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Abstract Book

16th Annual International Conference on
Finance & Accounting
9-12 July 2018, Athens, Greece

Edited by
Gregory T. Papanikos

2018

Abstracts
16th Annual International
Conference on
Finance & Accounting
9-12 July 2018
Athens, Greece

Edited by Gregory T. Papanikos

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Preface

This book includes the abstracts of all the papers presented at the 16th *Annual International Conference on Accounting (9-12 July 2018)*, organized by the Athens Institute for Education and Research (ATINER).

In total 26 papers were submitted by 27 presenters, coming from 16 different countries (Australia, Canada, Egypt, France, Hong Kong, Hungary, Indonesia, Jordan, Portugal, Russia, South Africa, Sri Lanka, Taiwan, Thailand, UK, USA). The conference was organized into 8 sessions that included a variety of topic areas such as Market Performance, Corporate Governance, Accounting Statement Quality, Financial Management & Reporting, and more. A full conference program can be found before the relevant abstracts. In accordance with ATINER's Publication Policy, the papers presented during this conference will be considered for inclusion in one of ATINER's many publications.

The purpose of this abstract book is to provide members of ATINER and other academics around the world with a resource through which to discover colleagues and additional research relevant to their own work. This purpose is in congruence with the overall mission of the association. ATINER was established in 1995 as an independent academic organization with the mission to become a forum where academics and researchers from all over the world could meet to exchange ideas on their research and consider the future developments of their fields of study.

It is our hope that through ATINER's conferences and publications, Athens will become a place where academics and researchers from all over the world regularly meet to discuss the developments of their discipline and present their work. Since 1995, ATINER has organized more than 400 international conferences and has published nearly 200 books. Academically, the institute is organized into seven research divisions and 37 research units. Each research unit organizes at least one annual conference and undertakes various small and large research projects.

For each of these events, the involvement of multiple parties is crucial. I would like to thank all the participants, the members of the organizing and academic committees, and most importantly the administration staff of ATINER for putting this conference and its subsequent publications together. Specific individuals are listed on the following page.

Gregory T. Papanikos
President

**16th Annual International Conference on Accounting,
9-12 July 2018, Athens, Greece
Organizing and Academic Committee**

ATINER's conferences are small events which serve the mission of the association under the guidance of its Academic Committee which sets the policies. In addition, each conference has its own academic committee. Members of the committee include all those who have evaluated the abstract-paper submissions and have chaired the sessions of the conference. The members of the **academic committee** of the 16th Annual International Conference on Accounting were the following:

1. Gregory T. Papanikos, President, ATINER.
2. Peter Koveos, Head, Accounting and Finance Unit, ATINER & Professor of Finance, Syracuse University, USA.
3. Steven Dellaportas, Academic Member, ATINER & Professor, RMIT University, Australia.
4. Henry Thompson, Professor, Auburn University, USA.
5. Sylvie Berthelot, Professor, University of Sherbrooke, Canada.
6. Elisabete Mendes Duarte, Associate Professor, Polytechnic Institute of Leiria, Portugal.
7. George Nel, Senior Lecturer, Stellenbosch University, South Africa.

The **organizing committee** of the conference included the following:

1. Fani Balaska, Researcher, ATINER.
2. Zoe Charalampous, Researcher, ATINER.
3. Olga Gkounta, Researcher, ATINER.
4. Eirini Lentzou, Administrative Assistant, ATINER.
5. Konstantinos Manolidis, Administrator, ATINER.
6. Vassilis Skianis, Research Associate, ATINER.
7. Kostas Spyropoulos, Administrator, ATINER.

FINAL CONFERENCE PROGRAM
16th Annual International Conference on Accounting
9-12 July 2018, Athens, Greece

PROGRAM

Conference Venue: Titania Hotel, 52 Panepistimiou Street, 10678 Athens, Greece

Monday 9 July 2018

08:00-08:45 Registration and Refreshments

08:45-09:30 (Room O-Mezzanine Floor) [Welcome and Opening Address](#)

Gregory T. Papanikos, President, ATINER.

09:30-11:30 Session I (Room B-10th Floor): Market Performance

Chair: Gregory T. Papanikos, President, ATINER & Honorary Professor of Economics, University of Stirling, UK.

1. Jason Wei, Professor, University of Toronto, Canada. Liquidity Risk and Expected Option Returns.
2. Fang Zhang, Associate Professor, Hong Kong Baptist University, Hong Kong. Taxes and Economic Rents: The Role of Political Connection in Chinese Listed Private Firms.
3. Elisabete Mendes Duarte, Associate Professor, Polytechnic Institute of Leiria, Portugal. Constant Proportion Portfolio Insurance with Moving Average Rules Used as a Trigger - An Empirical Approach in European Markets.
4. Renata Konadu, Lecturer, De Montfort University, UK. Corporate Carbon Footprint and Corporate Financial Performance: The Case of UK Listed Firms.

11:30-13:30 Session II (Room B-10th Floor): Corporate Governance

Chair: Elisabete Mendes Duarte, Associate Professor, Polytechnic Institute of Leiria, Portugal.

1. Pattinikutti Mudiyansele Chandralal Thilakerathne, Professor, University of Kelaniya, Sri Lanka. Determinants of Voluntary Risk Management Committees in Listed Companies in Sri Lanka: A Critical Perspective.
2. George Nel, Senior Lecturer, Stellenbosch University, South Africa. The Link between Internet Investor Relations, share Liquidity, share Price Volatility and the Cost of Equity: Evidence from JSE Listed Companies.
3. [Sylvie Berthelot](#), Professor, University of Sherbrooke, Canada & Michel Coulmont, Professor, University of Sherbrooke, Canada. Shareholder Democracy: The Achilles Heel of Corporate Governance?
4. [Androniki Triantafylli](#), Lecturer, Queen Mary University of London, UK, Mohammed Sulaiman Kasbar, PhD Student, Queen Mary University of London, UK, Nicholas Tsitsianis, Senior Lecturer, Queen Mary University of London, UK & Colin Haslam, Professor, Queen Mary University of London, UK. Does the Relationship between Corporate Governance and Financial Outcomes Vary in Different Levels of Agency Conflicts? An Empirical Study.

