

**PROFESSIONAL ACCOUNTING CENTRE (PAC)
2023 PROFESSIONAL ACCOUNTING FUTURES CONFERENCE**

***CORPORATE FAILURES:
LESSONS FOR ACCOUNTING, AUDITING, AND GOVERNANCE***

December 1, 2023. In-person and online using Zoom

Originating From
University of Toronto Mississauga, Mississauga, Ontario

PAC is pleased to acknowledge funding support for this conference from CPA Ontario

EXPANDED AGENDA

8:00 Registration, Coffee & Pastries

Sign in on Zoom.

8:45 Opening Remarks – Corporate failures inevitably hold lessons professional accountants who prepare financial reports and those who audit them, as well as for investors, regulators, and the many stakeholders who rely upon them. The University’s Professional Accounting Centre (i.e., PAC) has been established to provide a forum for discussing the future challenges facing the profession and is therefore mandated to expose and consider the insights those lessons reveal. Keynote speakers and panelists will address these challenges, and comment on and debate adjustments made, and longer-term practices and ideas developed and/or modified.

Len Brooks Professor and Director, Professional Accounting Center,
Shauna Brail, Professor and Director IMI,
Dushyant Vyas, Associate Chair, Department of Management, UTM,
Craig Smith, Executive Vice President, Member & Student Services, CPA Ontario

9:00 *Panel: Regulatory and Industry Perspectives on Recent Corporate Failures*

The reasons why corporations fail, and why these failures were not identified and mitigated earlier, are of critical importance to professional accounting and to society in general. Panelists will offer their perspectives on significant issues and/or trends noted, motivating factors, enabling opportunities or breakdowns, rationalizing mindsets, and other governance lessons they consider to be important challenges in the future.

The panel will include:

- Carol Paradine, CEO, Canadian Public Accountability Board
- Anthony Scilipoti, CEO, Veritas Investment Research
- Peter Easton, Professor, University of Notre Dame
- Ethan Heisler, Editor-In-Chief, The Bank Treasury Newsletter

Moderator: Len Brooks Director, Professional Accounting Center

Carol Paradine, FCPA, FCA CEO, Canadian Public Accountability Board



Carol has been the Chief Executive Officer of the Canadian Public Accountability Board (CPAB) since 2018 and represents Canada on the board of the International Forum of Independent Audit Regulators. Carol's previous experience includes roles as an audit partner in a major international firm and as a member of the Canadian firm's board of directors. She has also acted as chief financial officer of the Canadian audit firm and corporate controller of a publicly listed technology company.

Community service is equally important to Carol who currently serves as Chair of the board of directors of the Alzheimer Society of Toronto. Previous roles include member, Audit and Assurance Standards Oversight Council, chair, Manitoba Chambers of Commerce, president, Alzheimer Society of Manitoba, board and audit committee member, Alzheimer Society of Canada, board and audit committee member, CentrePort Canada, board and finance committee member, YMCA-YWCA National Capital Region, board member, Innovate Manitoba, board member, Harmony House and advisory board member, Carleton University School of Business. She also coached youth soccer for many years and was a lecturer and coach at Carleton University.

Carol holds a Bachelor of Commerce degree from Carleton University and is a fellow chartered professional accountant.

Anthony Scilipoti, FCPA, FCA, CPA (Illinois)
President & CEO, Partner
Veritas Investment Research



Anthony and his partners founded Veritas Investment Research in 2000. He is a Fellow Chartered Public Accountant, a Fellow Chartered Accountant, a Certified Public Accountant (Illinois) and a member of the Association of Certified Fraud Examiners. He is a licensed portfolio manager. Anthony has been very active in accounting standard-setting since 2003.

Anthony also has served as a member of the Ontario Securities Commission's Continuous Disclosure Advisory Committee since 2006. In 2019, Anthony was appointed to the Board of the Capital Markets Advisory Committee of the International Accounting Standards Board. He is a former member of the Canadian Accounting Standards Board, the CICA's Emerging Issues Committee, and was the Chair of CPA Canada's Users Advisory Committee.

