accounting under the Faculty of Commerce. The Gujarat University has a School of Commerce with no departmentalisation under the Faculty of Commerce. Saurashtra University has a single post-graduate department of Commerce. The IIM, Ahmedabad has a department of Accounting and Finance. South Gujarat University has no post-graduate department of Commerce. However, it has an Industrial and Business Management department under the Faculty of Commerce. It is worth noting that all the universities in the state of Gujarat have a separate Board of Studies in Accounting. About 90% students at U.G. and P.G. levels opt for accounting specialisation. Thus, it is a very popular field of study in Gujarat.

IV. Ph. D. level guidance facilities

The M. S. University has professor-level guides in the field of accounting and financial management. The present Director of School of Commerce, Gujarat University, Ahmedabad, Professors & Head of Sardar Patel University and Saurashtra University are specialised in accounting and finance. South Gujarat University, Surat, has professors with this specialisation. IIM-Ahmedabad has professors with this specialisation.

V. Output of Ph.D.s and share of accounting and finance in it

The following table gives details of Ph.D. level thesis produced at various universities/institutes in the state of Gujarat and share of accounting & finance therein.

The table shows that the position of doctoral-level research in commerce is weak at Gujarat University, Ahmedabad. Only one thesis in the field of accounting has been produced during the last 17 years. The reasons for this sorry state of affairs have been the lack of teachers, indifference of university authorities and strong attraction of tuition / coaching classes. There was no professor-level guide for accounting & finance till 1990.

Table 1

Sl. No.	Name of the university or institute	Total Ph.D. awarded	of which on	
			Accounting	Finance
1.	Gujarat University	03	01	—
2.	M. S. University (Accounting Department)	06	05	01
3.	Saurashtra University	13	06	01
4.	South Gujarat University	11	01	01
5.	IIM, Ahmedabad	47	08	05
	Total	80	21	08

The M. S. University's time span is 33 years over which 6 theses have been produced. The output is not very impressive, in spite of having specialised department of accounting. The reason being lack of motivation for researchers and guides. Most of the faculty members are practising Chartered Accountants who hardly find any time for research activities. However, completion of 5 Ph.D. theses in accounting and 1 in the area of financial management is a matter of satisfaction in the over-all poor research orientation in the Faculty of Commerce in Gujarat.

The Post-graduate Department of Commerce & Business Administration at Saurashtra University, Rajkot is the youngest amongst the lot. In spite of the usual constraints, the department has performed well by producing 13 Ph.D.s during 15 years; of this 6 are in accounting and 1 in finance. The department has been successful in creating and maintaining the necessary tempo for accounting research.

As already stated, the South Gujarat University, Surat, has no post-graduate department in Commerce. It could produce only one thesis each in the area of accounting and finance out of a total of 11 theses during the past 17 years.

IIM, Ahmedabad has made a significant contribution in research in the area of accounting and finance by producing about one-fourth of the total theses produced by it. It was expected on account of massive manpower and physical facilities available with it.

VI. Sub-area-wise Ph.D. theses produced

Accounting consists of financial accounting, cost accounting, management accounting, taxation and auditing. Finance is taken as a separate area. The following table gives sub-area-wise details :

Table 2

Sl. No.	Name of the university	Financial accounting	Management accounting	Taxation	Costing	Auditing
1.	Gujarat University	1	–	–	–	–
2.	M. S. University	4	1	–	–	–
3.	Saurashtra University	4	1	–	1	–
4.	South Gujarat Univ.	1	–	–	–	–
5.	IIM, Ahmedabad	2	6	–	–	–
	Total	12	8	–	1	–

The foregoing table reveals the fact that most of the Ph.D.-level researches produced in the state of Gujarat in the area of accounting belong to financial accounting and management accounting. Profitability analysis, cost and pricing management, productivity accounting, financial analysis and corporate financial disclosures are the areas of researches which have drawn major attention. The IIMA is very strong in management accounting researches. Taxation, cost accounting, auditing are major gaps in accounting research.

VII. Trend analysis

For the purpose of trend analysis in accounting research in Gujarat, we have divided the whole period covered by this study in three parts : upto 1975, 1975-85 and 1986 onwards. University/institution-wise details have been ignored. However, subject wise classification has been kept in view. The results are presented in the following table :

Table 3

(No. of Theses)

Period	Financial accounting	Mgt. accounting	Taxation	Cost accounting	Auditing	Finance
Upto 1975	–	–	–	–	–	–
1976-1985	2	2	–	–	–	–
1985 onwards	10	6	–	–	1	–
Total	12	8	–	–	1	–

The above table reveals that upto 1975, no thesis was produced. The decade 1976-1985 recorded 7 theses. The period 1985 onwards has recorded a total of 22 theses in accounting and finance. Thus, there has been three-fold increase during the period 1985 onwards as compared to the preceding decade. Maximum increase (five-fold) has been recorded in the field of financial accounting. Management accounting has recorded three-fold increase which is just equal to the aggregate increase. Finance area has also conformed the aggregate trend. Cost accounting theses could be produced only in 1985 onwards period. Taxation and auditing remained neglected fields of research during the whole period under study.

The reasons responsible for three-fold increase in accounting research in aggregate terms lie in the U.G.C. policy of linking research degree with initial entry, promotion, increments etc. The maintenance of this trend in the coming years will depend on the continuation of such a policy. However, competence and genuine interest in research is lacking. This is more true about accounting research. The increasing trend is more likely not to be maintained in the present decade.

VIII. Analysis of reasons for the present state of affairs

The present researchers tried to ascertain the reasons responsible for the marked preference of researchers for undertaking research in the areas of financial accounting and management accounting, finance, etc. mostly with the help of financial analysis of published data. The discussions with researchers and research supervisors have revealed the following major reasons :

(i) Easy availability of published annual reports as compared to general reluctance of the respondents to provide primary data related to accounting and finance.

(ii) In co-operative undertakings and small-scale units, which are predominant in Gujarat, primary data needed for accounting research are conspicuous by their absence. Respondents generally lack understanding of questionnaires. They are also unwilling to share any information.

(iii) Researchers go for soft options of analysis of published accounts, because such projects can be completed early and language deficiency also gets adjusted in financial statement analysis and lengthy extracts of financial data. Generally, research is undertaken to get some appointment or promotion, or get exemption from passing the National Eligibility Test. Thus, research goals are of low level economic goals rather than super-ordinate goals of attaining genuine academic excellence or making social contribution. In the field of accounting, opportunity cost (in terms of income from tuition/practices etc.) is quite high and immediate monetary benefits are quite low. Therefore, strong preference for 'get-quick degree' is quite understandable. Even this will lose preference if they are not compelled by the needs of job market and promotion rules etc. Research has unfortunately been linked with bread and butter rather than search for truth and light in the darkness.

(iv) The M.Com.-level syllabus is also responsible for the unbalanced growth of accounting research in Gujarat. M.Com. syllabuses are overloaded in favour of financial accounting, cost and management accounting, finance, etc. Taxation and auditing are badly neglected branches of studies at M.Com. The solitary exceptions are the M. S. University and South Gujarat University. This has got reflected in research also.

(v) Cost accounting is studied in details at the M.Com. level. Moreover, at the research level, its feasibility is poor on account of secret nature of data.

(vi) No university has research methodology and dissertation/project work at M.Com. level. This is responsible for lack of research capabilities of M.Com. in general in the state of Gujarat.

IX. Research base

Universities at Ahmedabad, Surat, Vallabh Vidyanagar and Rajkot have M.Phil. programmes in Commerce / Accounting. A good number of dissertations have been produced in accounting & finance. However, very few M.Phil. degree holders go for Ph.D.degree. Now M.Phil. degree programmes are also not attracting students. This shows that genuine interest in research is lacking. This is not good for the future of research in general.

X. Other problems

This survey has revealed that research in commerce in general and research in accounting in particular is adversely affected by language difficulty and general apathy of business world towards research. Very few students from Gujarat are willing to go for J.R.F. test of the U.G.C. on account of poor English. They are, thus, deprived of the benefit of financial support of the U.G.C. They are unable to make use of reference material which is available in English only. General indifference of business world to provide data has deterred researchers from undertaking empirical studies based on published secondary data taken from annual reports of various companies. Tuition/coaching business makes opportunity cost of accounting research very high. Old and middle aged faculty members are not at all interested in undertaking any research work because they have been granted benefit of higher pay-scales/promotions indiscriminately by the Government of Gujarat. Some other problems are common for researchers of all faculties. For example, on account of financial difficulties, even Indian journals and books are not being procured in university libraries.

XI. Suggestions

The present survey has revealed that growth of accounting research in Gujarat has been tardy and unbalanced. Keeping in view the reasons responsible for it, the following suggestions are offered to promote the healthy growth of accounting research :

(a) Separate department of Accounting / Accounting and Finance be established under the Faculty of Commerce. It should have lecturers/readers/professors in accounting. A proper mix of academic and professional full time/visiting faculty be provided.

(b) Specialised B.Com. Accounting and M.Com. Accounting & Finance degrees be instituted. Alternatively, degrees may be called Bachelor of Accounting and Master of Accounting and Finance respectively.

(c) Curriculum must have at least 6 papers of accounting plus research methodology and dissertation, viva-voce etc. at P. G. level. New emerging areas of study like accounting theory, international accounting, ethics for accountants and accounting information system must be included in the syllabus. A balanced study of financial accounting, cost and management accounting, taxation and auditing be provided for. In finance area, security analysis and portfolio management, merchant banking, management control system, international finance etc. should be included.

(d) A state-level accounting education and research co-ordination committee be set-up jointly by all the universities and institutes and users of accounting education and research output in addition to academicians.

