

**Research in Accounting in Emerging Economies**  
Volume 10

# Research in Accounting in Emerging Economies

**Mathew Tsamenyi**  
**Shahzad Uddin**  
Editors



RESEARCH IN ACCOUNTING IN EMERGING ECONOMIES  
VOLUME 10

# RESEARCH IN ACCOUNTING IN EMERGING ECONOMIES

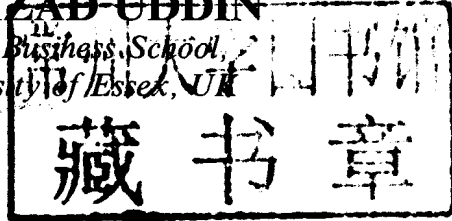
EDITED BY

**MATHEW TSAMENYI**

*Birmingham Business School,  
Birmingham University, UK*

**SHAHZAD UDDIN**

*Essex Business School,  
University of Essex, UK*



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India – Malaysia – China

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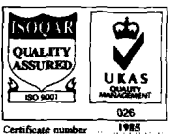
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## LIST OF CONTRIBUTORS

<i>Pawan Adhikari</i>	Bodø Graduate School of Business, Bodø, Norway
<i>Rafiuddin Ahmed</i>	James Cook University, Townsville, Queensland, Australia
<i>Mohobbot Ali</i>	University of Dhaka, Dhaka, Bangladesh
<i>Chedli Baccouche</i>	Institute of Accountancy and Business Administration (ISCAE), Manouba, Tunisia
<i>Ataur Rahman Belal</i>	Aston University, Birmingham, UK
<i>L. Nelson Guedes de Carvalho</i>	University of São Paulo, São Paulo, Brazil
<i>Stuart Cooper</i>	Aston University, Birmingham, UK
<i>Khaled Dahawy</i>	The American University in Cairo, Cairo, Egypt
<i>Prasanta Dey</i>	Aston University, Birmingham, UK
<i>Stephan A. Fafatas</i>	Washington and Lee University, Lexington, VA, USA
<i>Abdel Karim Halabi</i>	University of the Witwatersrand, Johannesburg, South Africa
<i>Harun Harun</i>	Tadulako University, Palu, Indonesia; The University of Waikato, Hamilton, New Zealand
<i>Md. Rezaul Kabir</i>	Aston University, Birmingham, UK
<i>Md. Habib-Uz-Zaman Khan</i>	East West University, Dhaka, Bangladesh; Macquarie University, Sydney, Australia
<i>Niaz Ahmed Khan</i>	University of Dhaka, Dhaka, Bangladesh

- Souhir Khemir* Institute of Accountancy and Business Administration (ISCAE), Manouba, Tunisia
- Ahmed Kholeif* Edge Hill University, Ormskirk, Lancashire, UK
- Gerlando Augusto Sampaio Franco de Lima* University of São Paulo, São Paulo, Brazil
- Iran Siqueira Lima* University of São Paulo, São Paulo, Brazil
- Vinicius Simmer de Lima* University of São Paulo, São Paulo, Brazil
- Frode Mellempvik* Bodø Graduate School of Business, Bodø, Norway
- Esinath Ndiweni* Cardiff School of Management, University of Wales Institute, Cardiff, UK
- Taiabur Rahman* University of Dhaka, Dhaka, Bangladesh
- Peter Robinson* The University of Western Australia, Perth, Australia
- Khaled Samaha* The American University in Cairo, Cairo, Egypt
- Kevin Jialin Sun* University of Hawaii at Manoa, Honolulu, Hawaii, USA

## LIST OF REVIEWERS

Mohammad Faisal Ahammad  
*Nottingham Trent University, UK*

Kamran Ahmed  
*Latrobe University, Australia*

Frank Birkin  
*University of Sheffield, UK*

John Brierley  
*University of Sheffield, UK*

Manuel Castelo Branco  
*University of Porto, Portugal*

Jui-Chin Chang  
*School of Business, Howard  
University, USA*

Susela Devi  
*University of Malay, Malaysia*

Charles Elad  
*University of Westminster, UK*

Simon Gao  
*Napier University, UK*

Mostafa Hassan  
*Sharjah University, UAE*

Ron Hodges  
*University of Sheffield, UK*

Zahirul Hoque  
*Latrobe University, Australia*

Wendy James  
*Zayed University, UAE*

Rowan Jones  
*University of Birmingham, UK*

Wares Karim  
*Saint Mary's College of California,  
USA*

Ahmed Kholeif  
*Edge Hill University, UK*

Kevin Lam  
*School of Accountancy, Chinese  
University of Hong Kong, Hong Kong*