13:30-14:30 Session III (Room B-10th Floor): Country Studies

Chair: Henry Thompson, Professor, Auburn University, USA.

1. Peter Koveos, Professor, Syracuse University, USA. China in World Finance.
2. [Katalin Balazsine Farkas](#), Vice-Dean, Budapest Business School, Hungary & [Ildiko Dosa](#), Head of Department, Budapest Business School, Hungary. Hungarian Accounting Graduates' Competencies. A Comparison to International Trends and the WEF 2020 Skills.
3. Erzsebet Nemeth, Professor, Budapest Metropolitan University, Hungary. How does the Socio-Economic Environment Influence Financial Literacy Comparison of the OECD 2010 and 2015 Research Results in Hungary.

14:30-15:30 Lunch

15:30-17:00 Session IV (Room B-10th Floor): Issues in Accounting Statement Quality

Chair: Sylvie Berthelot, Professor, University of Sherbrooke, Canada.

1. Etty Murwaningsari, Vice Dean for Academic Affairs, Trisakti University, Indonesia & Sistya Rachmawati, Lecturer, Trisakti University, Indonesia. The Influence of Auditor Professionalism towards Audit Quality in Indonesia.
2. Michel Coulmont, Professor, University of Sherbrooke, Canada & Sylvie Berthelot, Professor, University of Sherbrooke, Canada. Corporate Financialization: A Canadian Example of Toxic Financial Transactions?
3. Steven Dellaportas, Professor, RMIT University, Australia. Interdisciplinary Research in Accounting: Fact or Convenient Fiction?
4. Wafaa Salah, Lecturer, British University in Egypt, Egypt & Abdallah Abdel-Salam, Professor of Accounting, Cairo University in Egypt, Egypt. The Effects of International Financial Reporting Standards on Financial Reporting Quality: Lessons Learned from an Emerging Market.
5. Nadia Smaili, Professor, ESG UQAM, Canada. Examination of a Possible Link between the Readability of CEO's Letter and CEO Narcissism.
6. Philemon Rakoto, Associate Professor, HEC Montreal, Canada. The Effect of Board Compensation and Board Composition on Financial Reporting Quality.

21:00-23:00 Greek Night and Dinner

Tuesday 10 July 2018

07:45-10:45 Session V: An Educational Urban Walk in Modern and Ancient Athens

Chair: Gregory A. Katsas, Vice President of Academic Affairs, ATINER & Associate Professor, The American College of Greece-Deree College, Greece.

Group Discussion on Ancient and Modern Athens.
Visit to the Most Important Historical and Cultural Monuments of the City (be prepared to walk and talk as in the ancient peripatetic school of Aristotle)

11:15-13:00 Session VI (Room B-10th Floor): Financial Management

Chair: Steven Dellaportas, Professor, RMIT University, Australia.

1. Wajeeh Elali, Professor, Concordia University, Canada. Valuing Tesla Inc.: What is it really Worth?
2. Junming Hsu, Professor, National Chung-Hsing University, Taiwan. Acquirers' Cash-Flow and Discount-Rate Betas and Post-Merger Long-Run Performance.
3. Lyudmila Tkachenko, Associate Professor, National Research Tomsk State University, Russia. Financial Management in the Public Sector: Challenges and Opportunities.
4. Rudie Nel, Senior Lecturer, Stellenbosch University, South Africa. The Timing of Dividend Declarations based on an Anticipated Change in Tax Regime in South Africa.

13:00-14:00 Lunch

14:00-15:30 Session VII (Room B-10th Floor): Financial Reporting

Chair: George Nel, Senior Lecturer, Stellenbosch University, South Africa.

1. Abu Jalal, Associate Professor, Suffolk University, USA, Mufaddal Baxamusa, Associate Professor, University of St. Thomas, USA & Anand Jha, Associate Professor, Wayne State University, USA. Strategic Alliances and the Readability of 10-Ks.
2. Julien Le Maux, Associate Professor, HEC Montreal, Canada & Nadia Smaili, Professor, ESG UQAM, Canada. Annual Report Readability and Corporate Bankruptcy.
3. Laith Alaryan, Associate Professor, Ajloun National Private University, Jordan. The Relationship between Accounting Ethics and Financial Reporting Quality.

15:30-17:00 Session VIII (Room B-10th Floor): Special Topics in Accounting and Finance

Chair: Peter Koveos, Head, Accounting and Finance Unit, ATINER & Professor of Finance, Syracuse University, USA.

1. Nicholas Marudas, Associate Professor, Mercer University, USA. (Specification of) Size Matters in Non-profit Accounting Research.
2. Suchada Jiamsagul, Lecturer, Kasetsart University, Thailand. Do Corporate Governance Practices Matter on Investors' Decision? Evidence from the Stock Exchange of Thailand.

20:00- 21:30 Dinner

Wednesday 11 July 2018
Mycenae and Island of Poros Visit
Educational Island Tour

Thursday 12 July 2018
Delphi Visit

Friday 13 July 2018
Ancient Corinth and Cape Sounion

Laith Alaryan

Associate Professor, Ajloun National Private University, Jordan

The Relationship between Accounting Ethics and Financial Reporting Quality

This study aims to test the relationship between professional ethics and financial reporting quality. I will use a questionnaire to explore the Jordanian auditors' perception on this relationship. According to Jordan Certified Public accountants' association, the number of auditors in Jordan in 2017 is 492 external auditors. Sekaran (2017) asserted that the random sample for such population should be 217 respondents.

This study will use certain variables from the IFAC's code of ethics for professional accountants, in light of this code of ethics that issued in 2005, a professional accountant is required to comply with fundamental principles (i.e. Integrity, Objectivity, Professional Competence and Due Care, Confidentiality and Professional Behavior). This study will use descriptive analysis and multiple regression to analyze the data and test the hypotheses of the current study.

This study is an attempt to provide empirical evidence on the relationship between professional ethics and financial reporting quality since for the best knowledge of the researcher- there are few studies conducted in developing countries on this issue and due to the mixed results of previous studies, thus, there is a need to examine this relationship in Jordanian environment to support the results of prior research. The results of the study will be helpful to professional bodies and accountants in Jordan.

