

# THE BADGER ACCOUNT

Fall 2009

DEPARTMENT OF ACCOUNTING AND INFORMATION SYSTEMS

NEWS FOR ALUMNI AND FRIENDS



## Meet Big Ten Medal of Honor Recipient Gwen Jorgensen

A recent MAcc graduate has been named Regional Athlete of the Year. Gwen Jorgensen received this honor for an outstanding season in track. The award recognized her for a season comprised of two Big Ten Conference titles. Gwen also automatically qualified for the national meet in the 3,000 and 5,000 meter events.

The Athletic Board also announced that Gwen is the recipient of the prestigious Big Ten Medal of Honor. The award is presented annually at each Big Ten institution to a male and female student-athlete in the graduating class for demonstrated proficiency in scholarship and athletics.

Gwen has an astonishing record of past accomplishments including: first place in 5,000 meters at the NACAC Under-23 Championship in Toluca, Mexico, 2008 All-American outdoor 5,000 meters, 2008 cross-country All-American, 2008 Big Ten Champion in both the 3,000 and 5,000 meters, 2008 first-team All-Big Ten in cross country. Gwen is also a four-time NCAA qualifier in track, a two-time USTFCCCA All-Academic, and a six-time Academic All-Big Ten qualifying in 2007 and 2008 for cross country, track and swimming.

Gwen is a May 2009 graduate of the MAcc program. She interned at Ernst & Young in Milwaukee, Wisconsin.

*Pictured left: MAcc alumna and track star Gwen Jorgensen*



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# LETTER FROM THE CHAIR

## PROFESSOR JON DAVIS



Jon Davis, Chairman,  
Department of Accounting  
& Information Systems

“Our programs also continue to do well. Both undergraduate and masters enrollments in accounting are up this year by 17 percent.”

I'd like to welcome you to our 2009 newsletter. It has been an interesting year. Just as the business community has affected many of you, we have also been affected. This last year, UW Foundation endowments dropped by about 18 percent (on average) and the Wisconsin School of Business mandated a five percent cut in the instructional budget. To implement our share of the budget cut, the Department of Accounting and Information Systems (AIS) eliminated some elective courses from the curriculum and cut sections of existing courses. Despite these hard choices, the good news is that we continue to enjoy a gifted, hard-working group of students and incredible support from our alumni and other constituents (including an amazing \$841,500 gift from Ernst & Young to fund a new professional program computing lab/student lounge and to increase the endowment of the Ernst & Young professorship). As you will see in this year's newsletter, we have lots of good news to share with you and we continue to maintain our margin of excellence.

Our students enjoyed some considerable success this year. Eric Jourdan and Kristy Putnam join the ranks of our many alumni that have been awarded post-grad internships at FASB. One of our fifth-year students, Gwen Jorgensen, received the Big Ten Medal of Honor for her performance as a student-athlete. On the student competition front, one of our PricewaterhouseCoopers xTAX teams once again went to the national finals, our Deloitte National Student Case competition team went to the national finals, and our Deloitte Tax competition team took second place in the national competition.

On the faculty side of the house, Holly Skaife joined the IASB Standards Advisory Council and Terry Warfield continues to be a member of the equivalent group for FASB. Both Holly and Terry were named to endowed professorships in the department this year. Holly became the David J. Lesar Chair in Business endowed professor and Terry was named the Robert and Monica Beyer Professorship in Accounting. Larry Rittenberg completed his tenure as the chairman of COSO. You'll notice when you review the research abstracts in this newsletter that our faculty have been busy with research (much of which benefited from the support of the Arthur Andersen Center). In addition to the work summarized in the research abstracts, several faculty received research grants this year. Brian Mayhew and Karla Johnstone each received PricewaterhouseCoopers INQUIRES grants to fund their auditing research. Brian and Adam Vitalis (a doctoral student) will be studying the implications of more frequent reporting and auditing. Karla and Marsha Keune (also a doctoral student) will be studying aspects of SAB 108 disclosures. Qiang Cheng and Xia Chen also received competitive research awards from the Wisconsin Alumni Research Foundation. Finally, the department was fortunate to receive a generous IFRS Ready grant from PricewaterhouseCoopers. The proceeds of this award will support integration of IFRS across the curriculum.

Our programs also continue to do well. Both undergraduate and masters enrollments in accounting are up this year by 17 percent (55 undergraduates and 13 masters students). Demand for our students remains strong, despite

the economic turndown. In the ratings game, we placed in the 16th position this summer in the annual U.S. News & World Reports ranking of accounting programs (12th among public schools). We've climbed steadily in this ranking over the last four years from 21st place in 2005. We also increased by one spot in the 2008-2009 Public Accounting Reports rankings of accounting programs, to 11th place from 12th. As in prior years, the department hosted several extracurricular enrichment activities during 2009. In addition to our annual programs targeted at sophomores and juniors interested in accounting as a major and our writing in the curriculum initiative, we invited Neil Weinberg, executive editor of Forbes Magazine, to lead our annual spring ethics symposium. At the event, Mr. Weinberg discussed his investigation into the collapse of MCI Worldcom.

