

REPORT

International Conference *“Corporate Governance, Accounting and Audit: Crisis Challenges”*

November, 26, 2015, Lüneburg, Germany



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International conference "Corporate Governance, Accounting and Audit: Crisis Challenges" was held in Lüneburg (Germany) on November 26, 2015 with the joint organizational participation of Leuphana University of Lüneburg, Publishing house "Virtus Interpress" and Virtus Global Center Corporate Governance. The idea of the conference has been developed by Professor Alexander Kostyuk and Professor Patrick Velte in 2014. The main purpose of the conference was to provide a platform for academics and practitioners to analyze current challenges for corporate governance, accounting and auditing to increase the trust of society in corporation, improve the corporation performance and utility to the society in a whole. The conference took place at the Leuphana University of Lüneburg. Experts from 20 countries gathered to participate in the conference.

The conference started with the welcome and opening remarks of the conference host from Leuphana University Lüneburg - Professor Patrick Velte. He highlighted the relevance of the conference topics to the current global financial trends, greeted participants and wished them fruitful work so that they were successful in contributing to the solution of important issues in accounting, audit and corporate governance and expressed their hopes that the conference should become efficient platform for the creation of new partnerships and contacts. Professor Alex Kostyuk, representing Virtus Global Center for Corporate Governance expressed his gratitude to all participants for their valuable contribution to the conference procedures and emphasized the importance of the strong research network that forms between participants during such events. He also awarded certificates of membership to the members of VGCCG who came to the conference.



Further the floor was passed to the first key-note speaker - Prof. Dr. Stefan Schaltegger, Head of the Centre for Sustainability Management (CSM), Leuphana University of Lüneburg (Germany) who made a presentation on the role of accountants and management controllers in the corporate practice of managing sustainability information. He is member of the editorial boards of 14 academic journals and chairman of the Environmental and Sustainability Management Accounting Network and member of various sustainability boards. Prof. Schaltegger argued that accountants should engage beyond their gatekeeping role to improve their reputation. Sustainability accounting projects should engage accountants beyond their gatekeeping role and ensure that the accountants develop a proactive, supporting promoter role. Limited knowledge of accounts about environmental, social and sustainability management accounting tools may be a key obstacle for more encompassing engagement of accountants in sustainability accounting. The presentation was followed up by the dynamic discussion.



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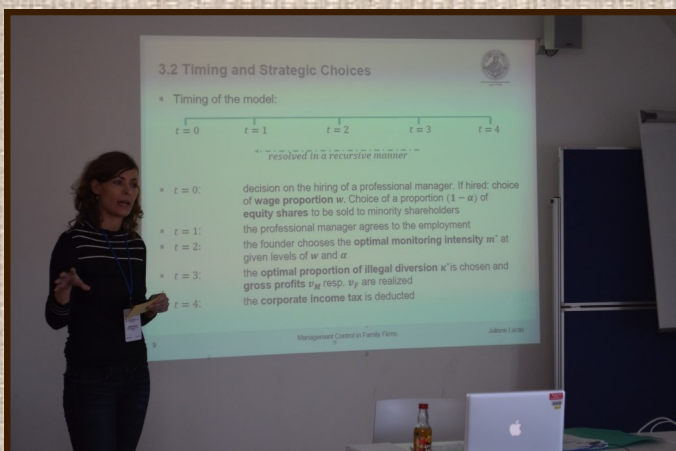


the Schmalenbach-Gesellschaft, and member of the Scientific Committee of the German Institute of Internal Auditors. She presented to the conference participants the research concerning The Importance of the CAE's Communication. Prof. d'Arcy argued that standard setters idea of objective IAs and an independent IAF should be critically discussed; clear communication was important for internal auditors to avoid conflicts of



Next key-note speaker Prof. Dr. Anne d'Arcy, Full Professor for Corporate Governance and Management Control and Head of the Institute for Corporate Governance, WU Vienna University of Economics and Business, Austria. She worked 8 years in the financial industry for Deutsche Börse AG and Deutsche Bank AG. Amongst others, she is member of the Austrian Working Group Corporate Governance, academic director of the Working Group "External and internal monitoring of the company" of the Schmalenbach-Gesellschaft, and member of the Scientific Committee of the German Institute of Internal Auditors. She presented to the conference participants the research concerning The Importance of the CAE's Communication. Prof. d'Arcy argued that standard setters idea of objective IAs and an independent IAF should be critically discussed; clear communication was important for internal auditors to avoid conflicts of interest (tone at the top); provide considerations for the external auditor's decision to use the internal audit work results. The presentations provoked lovely discussion in part of sufficient sample issues, splitting audit committee functions and about the data statistics gathering.