Anthony began teaching in 1997 as a part-time accounting instructor at York University's Schulich School of Business in the MBA and BBA Programs. He was nominated for the Teaching Excellence Award in 1997 and 2003. Several of Anthony's cases have been published in *Cases in Financial Accounting: A Principles Based Approach*, First Edition, 2006, and *In Search of the "Right" Numbers - an Ivey Case that profiles Bombardier Inc.* in 2001, published July 2020. While he no longer teaches full courses, Anthony guest lectures at the undergraduate and graduate levels and runs custom training programs on financial statement analysis and business valuation for Canadian and U.S. analysts and portfolio managers, regulators, accountants, as well as financial and non-financial professionals.

As an advocate for investors' rights, Anthony is a frequent media commentator and public speaker on financial accounting and disclosure issues and is considered an industry expert in special situations related to accounting. Anthony has also served as an expert witness for securities regulators and other civil disputes.

The Failure of FTX: Lessons from an Investigator

Peter Easton, Ph.D.

**Director of the Center for Accounting
Research and Education**

Alumni Professor of Accountancy

University of Notre Dame

**Editor in Chief of *Accountability in a
Sustainable World Quarterly*.**



Peter Easton is a distinguished professor of accountancy, who has published extensively in learned journals and books, has served on many editorial boards including being the editor of the *Accounting Review*, and has furthered accounting research and education in many ways including being the Director of his university's Center for Accounting Research and Education. Most recently, he has served as an investigator the collapse of FTX, the failed U.S. cryptocurrency exchange.

Bank Failures – Silicon Valley Bank and Others

Ethan Heisler, CFA

Editor-In-Chief,

The Bank Treasury Newsletter



Ethan Heisler is the editor-in-chief of The Bank Treasury Newsletter, your first-stop source for insights and commentary on bank treasury issues, regulations, accounting, balance sheet analysis, investment portfolio strategy, asset/liability management, and market trends. Ethan curates a monthly newsletter with extensive experience in the banking and financial industry. Ethan began his career on the repo desk at Dillon Read in 1981, and since then his career included senior positions in fixed income sales and trading, corporate bond research, and bank supervision. His experience spans multiple economic and interest rate cycles and includes work on key bank accounting and regulatory capital policies. He has analyzed banks based in the U.S. and abroad, and when he was a managing director in Corporate Bond research at Citigroup, he was recognized by Institutional Investor as a leading analyst for U.S. and Yankee banks. He regularly speaks at banking forums and his bank treasury dinners he has moderated across the country have become must-attend events. Ethan founded the newsletter in 2004 to serve as a broad resource for investment portfolio, funding, and ALM managers,

bank treasurers, CFOs, CEOs, and other banking professionals across the size spectrum of banks. In addition to these bank professionals, the newsletter is widely read in fixed-income trading and sales rooms, as well as by bank regulators, Federal Agency heads, accounting policymakers, credit and equity analysts, and portfolio managers, in the U.S. and abroad.

Panelists will comment and there will be an opportunity for the audience to ask questions and share your views. Type in the Chat/Q & A tab.

10:30 **Break**

10:45 *Perspectives on Fraud Prediction Research: From Firms' Misreporting to Misinformation in the Macroeconomy*

Daniel Beneish,
Alva L. Prickett Chair in Accounting
Indiana University



My educational background consists of Masters in Public Accounting from McGill University in 1980 and an MBA in 1984 and a PhD in 1987 from the University of Chicago. Before attending graduate school, I held a Chartered Accountant license (the equivalent of a CPA) and worked as an auditor and as a consultant for Coopers & Lybrand (the “C” in PwC) in Montreal, Canada. My research interests are in the area of corporate governance, earnings management, fraud detection, and insider trading. I recently served as co-editor at the *European Accounting Review* for a Special Issue themed “New Directions in Earnings Management and Fraud Research” which was published in 2018. I have also served as keynote speaker at the Inaugural Conference of the U.K. Society of Certified Financial Analysts (July 2015, London, U.K.), and at the 40th Journal of Accounting and Public Policy in June 2022 (University of Maryland, College Park, MD).