(e) The U.G.C. should identify at least one university department to act as lead department for the promotion of accounting research.

(f) Researches in the field of taxation, auditing, information technology, international accounting, efficient market hypothesis and capital market research should get due priority and attention. Fundamental research in emerging dimensions of accounting theory should be encouraged. Empirical research to test the validity of accounting theory is needed. Surveys of accounting systems/practices, specially in cost accounting are necessary. Promotion of research in behavioural accounting in view of technological developments in information system is specially called for. Researches in accounting history, current and emerging challenges, future of accounting education and research should also be encouraged.

(g) Those who wish to pursue research must be advised to acquire English language proficiency and also to pass the J.R.F. examination conducted by the U.G.C.

(h) A close liaison with business world and professional world be established.

The liberalisation and globalisation of Indian economy has thrown new challenge before the business, professional and academic world. International accounting and international finance, globally acceptable accounting practices (e.g. corporate disclosures for foreign capital and money markets), cost management, total quality management, ethics, tax reforms etc. will remain in the limelight. W.T.O. will promote global mobility of accounting professionals and academics. The emerging challenges will force the academicians, the professionals and the business to join hands. All of them will have to become cost and quality wise globally competitive. Thus, the time is ripe to promote accounting research with greater vigour and determination in various old and emerging areas identified in this paper.

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MANAGEMENT OF LIQUIDITY IN PUBLIC SECTOR PETROCHEMICALS INDUSTRY

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In this paper an endeavour has been made to examine the efficiency and effectiveness of liquidity management in Indian Petrochemicals Corporation Ltd. (IPCL). The study has been conducted by means of an analysis of both the absolute amount of net working capital and the liquidity ratios for a period of ten years beginning 1983-84. The liquidity position of the unit under study has also been compared with that of the chemicals and petrochemicals industry in India.

Introduction

Petrochemicals industry is one of the fastest growing industries not only of India but also of the world. Although it started late in India, it has made rapid strides ever since its beginning in the country in the mid sixties. This industry has been playing very important role in the socio-economic development of the people of India. It has linkages with other industries like automobiles, telecommunications, agriculture, defence, power, etc. Petrochemical products have become part and parcel of our day-to-day lives covering, among other things, food, shelter, clothing and movement. Considering the strategic importance of this industry, the Government of India (GOI) has recognized it as one of the thrust areas.

A landmark in the history of petrochemicals industry in India was the establishment of Indian Petrochemicals Corporation Ltd. (IPCL) in 1969. In fact, the development of this industry owes heavily to the IPCL. It is the only unit in the public sector that has played catalytic role for the development of the industry in the country. It is the largest petrochemical unit in India and in terms of output number ten in the world. It has two giant complexes (at Baroda and Nagothane) in operation, besides Gandhar Complex which is under construction. It has also the widest product range covering as many as 45 petrochemical products. IPCL has been a successful unit in the public sector earning profits ever since its inception and has secured several national and international awards. It has also not received any budgetary support from the GOI since 1980-81. Under

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the new liberalized regime, IPCL has the credit of being the first public sector company in which GOI disinvested 28% of its equity holdings. This, coupled with severe competition in the industry as a result of liberalization in the Indian economy, has led the Corporation to thrive on its operational efficiency and to change its outlook to work more on business principles.

Needless to say that the success or failure of a business unit depends to a large extent on its liquidity position. Poor liquidity results in the risk of insolvency, bad credit rating, loss of creditors' confidence or even law suits resulting in the closure of the firm. On the other hand, if the firm is liquid it would result in making payments as and when they become due and thus a good credit standing in the market. However, it should not be too high as it adversely affects the return. This paper seeks to find out as to how efficiently the liquidity is being managed in IPCL. This has been done in the light of both the absolute amount of net working capital and the liquidity ratios for a period of ten years beginning 1983-84. IPCL's liquidity position has also been compared with that of the chemicals and petrochemicals industry in India. It is worth mentioning that as IPCL is the only unit in the public sector, the paper relates also to the public sector petrochemicals industry.

Net working capital

This section deals with the analysis of liquidity position of IPCL in terms of the absolute amount of net working capital. As is evident from Table 1, the liquidity position of the Corporation had been rather poor

Table 1 : Size of Net Working Capital in IPCL During 1983-93

(Rs. crore)

Year	Current Assets	Current Liabilities	Total Net Working Capital
1983-84	205.3	44.8	160.5
1984-85	251.7	80.7	171.0
1985-86	320.8	131.8	189.0
1986-87	386.2	186.5	199.7
1987-88	445.5	260.1	185.4
1988-89	642.3	471.9	170.4
1989-90	875.9	811.7	64.2
1990-91	641.0	676.9	– 35.9
1991-92	812.3	736.4	75.9
1992-93	1118.2	684.4	433.8

Source : *Annual Reports of IPCL*

except in the last year of the study (1992-93). During the 80's, the absolute amount of net working capital varied between Rs. 161-200 crore without any significant improvement over the decade. The net working capital position became miserable specially in 1989-90 and 1990-91 when it went down to negative (–Rs. 36 crore). Although there was some improvement in 1991-92, but it was still less than half the size of net working capital in 1983-84.

The decline in the net working capital and thus in the liquidity was on account of the fact that during the first 9-year period (1983-92), the total current assets increased by only 4 times, while the total current liabilities rose by 17 times. This resulted in a declining trend in the net working capital of the Corporation. Difficult business and economic environment dictated by the gulf crisis with it adverse impact on feedstocks and transportation bottlenecks, far more competitive markets resulting from the liberalization and opening up of the economy, foreign exchange constraints, etc. were some of the important factors which led to such a poor state of liquidity, particularly at the beginning of 1990's.

Inadequacy of the net working capital is further substantiated when we compare IPCL's net working capital with that of the industry. Thus, while the net working capital of the Corporation witnessed a declining trend with yearly fluctuations, the same belonging to the industry was marked with a steady rise from Rs. 291 crore in 1983-84 to Rs. 2,123 crore (over 7 times) in 1992-93 (Table 2). Similarly, both the total current

Table 2 : Size of Net Working Capital in the Industry during 1983–93

(Rs. Crore)

Year	Current Assets	Current Liabilities	Total Net Working Capital
1983-84	1583.7	1292.9	290.8
1984-85	1906.4	1519.1	387.3
1985-86	2560.0	2010.1	549.9
1986-87	2906.8	2332.7	574.1
1987-88	3647.0	2920.5	726.5
1988-89	4647.1	3787.0	860.1
1989-90	6927.6	5551.6	1376.0
1990-91	7348.8	5853.9	1494.9
1991-92	8452.1	6828.5	1623.6
1992-93	9733.9	7611.2	2122.7

Source : *Annual Publications of 'Financial Performance of Companies' by ICICI, Bombay.*

assets and the total current liabilities of the industry were marked with a continuously rising trend, the rise being six times in the cases of both – total current assets and total current liabilities. Thus, while there was consistency in the growth of net working capital as also current assets and current liabilities in the case of the industry, the same not only declined up to 1991-92 but were also marked with frequent fluctuations in the case of the IPCL. This clearly shows unsatisfactory liquidity position of IPCL. However, in the last year of the study, there had been some improvement due to significant increase in current assets, including accounts receivable, inventories and loans and advances.

Liquidity ratios

Like net working capital, IPCL's liquidity ratios such as working capital turnover, current ratio, and quick ratio, were also marked with a wide and frequent fluctuations during the period of study (Table 3). Thus, while

Table 3 : Liquidity Ratios in IPCL During 1983-93

Year	Working Capital Turnover	Current Ratio	Quick Ratio
1983-84	2.9	4.6	2.3
1984-85	3.4	3.1	1.8
1985-86	3.6	2.4	1.4
1986-87	3.7	2.1	1.3
1987-88	4.8	1.7	1.1
1988-89	6.1	1.4	0.9
1989-90	18.4	1.1	0.8
1990-91	–37.0	0.9	0.6
1991-92	25.5	1.1	0.6
1992-93	5.2	1.6	0.9

Source : *Annual Reports of IPCL*

working capital turnover varied between –37 and 26, current ratio varied between 0.9 and 4.6 and quick ratio between 0.6 and 2.3. As against this, all these ratios in the industry remained constant — working capital turnover at 8-10, current ratio at 1.2-1.3 and quick ratio at 0.7 throughout the period of study (Table 4). Frequent fluctuations in IPCL's liquidity ratios show the lack of clear- cut working capital policy in the Corporation.

Table 4 : Liquidity Ratios in the Industry During 1983-93

Year	Working Capital Turnover	Current Ratio	Quick Ratio
1983-84	9.8	1.2	0.7
1984-85	9.3	1.3	0.7
1985-86	8.2	1.3	0.7
1986-87	8.4	1.2	0.7
1987-88	8.0	1.2	0.7
1988-89	9.1	1.2	0.7
1989-90	8.1	1.2	0.8
1990-91	8.3	1.3	0.7
1991-92	9.2	1.2	0.7
1992-93	8.0	1.3	0.7

Source : *Annual Publications of 'Financial Performance of Companies' by ICICI, Bombay.*

Another revealing feature is the significant decline in the Corporation's liquidity over the period. This is evident from the fact that while current ratio declined from 4.6 in 1983-84 to 1.6 in 1992-93, quick ratio declined from 2.3 to 0.9 over the same period. The decline was so much so that in the second half of the study period both current ratio and quick ratio fell below their standard norms of 2 and 1 respectively. Thus, current ratio which ranged between 2.1 and 4.6 in the first four years fell to between 0.9 and 1.7 in the remaining six years. Similarly, quick ratio also fell from 1.1-2.3 in the first half of the study period to 0.6-0.9 in second half of the period. These facts clearly show deterioration in the liquidity of the Corporation as against a consistent liquidity position in the industry.