Neil Marriott  
*Winchester Business School,  
University of Winchester, UK*

Keith Maunders  
*University of Hull, UK*

Kamil Omotseo  
*De Montfort University, Leicester,  
UK*

Asheq Rahman  
*Massey University, New Zealand*

Lucia Limam Rodrigues  
*University of Minho, UK*

Rudra Sensarma  
*University of Hertfordshire, UK*

**Michael Sherer**  
*University of Essex, UK*

**Ven Taurigana**  
*University of Bournemouth,*  
*UK*

**Andy Wayne**  
*Idilmat Capacity Development*  
*Solutions, Accra, Ghana*

**Idlan Zakaria**  
*University of Essex, UK*

# **CALL FOR PAPERS**

## **SPECIAL ISSUE ON “ACCOUNTING IN THE ASIA-PACIFIC REGION”**

Increasingly, it is noted that accounting infrastructure in less developed and emerging economies is undergoing tremendous change given the diffusion of international standards, increased globalization, and quests for economic growth and financial stability.

For example, it is envisaged that the International Financial Reporting Standards (IFRSs) and the International Standards on Auditing (ISAs) issued by the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC) will become the global language for financial reporting and auditing in the world. Currently more than 100 countries around the world require or permit IFRS reporting for companies. Many emerging economies, including those in the Asia-Pacific region have followed suit in announcing their convergence deadlines. For example, China and India announced the intention to converge in 2011. This move is seen by many as a welcome move, as emerging economies cannot be seen to be left behind in the race to adopt high-quality global financial reporting standards.

Furthermore, international standards also comprise the International Standards on Ethics (ISEs) and International Education Standards (IESs) as well as International Public Sector Accounting Standards (IPSAS) issued by IFAC.

From the capital market regulator’s perspective, this move brings definite advantage to emerging economies’ businesses that are operating in an increasingly global environment and enable these capital markets to reap the benefits of reporting consistent, high-quality transparent accounting information under the IFRS and ISA regime. It is envisaged that such transformation will entail structural, legislative, regulatory changes, as well as changes in both private and public sector accounting environments.

However, studies examining the implications of such convergence to IFRSs, and other related accounting issues for emerging economies in general and the Asia-Pacific region in specific have not been forthcoming.



The aim of this special issue of *Research in Accounting in Emerging Economies* is to promote informed debate to establish a more realistic understanding of accounting practices in the Asia-Pacific Region. While the papers in this special issue will be from the Asia-Pacific Region, policy implications and associated reviews will be of interest to other emerging economies as well as developed countries generally.

We invite historical, theoretical, empirical, practical, and review papers, whether quantitative or qualitative, from scholars across disciplines on the following issues affecting accounting practices in the Asia-Pacific region. Issues of importance include, but are not limited to, the following accounting issues in the Asia-Pacific Region:

- Historical development of accounting, including the development of the profession
- IFRS and financial reporting
- Developments within ASEAN, Asian Oceanian Standard Setters Group, and other regional groupings
- The impact of structural adjustment programs and international financial agencies
- The impact of culture, ethnicity, and history on accounting practices
- Education, training, and the role of professional accounting bodies
- Management accounting practices
- Corporate governance
- Environmental accounting
- Accounting in family-owned businesses
- Accounting in small- and medium-size enterprises (SMEs).

The deadline for submission is 28 February 2011. Accepted papers will be published in 2011/2012. Please prepare your manuscript according to *Research in Accounting in Emerging Economies* guidelines. For details, visit <http://info.emeraldinsight.com/products/books/series.htm?PHPSESSID=gvb63119piv9558ph9firlgd50&id=1479-3563>

All enquiries and electronic submissions of papers should be sent to one of the guest editors:

Associate Professor Dr. S. Susela Devi, University of Malaya, Malaysia  
E-mail: [susela@um.edu.my](mailto:susela@um.edu.my)

Professor Keith Hooper, Auckland University of Technology, New Zealand  
E-mail: [khooper@aut.ac.nz](mailto:khooper@aut.ac.nz)

## **ABOUT THE VOLUME**

Accounting research in emerging economies has been growing significantly over the past two decades due to the increasing recognition of the roles that accounting systems play in these environments. Globalization of capital markets, competition, the emergence of international accounting standards and structural adjustment programs have all brought accounting issues in emerging economies to the fore. Research papers in the current volume have highlighted the implications of the aforementioned issues. The papers have examined various issues including the adoption of International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSASs), management accounting change in the context of public sector reforms, corporate reporting disclosures, and auditing.