Board Composition Issues". Session titled "Internal and External Control" was the third in the program. And the fourth session was titled "Corporate Governance and Regulation".



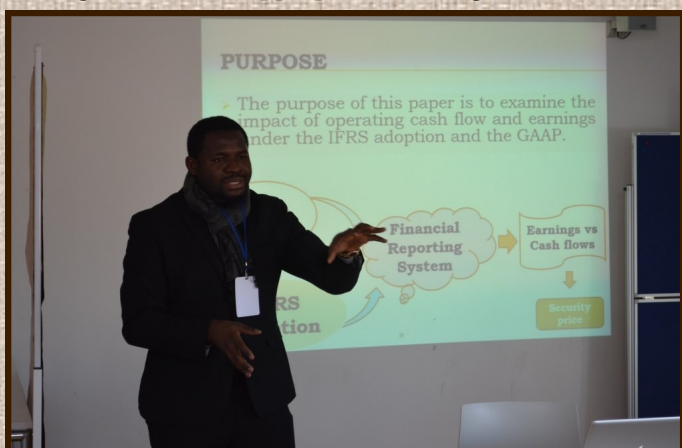
The conference was then divided into four parallel sessions. The first parallel session was titled "Accounting, Reporting and Disclosure Issues". The second parallel session titled "Board of Directors and Board Composition Issues". Session titled "Internal and External Control" was the third in the program. And the fourth session was titled "Corporate Governance and Regulation".

The first session, which was devoted to the main issues of accounting, reporting and disclosure, was opened by session chair Stefan Maul from Eberhard Karls University Tubingen (Germany). His presentation was to assess the influence of surprise and reputation on investor reaction to the disclosure of accounting misstatements. It was concluded that voluntarily IFRS adoption and IFRS experience seem to increase the misstatement surprise and the accounting reputation of the firm. The next paper about IFRS adoption and information asymmetry was presented by Baccouri Mouna from ISCAE Manouba University (Tunisia). Specifically, the author found that the partial IFRS adoption increased significantly the home bias but reduced the home bias.

After a little break chair of next session part Dr. Martin Stawinoga from Helmut-Schmidt-University (Germany) presented the result of research (coauthor: Patrick Velte from Leuphana University Lüneburg (Germany)) that investigated literature on the impact of Corporate Social Responsibility Assurance (CSRA) on the market, organizational and individual/group decision making levels. Their paper included fundamental classification approach by Cohen and Simnett concerning the market, organizational and individual/group decision making levels, and applied the underlying explanatory approaches as well as the predominant theories, methods and results of empirical analysis.



The speech of Josefine Boehm from HHL - Leipzig Graduate School of Management (Germany) was focused on the prevalence of transactions resulting in negative goodwill under IFRS 3 Business Combinations. The findings showed that whether the current treatment of negative goodwill as an immediate gain was most appropriate. Ntoug A. T. Lious from University of Vigo (Spain) demonstrated capital structure determinants on Spanish listed firms' example. The findings illustrated that profitability, growth opportunity and volatility were negatively and statistically significant with the debt issues on the balance sheet of these public traded firms. During the presentation of Johannes Hottmann (HHL - Leipzig Graduate School of Management, Germany) the author made the comparison of the development in earnings management activities for a treatment sample of 7 countries with enforcement changes with two control samples of 13 countries in total that do not exhibit comparable enforcement reforms. The last part of this session was opened by presentation of the



Chair Prof. Dr. Ulf Papenfuß and Tom Sandig from (HHL - Leipzig Graduate School of Management, Germany), who concentrated attention of participants on a case study design with five companies and eleven interviews and comprehensive document analysis for all companies/cities. The presented data showed that corporate governance requirements after re-municipalizations were often not fulfilled.