Katalin Balazsine Farkas

Vice-Dean, Budapest Business School, Hungary

&

Ildiko Dosa

Head of Department, Budapest Business School, Hungary

Hungarian Accounting Graduates' Competencies: A Comparison to International Trends and the WEF 2020 Skills

This paper describes what competencies Hungarian SMEs and BIG4 representatives consider necessary and lacking in accounting graduates in Hungary, using Chen's (2013) 9 competencies, with 7 more competencies added for the survey. The findings were compared to international trends and expectations of the future job markets depicted in the WEF 2020 skills (World Economic Forum, 2016).

Results show that Hungarian accounting graduates are considered to have the expected professional knowledge relevant to their level of education in the SME sector, where communication and soft skills, analytical thinking and management need to be improved. At the same time, both Big4 representatives and future forecasts place a significantly higher emphasis on soft skills, which are perceived as rather lacking among current graduates. Therefore there is an urgent need to reform traditional accounting curricula to mirror this shift in priorities and to direct research efforts to support such reforms.

Sylvie Berthelot

Professor, University of Sherbrooke, Canada

&

Michel Coulmont

Professor, University of Sherbrooke, Canada

Shareholder Democracy: The Achilles Heel of Corporate Governance?

In recent decades, corporate governance practices have been examined in numerous studies on financial market stakeholders (Cuomo, Mallin and Zattoni, 2016) and other research by academics in diverse disciplines (Shleifer and Vishny, 1997; Carcello, Hermanson and Ye, 2011; Kumari and Pattanayak, 2014; Ahmad and Omar, 2016; Aziri, 2014). There is no doubt that the financial scandals of the early 2000s seriously undermined investors' confidence in financial markets. To restore this confidence, legislators and financial market players in most Western countries have tightened their regulations or introduced governance codes like the G20/OECD Principles of Corporate Governance (2015). In the academic community, studies on specific elements of the regulations or the composition of governance codes grew exponentially. As well, a number of characteristics of boards of directors and directors themselves were examined in relation to firm performance (Kumari and Pattanayak, 2013), earnings management (Kumari and Pattanayak, 2013), fraud and executive compensation. To date, the results of these studies remain however fairly fragmented.

One element of corporate governance that could potentially have a major impact on many aspects of governance practices has received little attention in the literature; that is, the election of directors. As investors' representatives on the board, they are expected to monitor and advise management (Cai, Garner and Walkling, 2009). Their decisions can affect companies' strategic choices, executive appointments and compensation policies, the choice of auditor, as well as many other governance policies and practices. Yet in order for these decisions to reflect investors' interests, the means for investors to express their approval or disapproval is essentially limited to the vote they cast to elect directors at the annual general meeting.

As mentioned above, although the election of directors can have serious repercussions on governance practices, few studies have addressed this issue. Some researchers have focused on proxy battles (Dodd and Warner, 1983, Pound, 1988; DeAngelo and DeAngelo, 1989), but as Cai, Garner and Walkling (2009) point out, proxy battles remain relatively isolated phenomena. In Canada, Fasken Martineau (2017) noted 168 proxy battles between 2007 and 2016, 8 of which took place in 2016. Of these eight, seven were board-related. Cai, Garner and Walkling (2009) conducted one of the few studies examining directors' election at annual general meetings (where

no proxy battles occurred). Their study, which covered the years from 2003 to 2005 in an American context, shows that shareholders' votes are significantly related to firm performance. Our study aims to re-examine this link in the Canadian context using current data.

As is the case in many other jurisdictions, Canadian Securities Administrators have also strengthened corporate governance requirements, although there has been little development in terms of electing directors. It is true that Canadian Securities Administrators did introduce a regulation requiring firms to disclose some information about their directors, such as their attendance at board meetings, their compensation and their independence in relation to the firm, all information intended to better inform shareholders about their directors. However, at election time, the large majority of firms put forward only one candidate for each director's position. The voting percentages are thus generally very high, which raises certain questions. Since the election of directors is a key element in corporate governance, it is important to more closely examine how the process operates. From this perspective, the purpose of this study is to determine whether shareholders take into account: 1) firms' financial performance and 2) CEO compensation when electing directors. Our analyses included these two elements because of the dual advisory and monitoring role directors are required to play.

The results of our analyses of firms listed on the Toronto Exchange S&P TSX index show that investors consider rising CEO compensation, but not a firm's financial performance, when electing directors. These findings are interesting. In some instances, CEO compensation was very high. In such cases, these amounts are no longer available to firms to invest in productive assets that would generate future cash flows. It should also be noted that the voting average for the election of all the directors included in our sample is 96.9%. Dissidence is thus fairly insignificant. These high percentages also raise questions about the representativeness of the votes cast and shareholders' rate of participation.

Michel Coulmont

Professor, University of Sherbrooke, Canada

&

Sylvie Berthelot

Professor, University of Sherbrooke, Canada

Corporate Financialization: A Canadian Example of Toxic Financial Transactions?

For a number of years now, many firms' business models have been moving toward financialization. To the detriment of their industrial and commercial activities, companies are focusing more and more on financial transactions that increase their value. Some researchers attribute this trend to executive compensation plans that are changing executives' role from "industrial manager" to "financial player" (Laurin-Lamotte and l'Italien, 2015). Others see it as the result of certain investors seeking greater financial returns (Fichtner, 2013). This applies to some speculative funds that, after acquiring a certain number of shares, become actors involved in a scenario designed to optimize the financial value of the capital invested. Lastly, others view it as the development of a corporate governance paradigm whose primary goal is to maximize shareholder value (Clarke and Gholamshahi, 2017). Although the trend has been identified and begun to be documented, studies that concretely examine its ends and results remain few. Yet more and more companies and some of their stakeholders are having to bear its impact. Sears Canada is just one example.

Sears Canada was a large retailer that began operations under the Simpson-Sears banner in 1953. At that time, it was the first to distribute a catalogue to 300,000 households across Canada and developed its mail order business Canada-wide. It also extended its activities to department stores and mall outlets, selling clothing, furniture and appliances, automobile-related services, floor covering, electronics, etc. In 2001, its revenues totalled CAN\$6.7 billion, making it the landmark year in the company's growth. In the summer of 2017, Sears Canada sought protection under the Companies' Creditors Arrangement Act.