Financing of working capital

Liquidity of a firm depends to a large extent on the pattern of financing its working capital requirements. The financing policy may be conservative, moderate or aggressive. Under the conservative financing policy, the firm makes more use of long-term funds as against short-term funds in financing current assets. In moderate financing policy long-term funds are used to finance fixed assets and permanent current assets, while short-term funds are used to finance temporary current assets. Under the

aggressive financing policy, the firm depends more on short-term sources of finance as against long-term sources of funds. A particular policy to be followed depends on the factors like costs of the different sources of funds and the attitude of the management to undertake risks. It is important to note that under conservative financing policy, the firm is expected to be more liquid than aggressive financing policy. It is because in the case of the former, the gap between current assets and current liabilities will be larger which results in higher liquidity ratios.

It may be observed from Table 5 that in the beginning years of the study, IPCL had followed a conservative financing policy. For, as high

Table 5 : Pattern of Financing Current Assets in IPCL During 1983-93

Year	C.A.* Financing by Short-term Funds (percentage)	C.A. Financing by Long-term Funds (percentage)
1983-84	21.8	78.2
1984-85	32.1	67.9
1985-86	41.1	58.9
1986-87	48.3	51.7
1987-88	58.4	41.6
1988-89	73.5	26.5
1989-90	92.7	7.3
1990-91	105.6	–5.6
1991-92	90.7	9.3
1992-93	61.2	38.8

*C.A. = *Current Assets*

Source : Annual Reports of IPCL

as over three-fourths of the total current assets was financed by long-term funds in 1983-84 and only one-fourth by short-term funds. However, with the passage of time, there had been a shift in the policy as the proportion of long-term funds had a declining trend so much so that by the year 1990-91, it became negative, meaning a portion of short-term funds was used to finance fixed assets in addition to financing the entire current assets. But then from 1991-92 there was again a shift towards moderate financing policy though still aggressive. Thus, the tight working capital policy coupled with aggressive financing of the working capital had resulted in deterioration in the liquidity of the Corporation.

Conclusion

The above analysis shows that IPCL had increasingly followed a tight control over the working capital. This is reflected in a much lower rate of growth in current assets than current liabilities and as such in the declining liquidity ratios. These ratios in IPCL fell below their standard norms and also their industry averages. Further, IPCL's liquidity was marked with frequent fluctuations, while the same in the case of the industry remained constant throughout the period of the study. Besides tight control over working capital, another important reason for the deterioration of liquidity was the aggressive working capital financing policy being followed by the Corporation. Such a financing policy would have adversely affected the profitability of IPCL as short-term financing is costlier in India than long-term financing. No doubt, under the changed business and economic situations, the Corporation has made a shift in its earlier working capital policy, but some more efforts are needed to further improve its liquidity.

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QUALITY COST ACCOUNTING — AN INTERFACE OF TQM AND ACCOUNTING

*Onkar Nath Dutta**

Industry needs "quality cost accounting" system within the corporate accounting structure, so that it identifies what has really been spent on quality. Gone are the days of "caveat emptor" or "buyer beware". Today's dictum is "seller beware" and the onus is on the producer or seller to ensure quality. So producer must know the cost of quality. Managers and accountants must sit together and evolve some methodology. This paper is an attempt towards that direction.

Introduction

Today total quality management (TQM) has captured attention of number of companies. The results of quality improvement are difficult to measure and the financial impact of the quality improvement is still difficult, if not impossible, to guess. The question has still remained to be answered — can quality improvement efforts be accounted for in financial terms to relate the tangible results in the market or in terms of customers satisfaction? Recent studies suggest most of the companies still fail to link quality endeavours to the bottom lines. The illusive quest for improving the quality does not always ensure improved profitability. So we need to know what is the cost of quality and how it is linked with profitability.

Investment in quality

If quality improvement programmes are investments, then there must be some return on such investments. Unfortunately, the return or profit is not directly related to the quality. It is related to the customer's decision to purchase and repurchase the product or service. The pioneering quality improvement efforts of Shewhart, Juran, Deming and others are focused on engineering tolerances and defect rates. But, the fact is that if the customer perceives that quality of a product is bad even if the "objective" quality is good, he will not purchase the product. The gap between perceived and expected quality is the real indicator of customer satisfaction. If the gap is positive i.e. perceived quality is better than the expected quality it is a case of *customer delight*. If the gap is zero, then

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it is a case of *customer satisfaction* and if the gap is negative then it is a case of *customer dissatisfaction*. Again this gap is not the only factor. A customer makes trade off between price and quality for purchasing decision. So in order to understand the return on investment we shall have to understand the chain of events that leads from quality to profitability like :

Service Performance
↓
Customer Satisfaction
↓
Customer Retention
↓
Market Share
↓
Profit

Financial impact of quality

Empirical evidence suggests that quality and profits are linked. But how are they linked ? Unfortunately this linkage has not yet been properly traced because quality improvement can lead to profit in several ways like :

1. Cost reductions from improved efficiency
2. Improved customer retention
3. Attraction of new customer

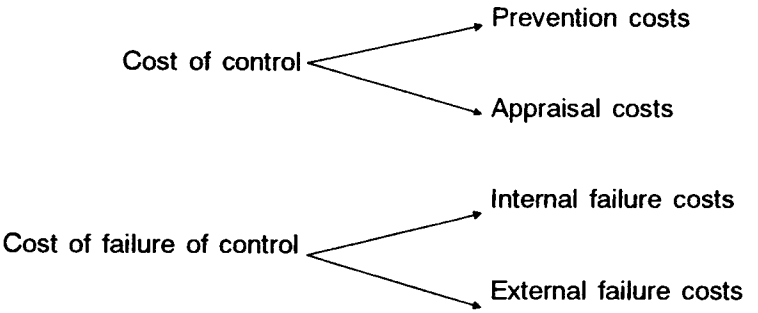
So accountants, academics and managers should try to measure these various effects of quality on profit.

Cost of quality

Deming and Juran highlighted the process control methods i.e., if the quality problems are detected early in the process, then there can be saving of cost of rework and scrap. They observed that cost of savings by this process accounts for about 25 to 30 percent of sales revenue in manufacturing companies and as much as 30 to 50 percent of sales revenue in the case of service organisations. The resources spent to provide quality is known as "cost of quality (COQ)". COQ are accounted for in two principal areas :

1. Cost of control
2. Cost of failure of control.

Again, the principal quality costs areas may be broken down into :



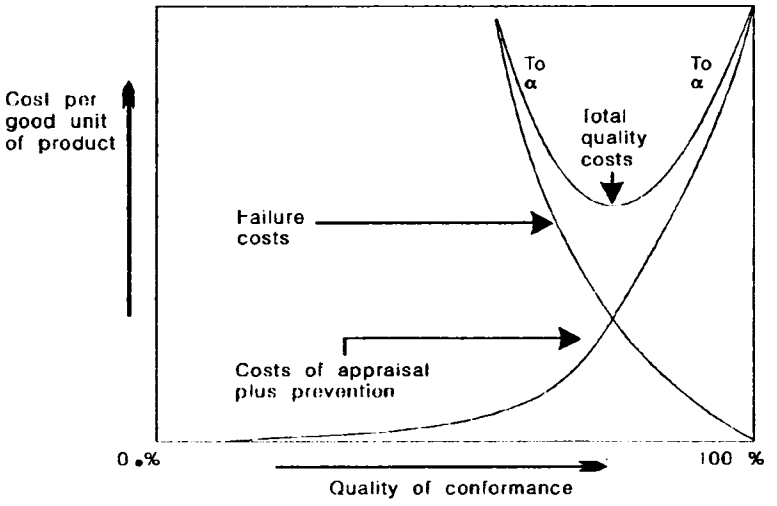
Prevention costs prevent the occurrence of defects and non-conformities. Examples of such costs are costs for quality engineering, employee training etc. *Appraisal costs* are costs for maintaining company quality levels by evaluation of product qualities. This cost may include inspection cost, endorsements, quality audits etc.

The costs of redoing or correcting the defective product before it is sent to the customers is *internal failure costs.* Examples may be scrap, rework down time, discounts etc. The cost of making good and other incidental expenses if the product after sending to customer is found unsatisfactory is known as *external failure costs.* Examples may be warranty, replacement, refund rebate or customer's complaint handling. All these four segments of costs taken together is known as *operating quality costs.* With improved quality, operating quality cost as percentage of turnover reduces and efficiency is improved. Thus profit is achieved through cost reduction from improved efficiency.

Quality cost trade off

Traditionally it was believed that it was not economical for any process to reduce the defects to zero. They believed that every process had a theoretical optimum, beyond which the marginal benefit of improved quality was less than its marginal cost. The lacuna with the traditional view is due to the fact that they underestimated the costs associated with poor quality. Today with same types of curves incorporating the proper costs it has been realised that the most economical process is one in which all the products are produced within the tolerance levels of specifications. Then the question comes at what cost we should achieve that level. Deming considers the idea of measuring cost as waste of time but Juran and Crosby are all in favour of it. The diagram depicted below is designed to explain the concept of classical optimum quality costs.

Classic Model of Optimum Quality Costs



Source : Frank M Gyrna (1988), "Quality Cost" in *Quality Control Handbook*, 4th ed (Juran, ed), New York, Mc Graw Hill.