The specific and relevant topic was researched by Italian Professor Nicola Moscariello (University of Naples II, Italy). The author focused on minority directors and firm value in a principal-principal agency relationship. It was concluded that it was possible to assert that minority directors might alleviate the principal-principal conflict and positively affect firm value by reducing agency costs. Professor Otinche Sunday Inyokwe from Ibrahim Badamasi Babangida University (Nigeria) during his presentation focused on Fiscal Discipline and Corporate Governance in the Public Sector in Nigeria.

Scientific problems of board of directors and board composition issues were discussed during the second session of the conference. The session was chaired by Prof. Ulf Papenfuß, Felix Thiele and Bastian Breitmayer. The representative of Czech National Bank and Charles University (Czech Republic) Diana Zigravova investigated how executive board composition of banking institutions affected bank risk-taking behavior in the Czech Republic.

The presentation of Prof. Ulf Papenfuß and Christian Schmidt (HHL - Leipzig Graduate School of Management, Germany)



underlined the necessity of the adjustment of balance sheet data to obtain meaningful, undistorted performance ratios. The results obtained indicate very striking differences for absolute and relative compensation figures within and between sectors. Felix Thiele (Leuphana University of Lüneburg, Germany) presented the result of research that investigated the comprehensive review of the recent literature on the interaction of family-owned businesses and non-family equity investors, that was, investors not related to the owner family.

The study presented by Prof. John M. Holcomb (University of Denver, the USA) focused on extent and formation of legal compliance and ethics committees on the corporate boards of Fortune 500 companies in the U.S. The author suggested possible reasons for the formation of such committees, including heightened legal exposure, overburdened audit committees, and legal incentives that reward companies for effective efforts to establish and monitor internal controls. The speech of Sam Ngwenya from UNISA (South Africa) underlined positive significant relationship between CEO compensation and ROA, and no relationship between CEO compensation and ROE, the results also revealed a positive significant relationship between board size, percentage female



board directors, and percentage number of independent directors. Tariq Tawfeeq Yousif Alabdullah from University of Basrah (Iraq) explored the relation between corporate governance system and firm performance is extremely important, especially after the impact of the latest financial crises, to enhance and improve efficiency of the countries' market. German researcher Bastian Breitmayer (Friedrich-Alexander University of Erlangen-Nuernberg, Germany) in his presentation concluded that directors' job tenure diversity has a positive, while gender and nationality diversity have no impact on firm performance in times of turbulent markets, and emphasized that research on TMT diversity must consider external conditions.

Many interesting and recently demanded issues have been presented by participants of the third parallel session. Example given, Juliane Lucas, (Friedrich Schiller University Jena, Germany) showed that a higher CG quality in family firms induces the founder to appoint an external manager to control the family firm. This CG quality effect is explained by higher costs of managerial diversion. Ntong Lious (Department of Accounting and Financial Economic, University of Vigo, Spain) suggested that after a switch to the mandatory IFRS



adoption, even though income statement and the statement of cash flow are very vital for strategic decisions, investors in Australia and UK are more likely to pay more value relevance to the statement of cash flow than income statement whereas in France, income state is more required than statement of cash flow. The effect of the firms' financial leverage and age on their dividend policy has been showed in the presentation of Turki Al-Sabah (Kuwait University, Kuwait). Author signified a negative relationship between the firm's financial leverage and dividend payout ratio. Yuliya Lapina and Yaroslav Mozghoviy representing Ukrainian Academy of Banking in their presentation discussed shareholder rights

protection in Ukraine and Germany, which have the same Civil law legal system. Using Germany as a benchmark, authors identified that the most important and efficient mechanisms of shareholders rights protection, which can be implemented in Ukrainian companies, are the principle of equal treatment and the duty of loyalty.



study design the respective papers show and on the proxies that are used to measure "audit quality". First, Ina showed that "consequences" which result from a certain given audit quality a relatively less well-researched when compared to factors which influence audit quality. Second, she illustrated that accrual-based measures for audit quality are of great importance in analytic accounting research. Evidence was provided that the performance-adjusted (modified) Jones model is used predominantly in current empirical accounting research.



both factors impact profitability and the corporate strategy. It was showed in the presentation that there is a coherent result among board structure, ownership characteristics, and employment for each board structure. Additionally, the board structure and ownership style mediate the relationships among employment systems, corporate strategy, and profitability in corporations. Adebola Adeyemi (Swansea University, UK) presented a voluntary instrument for promoting social responsibility of local actors in financed projects. In a bid to lessen the negative impacts of financed projects and to find a means of involving the public in the decision-making process, the presenter has proposed a voluntary regulatory tool that will guide local contractors in this new role.



levels of governance in a manner consistent with national and international business contexts.