Sears Canada is a concrete example of a company that preferred to maximize short-term shareholder value rather than ensure its long-term survival and preserve the interests of other stakeholders. In the fall of 2017, following a financial collapse that had spanned several years, more than 16,000 employees were laid off with no severance pay and the employees' pension fund posted a deficit of \$270 million. The story of Sears Canada provides the opportunity to focus attention on the players involved in this financialization and their related actions. Our study thus identifies, from a corporate governance perspective, the players and their actions that led to the financial death throes of this renowned Canadian company. The company's

official documents were analysed, revealing that over a 15-year period, while its sales were plummeting and it was investing very little in renewing its image, the company paid out close to \$3 billion in dividends to its shareholders. Analysis of the key financial events impacting the company in recent years will shed light on the circumstances leading to this type of financial collapse. These circumstances should be of particular interest to regulatory bodies in countries where corporate financialization is becoming increasingly widespread.

Steven Dellaportas
Professor, RMIT University, Australia

Interdisciplinary Research in Accounting: Fact or Convenient Fiction?

This study examines the nature of inter-disciplinary research in accounting within two inter-related themes. First, the study proposes a definitional framework of inter-disciplinary research developed from a comprehensive review of relevant literatures to better understand the meaning of inter-disciplinary research and its underlying dimensions. The two identifiable dimensions, integration (blending of concepts) and interaction (researcher to researcher collaboration) sit along a continuum of relationships influencing the prospect of developing new ways of thinking (third dimension), termed in this study, inter-disciplinary cognition. Second, the framework was empirically tested using factor analysis on publication characteristics (author details, conceptual lens and method) to determine the extent to which published manuscripts attach to the underlying dimensions of the framework. The data was obtained from the research contributions to three highly regarded inter-disciplinary accounting research journals (AAAJ, AOS, CPA) during the 12-year period 2005-2016. Overall, the findings on inter-disciplinarity note the extent of inter-disciplinary research driven by theoretical integration with less emphasis on researcher-to-researcher interaction. Inter-disciplinary collaboration, as a social artefact of inter-disciplinarity is lacking in accounting research, shedding light on how to forge inter-disciplinary research.

Wajeeh Elali

Professor, Concordia University, Canada

Valuing Tesla Inc.: What is it Really Worth?

In this paper, we attempt to estimate the fair value of Tesla (NASDAQ:TSLA) using the discounted cash flow valuation model (DCF). As of December 22, 2017, Tesla was trading at \$325 per share, which enables the whole company to have a market capitalization of slightly less than \$55 billion. Our analysis revealed that this is an outrageously overvalued company compared to the industry's most comparable competitors such as GM, BMW, and Daimler. Obviously, this cannot be explained away by fundamental information alone. Even though, we used extremely optimistic assumptions regarding Tesla's future growth and operating margins; the DCF model still produced a value for Tesla which was only about 2/3 of the then market price. This finding is consistent with what many analysts believe that Tesla is grossly overvalued and it is possibly facing a liquidity problem. Therefore, this study garners further support to the existing limited body of literature regarding the assertion that stock prices can diverge significantly from a rational fundamental value; however, further in-depth study is recommended.

Junming Hsu

Professor, National Chung-Hsing University, Taiwan

Acquirers' Cash-Flow and Discount-Rate Betas and Post-Merger Long-Run Performance

Firms' cash-flow and discount-rate betas earn a high and low risk premium, respectively. This study estimates these two betas of acquirers before mergers and then examines whether they affect firms' post-merger long-run stock performance. The results show that acquirers with high pre-merger cash-flow betas do not underperform in the long run after mergers, implying that acquirers with the ability to generate cash flows before mergers can still create cash flows after mergers. On the other hand, firms with low cash-flow betas and high discount-rate betas perform poorly in the long run after mergers. This finding reveals that these firms fail to efficiently integrate post-merger operations, which may be ascribed to the possibility that they take mergers due to temporary factors such as market overvaluation. This study contributes to the literature by showing that firms' fundamental is important to predict their post-merger performance.

Abu Jalal

Associate Professor, Suffolk University, USA

Mufaddal Baxamusa

Associate Professor, University of St. Thomas, USA

&

Anand Jha

Associate Professor, Wayne State University, USA

Strategic Alliances and the Readability of 10-Ks

We investigate the association between the readability of a partner's annual 10-K report and the investor's reaction to the announcement of a strategic alliance, as measured by the cumulative abnormal return (CAR) following the announcement. We find that when a partner has a less readable 10-K report, the increase in the CAR around the announcement of the alliance is relatively lower— this result indicates that investors discount partnerships with firms that have less readable 10-K reports. The lower CAR appears to be due to the investor's perception that those alliances are with a less credible partner and have a greater probability of failure. Our results are based on examining 1,870 strategic alliances that occurred between 1995 and 2012 in the United States.

Suchada Jiamsagul
Lecturer, Kasetsart University, Thailand

Do Corporate Governance Practices Matter on Investors' Decision? Evidence from the Stock Exchange of Thailand

Thailand has made major changes in corporate governance practices since the financial crisis in 1997. After continuously developing corporate governance practices, Thailand is recognized by the Report on the Observance of Standards and Codes (ROSC) as one of regional leaders with high levels of compliance in corporate governance practices in several key areas (IOD press release, 2015). In line with international criteria assessment, Thai Institute of Directors Association (IOD) has evaluated the corporate governance practices of Thai listed firms since 2001. However, there are still limited empirical evidences on the impact of Thai corporate governance practices on firm valuation and valuation of accounting information.

There are two main research questions in my study. First, whether Thai corporate governance practices can directly provide valuation signal for investors' decision. Second, whether Thai corporate governance practices can benefit to investors by improving the value relevance of accounting information. Accordingly, this study aims to test both direct and indirect effects of corporate governance practices on stock return. Corporate governance practices are measured by corporate governance levels of Thai listed firms evaluated by IOD. The firms getting four or five are designated as 1, while the firms getting only three stars are designated as 0.