Problems in accounting COQ

There are several problems in accounting COQ. These are :

1. Typical accounting systems do some tracking of prevention, appraisal, as well as internal failure costs, but monitoring of external failure costs are not being done properly in most cases.
2. Often quality improvements have got some strategic implications which typical accounting systems do not take into consideration. Say if the defect rates are high, it may lead to disruption of production process or the lead time may be high. Since these strategic costs are ignored, the COQ estimates are undervalued. As a result, identification of areas which may yield maximum benefit may be incorrect.
3. COQ accounting is done from the information available from current accounting system, but cost elements might have caused at different points of time. This may lead to the problem of analysis. The whole purpose of cost of quality information is to identify the areas where quality improvement may benefit the company most and it will have to be derived from company's accounting system. So the results would be at best reasonably close and can't be exact.

4. Sometimes it becomes a problem to allocate some uncommon but large costs—say a claim due to a product reliability. It does not occur very often but if it occurs, the cost would be significant. If this cost is added to COQ then it may pollute the total analysis. These may be noted separately as potential costs.
5. It is difficult to define explicitly the conformance quality. Plants may not have experience in using quantifiable performance measures. In these cases customers' need and process specification must be clearly known.

Quality programmes & customer retention

Customer defection is a very common problem in marketing. Usually the lost customers are compensated with attraction of new customers. There are two approaches to maintain the market share :

—Offensive i.e., attract new customers.

—Defensive i.e., retain customers

Offensive means marketing through the proper mix of "Four Ps" — Product, Price, Place (distribution) and Promotion (marketing communication). And *defensive* means a mix that satisfies the current customers i.e., *after sales service, complains management* etc. which is a part of external failure costs.

It has been found that *defensive* means that is has not yet received the proper emphasis, although a study by the US Department of Commerce revealed that the cost of winning a new customer is, on average, about five times greater than the cost of retaining a current customer. The attitude is slowly changing. For instance Xerox now includes the opportunity costs of lost sales and cancelled contracts due to poor quality in its COQ calculations.

Quality improvement & new customer

New customer when comes to know about the improved quality of the product from market communications or from current customers, switches their loyalty towards the improved product. So apart from advertisement or other communication measures, "willingness to recommned" by the current customer can be an indicator of tracking the effect of quality.

Services in which repeat purchases are impossible or very unlikely (say obtaining some college degrees), a good recommendation from the present customer to the potential customer is very important. So if the customer satisfaction is studied and quality improvement endeavours are directed towards that, quality will ultimately lead to profit.

Conclusions

Quality improvement programmes should be an integral component of corporate strategy. Companies should identify the areas where the quality improvement will have the maximum impact and where they will be able to maximise the return from their investments in quality. The starting point would be that every organisation must identify that it is rendering a service to fulfill customers needs. These needs are to be dovetailed with the company's internal processes. It is only then that the financial implications of quality will be visible. Quality cost accounting should form the base for evaluating the quality improvement alternatives vis-a-vis their profit impact.

BOOK REVIEW

Accounting Education in India, Bhabatosh Banerjee
DSA in Commerce, University of Calcutta, 1994. vi+205 pp.

Observing that accounting, to be meaningful, must be in keeping with the economic fabric and the requirements of the society in which it operates, the author laments that what goes by the name of 'accounting education' is really a training of accountants by a ritual drilling of established rules and procedures in many countries.

The author has formulated a number of questions regarding the state of accounting education in India and then proceeded to find the answers thereto. In the process he has discussed the role of professional institutes as well as of colleges and universities in regard to accounting education in India.

The various forms of education viz commerce education, business education, management education and professional accounting education have been analysed by Prof. Banerjee and, according to him, accounting education lags far behind the changes that have already taken place in the practical field. Quoting from Mueller & Simmons he observes that it is appropriate that we 'embark on a concerted effort to review and revitalize the accounting education enterprise.' He states that the mission in accounting education is, broadly speaking, to prepare individuals firstly to be good citizens, secondly to let them have a good understanding of business, and thirdly, to lay for them the foundation for becoming a professional accountant. One could not agree with him more. According to the author the specific objectives of accounting education are : "(i) development of human resources in keeping with social needs, (ii) help in solving business problems at the micro and macro levels and (iii) making accounting educators."

He has traced the accounting education in the pre-independence period and remarked that the establishment of the two autonomous professional bodies in 1949 and 1959 was a landmark in the history of development of accounting education in independent India.

Coming to the issues of standard setting by the ICAI he has analyzed how through the various standards set by it, it has been possible to achieve, to a considerable extent, the harmonization of accounting policies and practices. But he feels that the ICAI has not been able to develop a conceptual framework of accounting which is greatly needed. He has incidentally referred to the formation of the Indian Accounting Association Research Foundation, a body which can, through research, assist the Institutes in building such a framework.

He has next referred to the ICWAI which he describes as the only recognised statutory professional examining and licensing body in India specialising exclusively in cost and management accountancy.

Coming to college and university accounting education the author feels that for a large country like India it is very difficult to introduce a uniform pattern of structure. He states that "Given the regional peculiarities and imbalances it may not also be desirable to try to bring in 100 per cent uniformity". This is a view on which there is scope for debate. A uniform pattern of structure may be difficult to attain, but when one remembers that accountancy is the language of the businessman, a degree of basic uniformity will certainly help to avoid the creation of another tower of babel, where everybody spoke and no person understood what any other person said.

The author has in Chapter Four dealt with contribution of the corporate sector to the development of accounting education in India. Major changes in accounting procedures have taken place as a direct consequence of changes in the nature and forms of business enterprises. Originally it was the proprietary theory. But this theory has now virtually been replaced, with the growth and expansion of corporate enterprises, by the entity concept. This basic change in the accounting concept has influenced the accounting education. The author has quoted Porwal to state that this basic change in the accounting concept has undoubtedly influenced the accounting education : "Emphasis of the education has as a result been shifted from balance sheet to income statement".

In Chapter Four the author has tried to establish that the corporate sector has influenced the accounting concept and method; it has influenced regulation of accounting and the emphasis has been laid on disclosure. But here there is scope for a difference of opinion, for, it is universally known that the persons in charge of the affairs of a corporation are hardly ever keen on disclosing information through accounting statements which they are not compelled by regulations to disclose.

The author has then referred to the various regulatory bodies which have from time to time recommended changes in the accounting statements required to be published by corporate bodies, and shown how these have influenced the corporations to change the format of the accounting statements so as to make them more informative and useful to the users of such statements. The emphasis is now on more and more disclosures. There is now an approach to greater transparency.

The author reports, and very correctly too, that in India we are still lagging behind having regard to the global trend of accounting policies and accounting statements. The influence of such regulations in the field of accounting education cannot be overemphasised.

Dealing with accounting research in the field of accounting education, the author is of the view that there seems to be waning of interest in this regard. In his view the response in this respect from the teachers in commerce, and particularly in accounting, is not very encouraging. He remarks that accounting teachers have not been taking keen interest in undertaking research projects in accounting. He furnishes statistics collected from several universities and the picture that emerges is indeed dismal. Prof. Banerjee then proceeds to discuss how the quality in the research for accounting can be improved. A list of areas in which accounting research can be fruitfully carried out is then given by the author.

In the last chapter styled "An Empirical Study" the author deals with "an empirical study which is predominantly concerned with getting opinions on the intricate issues of accounting education—from objectives to state of research—from selected professional accountants and accounting academics in different countries." This promises another valuable work from the author after he gets the necessary information. The accountants' community will await eagerly the sequel to the present publication.

Accounting Education in India gives an excellent insight of the history of the educational system which is operating presently in India and of how it developed from insignificant beginnings of the past. The comments made by Prof. Banrejee are thought provoking and one expects that those will be helpful to others in launching new projects on the shape of accounting education and research in the coming days when we are in the throes of a giant economic revolution.

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International Accounting Harmonisation, A. K. Basu
DSA in Commerce, University of Calcutta, March 1995
v+202 pp., Price not mentioned

This is a serious study on a subject area in accounting not quite commonly understood. While the author underlines that issues concerning international harmonization commended attention of accountants and business people since the beginning of the present century, the contextualities of harmonization suggest that concern was expressed unequivocally for a clearer understanding of the practices followed in different countries during seventeenth, eighteenth, and nineteenth centures with the advent of chartered companies operating in British,

Dutch and French colonies. Accounts of the East India Company created problems in England to understand what was what; same with the Jan Company of Coromendel and the operations of French colonies. Issues of harmonization were related to the search of a common denominator for knowing and judging how operations were conducted. Corporate pluralism engineered by economists following the footsteps of Adam Smith confounded the confusion so much so that shareholders were not quite sure as to their status in a company and the contents of reports which they were supposed to receive at the end of a period. The South Sea Bubble, the coming of limited liability and the judgment in the Solomon versus Solomon & Company Limited case, contributed to the confusion in no small measure. As if all this was not enough, countrywise differences in accounting practices and procedures raised roadblocks to understanding the nature, content and character of security of capital, on the one hand, and return on capital, on the other.

The diversities pointed out by the author are real, as much as they await an ironing out so that a common code of expression emerged. The difficulty here is that many forces are at work on which the accountants, as accountants, have hardly any say. As the author has pointed out, the diversities in accounting practices and procedures relate to accounts formats, compositional features, valuation bases and methodology, goodwill, R&D costs, leases, taxation, foreign currency transactions, consolidation and so on. Tracing the causes of such diversity is almost like chasing will-o-the-wisp but the major aspects have been faithfully and competently highlighted. Accounting theories, for that matter, are essentially crystallization of experience though two different strands are immediately visible, namely, one sponsored by economists at large who have tacitly taken for granted that shareholders are owners of corporate property even while the companies are going concerns and the stance taken by accountants that a company is discrete from the entire body of shareholders. That people like Peter Drucker mentioning that shareholder's concern was essentially limited to return of capital and return on capital and not going beyond that as long as the company is an operational entity went by exception; little heed has been paid to the status of a company so that even corporate theory pets one into a jungle, ways out of which are not easy to find. Whether accounting theory has influenced accounting practices or accounting practice has helped crystallizing accounting theories may be subject to an unending debate as to which came first, egg or chicken !