S. Subramanian (Indian Institute of Management Kozhikode, India) in his presentation covered the issue of proxy advisors companies, outlining the history of the proxy advisory industry at the global level following by the study on Indian proxy advisory industry. Adeoye Afolabi (Afe Babalola University, Nigeria) in his presentation used empirical evidence to identify views about the important components of good corporate governance practice for listed firms. Speaker revealed that commitment of board of directors to disclosure and communication may provide effective corporate practices. Ina Treptow (Leuphana University of Lüneburg, Germany) in her presentation analyzed a large sample of 143 empirical papers on audit quality. She focused both on the

Fourth session of the conference was chaired by Prof. Dr. Rainer Lueg (Aarhus University, Denmark) and fixed on the issue of corporate governance and regulation.

Takahiro Nishi (School of Commerce, Meiji University, Japan) proposed that the transformations of the corporate governance system and employment system have affected the profitability and organizational capital of Japanese corporations. He examined the relationship between the corporate governance style and employment system, and then tested how the linkages between both factors impact profitability and the corporate strategy. It was showed in the presentation that there is a coherent result among board structure, ownership characteristics, and employment for each board structure. Additionally, the board structure and ownership style mediate the relationships among employment systems, corporate strategy, and profitability in corporations. Adebola Adeyemi (Swansea University, UK) presented a voluntary instrument for promoting social responsibility of local actors in financed projects. In a bid to lessen the negative impacts of financed projects and to find a means of involving the public in the decision-making process, the presenter has proposed a voluntary regulatory tool that will guide local contractors in this new role. In doing this, the he drew on existing initiatives to support the soft form of the contractor led standard. Through the CLS, the presenter projected the promotion of sustainable development.

Geeta Duppati (Waikato Management School, New Zealand) analyzed the strengths and weaknesses of airline governance in the Asia Pacific region. Data from firm performance and firm behavior were analyzed for a 14-year period given governance and business choices occur at all stages of the business cycle and governance decisions have impact over multiple periods. Improving trust in the airline industry requires attention to all four



Anthony O. Nwafor (University of Venda, South Africa) made a presentation of enforcement of corporate rights. He argued that the statutory interventions in jurisdictions under discussion only borders on derivative action which is an exception to the rule. The effect of those statutory provisions on the rule itself is not too significant as would justify the suggestion that the rule is now extinct.

Amr Youssef (Arab Academy for Science, Technology, and Maritime Transport, Egypt) presented an investigation on the relationships between some of the corporate governance variables that are related to the board of directors on the

financial performance of these banks working in the Egyptian market. His findings provide evidence that some of the variables such as board independence, foreign board members ratio, women board members ratio and board educational ratio have significant effect on the financial performance of these banks; however, board size and CEO qualities do not have any significant effect on banks' performance.



Ramanathan Geeta (Indian Institute of Technology Madras, India) presented an examination on the role and impact of corporate governance mechanisms upon the operating risks of Indian listed firms. Here results confirm that firms with good corporate governance practices are effective in constraining excess risk taking.

Prof. Dr. Toomas Haldma (University of Tartu, Estonia) in his presentation examined the performance disclosure, its objectives and performance measures at Estonian public universities. The presenter focused on the PDCA (Plan-Do-Check-Act) cycle model on the linkages between disclosed

performance information in various stages of performance management cycle. His findings reveal that the financial and non-financial performance indicators are weakly linked within the performance measurement of the main areas of university operations. Considering the influential factors affecting the improvements of performance measurement, legal regulatory requirements continue to have a substantial impact in Estonian universities.



This international conference as always was conducted in the atmosphere of interesting communication between aspired researches with common views on the key issues discussed at the conference.

Conference dinner that took place in a cozy restaurant of the Hotel Bergström and became a pleasant continuation of the scientific event.

Organizers of the conference would like to express their gratitude to all participants and supporters who joined our international network and visited Lüneburg to make their deposit

by high quality presentations, interesting discussions and feel unique atmosphere of the fruitful scientific gathering.

CONFERENCE ORGANIZING COMMITTEE

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