Looking forward, over the next year we will be exploring ways to increase our instructional capacity so that we can continue to grow our professional programs. To this end, we also plan to increase our efforts to recruit high quality students to our stand-alone two-year masters of accountancy program. Finally, this fall we will be working on a comprehensive curriculum review, with the goal of updating courses and exploring ways to make our programs even better.

I know you share my pride in both our accomplishments over the past year and our students and my excitement for what we can accomplish in the future. Our success depends on your continued support. As you look back on your career, we hope that you feel that you benefited from being a student at Wisconsin and that you have continued to benefit as an alumnus. If you value your experience at Wisconsin, please consider making a contribution to the Accounting campaign at [www.bus.wisc.edu/accounting/alumni/accounting-campaign.asp](http://www.bus.wisc.edu/accounting/alumni/accounting-campaign.asp)

Thank you!

# AWARDS BANQUET

On October 8, 2009 the Department of Accounting and Information Systems along with Beta Alpha Psi will be holding the 40th Annual Awards Banquet at the Madison Club. Scholarship recipients, fellowships, and Outstanding Teaching Assistants and Seniors for the 2008-2009 school year will be honored. Recognition will also be given to the generous organizations and individuals that support the accounting program and students.

At the banquet, the Department of Accounting will honor Glen Tellock as the Distinguished Accounting Alumnus. Glen was elected chairman of the board for The Manitowoc Company, Inc. in February 2009, having served as president and CEO of the company since May of 2007. Prior to that, Glen was president and general manager for Manitowoc Crane Group; senior vice president and CFO, vice president of finance and treasurer, and corporate controller for the Manitowoc Company after joining the firm in 1991 as director of accounting. Prior to joining Manitowoc, Glen was financial planning manager of The Denver Post Corporation, a privately held newspaper in Denver, Colo. Glen served as an audit manager with the public accounting firm of Ernst & Whinney in Denver before joining the Post. Glen is a certified public accountant who received his BBA from the University of Wisconsin – Madison. He is an emeritus member of the Wisconsin School of Business Dean's Advisory Board, board member of Astec Industries, Wisconsin Manufacturers & Commerce, The Association of Equipment Manufacturers, and National Association of Manufacturers.

## PWC AWARDS GRANTS TO UW ACCOUNTING FACULTY

PricewaterhouseCoopers (PwC) INQUIRES is a program of funding for applied research. PwC initiated this program in the Spring of 2007 to assist faculty and PhD students seeking to increase the knowledge base that contributes to the practice of auditing and tax. For the 2009 INQUIRES program, PwC awarded \$180,000 to 18 researchers, bringing its three-year total of funding to more than \$1.2 million to 70 researchers.

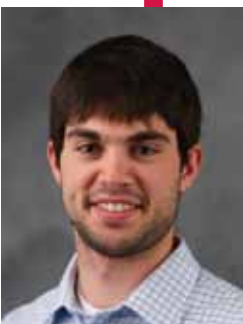
PwC provided two professors from the University of Wisconsin-Madison with grants for 2009.

<b>Karla Johnstone and Marsha Keune</b>	Audit Fees, Audit Quality and Security Analyst Pressure: Evidence from Misstatements Disclosed under SAB 108
<b>Brian Mayhew and Adam Vitalis</b>	Implications of More Frequent Reporting and Auditing

A complete listing of program results is available at [www.pwc.com/faculty](http://www.pwc.com/faculty).



Kristy Putnam



Eric Jourdan

# STANDARD SETTERS

**Eric Jourdan** and **Kristy Putnam**, May 2009 graduates of the Masters of Accountancy Program, have been awarded post-graduate internships at the Financial Accounting Standards Board (FASB). Eric and Kristy received two of only 11 positions open nationally for these internships. Eric began his one-year appointment in July 2009 and Kristy will start her term in January of 2010. They will work on topics such as fair value accounting, leasing, and revenue recognition, as well as the FASB's active international accounting projects. Jourdan and Putnam are the 10th and 11th students in a row that our Department of Accounting and Information Systems has placed at FASB. Previous interns were Kristen Mathys and Adam Van Eperen (2008-2009), Josie Cizek (2007-2008), Troy Van Bleek (2006-2007), Brian Goetsch, (2005-2006), Holly Kispert (2004-2005), Lauren Belot (2003-2004), Michael Maffei (2002-2003), and Jenni Boelter (2001-2002).

The Arthur Andersen Center is hosting a PTA panel on October 15, 2009 in Grainger Hall in which former UW PTAs will provide insights into their PTA experiences and discuss current financial reporting issues.

Several current and retired UW accounting faculty and alumni have served in standard-setting roles.

## Faculty

**RD Nair** has served as a former FASB academic fellow.

**Larry Rittenberg** has served as COSO chairman from 2005 to 2009. COSO (Committee of Sponsoring Organizations) is a voluntary private-sector organization committed to the guidance of executive management and governance entities on global business operation.