The accounting environment in different countries has also underlined, especially in countries like UK and USA, a purely theoretical strand taking accounting information as data for further analysis and accounting information as final communication process. Naturally, these two strands have admitted sponsors of theory and practice as discrete standpoints. The sponsors of financial management theory and practice are, however,

not accountants but economists, especially those who won the Noble Prize. The country experiences and the laws and regulations that guide the practices and procedures in these countries have been well noted by the author, albeit in short outlines. These outlines, however, are not sketchy but highly assimilated expressions. This is no mean matter in itself.

According to the author, harmonization refers to the process of arranging together the various systems or, for that matter, the various parts or relevance of a particular system in an orderly way so as to produce a harmonious or pleasing effect. Following this interpretation, he describes accounting harmonization as a process of bringing some sort of an order in the accounting practices among countries. This, in fact, is the crux of the matter, the question remaining all the time how much of 'give' and how much of 'take' should accompany such harmonization efforts for, each country has its own tradition and each country has evolved practices and procedures which it found suitable in the context of the growing complexities of funds deployment, on the one hand, and the production process, on the other. The author tests the ideas of harmonization with reference to comparability among accounting procedures followed by different companies, especially those having to deal with different countries like transnational corporations. The relatively recent attempts at juxtaposing the diversities to bring out their communicational aspects – especially terms, conditions and codes used, have brought forth many loose ends that call for trying up, but face umpteen barriers.

The author suggests that achieving harmonization in the accounting field may call for larger focus on international seminars and conferences; detailed disclosure of accounting policies; bilateral arrangements; regional multi-lateralism; acceptance of the practices of the country judged superior; international collaboration in standard setting and development of universally applicable accounting standards. All these together would suggest that the author favours the evolution of a kind of *Accounting Esperanto*. The international bodies recently established for evolving standards and principles have expressed concern in this behalf but as the author notes mere harmonizing rules and principles that constitute bases of preparation and presentation of accounting reports by companies may not bring forth desired results. He has pleaded for uniformity of approach among countries towards education and training of professional accountants and inter-country harmonization of auditing principles and standards. Well and good, but the problem is of belling the cat ! While the author takes note of impediments to harmonization in terms of general resistance to change, attitudes of government, market-based and tax-based system, nationalism and development of quality accounting standards, in practical terms each of these may appear somewhat

far-fetched and may face the same fate as *Esperanto* did. Old habits die hard! While the habits are given an overt look of scientificity, the death is further prolonged. Many a time it has been found that a certain innovation not only hangs in balance but also tilts in its favour or otherwise by a very narrow margin. This is quite apparent in the context of the factors mentioned by the author.

As he himself mentions harmonization does not imply a bed of roses, it is indeed thorny all the way. To deal with the obstacles and to bulldoze unacceptable practices and procedures in favour of those considered best, are better said than done. Incidentally, even the term current cost accounting was given by Lord Sandilands who was not an accountant and it came about at a time when accountants were still at loggerheads as to how to deal with this problem. Shots fired were far too many and those that did hit the nail were far too few. A lot of emphasis is generally given on the accounting policies in this behalf. A close look at the published accounts of different countries will have underlined the fact that they hide more than what they reveal and they leave a leeway much longer than what would lead to harmonization as such. The standards evolved by the IASC, or the principles evolved under GAAP, are no exception and in each case the debate is still on and a consensus is yet out of reach.

In the aforesaid context, while the best practices may, in fact, elude the grasp of accountants, they may be painted on the walls on counts of practices and procedures and, of course, premised on emerging technologies, techniques of production, labour scarcity or surplus. capital or labour-intensity, status under human development index and so on, each individual country may find that such best practices may, in fact, be an amalgam of some practices from some countries but not all practices of those countries. On the other hand, the country differences are a lot more real than imagined. In such a situation, *Kainotophobia* may not necessarily be the problem; for, even with whole-hearted participation of all countries, such harmonious accounting systems, procedures and practices may still remain unattained. These criticisms, however, do not detract from the value of the study which is pains-taking, thoroughly documented and well assimilated. The analysis of the individual issues is penetrating while immediately subscribing to the thematic content of the study. The DSA of the Commerce Department, University of Calcutta, has done well to bring out this study as an initiator of a debate in the country as to how best to approach the problem and where to seek a solution.

P. Chattopadhyay
Professor, Department of Business Administration,
University of Burdwan

INTERNATIONAL CONFERENCE NEWS

7th Asian-Pacific Conference on International Accounting Issues

Seoul, Korea—November 8-11, 1995

Seventh Asian-Pacific Conference on International Accounting will be held November 8-11, 1995, in Seoul, Korea. The main theme of the Conference is "Accounting Information for Global Operations." The Conference will provide an important forum for the interaction of different ideas and information between academicians and practitioners, in order to enhance the understanding of international accounting issues in various Asian-Pacific countries.

Co-Sponsors : Yonsei University and California State University, Fresno.

Who will come : Prominent scholars and practitioners from the United States, Canada, Taiwan, Hong Kong, Japan, Korea, China, Philippines, Thailand, Malaysia, Singapore, Indonesia, India, Australia, New Zealand, Mexico, Brazil, Argentina, Peru and other countries are expected to attend the Conference.

HIGHLIGHTS OF THE SEVENTH ANNUAL CONFERENCE				
	Wednesday	Thursday	**Friday**	**Saturday**
a.m.		Opening Ceremony Plenary Session : Accounting Information for Global Operations (Chairperson : Katherine Schipper)	Concurrent Session with Panel Discussion : Current Issues and Problems in International Accounting (Chairperson : George Scott) Concurrent Sessions with Panel Discussion : Current Accounting Practice (Chairperson : Rick Elam)	One Day Tour
12.00		Lunch with Speaker	Launch with Speaker	

Contd.

HIGHLIGHTS OF THE SEVENTH ANNUAL CONFERENCE (Contd.)				
	Wednesday	Thursday	**Friday**	**Saturday**
p.m.	13:00-17:00 Accounting Research Workshop (Leader : Frederick D.S. Choi) Registration	Concurrent Sessions with Panel Discussion : Current Trend in Accounting Research (Chairperson : Rashad Abdel-Khalik) Concurrent Sessions with Panel Discussion : Global Accounting Education (Chairperson : Adolf Enthoven)	Concurrent Sessions with Panel Discussion : Cost Management and Strategic Decision Making (Chairperson : Marc Massoud)	
Evening	Registration Welcome Reception	Banquet with Entertainment		

Leader :

Professor Frederick D.S. Choi
Research Professor of Accounting
Leonard N. Stern School of Business
New York University
Editor, Journal of International Financial
Management and Accounting

Accounting Research Workshop (Cost to attend : $80)

This four-hour workshop will be conducted by Professor Frederick D.S. Choi on Wednesday from 1:00 to 5:00 p.m. The primary objective of the workshop is to sensitize participants to the international dimensions of accounting research and to enhance research and publication in the field. The program will include identification of researchable issue, discussion of appropriate research methods, indentification of publishing outlets and specifics of the editorial process. The workshop leader has a distinguished publication record.

PLENARY SESSION AND PANEL DISCUSSION SPEAKERS

Date & Time	Title	Chairperson	Members
Thursday November 9 9:30 a.m.–12.00 noon	Accounting Information for Global Operations	Katherine Schipper President-Elect, American Accounting Association; Joint-Editor, Journal of Accounting Research; Professor, University of Chicago	Sir Bryan Carsberg Executive Secretary-General, IASC Sung Jae Yoo President, Korean Accounting Association
Thursday November 9 1:45–3:15 p.m.	Current Trend in Accounting Research	Rashad Abdel-Khalik Former Editor, Accounting Review; Research Professor, University of Florida	Katherine Schipper President-Elect, American Accounting Association; Joint-Editor, Journal of Accounting Research; Professor, University of Chicago Fred Choi Editor, Journal of International Financial Management and Accounting; Research Professor, New York University Ken Trotman Professor, University of New South Wales, Australia
Thursday November 9 3:30–5:00 p.m.	Global Accounting Education	Adolf Enthoven Professor and Director, Center for International Accounting Development, University of Texas at Dallas	Belverd Needles, Jr. Arthur Anderson & Co. Distinguished Alumni Professor, DePaul University Farhad Simyar Professor, Concordia University Ken Moores Professor, Bond University; President, AAANZ

Date & Time	Title	Chairperson	Members
Friday November 10 9:00–10:30 a.m.	Current Issues and Problems in International Accounting	George Scott Professor, University of Connecticut	Dhia AlHashim Professor and Director, Center for International Business, California State University, Northridge Brenda Porter Professor, Massey University Sidney Gray Professor, Warwick University President, International Association for Accounting Education and Research Vernon Zimmerman Professor, University of Illionois Editor, International Journal of Accounting
Friday November 10 10:45 a.m.–12:15 p.m.	Current Accounting Practice	Rick Elam Vice President-Education, AICPA	Moon Ho Sung Managing Partner, Price Waterhouse, Seoul Korea Doug Oxley President, CAPA Keith Scott Executive Vice-President International, CGA, Canada
Friday November 10 1:45–3:15 p.m.	Cost Management and Strategic Decision Making	Marc Massoud Dengler-Dykema Distinguished Service Professor, Claremont McKenna College	Hanns-Martin Schoefeld Professor, University of Illinois Thomas Lin Professor, University of Southern California Chen-en Ko Professor, National Taiwan University

CONFERENCE REGISTRATION

(Please type or write clearly)

Name : _____
(First) (Last)

Position : _____

Organization : _____

Address : _____

_____

Telephone Number ( ) _____ FAX Number ( ) _____

Early Registration Fee (received by September 15, 1995)	US $200	$
Late Registration Fee (received after September 15, 1995)	US $250	$
Accounting Research Workshop	US $80	$
Subtotal		$

The registration fee includes : Reception, two Breakfasts, two Luncheons, one Dinner, a One-Day Tour and a copy of the Conference Proceedings.