To test whether corporate governance practices have effects on stock return, this study applies Feltham-Ohlson model (1995) and includes negative earnings, market to book value, debt to equity ratio, and total assets as control variables. In addition, it adopts interaction terms between accounting information and corporate governance levels to evaluate the impact of corporate governance practices in a light of the market's perception of incredibility of financial reporting process.

With the samples of 376 Thai listed firms in 2016, the results show that corporate governance practices have relationship with stock return in their own right. However, they do not improve the value relevance of accounting information. This means that good corporate governance can provide a positive valuation signal to investors. However, investors still do not view the role of corporate governance practices in enhancing the reliability of accounting information. These findings should be useful for the Stock Exchange of Thailand (SET) since SET concerns about the value relevance of accounting information and attempts to foster corporate governance as a key factor for increasing investor confidence.

Renata Konadu

Lecturer, De Montfort University, UK

Corporate Carbon Footprint and Corporate Financial Performance: The Case of UK Listed Firms

Despite the plethora of academic literature addressing the relationship between corporate environmental performance and financial performance of firms, results are still inconsistent. This paper reports the results of the investigation into the relationship between corporate environmental performance (CEP) and corporate financial performance (CFP) as multidimensional construct. Unlike previous studies, the paper explores the two dimensions of CEP construct and the possible link with CFP. The author investigated possible complex interrelationships such as mediation and moderation. The study used a panel data of 140 UK large listed firms from 2011 to 2014 to investigate this relationship. Using feasible generalised least squares, the result indicates that environmental management practices (EMPs) had a significant relationship with market based financial measure (Tobin's Q) while environmental operational performance (EOP) is significantly related to both accounting based and market based measures (ROA and Tobin's Q). Although, a significant relationship was not found to exist between all the EMP measures and CFP indicating, the findings suggest a moderation of EMPs on the link between environmental operational performance and corporate financial performance. The results also provide evidence that Greenhouse gas emissions should be explored in their individual scopes 1 and 2 as they have distinct effect on corporate financial performance. There are relevant policy implications of these results for top managers and policy makers in improving environmental performance in companies and the UK economy at large.

16th Annual International Conference on Finance & Accounting,
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Peter Koveos
Professor, Syracuse University, USA

China in World Finance

Julien Le Maux

Associate Professor, HEC Montreal, Canada

&

Nadia Smaili

Professor, ESG UQAM, Canada

Annual Report Readability and Corporate Bankruptcy

Public companies are required to provide financial statement users with comprehensive information. The SEC (Securities and Exchange Commission) has responded to increasing calls for clear and comprehensive information by requiring companies to use plain English in their disclosure documents. In 1995, the Report of the Task Force on Disclosure Simplification proposed several recommendations to improve disclosure quality, including enhancing the readability of reports.

By contrast, managers may perceive advantages in releasing incomprehensible annual reports. Prior literature indicates that managers make deliberate decisions to use vague or complex language (Li 2008; Lehavy et al. 2011, Lo et al. 2017).

Based on a sample of 874 US firms (437 bankrupt firms matched to 437 non-bankrupt firms), our results suggest that bankrupt firms have less readable annual reports than non-bankrupt firms. In addition, annual report readability has incremental power in predicting financial distress, especially corporate bankruptcy.

This paper contributes to the literature in the following ways. First, given the widespread use of financial and accounting ratios as predictive variables in firm bankruptcy models (Beaver 1966; Ohlson 1980; Campbell & Mínguez-Vera 2008), our research adds a new non-financial predictive variable to these models. Second, we contribute to the literature on readability by examining the prevalence of the readability of annual reports as a strategic tool. Third, we use 10-K document file size as a measure of readability, as suggested by Loughran and McDonald (2014) in their assertions that 10-K document file size offers a simple readability proxy that outperforms the Fog Index. Overall, our paper adds to the vast literature on bankruptcy prediction by testing whether annual report readability has incremental power in predicting financial distress, and more specifically, corporate bankruptcy.

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(Specification of) Size Matters in Non-profit Accounting Research

Numerous studies examine the effects of an accounting measure of nonprofit organizational (NPO) inefficiency on donations to NPOs. Nearly all of these studies include a size control in their models, specifying size as total assets, total revenues, or program expenses. The only prior study of sensitivity of results to these three different size specifications is Marudas and Jacobs (2009). However, their paper tests an older, less comprehensive model of donations and uses a small data set on the Nonprofit Times 100. We compare results from using each of these size specifications in a more comprehensive model using a much larger and more recent database and discuss the theoretical support for and against using each specification. Surprisingly, results are extremely sensitive to specification of organizational size.

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Constant Proportion Portfolio Insurance with Moving Average Rules Used as a Trigger - An Empirical Approach in European Markets

One of the most important assumptions of financial theory, is that markets are efficient. The assumptions behind are that markets work in a perfectly competitive world, in which the information is known by all the investors, there are no transaction costs and the investors are considered to be rational and with homogeneous expectations. These assumptions are the basis of several models in financial markets theory.

If the market is efficient, then the purchase/sale of a stock, at market price, can never produce abnormal results. For this to happen, the market information should be widely accessible to investors and thus all relevant information will be reflected in the stock price (Fama, 1970).

The financial markets efficiency, and mainly the weak form efficiency, has been under debate in recent decades. The weak form efficiency as defined by Fama (1970), states that prices reflect at least all the information contained into the historical prices series, including volume. That is, according to this theory, it would be ineffective to try to profit through the use of information available in historical prices.

Technical analysis assumes that all the fundamental information is fully reflected in stocks prices. But the investor can obtain profit based on the study of technical indicators and market standards. This study, and also the rules provided by it, will allow investors to reach profit, thus by knowing which stocks to be traded in order to buy and sell at the right market time. The main idea is to beat the markets.

Technical analysis is based on three fundamental principles: The first one is that the prices contain all the relevant information. Moreover, it admits that the prices follow trends. Finally it assumes that the behavior of the assets is repeated in time.

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The Influence of Auditor Professionalism towards Audit Quality in Indonesia

The objective of this study is to observe the influence of auditor's professionalism which consist of competency, independency, integrity, working experience, motivation, objectivity, due professional care, and accountability to audit quality.

The data used in this research is primary data which includes 118 respondents from auditor who works in public accountant firm. Sample collection is done by convenience sampling method. Statistic tool used in this research is multiple regression.