The papers published in this volume have provided us the opportunities to further engage with wide-ranging empirical and theoretical issues that will have policy implications and also generate future academic debates. Overall, the volume advances debate on the role of accounting reforms in areas such as accounting standards, disclosures, and corporate governance in both the public and private sectors in emerging economies. We believe the audience will find the papers interesting and insightful in terms of theoretical development, practices, policy implications, and future research directions.

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# A TRAIL OF UNINTENDED CONSEQUENCES: MANAGEMENT ACCOUNTING INFORMATION IN A VOLATILE ENVIRONMENT

Esinath Ndiweni

## ABSTRACT

*Purpose – This article highlights the unintended consequences that resulted from the (abuse/use) use of management accounting information in a large automobile corporation in Zimbabwe.*

*Methodology – The article uses a case study and draws on Giddens' structuration theory to help us understand how management accounting practices are produced and reproduced through interactions in organizations.*

*Findings – It reveals how the use of management accounting information can lead to the domination of other employees in organizations and result in unintended consequences such as redundancies.*

*Originality – The article lays emphasis on the unintended consequences resulting from actions of different players in the motor industry and their impact on workers and wider society. It also brings to the fore the dialectic of control which allows subordinates to mobilize resources and act otherwise. It concludes that management accounting practices are*

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*“situated practices” which reflect the dominant discourses and can be harnessed to liberate or enslave other players in organizations. The article suggests that adopting structuration theory helps us analyze the role(s) of accounting information and illuminate possible unintended consequences associated with accounting-based decisions.*

*Practical implications – Accountants should guard against misuse of accounting information, to justify political decisions made by managers.*

*Research limitations – The political and economic volatility of the environment obscured the interactions between engineers and accountants because the central focus shifted to survival beyond the crisis.*

**Keywords:** Structuration theory; dialectic of control; unintended consequences.

## 1. INTRODUCTION

The practice of management accounting (MA) continues to be a contested territory between engineers and accountants, and more so recently when its boundaries have blurred encroaching into strategy and marketing (Simmonds, 1981; Bromwich, 1990; Roslender, 1995; Lord, 1996; Coad, 1996; Roslender & Hart, 2002). Scholars have adopted a plethora of approaches drawn from various theories in an attempt to understand the role of accounting and accountants in organizations (Scapens, 1990; Miller & O’Leary, 1993; Ezzamel, 1994; Hoque & Hopper, 1994; Buhr, 2002; Conrad, 2005; Gurd, 2008). However, the MA literature in emerging economies remains essentially dominated by the technical perspective, thus positivistic, with the exception of a few recent studies (Uddin & Hopper, 2001; Alawattage & Wickramasinghe, 2008; Hassan, 2008).

The main aim of this article is to understand the role of MA and how it interfaced with other disciplines such as engineering, quality assurance, and marketing. Of particular interest was its role during the implementation of a quality management system at Zimford, a car assembly plant in Zimbabwe. One thesis in the literature suggests that MA techniques should change to suit new production technologies, leading to accountants being closely involved with the costing of quality initiatives (Anderson & Sedatole, 1998).

The article contributes to the sparse literature that adopts a sociological approach to understanding the role of accounting in emerging economies of Africa. It utilizes insights from Giddens' structuration theory (ST) to help us understand the role of MA information in a car assembly plant in Zimbabwe. ST was chosen because of its ability to link structures and agents; thus, allowing for analyses of action at both macro and micro levels. Insights from ST revealed how MA intertwined with the sociopolitical context, resulting in a trail of *unintended consequences*, which are revealed later in this article.

The next section of the article presents key themes from the literature on MA practices in developed and least developed countries (LDCs). The third section considers the core concepts from Giddens ST while the fourth explains how the empirical study was conducted. Section five presents the analysis and interpretation of the data while section six presents the discussion and conclusion.

## **2. LITERATURE REVIEW**

Several writers in the 1980s alleged that there was a crisis in MA (Johnson & Kaplan, 1987; Howell & Soucy, 1987; Hayes & Jaikumar, 1988; Primrose, 1991). Their contention was that the manufacturing environment had changed with the adoption of new technologies such as flexible manufacturing systems, computer-aided design, and total quality management (TQM) to name a few, rendering traditional MA techniques inadequate. Bromwich (1990) and Bhimani (1996) rejected the crisis thesis in reference to the United Kingdom and European experiences. However, writers called for changes in the role of MA to encompass new fields such as measuring and costing quality initiatives (Roth & Morse, 1983; Morse & Roth, 1987; Albright & Roth, 1992; Anderson & Sedatole, 1998 in the United States; and Tayles & Woods, 1998; Ghobadian, Gallear, Woo, & Liu, 1998 in the United Kingdom). In the 1980s and 1990s there were further calls to expand the scope of MA to encompass strategic decisions (Simmonds, 1981; Bromwich, 1990; Kaplan & Norton, 1996; Smith, 1997). Subsequent literature showed disillusionment with the prospects of strategic MA (see Lord, 1996; Coad, 1996; Guilding, Cravens, & Tayles, 2000).