**Holly Skaife** is a member of the Standards Advisory Council (SAC) to the International Accounting Standards Board (IASB) where she represents the International Association for Accounting Education & Research (IAAER). The SAC is made up of a wide range of representatives who meet to advise the IASB on an array of issues. Holly is an ex officio

member of the IAAER, a global not-for-profit organization focused on promoting accounting education and research. She is also a former chair of the AAA Financial Accounting Standards Committee, which coordinates all AAA activities involving financial accounting standard setting, including meeting with the FASB.

**Terry Warfield** is a member of the SAC to the FASB and a former SEC Academic Fellow. He is also a former Chair of the American Accounting Association (AAA) Financial Accounting Standards Committee (FASC) and a former Chair of the AAA Regulations Committee, which promotes and facilitates analysis, discussion and debate of financial, accounting, auditing and independence regulations. He will be on secondment to the IASB during his sabbatical in Spring 2010.

**Jerry Weygandt** is a former member of the Financial Accounting Foundation, an independent private-sector organization responsible for the oversight, administration and finances of the FASB. He is also a former member of the Accounting Standards Executive Committee (AcSEC), a committee of the American Institute of Certified Public Accountants (AICPA) concerned with technical policies regarding financial reporting standards.

## Alumni

**Tom Linsmeier** has been a member of FASB since July 2006 and is a former SEC Academic Fellow where he developed U.S. financial reporting disclosure rules.

**Dan Goelzer** is a board member of the Public Company Accounting Oversight Board (PCAOB). He was appointed by the SEC as a founding member of the PCAOB in 2007. The PCAOB is a private, nonprofit corporation created to oversee the auditors of public companies.

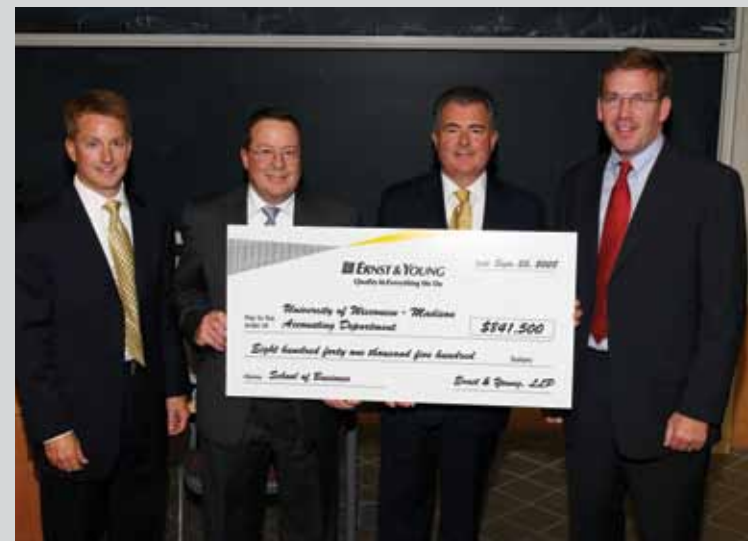
**Tom Ray** is a former chief auditor of the PCAOB.

**John Gribble** is a former FASB practice fellow.

**Steve Henning** is a former SEC academic fellow where he consulted with companies on registrant issues and provided guidance on rule making.

**Joe Godwin** is a former SEC academic fellow who worked on the analysis of registrant compliance with market risk disclosure rules.

**Michael Krahnke** is currently on the staff at the IASB.



Ernst & Young representatives David Gay, Keith Burns, and Dan Kempken (left to right) present Professor Terry Warfield (second from left) with a generous donation.

## ERNST & YOUNG DONATES \$841,500 TO UNIVERSITY OF WISCONSIN-MADISON

The professionals of Ernst & Young LLP, together with the Ernst & Young Foundation, provided a donation of \$841,500 to the University of Wisconsin-Madison. The donation was used to create a new Accounting Student Computer Lab in the Wisconsin School of Business and complete the funding of the Ernst & Young endowed chair in the Accounting Department.

"This gift underscores our commitment to the University of Wisconsin-Madison and the talented students who are attending the business school's Accounting program," noted Keith Burns, Ernst & Young managing partner in Milwaukee. "We hope this donation will further the high-caliber professional education offered to Wisconsin's Accounting students and help the department's faculty achieve their strategic vision."

Ernst & Young actively recruits from the University of Wisconsin-Madison each year for positions throughout the firm. Because of the longstanding focus on recruiting at the University of Wisconsin-Madison, Ernst & Young has a network of Wisconsin alumni who hold leadership positions at the national, regional and office levels.

## Department of Accounting & Information Systems Advisory Board Members

(\* Denotes Alumni)

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Albany-Chicago  
Company LLC

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**Ray Wilson**  
Partner  
PricewaterhouseCoopers  
LLP

\* Alumni



## MEET OUR 2009 SPRING SYMPOSIUM ETHICS SPEAKER

### Neil Weinberg

Neil Weinberg is an executive editor at Forbes in New York. He is in charge of personal finance coverage for *Forbes* magazine and Forbes.com. His editorial duties also include overseeing investigative reporting for the magazine and managing a staff of five financial reporters.