One of my research articles describes a screening model that helps auditors, investors, and lenders detect companies most likely to create misleading financial reports. The model has gained acceptance among accounting and investing professionals as model to detect earnings manipulation (for example, its output is featured in Bloomberg’s and in Audit Analytics). The screening model flags many companies before the public discovers the earnings manipulation. This turns out to be somewhat useful in avoiding the losses that invariably accompany such revelations.

I have recently expanded the predictive validity of the M-Score from the individual firm (micro) level to a macroeconomic level. In a forthcoming 2023 paper in *The Accounting*

Review my co-authors and I show that an economy-wide measure of the M-Score constructed by value-weighting the M-Scores of individual firms improves predictions about future recessions and economic slowdowns. This aggregate M-Score predicts recessions five to eight quarters ahead and is significantly associated with lower future growth in real GDP, real investment, consumption, and industrial production. This extends the impact of the M-Score from predicting individual firm outcomes to economy-wide outcomes.

There will be an opportunity to share your views. Type in the Q & A tab.

11:30 *Activist Short Sellers' Role in Identifying Corporate Fraud & Failure Risk*

Partha Mohanram
John H. Watson Chair in Value Investing
Editor-in-chief,
Contemporary Accounting Research
Rotman School of Management
University of Toronto



Partha Mohanram has published extensively in the areas of financial statement analysis, valuation of growth firms, implied cost of capital and executive compensation. His recent work is in the area of social media, artificial intelligence and machine learning. He is the Editor-in-chief of Contemporary Accounting Research and serves on the editorial board of The Accounting Review and Review of Accounting Studies. His research work has won numerous awards including the Haim Falk award from the CAAA (2017), the Rotman research impact award (2018) and the Notable Contributions Award from the AAA (2022).

Professor Mohanram teaches advanced electives on Business Analysis and Valuation, and has taught in the MBA, PhD, undergraduate and executive education programs, including the Directors Education Program (DEP). He has won numerous teaching awards during his career.

Professor Mohanram served as the Area coordinator for the accounting area from 2016 to 2022, and was the acting Vice-Dean of Research, Strategy and Resources for the Rotman School of Management in 2022-23. He has also served as the academic director of the India Innovation Institute at the University of Toronto since 2016 and chaired the university President's council for the Indian subcontinent from 2017 to 2022.

Professor Mohanram joined Rotman after serving on the faculty of Columbia University and New York University. He obtained his PhD in Business Economics from Harvard University, MBA from IIM – Ahmedabad where he won a gold medal for being the best all round student, and B. Tech in computer science from IIT-Madras. He also holds the CPA (CGA) and ICD.D certifications.

12:15 Lunch

1:00 *Corporate Failures and the Challenges Facing the Audit Profession*

**Robert Knechel,
Professor, University of Florida**



W. Robert Knechel, PhD is Distinguished Professor and the Frederick E. Fisher Eminent Scholar in Accounting at the University of Florida, Gainesville, Florida. He is currently the Director of the International Accounting and Auditing Center (IAAC) located within the Fisher School of Accounting. Robert holds an appointment at the University of Auckland as a Professor of Accounting Research. He is on the Board of the Foundation for Audit Research in the Netherlands and is a member of the Standards and Emerging Issues Advisory Group (SEIAG) of the Public Company Accounting Oversight Board (PCAOB). He has recently completed a term as the Senior Editor for *The Accounting Review*. He has previously served as the Senior Editor of *Auditing: A Journal of Practice & Theory* from 2011 through 2014. Robert's prior research has been regularly published in several leading journals including *The Accounting Review*, *Journal of Accounting Research*, *Contemporary Accounting Research*, *Accounting Organizations and Society*, and *Auditing: A Journal of Practice & Theory*. He was honored with the 2015 Outstanding Educator in Auditing Award given by the Auditing Section of the American Accounting Association and has received Honorary Doctorates from BI Oslo (Norway) and Nyenrode University (Netherlands).

Q & A will follow.