The results indicate that specific variables such as competency, integrity, work experience, motivation, due personal care and accountability have significant influence to audit quality, whereas independency and objectivity have no influence to audit quality.

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The Link between Internet Investor Relations, share Liquidity, share Price Volatility and the Cost of Equity: Evidence from JSE Listed Companies

Background: Investor relations is concerned with the relationships between companies and their existing and potential investors, of particular interest is access to information relevant to investor decision making, this encompasses a wide variety of information types, spanning mandatory, voluntary, financial and non-financial disclosures. Corporates can utilise a variety of channels to communicate with investors, including the integrated annual report, investor presentations, and social media, including Twitter, Facebook and their corporate websites.

South Africa has been lauded internationally for the strength of its auditing and reporting standards (IRBA, 2017). With research mainly focused on mandatory disclosures the broader voluntary disclosures, relating to the maintenance of investor relations is largely un-researched in South Africa.

According to the investor recognition hypothesis (Merton, 1987) a well-developed investor relations strategy will increase company visibility, which theoretically may increase share liquidity. Theoretically and supported by empirical evidence, smaller companies are expected to gain proportionally more from a well-developed investor relations strategy compared to larger companies.

Purpose: The purpose of this study were threefold: to establish whether the use of Internet investor relations (IIR) has any effect on share liquidity, to ascertain whether smaller companies may potentially benefit more from IIR through an increased share liquidity compared to larger companies, and to examine if the association, if any, between IIR and share liquidity is caused by any specific subcategories of IIR.

Method: The current study focuses on the use of the corporate website, given the increased popularity and advantages as communication medium. This study used data from Johannesburg Stock Exchange (JSE)-listed companies. Firstly, a content analysis of corporate websites was performed to calculate an IIR score for each of the 85 companies included in the study sample. The analysis was done manually using a measurement instrument developed by Nel & Brummer (2016). The instrument used, consists out of 346 attributes, organised into 11 categories: accessibility, navigation, timeliness, company information, financial information, relevant news, investment case, shareholder information, bondholder information, corporate

governance and corporate responsibility.

Secondly, stepwise multiple regression analysis was applied with share liquidity as dependent variable and IIR as one of a set of selected explanatory variables. Share liquidity was measured as the average daily (over 250 trading days) of the rand volume of shares traded scaled by the daily market capitalisation. Subsequent, small and large company sub-samples were created using the median market capitalisation to ascertain whether the relationship between IIR and share liquidity differs based on company size. Finally, stepwise regression model-building was used to develop a regression model of IIR subcategories that best explain share liquidity.

Results: A significant positive association (at the 5% level) was found between IIR and share liquidity. Together with the additional independent variables that remained significant in the regression model (company size and free float), 50% of the variation in the dependent variable, IIR, is explained.

For the small company sub-sample, a significant positive association (at the 5% level) was found between IIR and share liquidity. Together with the additional independent variables that remained significant in the regression model (free float, dual listing status and directors shareholding), 49% of the variation in the dependent variable, IIR, is explained. For the large company sub-sample, on the other hand, IIR did not remain as significant independent variable in the stepwise regression model.

Based on a bivariate analysis, significant positive associations (all at the 1% of better level, except for navigation at the 5% and relevant news at the 10% level) were found between share liquidity and each of the following subcategories of the IIR score: navigation, timeliness, financial information, relevant news, investment case, shareholder information, corporate governance and corporate responsibility. No significant associations were found between share liquidity and each of the following: accessibility, company information and bondholder information.

Using stepwise multiple regression with share liquidity as dependent variable, and the 11 IIR subcategories together with company size and free float as independent variables, the following independent variables remained significant (all at the 5% or better level) in the final regression model: financial information, navigation, bondholder information, investment case, free float and company size. The result explains 59% of the variation in the dependent variable. All coefficients were as expected, except for navigation and bondholder information that were negative.

Conclusion: Empirical support is provided for the view that companies may potentially benefit from a well-developed IIR strategy

through increased share liquidity. Similar results were found for a the small company sub-sample as opposed to the large company sub-sample where no significant association was found between IIR and share liquidity in the multiple regression model. These results provide some support for the notion that smaller companies may potentially benefit proportionally more from IIR compared to larger companies. Finally it appears that financial information and information that supports the investment case will increase share liquidity as opposed to improved navigation (i.e. ability to find information on corporate websites) and bondholder information where an unpredicted negative association with share liquidity was found.

Work-in-progress: Theory suggests two distinct routes in support of the hypothesis that IIR could decrease cost of equity, the liquidity route and the estimation risk route (Botosan & Plumlee 2002). This warrants further research, using structural equation modelling, to examine the relationship between IIR, share liquidity and the cost of equity. The results thereof will also be presented at the conference.

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The Timing of Dividend Declarations based on an Anticipated Change in Tax Regime in South Africa

Background: The anticipated change in tax regime from a company-level tax (STC) to a shareholder-level tax (dividends tax) from 1 April 2012 in South Africa provides the opportunity to investigate the role of taxes in affecting corporate behaviour.

Aim: The aim of this study was to investigate whether dividends declarations were accelerated or postponed during 2012 for a sample of companies listed in South Africa based on financial years from 2009 to 2015.

Methods: Firstly, a mixed model ANOVA (in aggregate for all companies) was performed to investigate the trend in number of days taken to declare final and interim dividends during each of the financial years. Secondly, specific questions (for each individual company) were investigated regarding the timing of declarations before or after 1 April 2012. Specific questions also included companies which had no dividend declarations during 2012 and special dividends only in 2012.

Results: In respect of final dividends, findings do not suggest an acceleration or postponement during 2012 financial years. In respect of interim dividends, findings based on the ANOVA (with a p-value of less than 1%) as well as specific questions supports an indication of a postponement of interim dividends during 2012 financial years. In respect of special dividends, an increase in the number of special dividends during 2012 financial years were also noted which could be indicative of an acceleration or postponement during 2012. The findings of this study contribute to literature in respect of dividend policy by providing empirical evidence that the timing of dividend declaration differs in a year of an anticipated tax reform.