Prior to his appointment as finance editor in May 2008, Weinberg worked as an investigative reporter for *Forbes* magazine. His stories focused on controversial practices in business and politics. Over the past few years, he has profiled corporate, mutual fund and pension scandals, excesses in executive pay, the pending collapse of private equity and hedge funds and the dark side of whistleblowing.

A 16-year *Forbes* veteran, Weinberg served as the magazine's Tokyo bureau chief from 1995 to 1998 and has reported extensively abroad. He received the Overseas Press Club's 2006 annual award for the best business story in a magazine.

With Walter Pavlo, Jr., Weinberg co-authored *Stolen Without A Gun: Confessions from inside history's biggest accounting fraud—the collapse of MCI WorldCom* (Etika Books, 2007). The book combines the immediacy of autobiography with the perspective of an investigative journalist to profile Pavlo's journey from rising corporate star to convicted white-collar felon.

Weinberg frequently gives speeches to universities on the book, business ethics and the unfolding financial meltdown. Weinberg is a frequent commentator on CNBC, Fox News, and other networks, as well as a regular cast member on the Fox News program, *Forbes on Fox*. He holds an MBA from the American Graduate School of International Management and a bachelor's degree in English Literature from the College of William and Mary in Virginia.

We were pleased to have Neil here on campus this past May to lead the annual Ethics Spring Symposium!



### Wisconsin Accounting Students are Finalists at Deloitte National Student Case Study Seminar

Accounting students from Wisconsin School of Business were finalists at the 14th annual Deloitte National Student Case Study Seminar, a nationwide event in which teams of undergraduate accounting students compete to solve real-world case studies involving complex financial accounting issues. The competition was held on April 3 and 4 in Scottsdale, Ariz.

The Wisconsin team members, Isabel Bartos, Julie Polywka, Clint Urbach and Danielle Williamson were awarded a \$500 scholarship each and they brought home an institution award of \$2,500. The competition is sponsored by the Deloitte Foundation through contributions from retired partners of the Deloitte U.S. Firms. Scholarships awarded to teams competing this year totaled over \$20,000.

"This Deloitte Competition provides students an outstanding opportunity to utilize their accounting knowledge and skills in a practical situation prior to entering the workforce," said Professor Terry Warfield, faculty advisor to the Wisconsin team. The time and resources provided by Deloitte for this competition are important complements to our academic programs in preparing students for their careers.

The case studies are based on difficult accounting issues developed by Deloitte LLP practitioners. In the seminar, each student team solves cases with the support of a faculty advisor and a Deloitte & Touche manager. The faculty adviser for the Badger team was Professor Terry Warfield, and two alumni, P.J. DiStefano and Pam Evason, served as Deloitte advisers for the team. The teams present their cases and solutions to a panel of active and retired partners, who play the role of a client company's senior management or audit committee members. At the seminar's conclusion, the panel selected the student teams that best identified the relevant accounting issues and most effectively presented their case.

The National Student Case Study Seminar is one of many educational events sponsored by the Deloitte Foundation each year. Others include the Doctoral Fellowship Program (Wisconsin PhD candidate Marsha Keune is the recipient of this Deloitte Fellowship), the Robert M. Trueblood Seminars for Professors (attended by Professor Qiang Cheng earlier this spring), and the Deloitte Tax Case Study Regional and National Competitions (a Wisconsin team of accounting students were runners-up in this national competition in November 2008).

## CLUB NEWS

As a student organization in the business school, the Institute of Management Accountants (IMA) strives to connect students with employers to provide an opportunity to network and learn more about various aspects of accounting and business. Both business and non-business majors are welcome to join IMA. IMA offers a great opportunity to meet fellow students, learn real-life applications of management accounting strategies, and build one's resume. The organization hosts three professional speaker events each semester that discuss their company and how accounting and business practices apply in the real world. Speakers address topics such as inventory management, costing methods, and budgeting systems. Each speaker event begins with food and refreshments and is followed by questions and a social period. IMA also organizes many social events throughout the semester.

IMA has recently become more integrated with the local IMA chapter, which has brought about new opportunities for the student organization. During the fall semester IMA plans to host a banquet that will include a formal dinner and employer panel. The local IMA chapter has also shown interest in creating a networking website that would allow students to search through available jobs.

Beta Alpha Psi held a golf outing this spring on May 1 at The Bridges Golf Course in Madison. Beta students were joined by members of the accounting faculty, firm representatives, and some friendly weather, for a nine-hole scramble and ensuing cookout. The 51 participants were grouped into teams of five or six, mixing avid golfers with many who rarely play (and some who had never played before). Groups competed for the honor of being the team with the lowest score for the day. When all was said and done, the team of Amanda Schroepfer, Grant Freitag, Greg Langer, and David Kersey, joined by Professor Terry Warfield and Bill Silberzahn of KPMG, took first place with a four-under round of 32. Other contests included longest drive, closest to the pin, longest putt, and others. Winners were awarded several firm-donated prizes, ranging from golf balls to Brewers tickets!