Note : Cancellations made before October 15, 1995 will be reimbursed minus 10% of the total fee. No reimbursement will be possible after this date.

TOPICS

Paper presentations, panel discussions, and workshops on international accounting and other related international business topics are invited. Major topics of interest include, but are not limited to :

- International accounting research, education, and practice
- Comparative analysis of financial accounting, managerial accounting, auditing, taxation, and finance, among Asian-Pacific countries
- Studies pertaining to Taiwan, Mainland China, and Hong Kong are especially welcomed
- Contemporary issues of advance technology in international accounting
- Information and control systems for multinational corporations
- Interrelationship between accounting and other disciplines (such as management, marketing, finance, economics, human resource management and information management)
- Accounting in specific country or economy
- Comparative ethics in international auditing and business

- Cross-cultural studies in international accounting
- Accounting history in Asian-Pacific countries
- Impact of international mergers and acquisitions on accounting practice
- Comparative study of banking and financial markets among Asian-Pacific countries
- Changes in accountancy education for privatisation aspects and capital markets
- Privatisation of governmental functions and government enterprises
- Accounting and auditing standards and regulations for privatisation and capital markets
- Other related international business topics

INSTRUCTIONS FOR CONTRIBUTORS

1. Each contributor is required to submit three (3) typed, double-spaced copies of the full paper, panel discussion, or workshop proposal. Abstracts will not be accepted. The submission should be in English.

2. Each submission should include a separate title page on each copy, listing author(s) affiliation(s), address(es), telephone number(s), and fax number(s). Also, include a self-addressed postcard with the title of submission. The main body of the paper, workshop or panel discussion proposal should have a title, but no author identification.

3. All papers will be subject to a blind review process. The submission of a paper for review means the author certifies that the manuscript is not copyrighted and has not been published elsewhere. Further, accepted papers will be published in the Conference Proceedings only if at least one author registers and attends the Conference.

4. All submissions must be received by May 15, 1995. Notification about the decision will be made by June 30, 1995.

Mail all papers, panel discussion, and workshop proposals to :

Professor Ali Peyvandi or
Professor Benjamin Tai
Asian-Pacific Conference on International Accounting Issues
The Sid Craig School of Business
California State University, Fresno
5245 North Backer Avenue
Fresno, California 93740-0007,
U.S.A.

Phone : (209) 278-2921 or (209) 278-2852
Facsimile : (209) 278- 7336
E-Mail : ali payvandi@csufresno. edu or
benjamin-tai@csufresno. edu

INTERNATIONAL ASSOCIATION FOR ACCOUNTING EDUCATION AND RESEARCH (IAAER)

International Accounting Research : Multinational Enterprises and Global Change
24th – 25th May 1996
Warwick Business School, University of Warwick, England

CONFERENCE THEMES

International Disclosure Issues
Cultural Perspectives
Voluntary Disclosures by Multi-nationals
Segment Reporting
Environmental Disclosures and Social Reporting

Managerial Accounting by Multi-nationals
Cultural Perspectives
Strategic Accounting
Design of Planning and Control Systems
Performance Measurement Issues

International Financial Statement Analysis
Problems of Accounting Diversity
Impact of Accounting Differences on Reported Results
Stock Market Responses in a Multi-reporting Context
Foreign Stock Exchange Listing Behaviour

Multi-national Reporting Problems
Foreign Currency Translation
Consolidation
Goodwill
Intangibles
Financial Instruments

International Accounting Harmonisation & Regulation Issues
Harmonisation Measurement Issues
Impact of IASC on Multi-nationals
Global Stock Exchange Co-ordination & IOSCO

Issues relating to Multi-national Enterprises in a rapidly changing global business and financial environment

Submission date :
Deadline for submission of completed papers is 31st December 1995

Papers — 3 copies — should be sent to : Professor Sindey J. Gray, IAAER Research Conference Organizer

Warwick Business School, University of Warwick, Coventry, CVA 7AL, England

INTERNATIONAL ASSOCIATION FOR ACCOUNTING EDUCATION AND RESEARCH (IAAER)

Eight International Conference on Accounting Education
The Changing World of Accounting : Global and Regional Issues

First Announcement
October 23-25, 1997, Paris (France)

The objective of the Association is to represent accounting educators and researchers to encourage and promote interest in all aspects of accounting education and research internationally, including the assistance in organizing and planning periodic international conferences on accounting education.

The Association is both an organization of individual members from some thirty-five countries and a federation of academic organizations from all continents.

The 8th conference on accounting education will be held jointly by the International Association for Accounting Education and Research and thee Association Francaise de-Comptabilite. The convention will take place immediately before the 10th World Congress of the International Federation of Accountants, October 26-29, in PARIS.

Previous conventions met in the United States (1962), the United Kingdom (1967), Australia (1972), West Germany (1977), Mexico (1982), Japan (1987), Washington DC (1992). Paris is most attractive in October and still offers some of the best entertainment in the world.

The **theme** of the conference is **"the Changing World of Accounting : Global and Regional Issues"** and deals with the following subjects :

* Comparative Accounting Systems
* Managerial Accounting in Multinational Corporations
* Cultural Influences on Accounting
* International Accounting Harmonization

* Impact of International Accounting Differences
* Stock Markets and Accounting Diversity
* Comparative Auditing Systems
* International Financial Reporting Issues
* Accounting and the Environment
* Accounting Education in Developing Countries
* Accounting Education in Changing Economies
* Implementing Advanced Technologies in Accounting Education.
* New Curricula in Accounting Education
* Teaching Innovation in Accounting Education
* Information Technologies in Accounting Education

CALL FOR PAPERS

RULES FOR MANUSCRIPT SUBMISSION

1. Papers must be written in English.
2. Authors must list the major topic(s) under which their paper falls in the registration of interst form.
3. Papers must not have been published or accepted for publication elsewhere.
4. Each paper must contain a title with all coauthors listed and an abstract. To facilitate blind reviews do not identity authors after the cover page.
5. The abstract should be presented uniformly 81/2 x 11 for (or A4) typed, single-spaced 10 point maximum of 400 words, headed by title, author(s) and affiliation(s).
6. Paper must be typed, double spaced, Helvetica, New York, Palatino or Times, 12-point, and between fifteen and twenty pages long. Footnotes should be stated on a separate page and be included in the total page length indicated.
7. Margins are to be 1-1/2 inches (or 2.5-3 cm.) left margin, 3/4 of an inch (or 2 cm.) right margin and 1 inch (or 2.5 cm) for the top and bottom.
8. Papers must be received for review by December 31, 1996. Earlier submission is encouraged. Received papers will be acknowledged. Abstracts of paper, without the full paper, will also be considered but priority will be given to complete papers.
9. Three copies of the papers (or abstracts) must be submitted. No sumnission by fax will be accepted.
10. Authors will be notified decision by February 28, 1997. A final version of the accepted papers must be submitted in the specified format by March 31, 1997. Further instructions will be given to authors of accepted papers. All abstracts will be published in the proceedings.
11. At least one author of accepted papers must register for the conference in order for the paper to appear in the proceedings.

Use the **registration of interest form** for paper submissions. For coauthored papers, fill in the name and address of the contact person.

All submission should be made to :

Professor Jean-Claudei Scheid
INTEC-CNAM
292 rue Saint-Martin
75141 PARIS CEDEX, 03, FRANCE
Fax : (33–1) 42 71 6701
Internet (E. mail) : burlaud@cnam. fr.

REGISTRATION OF INTEREST

I would like to participate in the Eighth International Conference on Accounting Education and Research and :

_____ Submit a paper _____ Discussant in a session

_____ Review papers _____ Attend only

_____ Chair a session

If you submit a paper indicate the topic in which it will fall (see pp. 85-86 for details) _____

Name _____

Address _____

_____

City _____

State / Province _____

Country _____

Postal Code _____

Telephone (with Area Code) _____

Fax _____

E-mail _____

Mail your Registration of Interest to :
IAAER–APC Congress 1997
Professor Jean-Claude SCHEID
INTEC
292. rue Saint-Martin
75141 PARIS, CEDEX 03
Fax : (33-1) 42716701
Internet (E-mail) : burlaud@cnam. fr

IAA NEWS

As part of its efforts to promote excellence in accounting education, research and practice, the Indian Accounting Association has constituted the following committees at the 17th Annual Conference held at Kousali Institute of Management, Dharvad :

1. Best Published Annual Report Committee

Chairman : Prof. Sukumar Bhattacharya,
President, IAA Research Foundation, Swastik,
64/1/25A, Belgachia Road, Calcutta-37,
Phone : 5565496

The members include Prof. T.P. Ghosh of the Chartered Accountants Institute, Delhi; Prof. M.Y. Khan of Delhi University; Prof. Mohinder N. Kaura of Administrative Staff College of India, Hyderabad; Prof. Nageswara Rao of Vikram University, Ujjain; Prof. Prabhakara Rao, D. of Andhra University and R.M. Prof. Srivasthava of Banaras Hindu University, Varanasi.

2. Young Researcher Award Committee

Chairman : Prof. Bhagawathi Prasad,
Director, Kousali Inst. of Management,
Dharvad, Karnataka,
Phone : 40280 (Dharvad)

The members include Prof. B.S. Bhatia, of Patiala University; Prof. K. Eresi, of Bangalore University; Prof. U.L. Gupta, of Jodhpur University; Prof. Shankaraiah of Kakatiya University; Prof. Sugan C. Jain of Rajasthan University and Prof. Vinayakam of Madras University at Salem.

