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Insights into current accounting research in the Netherlands

Report on the 4th Dutch Accounting Research Conference

Reggy Hooghiemstra, Yasemin Karaibrahimoglu, Rouven Trapp, Paula van Veen-Dirks

After successful editions in Maastricht, Rotterdam, and Tilburg, the Department of Accounting of the University of Groningen has hosted the 4th Dutch Accounting Research Conference (DARC) on Friday, June 15, 2018. DARC is a one-day conference that brings together accounting researchers from the Netherlands to discuss a broad range of current issues in accounting research. During the conference, five papers have been presented in a seminar format.

Accounting research is usually very internationally oriented and many accounting researchers have international networks. While this international focus is indispensable, knowing other accounting researchers in the Netherlands and their work is also important. The DARC initiative has been started to provide a platform for accounting scholars in the Netherlands to discuss their work and to exchange ideas. The Department of Accounting of the University of Groningen was very happy to see that more than 60 accounting researchers attended the conference, which was organized in the beautiful city center of Groningen. In this article, we will give a short overview of the papers that have been presented at the conference.

In their paper “Are impairments and unrealized losses equally (un)timely?”, Sanjay Bissessur (presenter) and Sander van Triest (both at the University of Amsterdam), together with Igor Goncharov (Lancaster University Management School) examine differences in timely loss recognition under US GAAP historical cost accounting and IFRS fair value accounting. While according to the accounting standards of both US GAAP and IFRS, impairment should be recognized when the fair value of an investment is below its carrying value, the basis for such recognition differs between US GAAP and IFRS. Specifically, while testing for impairment of assets is done on a recurring basis under IFRS, US GAAP requires a change in circumstances to trigger such a test. Hence, these differences in measurement procedures may lead to differences in timely loss recognition between IFRS and US GAAP, although a priori it remains unclear which set of standards likely leads to a more timely recognition. To examine this empirical question, the authors rely on a sample of American and British real estate firms. To examine differences in timeliness of US GAAP impairments relative to those under IFRS, they use the effect of the 2007-2008 financial crisis in a difference-in-difference design. Their results indicate that US GAAP impairments, relative to those according to IFRS, lack timeliness. While almost all IFRS-reporting British firms have impaired their assets in 2008, their US counterparts continue to report similar losses until 2010. Their study has important policy implications by showing that the financial crisis of 2007-2008 may have slowed down the convergence of US GAAP and IFRS, the FASB and the IASB have been working on since the Norwalk Agreement of 2002.

The removal of the boundaries between work and leisure represents a deep change in the world of employment. Telecommuting – working outside the conventional workplace – is a major driver of this development. In their paper “The effect of telecommuting on firm performance”, Alexander Brüggen, Christoph Feichter and Katlijn Haesebrouck (presenters) (all at Maastricht University) study the performance implications of telecommuting. The authors predict two opposing performance effects. On the one hand, telecommuting may be positively related to firm performance due to a selection effect: Jobs involving telecommuting may discourage lowly motivated employees, which only leaves highly motivated individuals such that performance increases. On the other hand, telecommuting implies a loss of control. While output controls can still be used, social controls, which imply mutual monitoring and peer pressure, can no longer be applied. Due to this (partial) loss of control, employees may act more opportunistically during telecommuting – working outside the conventional workplace. On the one hand, telecommuting may be positively related to firm performance due to a selection effect: Jobs involving telecommuting may discourage lowly motivated employees, which only leaves highly motivated individuals such that performance increases. On the other hand, telecommuting implies a loss of control. While output controls can still be used, social controls, which imply mutual monitoring and peer pressure, can no longer be applied. Due to this (partial) loss of control, employees may act more opportunistically during telecommuting which may have an adverse effect on performance. To test these predictions, the authors conducted a web-based experiment with more than 1,000 students consisting of an effort task and a reporting task. The participants performed these tasks either during their presence in the classroom or during full or partial telecommuting. The findings indicate that telecommuting is related to higher firm performance on the effort task and lower firm performance on the reporting task due to selection. When controlling for the selection effect, the authors detect no performance differences between telecommuting and non-telecommuting for the...
effort task, but the participants misreport significantly more during telecommuting. In light of the evidence for both effects, the authors conclude that telecommuting can improve performance for jobs with good output controls. However, the lack of social controls that are typically present at the conventional workplace may lead to more self-interested behavior with telecommuting when performance is difficult to measure and good output controls are not available.