### PricewaterhouseCoopers XTAX 2008/09 Competition

XTAX is a critical thinking/presentation skills competition for accounting students sponsored by PricewaterhouseCoopers. In each of the last seven years, approximately 250 teams participated from universities across the United States. Only five teams are invited to the "Championship" competition held in Washington, D.C., in January. Every year the team has been coached by Professor Jon Davis and Senior Lecturer Al Talarczyk. This year's topic involved proposed tax code changes to stimulate a depressed economy with environmentally friendly proposals that would result in a reduction of carbon dioxide emissions by 80% by 2050. As always, the PricewaterhouseCoopers' case study was extremely timely and presented our students with a set of very challenging facts and goals. During the stay in D.C., the students were treated to some very interesting activities including the following programs: A Day in the Life of a Tax Professional, A Washington Update, and a hands-on experience in team building based on a New York Fire Department training exercise. It was an incredible experience for our students and we are very grateful to PwC for sponsoring the program, which is helping to stimulate more of an awareness and appreciation of professional opportunities for students in the field of taxation. Thanks again, PwC.

*In the 2008/09 XTAX competition, the University of Wisconsin-Madison team consisting of Sara Schultz, Luke Farrell, Jenna Lenz, Swati Gupta, and Nathan Terhaar made it to the finals—the fifth time in seven years a Wisconsin Team accomplished that feat! It is also worth mentioning that in the seven years of the competition a University of Wisconsin team won the Alexander Hamilton Trophy three times, with no other school winning more than once.*

# SELECTED ABSTRACTS OF FACULTY RESEARCH

**Matsumura, E. M., J. Y. Shin, and S. Y.-C. Wu. 2009. The effect of missing quarterly earnings benchmarks on chief financial officer turnover and annual bonus. *The Open Ethics Journal* (3), 57-66.**

We examine the effect of missing quarterly earnings benchmarks on Chief Financial Officer (CFO) turnover and compensation. We consider two well-known earnings benchmarks: 1) consensus analyst earnings forecast, and 2) earnings for the same quarter of the prior year. Our results are consistent with significant bonus and career consequences to CFOs of failure to meet quarterly earnings benchmarks. Our evidence suggests that missing one quarter of consensus analyst earnings forecast in the prior year increases the probability of CFO dismissal by 18.57%, after we control for established determinants of executive turnover. Overall, our findings provide evidence that missing earnings benchmarks has economically significant adverse consequences for a CFO's bonus compensation and future career. Further, we find that the effect of missing the consensus analyst forecast on CFO dismissal is more pronounced for firms with better governance, consistent with better-governed firms considering negative earnings surprise more seriously as a signal of poor performance. These adverse consequences create pressure for CFOs to manage or manipulate earnings in order to meet earnings targets.

**Dickinson, V, P. Kimmel, and T.D. Warfield. 2009. The accounting consequences of accelerated share repurchases. Unpublished Manuscript (Univ. of Wisconsin – Madison). The paper was supported in part by the Arthur Andersen Center.**

Structured financial transactions create many challenges for financial statement classifications. Our study evaluates the representational faithfulness of the accounting treatment of one rapidly growing structured transaction, Accelerated Share Repurchases (ASRs). In an ASR, a company executes a share repurchase while concurrently entering into a forward contract with an investment bank. ASRs are popular

because accretive earnings per share benefits are recognized immediately while any gains or losses on the forward contract bypass income and are reported directly in equity. We examine the accounting consequences of ASRs, based on an assessment of value relevance of assets and liabilities and earnings response coefficients for ASR companies. We document lower value relevance for the assets and liabilities of ASR companies compared to an industry-matched sample. ERC tests also indicate a market discount for the earnings of ASR companies compared to the industry-matched sample. Our findings indicate that the current accounting for ASRs does not result in representative reporting of these transactions. The current accounting treats ASRs as equity transactions, but our results suggest that the market perceives the resulting benefits or obligations of ASRs as either assets or liabilities. Thus, our analysis is relevant to current standard-setting projects that address the distinction between debt and equity.

**Chen, X., Q. Cheng, and A. Lo. 2009. The consequences of earnings restatements: The case of external financing. Working paper, University of Wisconsin-Madison.**

In this paper, we investigate how aggressive financial reporting affects a firm's ability to obtain external funds and its choices of external financing. First, we find that after earnings restatements, firms become significantly more financially constrained compared to a group of control firms with similar size and operating performance. Second, consistent with the increase in financial constraints, we find that restatement firms are less likely to obtain external financing after restatements. Third, for restatement firms that do obtain external financing after restatements, we find that they rely more on private debt financing and less on equity financing, consistent with increased information asymmetry after earnings restatements. Our investigation is important because it sheds light on the impact of aggressive financial reporting on firms' financing options and on what causes, at least partially, the dramatic decrease in firm value upon the detection of aggressive financial reporting.