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**How does the Socio-Economic Environment Influence
Financial Literacy Comparison of the OECD 2010 and 2015
Research Results in Hungary**

Many research and public sources point out from time to time that in Hungary there is a lag behind the developed countries in terms of the financial knowledge of the population and the practical application thereof. Between 2010 and 2015, the economic and financial situation of Hungary and the Hungarian population was marked by fundamental changes. In our research, we sought to find out how this affected the financial literacy of the population. Our research database was based upon the OECD surveys conducted in 2010 and 2015 on the assessment of domestic financial literacy. The differences between the answers to the same questions of the two surveys were examined by means of regression analysis and variance analysis. We found that there were several significant changes between the two surveys. In 2015, there were fewer persons who entrusted their financial decisions to others, and there is also a lower number of persons struggling with financial problems, but at the same time the number of those preparing budgets and having savings has also decreased. We performed less well in financial knowledge related issues in 2015. From the point of view of attitudes, a shift can be observed towards lower awareness. In 2015, Hungarians were less concerned about their finances, they preferred to spend their money and they were less likely to have long-term goals. The results of the survey show that after the personal financial crisis (indebtedness, constraints, unemployment) observed in the year 2010, Hungarians were experiencing a sense of liberation in 2015: delayed consumption was followed by spending. At the same time, it should be pointed out that this was not achieved by borrowing, but by the use of increased income.

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The Effect of Board Compensation and Board Composition on Financial Reporting Quality

Financial reporting provides information useful to providers of capital in their decision-making processes. Investors must have confidence in these reports. Unlike previous studies examining the effect of executive compensation on financial reporting quality, this study focuses on the compensation of board members. This study examines the relationship between board members equity-based compensation, board composition and financial reporting quality. Financial reporting quality is measured by the value relevance of earnings. Board compensation and board composition are extracted from annual shareholder proxy circulars available in the System for Electronic Document Analysis and Retrieval (SEDAR) database. Using data from Canadian firms composing S&P/TSX index for the year 2015, the analysis shows that board independence significantly enhances the value relevance of earnings. In-depths analysis shows that awarding board members with equity-based compensation enhances the value relevance of earnings, but only for firms with high level of board independence. This finding highlights the importance to consider board characteristics when assessing the relevance of financial reporting to investors.

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The Effects of International Financial Reporting Standards on Financial Reporting Quality: Lessons Learned from an Emerging Market

The purpose of this study is to investigate whether the adoption of International Financial Reporting Standards (IFRS) leads to higher financial reporting quality for non-financial listed firms. Financial reporting quality is measured in this study by three attributes of earnings introduced in previous literature, namely: 1) earnings management expressed as earnings smoothing and managing towards positive earnings, 2) timely loss recognition expressed as large negative net income and asymmetric incorporation of economic gains and losses, and 3) value relevance. Multiple linear regression and logistic regression are employed to investigate the pre-IFRS (2008-2010) and post IFRS (2012-2014) adoption periods. The study is based on a sample of 600 non-financial firms from 8 industries listed on Taiwan stock exchange. A Jarque-Bera test is employed to measure the normality distribution of variables. In addition, Unit root test proposed by Augmented Dickey-Fuller (ADF), Philips-Perron (PP), Im, Pesaran, Shin W-stat (IPSW), Levin, and Lin and Chu t (LLC) is employed to test whether the study variables are stationary throughout the sample period. The study concluded that financial reporting quality in the post-adoption period is improved. This study contributes to the literature by using data from an emerging market. It provides an insight to regulators and international standards setters on the effects of the switch from local accounting standards to IFRS on accounting quality.

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Examination of a Possible Link between the Readability of CEO's Letter and CEO Narcissism

"Narcissism lies at the heart of leardeship" (Rijsenbilt and Commander, 2013; Kets de Vries, 2004). CEOs may exhibit more narcissism compared to other employees partially because of their hierarchical position and their influence. The CEO's letter to shareholders, as an important communication medium, has potential to provide traces of CEO narcissism. We assume that the CEO's letter to shareholders might facilitate the destructive (extreme) CEO narcissism and reflect a specific personality trait of CEOs.

Our objective is the examination of a possible link between the readability of CEO's letter and CEO narcissism. Moreover, we examine the role the board of directors can play to mitigate this relation. This study focuses on CEO narcissism and its effect on the readability of the CEO's letter with an examination of board power as a critical corporate governance mechanism that may moderate the negative effect.

Based on Emmons' (1980) categorization of narcissism (CEO compensation, CEO exposure, CEO power and CEO acquisition behavior) and on Chatterjee and Hambrick (2007) five indicators of narcissistic tendencies of a CEO (CEO's photograph prominence in the company annual report, the CEO's prominence in the company's press release, CEO's use of first-person singular pronouns, CEO relative cash compensation, CEO relative non-cash compensation), we develop various proxies to capture CEO narcissism such as CEO photo relative size on the CEO's letter, the biography of the CEO in Who's who, and the ratio of CEO cash to total compensation.

From 619 CEO's letters drawn from French companies between 2010 and 2014, we found CEO narcissism is associated with less readable CEO's letters. Our results suggest besides that the board could play a crucial role by mitigating the effect of destructive narcissism. In addition, we note that the presence of CEO woman is positively related to the readability of the CEO's letter. Thus, this study re-enforces the view that personality trait has significant consequences on the ability of the reader to decipher the intended message delivered by the CEO and the company.

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Determinants of Voluntary Risk Management Committees in Listed Companies in Sri Lanka: A Critical Perspective

The objective of this research is to examine the interrelatedness between firm specific characteristics and a company's decision to set up a separate risk management committee as a sub-committee of the main board of directors within the context of a middle income country, Sri Lanka. Corporate governance issues has given much prominence in recent years in academia and practice (Mardjono, 2015; Claessens and Yurtoglu, 2012). Board composition is one of the major determinants of quality of corporate governance in companies. Corporate failures, financial scandals, technology adoption in business processes, political instability and economic policies of different governments called for giving much attention to risk management processes of companies. Researcher analyzed the data extracted from annual financial reports of selected listed companies in the Colombo Stock Exchange (CSE), Sri Lanka by using logistic regression. The results show that positive relationship between separate risk management committee and board independence, board size, firm size and nature of the industry. However, findings indicate that the role of costs associated with information asymmetry, agency and formation of standalone risk management committee and idiosyncrasies in industry diversity caused to form a separate risk management committee. The study nevertheless focusses on frontier stock market in a middle income economy that bring practical implications in the perspective of investors in assessing the degree of risk management processes formulated of companies listed in the CSE. Further, findings are more appealing in the perspective of capital market development strategy 2020 formulated by Securities and Exchange Commission (SEC) of Sri Lanka in the verge of uncertain of political climate prevailing in the country.