Risk management has been an important item on the corporate governance agenda for the last decades, particularly for the banking industry. However, the financial crisis and numerous individual incidents in banks raise the question of whether risk management is effectively implemented. The paper “The role of management accountants in risk management: An exploratory study in a large bank” by Sandra Tillema (presenter), Rouven Trapp and Paula van Veen-Dirks (all at the University of Groningen) refers to this presumptive mismatch. The authors suggest that a closer investigation of the organizational members involved in the “translation” of both regulatory requirements and stakeholder expectations into organizational practices may advance our understanding of why in many organizations risk management is a rather narrow “box-ticking” exercise that is more concerned with the documentation and measurement of risks than with their actual management. A particular focus is placed on the management accountants as a group of organizational members which often have an important role in risk management. The authors report the findings from a case study of a Dutch bank based on more than 30 interviews with various organizational members. The findings show that the management accountants in the bank shared a specific identity, in the sense of a common understanding of what it means to be a “controller”, and they developed corresponding cognitive structures which influenced how they perceived and addressed problems. Their self-understanding as “guardians” of standardized processes and the corresponding cognitive structures resulted in a narrow understanding of risk management which negatively affected the bank’s operating activities and eventually contributed to a declining market share. Taken together, the study suggests that characteristics of the organizational members as boundedly intentional actors may explain why risk management is rather ineffectively implemented in many organizations.

In their paper “The cooperative approach to corporate tax compliance” Maarten Siglé, Sjoerd Goslinga, Roland Speklé (presenter) and Lisette van der Hel (Nyenrode Business Universiteit and Leiden University), investigate the influence of cooperative compliance programmes (CCPs) on corporate tax compliance. The motivation for the study is that tax authorities across the globe are moving away from deterrence-based strategies to embrace these CCPs while there is very limited empirical evidence about the effectiveness of such programmes. The authors use a unique dataset, including both survey-based data collected among 350 large organizations and audit reports from the tax authorities. The study documents that cooperative compliance programmes contribute to a good working relationship between the organization and the tax authorities. However, the support for a positive effect of a good working relationship is limited. Tax compliance is measured based on the number of adjustments made to tax returns and on the size of the total adjustment (scaled by the materiality threshold used in audit), both for corporate income tax and VAT. The evidence to support CCPs is ‘underwhelming’; its contribution appears to be confined to (1) the number of adjustments and to (2) corporate income tax. Even though these results are provisional, this paper can inform the debate around the introduction of CCPs. Do they really provide the benefits to tax compliance that are promised by their proponents?

Databases are main sources to gather archival data, which is intensively used in various fields of academic research, including accounting. However, missing data is a major issue for all researchers using databases. A possible measurement error due to an inaccurate imputation of the missing data may cause misleading inferences regarding the results of the studies. In accounting research, in the field of tax studies, the tax loss carryforward (TLCF), which is an important variable in empirical models that examine tax-related topics such as tax aggressiveness, book-tax differences, and marginal tax rate estimation, is a common example of missing data on databases. In their paper “An estimation method for missing tax loss carry-forward data to reduce measurement error”, Kars Davina, Jacco Wielhouwer (presenter) and Eelke Wiersma (all at Vrije Universiteit Amsterdam) propose an imputation methodology to estimate TLCF instead of the common practice of imputing zero values. Relative to previous studies, the study imputes missing TLCF values in a more realistic manner by estimating firms’ taxable income over the years and thereby estimating the more likely development of the TLCF when this is missing. To examine the performance of the proposed imputation methodology, the study re-analyzes the results of previous studies on tax-related topics and shows that, relative to the common practice of imputing zero values, using these estimated TLCF (i) decreases measurement error and (ii) therefore increases the probability of correct inferences in tax studies.

During the conference, the presenters received useful feedback on their papers that will help them to further improve their papers. The critical discussions were also useful for the other participants since it helps them to increase their knowledge about how to do relevant as well as high quality accounting research. Against this background, we are looking forward to the 5th edition of the Dutch Accounting Research Conference to be organized at Nyenrode Business Universiteit in 2019.

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