**Chen, S., X. Chen, Q. Cheng, and A. Hutton. 2009. Conservatism and the monitoring by founding family owners. Working paper, University of Wisconsin-Madison.**

We study the role of conservatism in monitoring managers by founding family owners, the most predominant type of large, under-diversified shareholders in the U.S. We focus on the ownership of founding family members who are not CEOs. Unlike owners with diverse ownership or institutional investors, family owners have both the incentives and the means to monitor CEOs. While conservatism can facilitate family owners' monitoring of managers by reporting bad news earlier, it might be less important for family owners given that they can more directly monitor managers. Therefore, it is unclear ex ante whether conservatism increases with the ownership of family members who are not CEOs. Using an accrual-based measure of conservatism, non-operating accruals, we find that conservatism is positively associated with non-CEO family ownership and non-CEO family directorship, consistent with conservatism facilitating family owners' monitoring of CEOs. However, we find the opposite when the founder serves as the CEO. This is consistent with other family members' inability or unwillingness to monitor the founder CEO. The above results continue to hold after we control for CEO ownership, board independence, outside director ownership, and firm age. Our findings extend the recently developed literature on the monitoring role of conservatism.

**Cheng, Q., T.D. Warfield, and M. Ye. 2009. Equity incentives and earnings management: Evidence from the banking industry. Unpublished Manuscript (Univ. of Wisconsin – Madison). The paper was supported in part by the Arthur Andersen Center.**

We examine the relationship between equity incentives and earnings management in the banking industry. By focusing on this regulated industry and using industry-specific earnings management proxies, we provide evidence on the impact of regulation on earnings management arising from

CEOs' equity incentives. We find that bank managers with high equity incentives are more likely to manage earnings, but only when capital ratios are closer to the minimums required by regulators. This finding indicates that in the banking industry, potential regulatory intervention induces, rather than mitigates, earnings management arising from equity incentives.

**Brown, Helen and K. Johnstone. Resolving disputed financial reporting issues: Effects of Auditor Negotiation Experience and Engagement Risk on Negotiation Process and Outcome. *Auditing: A Journal of Practice & Theory* (forthcoming November 2009).**

In an experiment involving a dyadic negotiation between a computer-simulated client and practicing auditors, we examine the effects of engagement risk and auditor negotiation experience on the process and outcomes of client-auditor negotiations. We find that auditors with lower negotiation experience who encounter a high-risk client use a more concessionary negotiation strategy, achieve a negotiated outcome that is more aggressive (consistent with the client's aggressive preference), and are less confident that the outcome they negotiate is acceptable under GAAP compared to the negotiation process and outcome results of auditors with higher negotiation experience. In contrast, auditors with higher negotiation experience use a less concessionary strategy, achieve an outcome that is more conservative regardless of risk context, and are more confident that the outcome they negotiate is acceptable under GAAP. This study illustrates the important roles that engagement risk, task-specific negotiation experience, and pressure from the client regarding an aggressive financial reporting preference play in the process and outcomes of client-auditor negotiation.

**Clor-Proell, S. 2009. The effects of expected and actual accounting choices on judgments and decisions. *The Accounting Review* 84 (5): 1465 - 1493.**

This research investigates how financial statement users' judgments and decisions

are affected by the extent to which a firm's actual accounting choices match users' expectations. Based on prior communications research, I predict and find that users' credibility judgments are more extreme when a firm's actual accounting choices do not match expectations. Experiment 1 supports this prediction in a stock-based compensation context, and Experiment 2 supports it in an accounting estimate context. Further, evidence from Experiment 1 supports the prediction that credibility judgments mediate the effect of a mismatch on investment decisions. Finally, evidence from Experiment 2 partially supports the prediction that users who encounter a mismatch between actual and expected accounting choices are more likely to search for additional information than are users who encounter a match. The results have implications for accounting researchers, regulators, and managers interested in understanding how firms' accounting choices affect users' decisions.

**Clor-Proell, S. and T.D. Warfield. 2009. Financial statement presentation and nonprofessional investors' interpretation of fair value information. Unpublished Manuscript (Univ. of Wisconsin – Madison). The paper was supported in part by the Arthur Andersen Center.**

This research investigates how the Financial Accounting Standards Board's proposed changes to the presentation of the financial statements affect nonprofessional investors' interpretation of fair value information. Based on prior accounting and psychology research, we predict and find that when the financial statements contain an additional column that highlights the effect of changes in fair value on net income, nonprofessional investors better integrate differences in the reliability of fair value information into their earnings growth assessments and P/E judgments. Additional analyses examine the intentionality of participants' responses and examine how investors interpret information about fair value losses. Our results are relevant to both the debate about fair value accounting and to the Financial Account-

ing Standards Board's financial statement presentation project. The results also have implications for regulators concerned with the judgments of nonprofessional investors.