3. Accounting Standards Committee

Chairman : Prof. N.M. Khandelwal,
Head and Dean, Dept. of Com. & Business
Administration, Sourastra University,
Rajkot-360 005,
Phone : 56176

The members include Prof B. Banerjee of Calcutta University; Prof. G. C. Mehaswari, of M.S. University; Prof. L. S. Porwal of Delhi University; Prof. A.R.M. Rehmen of Dibrugarh University; Prof.K. R. Sharma of Sukhadia University, Udaipur and Prof. Sujit Sikkidar of Gauhathi University.

The members of IAA or similar organisations or persons interested in the promotion of accounting education, research and practice are requested to contribute their mite in conducting the above committees' business in the best interests of the society at large, For any kind of

specific intellectual interaction or sponsoring prizes etc., the respective Chairpersons or the General Secretary of the Indian Accounting Association, may be contacted. **In This Context, IAA Invites Research Proposals From Young Researchers and Published Annual Reports** (1994-95) from companies or non-profit organisations etc. Proposals may be submitted to the respective chairman, or the General Secretary, **on or before 30th September 1995.** The awards will be announced and presented at the 18th Annual Conference of IAA at Pt. Jawaharlal Nehru Institute of Business Management, Vikram University, Ujjain during 26-27, December 1995.

BRANCH NEWS

Bombay Branch

The inauguration of the Bombay Branch was held on the 28th March, 1995 by Dr. (Mrs.) Malati Anagol, Professor and Head of the Dept. of Commerce, University of Bombay, Bombay at the Conference Hall, Garware Institute of Career Education and Development, Vidyanagari Campus, Kalina, Bombay-400 098.

A panel discussion followed the inauguration on THE BUDGET 1995. The panel speakers were Mr. S. S. Bhandare, Economic Advisor, Tata Services, Mr. Mukund Chitale, Chartered Accountant and Mr. S. K. Jain, Vice-Chairman, CRB Capital Market Limited.

Mr. S. S. Bhandare explained the impact of the budget on the macro issues whereas Mr. Mukund Chitale covered the direct and indirect tax provisions of the budget in detail. Mr. S. K. Jain discussed the various aspects of the budget having the likely impact on the capital markets and specific industries segments and scrips.

The panel discussion was further enlivened by the participation of the members who attended the programme and the members of IAA Bombay Branch had lively interaction with the panel speakers. The programme concluded with a vote of thanks by Dr. Devlankar of the Dept. of Commerce, University of Bombay, Bombay.

A General Body meeting then followed with the unanimous adoption of the draft rules and regulations for the Bombay Branch of the Indian Accounting Association. The following office bearers were unanimously elected :

1. Prof. V. R. Iyer — Chairman
2. Mrs. Sailaja Ravindranath — Vice-Chairman

3. Mr. P. G. Gopalakrishnan — Secretary
4. Mr. P. K. Bandgar — Treasurer
5. Mr. Keshav Paranjpe — Member
6. Mrs. Sandhya B Kulkarni — Member
7. Mr. G. V. Subramanaiam — Member
8. Mr. M. P. Vaishampayan — Co-opted Member
9. Mrs. Alkananda Sathaye — Co-opted Member

The general body meeting concluded with a vote of thanks to the chair.

Calcutta Branch

The Calcutta Branch of the Indian Accounting Association organised a national accounting conference during January 21-22, 1995.

The two-day conference of the IAA Calcutta Branch was inaugurated on 21 January, 1995 at 10 a.m. in the Shivananda Hall, Ramakrishna Mission Institute of Culture, Golpark, Calcutta. The inaugural session was chaired by Prof. Sukumar Bhattacharya, the chairman of the branch. Mr. Mukulgopal Mukhopadhyay, Hon'ble Justice, Calcutta High Court, delivered the inaugural address and Prof. Sankar Dhar, Dean, Faculty Council for PG Studies in Commerce, Social Welfare and Business Management University of Calcutta, graced the occasion as the Guest-in-Chief. Dr. J. B. Sarker the secretary of the branch, welcomed the delegates and introduced the theme of the conference.

The Chairman in his address asked the accountants and auditors to look beyond their traditional activities of recording business transactions truly and fairly and to report on the correctness and reality of recorded events. These, he felt, had become necessary in the context of adjustments that would be one of the inevitable results of the globalisation of Indian economy to which India had been wedded on 24 July 1991.

Prof Sankar Dhar in his address pointed out the challenges to which the discipline of accountancy has been exposed with the changing profile of society and new world order. According to him, business and commercial activities have lost their separate identity and are now a part of pervasive human behaviour. Hence, he felt the urgency to build up a new dimension of accounting incorporating in its fold all items not only related to income or profit but all benefits and costs, tangible or intangible, to and from all parties to which these benefits and costs occur.

Mr. Justice Mukul Gopal Mukhopadhyay in his inaugural address, put emphasis upon the accountability of accountants. In his opinion,

accountants' accountability could no longer remain confined to the shareholders and auditors alone. They have accountability to the society as well. In the context of opening up of Indian economy to the foreign investors, according to him, what was the need of the hour, was the transparency of the accounts prepared and certified by the accountants.

Dr. Bhabatosh Bandyopadhyay, Professor of Commerce, Calcutta University, offered the vote of thanks to the distinguished guests and delegates attending the inaugural session of the conference. In the process, he dwelt upon the changes that would be needed in accounting as a social discipline in the 21st century, anticipating the position of the indian economy in that A.D.

The first technical session on "Accountants as Managers" was held on 21-1-95 at Shivananda Hall, Ramakrishna Mission Institute of Culture, Gol Park, Calcutta. It was chaired by Dr. N. G. Chowdhury. In all, ten papers were presented. The papers were prepared from two different approaches — some considered the accountant as performing managerial functions and others considered the eligibility of the accountant to work as managers.

The session started with the key note address of Prof. Shyamal Ghosh. Prof. Ghosh dwelt at length on the evolution of management thought linking it up with the three important management movements viz., scientific management, human relation management and information technology management. He clarified how accountants as managers are exposed to these movements.In his opinion, the eligibility of the accountant to function as managers is to be construed in the light of the agency theory.

Dr. V. K. Vasal, in his paper, analysed the effectiveness of accountants as managers in terms of their two informational roles — (i) monitoring of the informational needs of external users and (ii) disseminating actual information. His empirical study, as he mentioned, revealed that accountants are very effective in respect of the 'monitoring' role only.

To Dr. S. C. Jain, accounting was indeed a pervasive profession rendering opportunities to the accountants to play an increasingly greater role in the business and society in various capacities including that of a manager.

Dr. Tanmoy Dutta emphasised the role of accountants as financial managers. In his view, agency theory as raised by the key note speaker was highly a debatable one in the context of the role of accountants as managers.

Sri Dhrubaranjan Dandapat pointed out some particular areas viz., capital budgeting, capital structure planning, dividend policy, tax planning etc. where an accountant as a manager may contribute significantly,

Dr. Asit Kumar Sengupta was skeptical about the professional competence of the accountants to play the role of the managers. In his view, managerial functions are too complex to be performed by the accountants. He tried to prove his contention with a mathematical model.

Sri Radhanath Pyne found the functions of accountants and managers divergent enough to leave any chance of fusing the two different roles into one.

Sri Biswajit Bhadra looked into the changing role of accountants as managers with the corporate growth and advancement. Referring to the organisational and personal goals of the accountants, he expressed fears that since complete congruence between the two was not possible, accountants may create behavioural problems for them.

Dr. Suraj Kumar Debnath had no hesitation in accepting the accountants as an integral part of management, as the accountants are very much involved in the decision-making process relating to investment, financing and dividend payment etc.

Dr. Onkar Nath Dutta was the last speaker. He spoke on quality management in respect of which accountants and managers work hand in hand.

Being requested by the Chair, Professor H. S. Kulshrestha made certain observations on the papers presented.

The Chairman in his address made it clear that the functions of accountants and managers are separate. But from his experience in the industry, he was convinced that managers who come from accounting profession shine more.

The session ended with vote of thanks offered by Professor I. K. Chatterjee.

The venue for the second technical session was also Shivananda Hall. The session dealt with the financial sector reporting practices in India. The session was chaired by Prof. H. S. Kulshrestha. As many as ten papers were presented along with the key-note address made by Mr. Bhaskar Banerjee. Mr. Banerjee highlighted some of the important issues involved in financial reporting in India in the context of the present day macro-economic scenario. His critical observations related to the modification of Schedule VI, ADR as compared to GDR, CBS of the holding companies, accounting profit vs. taxable profit, goodwill valuation, accounting for merger and lease financing. He, at length, stressed the need for the quantification of the qualified report of auditors for the sake of correct profit scenario.

There were many contributors in a number of areas. Regarding banking sector financial practices, Dr. Arun Prakash Neogi critically examined the important changes brought about in the reporting practices of banks, while Mr. Shyamal Banerjee was hopeful of the financial reforms

with far-reaching implications in the banking sector. In the same area, two other contributors, namely, Sri Uttam Kumar Dutta and Dr. R. Madhumati made significant incursion through the analysis of profit and loss account and balance sheet of banking companies on the one hand, and that of the requirements for disclosure along with effectiveness of cost accounting techniques to explore a number of issues on the other.