2:00 *The Carillion Bankruptcy Case: Where it Led,* a fireside chat with Len Brooks

Carillion plc was a large multinational U.K. based corporation that went bankrupt within 10 months of receiving a clean audit opinion, which led to a review of the external professional accountants involved, and professional accounting practice in general. Mark Babington will discuss the issues involved, what they meant to the accounting profession, and what the lasting changes will likely be.

**Mark Babington,
Executive Director, Regulatory Standards,
U.K. Financial Reporting Council**

Mark Babington is the Executive Director of Regulatory Standards at the Financial Reporting Council. He leads the division responsible for the FRC technical and public policy work covering audit, corporate reporting, corporate governance and stewardship, actuarial and the FRC Lab. Prior to joining ExCo, Mark led the FRC's UK Audit Policy programme, measures to support greater competition in the UK audit market and work to support the reform of international standard setting for auditors, by global regulatory authorities. Before he joined the FRC, Mark had a twenty-year career in audit and was a Director at the UK National Audit Office.



Mark is an Independent Governor, Board Member and Chair of the Audit and Risk Committee of the Westminster Foundation for Democracy, which is the UK public body dedicated to supporting democracy around the world. He is also a member of the International Ethics Standards Board for Accountants, which sets the global Code of Ethics for the accountancy profession, and chairs IESBA's Sustainability Task Force, tasked with developing revisions to the International Independence Standards. He also represents the FRC on the International Sustainability Standards Board's Sustainability Standards Advisory Forum.

Q & A will follow.

3:00 Break

3:15 *How well do we Understand who the Winners and Losers are from Adverse Accounting Events (Frauds, Weakness of Internal Control, KAM Reporting, Going Concern)*

Karim Jamal, Professor, University of Alberta

Dr. Jamal is the past Chair of the American Accounting Association's Financial Accounting Standards Committee (FASC) which provides scholarly opinion and discussion to the Financial Accounting Standards Board (FASB) in the U.S., The International Accounting Standards Board (IASB) and The Securities and Exchange Commission (SEC). Dr Jamal's primary research focus is on: (1) Auditor balancing of fraud detection versus client satisfaction, (2) Disclosure and its effect on conflict of interest, and discussions with the audit committee, (3) Private markets for accounting and auditing, (4) Regulatory failure in auditing and (5) Persuasion, justification and interpersonal perception in auditing. Dr Jamal has numerous publications in research and



professional journals in accounting, economics and psychology, published in Australia, Canada, the US, the UK, Japan and Taiwan.

In 2010, Dr Jamal received the Haim Falk Award for Distinguished Contribution to Accounting Thought from the Canadian Academic Accounting Association (CAAA). In 2023, Dr. Jamal received a CPA (Alberta) Lifetime Achievement Award for thought leadership and distinguished contribution to the accounting profession and, In 2023 was inducted in the Canadian Accounting Hall of Fame.

Q & A will follow

4:15 Unveiling Insights from Going Concern Disclosures

Jingjing Wang,
Assistant Professor, University of Calgary



Dr. Jingjing Wang is an assistant professor in Accounting at Haskayne School of Business, University of Calgary. She received her PhD from the Rotman School of Management, University of Toronto. Her research focus spans financial accounting, regulations and standards, information disclosure, auditing, corporate social responsibility, textual analysis, and machine learning. She is passionate about research that has implications for accounting practice and the use of machine learning and textual analysis techniques to identify linguistic signs that could inform investors. Dr. Wang has delved into research areas of going concern disclosure, firm failures, and management mitigation plans and her research has been published in *The Accounting Review*. Additionally, her work on management deception through textual analysis, and its impact on the credibility of accounting big baths, has been published in *Accounting, Organizations and Society*. She has been awarded with the Dean's Awards for Innovative Research and Dean's Research Scholar. Dr. Wang is a non-practicing member of the Chinese CPA. She served as an academic consultant to CPA Canada and actively participated in various Canadian standard-setting projects.

Q & A will follow.

5:00 Closing Remarks & Adjournment – Len Brooks & Minlei Ye

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