**Davis, J., and H. Pesch. 2009. Fraud dynamics and controls in organizations. Unpublished Manuscript (University of Wisconsin-Madison). The paper was supported in part by the Arthur Andersen Center.**

This paper develops an agent-based model to examine the emergent dynamic characteristics of fraud in organizations. In the model, individual heterogeneous agents, each of whom can have motive and opportunity to commit fraud, and ability to rationalize fraud, interact with each other via a social network. This interaction provides a mechanism for cultural transmission through which attitudes and rationalization regarding fraud can spread. In our benchmark model (in which every agent has motive and the perceived opportunity to commit fraud), we find two classes of organization identifiable by their different cultural transmission characteristics. In one class, we observe fraud tending toward a level consistent with a (Lyapunov) stable equilibrium. In the other class, fraud dynamics are characterized by extreme behaviors, with mostly honest organizations suddenly changing their state to predominantly fraudulent behavior and vice versa. These swings occur randomly over time. We then observe the effects of various mechanisms thought to impact fraud in organizations, including the introduction of a system of internal controls, organizational hierarchy (tone at the top), introduction of a code of ethics, and enforcement efforts to detect and punish fraud. Each of these mechanisms has different impacts on the two classes of organizations in our benchmark model, with some mechanisms being more effective in organizations exhibiting equilibrium fraud and other mechanisms being more effective in organizations exhibiting extreme, rapidly changing behaviors. Our analysis and results have general implications for designing programs aimed at preventing fraud and for fraud risk assessment within the audit context.

# ALUMNI NEWS

## CLASS OF 1949

**Ruth (Bensinger) Zimmerman** is celebrating her 60th wedding anniversary this year with her husband Hy (1950 Economics graduate). Ruth was one of only two or three female accounting students in her class.

## CLASS OF 1962

**Bob Seass** is the co-chair of the Naples Art & Antiques Show, which supports local charities and which once featured the Keno brothers from the Antiques Road Show. Bob is also putting his accounting skills to use as the treasurer of the Little Harbour Homeowners Association. Bob and his wife Michele spend their winters in Naples, Fla., and their summers in Princeton, N.J. (Princeton is close to both of their children who live in the New York area). Bob has also kept in touch with his seat-mate in every accounting class, John Schmuhl.

## CLASS OF 1966

**Karl Reichardt**, PhD, CMA, has retired from the College of Business Administration (CBA) of Valparaiso University as of the end of June. He was the associate dean of the CBA and an associate professor of Accounting. Karl and his wife Paige plan on continuing to reside in Valparaiso, Ind.

## CLASS OF 1972

**Ray Vander Weele** became the Robert Beyer Professor at the UW-Madison School of Business after earning his PhD in 1972. He was also the director of the school's Management Institute and a faculty member for 20 years. From 1985 to 1994, Ray lived in Grand Rapids, Mich. and served as the director of a large pension fund. He then became the vice president of the consulting division at Merrill Lynch until his retirement in 2001. Since retirement, Ray has been serving on various non-profit boards. Ray has been married to Phyllis for 52 years and the couple has two children and eight grandchildren.

**Jerry Sweas**, CPA, began his career with Deloitte & Touche (for seven years). He then went on to a successful 20-year career in private industry as CFO of three public companies, including two IPOs. For the last eight years, Jerry has worked as an independent consultant to CEOs with a focus on private companies—family businesses, or private equity/venture capital backed organizations. He is on the board of advisors of a second-generation, Wisconsin-based family business whose co-owners are also UW graduates. Jerry is also interested in adding more board assignments with companies owned by fellow UW alums.

**Joseph K. Chan** retired on June 30, 2009 after serving for 26 years as the CFO of the Association of Bay Area Governments. He is planning to continue to offer management services to non-profit organizations by primarily serving on boards.

## CLASS OF 1978

**Dan Langer**, CPA, CIA, CCSA, is pleased to share the continuation of the Badger tradition, with a third generation of Langers attending UW-Madison. His two daughters, Michelle and Sarah, both attend the UW.

## CLASS OF 1979

**Carol May** (BBA 1975, MS 1979) recently took the position of vice president/CFO at Sauk Prairie Memorial Hospital & Clinics in Prairie du Sac, Wisconsin. Carol previously worked at Mercy Health System in Janesville, Wis.

## CLASS OF 1980

**Dawn E. Brenner**, CPA, has been working at Grant Bennett Associates, a Sacramento CPA firm, for 26 years. She now serves as the managing partner. Dawn was recently appointed to the Peer Review Committee of the California Society of CPAs, which committee is responsible for oversight of all peer reviews completed in Arizona, California and Alaska. Dawn and Allan Brenner have been happily married for three years and have two toy poodles they enjoy travelling with to Europe. Recently, Dawn visited the Madison and Milwaukee area to celebrate her father's 94th birthday. Dawn keeps busy cooking, stamping, and tending to her roses.

## CLASS OF 1982

**Jim (James V.) Schroeder** graduated in 1982 with a second undergraduate degree from UW-Madison. He has been the president of Tri-Mart Corporation, a wholesale distributor headquartered in Menomonie, Wis., since August of 2005.

**Joe Katcha** became the founder and principal of a Chicago-based private equity firm, High Street Capital, in 1997. The firm acquires and helps take family-type businesses to the next level. Joe lives in Chicago with his wife and two children and is trying to visit Madison more frequently.