In respect of non-banking financial companies, the analysis of Sri Indrajit Dhar sought to critically explain some of the norms based on Shah Working Group recommendations along with the supervisory role of the RBI. This session was benefited by the presentation of two papers on the accounting of mutual funds by (1) Mr. Debasis Bagchi who offered a useful comparison between the published NAV of mutual funds (of various portfolios) with the return on market portfolio and (2) by Sri Satyajit Dhar, who raised a number of issues relating to accounting and reporting practices of the mutual fund in the financial service sector. Dr. M. B. Shukla presented a paper which was basically a study of portfolio management services and the guidelines of the SEBI therefor. There were other contributors in the field of general accounting practices as well as human resource accounting. Dr. A. K. Roy's observation was that the published accounts of the corporate sector should meet the requirements of the society at large, and that the users of accounting records should be obliged by the disclosure of sufficient data and information in an intelligible manner. On the other hand, Sri V. K. Shrotryia highlighted the importance of human resource accounting to be associated with the financial statements based on a modified Lev and Schwartz Model.

The session was made lively through a long course of interesting discussion participated by a number of experts and academia such as Prof. P. Chattopadhyay, Professor of Business Administration, Burdwan University.

The third technical session was held on January 22, 1995 at Williamson Magor Hall, Bengal Chambers of Commerce & Industry. The session was chaired by Dr. B. K. Chatterjee and the keynote speech was delivered by Mr. Rathin Nag.

In his thought-provoking address Mr. Nag outlined the need for a proper development of corporate laws in India, especially in the new economic environment. Commenting on the current status of laws in India, Mr. Nag expressed the view that corporate laws are much developed in the USA so far as the objective of protection of investors is concerned. In India, however, he observed, protection provided to investors to invest in companies is just not enough. Inter alia, Mr. Nag suggested abolition of ultra vires doctrine in memorandum of association, institution of a machinery to compel companies to declare dividends when possessing sizable funds for the purpose, and representation of at least 60 percent

of subscribed capital at the time of adoption of a special resolution for the companies operating in India.

Subsequent to the keynote address, five papers were presented on different aspects of the theme of the session. In the first paper, Ms. Madhusree Dutta provided a perspective to the development of company law in India. In particular, she highlighted the new provisions in the Companies Bill 1993 mandating declaration of accounting policies by the companies in their annual reports. She opined that standardization of accounts is highly desirable in the new economic environment. In the second paper, Mr. Gautam Mitra discussed three sections viz., Sections 47, 72A and 79 of the Indian Income Tax Act, keeping in view similar provisions in the UK as a model. He was of the view that there is a need for humanization of the Indian tax structure with that of the world at large.

Ms. Debasri Basu presented her paper by tracing the history of corporate laws in India. She discussed setting up of SEBI, abolition of Capital Issues Control Act and recent amendments in such acts as IDRA, MRTP and FERA as major events in the new economic order emphasizing liberalisation and abolition of controls. She felt many more provisions in the corporate laws are on the threshold of massive re-orientation in the near future. In his paper, Mr. Jyoti Prakash Das examined the evolution of the concept of 'corporation' in social and religious contexts. He, thereafter, summed up the history of corporate legislations India. In the last paper, Sri Pinaki Ranjan De detailed out the objectives of the new Companies Bill 1993. He highlighted some of the major changes prepared in the bill such as those concerning disclosure of accounting policies, environmental reporting, and appointment of auditors. He proposed that certain existing inconsistencies in the bill be plugged before the re-drafted bill is presented before the Parliament for enactment into an act.

After the presentation of papers, Dr. B. K. Chatterjee who chaired the session, illustrated interact and inter-act conflicts and contradictions in the existing corporate laws and suggested adoption of a global approach to plug various loopholes. In the ensuing discussion, Prof U. L. Gupta suggested a change in the Companies Act simplifying succession of shares by introducing the facility of a nomination clause. Prof. Sukumar Bhattacharya felt that in the context of globalisation of the Indian economy issues such as conversion of business transactions entered in terms of a foreign currency and pricing of products/services supplied to the MNC owners deserve to be deliberated upon seriously.

The other participants to the issues emerging from the papers presented, included Prof. P. Chattopadhya, Prof. Sukumar Bhattacharya, Dr. R. Madhumati etc.

At the end of the session, Prof. D. Prabhakara Rao offered vote of thanks to the participants of the third technical session including the chairperson, paperwriters and the audiences.

The venue for the seminar on 'Transparency in Accounts — Auditors' Responsibility' was also in Williamson Magor Hall. The seminar was chaired by Prof. S. N. Mehrotra, Former Dean of Faculty of Commerce, BHU. Mr. Dipankar Chatterjee. senior partner, L. B. Jha & Co, Chartered Accountants, presented the keynote address. He was of the opinion that though transparency could be one of the very basic features of accounting, unfortunately the connotation of the term in its proper perspective, is not as yet clear to the preparers and users of accounting information. In support of his contention, he gave a member of instances in India.

In the seminar, in all three papers were presented. Sri Tarak Chandra Saha, in his paper defined transparency as a horizontal stretching and vertical loading of reported data. while horizontal stretching meant the disclosure of more items in the report, the vertical loading stood for enriching information, content for effective decision making. The auditor's duty, by practice and convention, now remains confined to the examination and verification of transactions only by documentary evidences. As such he fails to reflect the real drama behind the screen. He concluded that transparency in accounts could not be attained by the efforts of the auditor alone. What was needed for the purpose is an improvement in the quality of the evidences on the basis of which he testifies the accounts.

Sri Samir Kumar Lobwo in his paper submitted that the financial reports of the corporate enterprises, have to be transparent, since there is a cleavage between those who run the business and those who invest in the business.

Sri S. Sengupta in his paper stated that the consistent quest for information on the part of all interested users of financial statements require a comprehensive disclosure in published accounts of all facts and information. In his opinion the auditor's responsibility in this respect is to be reviewed from the multi- dimensional and multi-tudinal angles. The chairman in his concluding observation stated that transparency in accounts cannot be assured by legislation measures alone. It has an ethical dimension also.

Prof P. Chattopadhyay, Dr. B. K. Chatterjee Prof. Sukumar Bhattacharya, Dr. V. K. Vasal also spoke on the issues raised from the presentation of papers. The seminar ended with vote of thanks from Dr. Sugan Chand Jain, Treasurer of the Indian Accounting Association.

The valedictory session of the conference was held in the Williamson Magor Hall, Bengal Chamber of Commerce & Industry. The session was chaired by Prof. Sukumar Bhattacharya, the chairman of the branch. Prof. P. N. Ray, Pro-Vice Chancellor for Business Affairs & Finance, University of Calcutta was the Guest-in-Chief. Prof. Ray in his address emphasised the need for expanding the dimension of accounting, since transformation of resources not only affects the interests of the owners and creditors but also those who live as an inmate of the society. He felt that though

accounting for environment has started figuring in the agenda in the list of expanding dimension of accounting, the stretch at present lies mainly on damage to the ecology caused by industrial activities. Thus damage to the same caused by modern agricultural operations remains underestimated. He felt that accounting for environment should not only cover the hazards of industrial activities, it should cover the hazards from agricultural operations as well.

The valedictory session ended with vote of thanks by Dr. H. S. Kulshrestha, retired Professor of Business Management, Himachal Pradesh University and one of the founder members of Indian Accounting Association.

The conference was very lively and academic discussions were very exciting. In all nearly 225 delegates attended the conference on both the days.

Jaipur Branch

The Jaipur Branch of the Indian Accounting Association has been revitalised. Shri Ramakant, I.A.S. (Retd) has been elected as president of the branch for 1995-96.

A talk on "Tax Planning for Salaried Persons" was organised on 8th March, 1995 at 3.00 p.m. at Conference Hall, Rajasthan Secretariat, Jaipur. Shri M. L. Mehta, Chief Secretary, Govt. of Rajasthan was the chief guest. Shri Arun Bhargava, Commissioner of Income Tax (Appeals) presided.

Shri C. L. Jhanwar was the main speaker who spoke on tax planning through investment. He stressed that the assessee should give emphasis on the investment from the very beginning and plan his investments and use all the benefits provided by the income tax rules. He also spoke that tax planning is not possible when the assessees are filing their returns.

The above function was conducted by Dr. S. G. Sharma, Organising Secretary, I.A.A. Jaipur Branch and it was concluded with a hearty vote of thanks by Dr. S. K. Mangal, organiser of the talk.

Jorhat Branch

It is learnt from a letter of Prof. D. Prabhakara Rao, General Secretary, Indian Accounting Association, that the members of the Association residing in the Jorhat area of Assam have recently constituted a new

branch, called the Jorhat Branch, which will be operated at the C.K.B. Commerce College, Jorhat, Assam (785001). The following members have been unanimously elected to the Executive Council of the Branch :

Sri Pratul Chandra Goswami C.K.B. Commerce College	Chairman
Sri Jyoti Prasad Gogoi Jhanji H.N.S. College	Vice-Chairman
Sri Bimal Chandra Saikia C.K.B. Commerce College	Secretary-cum-Treasurer
Sri Santanu Shakur C. K. B. Commerce College	Member
Sri Gautom Kumar Bordoloi C. K. B. Commerce College	Member

THE INDIAN ACCOUNTING ASSOCIATION

The Indian Accounting Association is an organisation of persons willing to assist in the advancement of accounting education and research. The registered office of the Association is at the College of Commerce and Management Studies, M. L. Sukhadia University, Udaipur-313001, India. Membership of the Association is open to academics and professionals who are willing to assist in achieving the objectives of the Association.

The membership fees for individuals are as under :

	India	Abroad
Life	Rs. 750	US $ 100
Annual	Rs. 100	$ 25

Members ere entitled to participate in the activities of the Association and receive a free copy of the Indian Journal of Accounting and selected research publications.

INDIAN JOURNAL OF ACCOUNTING

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(Sd/-) Dr D. Prabhakara Rao
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