On the other hand, some critical accounting writers focused on the role accounting plays in power relations in organizations (Miller & O'leary, 1993,

1994; Ezzamel, 1994; Ezzamel & Willmott, 1998). However, these writers downplay the power of subordinates – an aspect adequately addressed by Giddens' *dialectic of control*. Several writers have applied insights of ST to accounting studies (Roberts & Scapens, 1985; Willmott, 1987; Capps, Hopper, Mouritsen, Cooper, & Lowe, 1989; Macintosh & Scapens, 1990; Whittington, 1992; Macintosh, 1995, 1996; Dirsmith, Heian, & Covalesski, 1997). Early studies focused on the analysis of the power of MA systems (MASs) through the three dimensions of social structures, namely *signification*, *legitimation*, and *domination*. Latter studies focused on the role of MA and processes of change in developed countries (Conrad, 1999, 2005; Gurd, 2008).

A comprehensive review of the literature on MASs in LDCs (see Hopper, Tsamenyi, & Uddin, 2009) was revealing. They noted that research was prevalent on MAS in state-owned enterprises (SOE) but very little was known about its role in nongovernmental organizations (NGOs) and small and medium enterprises (SMEs). These organizations play a key role in development and alleviating poverty in LDCs. They urged researchers to stray into these areas and identify MASs that are compatible with the development agenda. Their paper conceded that it did not find MASs that were unique to LDCs. Further, they warned that MASs were susceptible to abuse by political elites and were embroiled in the socio, political, and economic context. Commenting on the definition of MASs, they cautioned about the dangers of a narrow technical definition of MASs and how it may lead to unanticipated consequences (Hopper et al., 2009). This article pulls some threads from some of the latter concerns/themes and sheds light on how they were played out at Zimford. Further there is a limited understanding of MA in volatile environments except for (Kattan, Pike, & Tayles, 2007) contribution about organic MAS in Palestine. However, at Zimford the MASs themselves did not change, but what changed was the use of MA information to justify decisions that had profound impact on the vulnerable factory floor workers.

The unique contribution of this article is the volatile context within which it is set, followed by its emphasis on the *dialectic of control* exercised by different professions and the *unintended consequences* resulting from accounting-based decisions. This type of analysis is less prevalent in emerging economies where the technical perspective plays a dominant part in explaining the role of accounting and accountants, thus downplaying the issues of power and *unintended consequences* of accounting-related decisions.



### 3. THEORETICAL FRAMEWORK

There has been a proliferation of diverse perspectives on accounting that have illuminated our understanding of the accounting phenomenon and its possible roles in organizations (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980). In their seminal paper they directly challenged the idea that accounting is a passive reflector of economic reality, and argued that it was both a product and a producer of sociopolitical processes (Alvesson & Willmott, 1996). This article follows this latter thinking. ST is most suited for the phenomenon under investigation because it overcomes the problem that pervades social theory, depicted by the notion that social reality is a product of either structures or human agency. Instead, it replaces this *dualism* with a *duality of structure*, whereby both structure and human agency are dynamically interlinked. It is concerned with understanding the relationship between the activities of knowledgeable human actors and the structuring of social systems (Giddens, 1976, 1984). In this article the knowledgeable human actors are engineers, accountants, and other players at Zimford, while social systems comprise social practices such as MA which are reproduced through their interactions. On the other hand, structures comprise rules and resources that are drawn upon during interactions. The article utilizes selected concepts from Giddens' ST to analyze the institutional context and the interactions of managers in the motor industry. These include (a) *agency*; (b) *unintended consequences*; (c) the *duality of structure*; (d) *dimensions of social structure – signification, legitimation, and domination*; and (e) *the dialectic of control*.

#### 3.1. Agency and Unintended Consequences

Giddens defines action or agency as *the stream of actual or contemplated casual interventions of corporeal beings in the ongoing process of events-in-the-world* (Giddens, 1976, p. 81). Thus, in this article agents are the key players in the motor industry such as policy makers in government ministries, engineers, quality assurance managers, and accountants.

Thus it can be argued that agents are self-aware and monitor their own actions and those of others. Closely linked with the agent's action is the concept of *unintended consequences* that result from these actions. On the other hand, *unacknowledged conditions* also arise as a result of unintended consequences in the process setting conditions for future action. These concepts are critical in the analysis of the outcomes of the actions of accountants and