## CLASS OF 1983

**Erbert Johnson**, CPA, was named North Milwaukee State Bank's president and CEO in March of 2008. The bank is one of the nation's top African American-owned banks. Erbert has served as the CFO for the largest school districts in Ohio and Milwaukee and has done extensive work in tax-exempt markets and investment banking.

## CLASS OF 1987

**David A. Knopf** (BBA 1986, MAcc 1987) formed Fenix Financial Forensics ("F3") in November 2008. F3 is a business consulting firm focused on financial-based investigations, forensic accounting, and litigation/dispute resolution services. David previously worked as a partner at Andersen and KPMG and a senior managing director with FTI Consulting providing dispute advisory services and forensic accounting.

## CLASS OF 1991

**Sonia Rivera** returned to Guatemala in 1991 and has been working for the U.S. Agency for International Development.

## CLASS OF 1994

**Melissa (Mathson) Richlen** and her husband, Dan, welcomed their first child, Matthew, last fall. Melissa is still living in Chicago where she works in the investments department for the MacArthur Foundation.

## CLASS OF 1997

**Jon Kaull** received his MBA from the UW-Madison's Evening MBA program in July. Jon is the treasurer at Pizza Hut of Southern

Wisconsin. Jon and his wife Katie recently adopted their newborn son Quinn Gregory in June.

## CLASS OF 2000

**Travis Mattson** (BBA 1999, MAcc 2000) is currently a senior manager at KPMG in Minneapolis. Travis is moving to New York for a three-year rotation with KPMG's National Audit Quality and Professional Practice Development in August with his wife and two children.

**Brett Killion** (BBA 1999, MAcc 2000) was selected over the summer as the third-place winner of Economics Wisconsin's 2009 Excellence in Teaching Economics and Financial Literacy Awards, sponsored by Robert W. Baird & Co.

## CLASS OF 2002

**Derek Matzke** just completed his first year as senior manager at BDO Seidman, LLP in San Francisco, where he has also taken the lead for recruiting at UW-Madison. Derek and his wife Abby recently celebrated the first birthday of their son, Noah William Matzke.

**Brian Miller** is a Manager at BDO Seidman in San Francisco and has accepted a rotation to BDO Seidman's National Assurance Office in New York, where he will be part of the firm's team to roll out a new audit approach methodology for the firm and its affiliates worldwide.

## CLASS OF 2003

**Jay Warner**, CFA, CPA, (BBA 1997 Accounting, MS 2003 Finance, Investment and Banking) welcomed his son Jack Christopher Warner on January 26 of this year. Jack has already had his picture taken with Bucky and has attended a Badger hockey game as well as the spring football game. Jay is currently working at the Artisan Partners Limited Partnership.

**Tiffany (Wiersman) Krogman** (BBA 2002, MAcc 2003) worked in audit at PricewaterhouseCoopers for two years. She then took a position at Honeywell International, where she worked in the Aerospace industry for a year before transitioning to the

Automation and Controls Headquarters in Minneapolis. Tiffany now works as a financial and R&D analyst within the Environmental Combustion and Controls Division. She also teaches Intermediate Accounting and Fraud Investigation at Rasmussen College in Lake Elmo, Minn.

**Heidi Kain (Nebozuk)** (BBA 2002, MAcc 2003) recently relocated from San Francisco, Calif., to Columbus, Ohio. She works out of her home in the accounting policy department of Charles Schwab Corporation, where she has worked since 2007. She worked prior to this for PricewaterhouseCoopers, LLP for four years. In September, Heidi is getting married to Brian Nebozuk.

**Meagan (Marincic) Rutkowski** (BBA 2002, MAcc 2003) and **Russ Rutkowski** (BBA 2002, MAcc 2003) recently welcomed a son, Ethan Russell Rutkowski, on July 3 of this year.

## CLASS OF 2004

**Craig Billings** (BBA 1992, MBA 2004) is a shareholder in Capital Valuation Group in Madison, Wis. He earned the Accredited Senior Appraiser (ASA) credential from the American Society of Appraisers as well as the Accredited in Business Valuation (ABV) and Certified in Financial Forensics (CFF) credentials by the AICPA.

## CLASS OF 2005

**Corey Wise** (BBA 2004, MAcc 2005) was married on June 6 of this year. Corey is attending Northwestern University School of Law.

## CLASS OF 2006

**James M. Ledvina** (BBA 2005, MAcc 2006) recently graduated from the Marquette Law School and has been working at Liebmann, Conway, Oleiniczak & Jerry S.C. as an associate attorney. James also just returned from a trip to Peru, where he visited Machu Picchu and toured the country.

## CLASS OF 2007

**John Chung** is currently an associate at Deloitte & Touche in Chicago.

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## THE ACCOUNTING CAMPAIGN

The Accounting Campaign, which began in May of 2007, has a \$13 million goal of gifts and pledges. As of the date this newsletter was published, gifts and pledges totaled over \$4.1 million.

**Please help to continue the Wisconsin tradition of Accounting excellence by making a gift to support the department.**

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