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Financial Management in the Public Sector: Challenges and Opportunities

The public sector of the economy, as a rule, established itself as a leading choice in the economy of developed countries. The effective functioning of the sector depends on qualified management, to make management decisions with respect to such organizations.

It should be noted that the most modern management technology developed and proved to be successful in practice for commercial organizations. Commercial organizations are aimed at profit and welfare of its shareholders. These goals is fairly easily measurable and formalized in a sufficient number of indicators showing the achievement of the organization's business objectives.

Organizations of the public sector differ significantly from commercial organizations. The purpose of budgetary organizations is to provide public goods, such as services in the field of law enforcement, health, education and others, rather than increasing shareholder wealth. The economic effect of such services is difficult to measure. The effect of the provision of those services cannot be measured by referring to the cost benefits, because the benefits of such services impossible to calculate in monetary terms. For example, benefits from the provision of health services, is to increase the public health of the nation.

The effective functioning of the public sector is interested not only the state but all citizens whose are its taxpayers. Tax form a significant part of the budget of any state. The complexity of measuring the effectiveness of the public sector is the lack of appropriate indicators and measurement methods of rational use of public resources. Due to the lack of appropriate indicators and measurements of public resources management practices is difficult to measure the effectiveness of the state sector of the economy. In addition the scale of the public sector are not clearly defined, which does not allow to apply adequate mechanisms of management related to organizations of the public sector.

By virtue of the presence of significant differences between commercial and budgetary organizations, not all of the tools of financial management can be applied to organizations of the public sector. The disadvantages of financial management in public sector organizations are the lack of adequate and effective management tools. The article is devoted to the search for effective financial management tools in the public sector of the economy. The author analyzes the possibilities for using financial management tools of commercial organizations in the public sector of the economy is carried out at the level of conceptual bases, that is, economic theories. The author analyzes

the possibilities of using financial management tools of commercial organizations in the public sector of the economy at the level of conceptual bases, that is, economic theories. Because, the theory determines the methodology, approaches and techniques that can be used to manage finances in the public sector.

The purpose of this paper is to study the applicability of economic theories and the analytical tools of financial management of commercial organizations for public sector organizations.

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Does the Relationship between Corporate Governance and Financial Outcomes Vary in Different Levels of Agency Conflicts? An Empirical Study

Previous literature, which has examined the association between corporate governance and financial performance, did not report a consistent set of results. For example, Larcker et al. (2007) found that some corporate governance indices, for example, anti-takeover, CEO compensation plans and institutional ownership have positive impact on future accounting based measurements (ROA).

Moreover, they found that other governance indices (e.g. board size and busy directors) have a negative impact. On the other hand, Bhagat and Bolton (2009) found that the impact of board independence, proxied by the proportion of independent outside directors, on financial performance, proxied by ROA, stock return and Tobin's Q, changed from negative to positive after the issuance of the SOX act in (2001).

More recently, Veprauskaite and Adams (2013) found that CEO power index is negatively affecting financial performance proxied by Tobin's Q, ROA and ROE while the CEO compensation index has no effect on the three previously mentioned financial performance measurements.

One possible explanation to these mixed results is that the association between corporate governance and financial performance is contingent on other factors. In other words, the potential positive impact of corporate governance on firm financial performance is expected, only, in the presence of certain conditions. Given the fact that corporate governance procedures are to provide a kind of alignment of interest between different contracted parties (e.g. managers and shareholders), so, companies with high agency conflicts should employ high levels of corporate governance to mitigate the harm of agency conflicts, which is expected to have a positive impact on firm financial performance.

The motivation of this paper is to answer two main research questions; the first question is to test whether corporate governance affects different levels of agency conflicts. The second question is to examine how the relationship between corporate governance and financial performance varies

with the variation of the level of agency conflicts. Our sample consists of 78 non-financial companies listed in FTSE100 between 1999 and 2014. To answer the first question, we applied quantile regression, which enables us to test this relationship in different distribution points of the agency conflicts. We used principal component analysis and factor analysis to measure corporate governance and agency conflicts respectively. Our results showed that corporate governance factors (e.g. Board Compliance and Board Structure) are more likely to be effective tools to reduce the magnitude of high and medium agency conflicts. On the other hand, we estimated the impact of corporate governance on firm financial performance in different levels of agency conflicts using the system GMM estimator. Our results showed that investing in high quality corporate governance mechanisms in companies with low levels of agency conflicts have a detrimental effect on firm financial performance.

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Liquidity Risk and Expected Option Returns

We establish the existence of liquidity risk premium in option returns via both sorting analyses and Fama-MacBeth regressions. In leverage-adjusted, hedged returns, the alpha due to liquidity risk ranges from 7.4 to 17.2 basis points per month. In hedged returns unadjusted for leverage, the alpha ranges from 119.4 to 154.9 basis points per month. In contrast to the findings for stocks and bonds, the liquidity risk premium uncovered in option returns is negative. The negative premium is due to the fact that option end-users write options in net and they care more about liquidity risk than market makers.

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Taxes and Economic Rents: The Role of Political Connection in Chinese Listed Private Firms

The traditional wisdom suggests that, while tax authorities prefer more collection, companies use various tools to lower their tax bills. Nonetheless, by studying Chinese private firms, we find that firms with an incentive to develop political connections would like to pay more tax to respond to the government's call for additional revenue. The active respondents include those firms who operate in less developed regions, face intense competition and foresee lenient tax enforcement. We also find that active respondents, compared to their peers, get more preferential access to government-controlled resources and as a result, the tax overpayment leads to better future performance. Our study provides general evidence that tax payment as a specific channel through which the government seeks rents and firms pursue political connections in China.