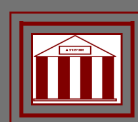
2016

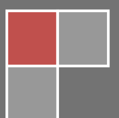
Finance Abstracts

Fourteenth Annual International Conference on Finance, 4-7 July 2016, Athens, Greece

Edited by Gregory T. Papanikos

THE ATHENS INSTITUTE FOR EDUCATION AND RESEARCH





Finance Abstracts
14th Annual International Conference on Finance 4-7 July 2016, Athens, Greece

Edited by Gregory T. Papanikos

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TABLE OF CONTENTS

(In Alphabetical Order by Author's Family name)

	Preface	**9**
	Conference Program	**11**
1.	**Comparison of Modelling Methods for Probability of Default: Evidence from British Listed Firms** *Madina Abdrakhmanova*	**17**
2.	**Basel III and Regulatory Capital** *Ioannis Anagnostopoulos*	**18**
3.	**The Relation of International Financial Reporting Standards and Corporate Governance: A Case of Turkey** *Basak Ataman & Hakan Cavlak*	**19**
4.	**Young Female Audit Committee Member and Timeliness of Restated Earnings Disclosures** *Nourhene Ben Youssef*	**20**
5.	**CEO's Letter Accompanying the Report on Corporatesocial Responsibility of Canadian Listed Firms: An Analysis of the Content and the Links with Some of the Firms' Characteristics** *Julien Bilodeau, Kirsten Burkhardt & Cynthia Pelletier-Lambert*	**21**
6.	**A Logit Model using Accounting Ratios to Predict the Failure of SME's** *Xavier Bredart*	**22**
7.	**Equity Premium Predictability: Combination Forecasts versus Multivariate Regression Predictions** *Stephane Chrétien, Claudia Champagne & Frank Coggins*	**23**
8.	**The Tournament Effect for Winning and Losing Funds Analyzed with Ex Ante Risk Measures** *Frank Coggins, Claudia Champagne & Stephane Chrétien*	**24**
9.	**The Informational Content of the Loan Market: An Equity Portfolio-Based Approach** *Claudia Champagne, Stéphane Chrétien & Frank Coggins*	**25**
10.	**Perceptions on Identity Formation of Chartered Accountants in Academia: Implications for Professional Learning** *Eloise De Jager*	**26**
11.	**Emerging Markets Successive Takeover Deals: Learning or Hubris** *Hicham Daher*	**27**

12.	**Synergistic Value in Determinatining Fair Value of Acquired Business in the Context of Business Combination: An Empirical Study in Turkey** *Gurbuz Gokcen & Ozgur Teraman*	28
13.	**Demand for Social and Human Capital: The Case of U.K. Directors** *Didem Gundogdu*	29
14.	**A New Asymmetric GARCH Model: Testing, Estimation and Application** *Abdulnasser Hatemi*	30
15.	**Regulations on the Auditor-Client Matching – Experimental Evidence on the Quality of Audited Financial Reports** *Thomas Hattenbach & Stefani Ulrike*	31
16.	**Policyholder Behaviours in Taiwan Life Insurance Market** *Yawen Hwang*	32
17.	**Asset Specificity and the Ownership of Buildings** *Debra Jeter & Norman Wong*	33
18.	**Social Capital and Bank Accounting Transparency** *Kiridaran Kanagaretnam*	34
19.	**How Can Accrual-Based Accounting Information Prevent the Government Financial Difficulties?** *Takafumi Kanemura*	35
20.	**The Investment Cash Flow Relationship: Does National Culture Matter?** *Eilnaz Kashefipour, Shima Amini & Darren Duxbury*	36
21.	**Cross-Country Differences in Reporting Practices – The Case of Provisions for Liabilities** *Katarzyna Klimczak*	37
22.	**The Possibilities of Digitalization in Accounting** *Liisa Kemppainen*	38
23.	**Pension Accounting in the Family Firm** *Samer Khalil, Ahmad K. Ismail, Assem Safieddine & Hassan Tehranian*	39
24.	**Collective Corruption and how to live with it: Towards a Projection Theory of Corruption in Organisations** *Georgios Kominis & Adina Julia Dudau*	40
25.	**Financing China** *Peter Koveos*	41
26.	**Ethics, Globalization and the Role Educators Play** *Barbara L'Huillier & Blaine Garfolo*	42

27.	**Market Monitoring and Influence: Evidence from Deposit Pricing and Liability Composition from 1986 to 2013** *Alexandros Prezas & Lin Guo*	**43**
28.	**Providing Financial Education to Generation Z; Challenges and Opportunities. An Integrative Approach for the Accounting and Finance Curriculum** *Titos Ritsatos*	**44**
29.	**Board Characteristics and Ownership Structure as Determinants of CEO Turnover in JSE Listed Firms** *Colin C. Smith, Francois Toerien, Andrew Bayliss, Mme Makale & Sean Fitzpatrick*	**45**
30.	**Are Two Heads Better than One? Financial Returns from the Curious Case of Dual-Listed Companies** *A. J. Stagliano*	**46**
31.	**Joint Modelling UHF Financial data under ACD Specifications** *Handy Tan*	**47**
32.	**The Role of Corporate Governance and Financial Metrics on Performance: Evidence from FTSE 100 Firms** *Androniki Triantafylli, Nick Tsitsianis & Deven Bathia*	**48**
33.	**Green Finance with Reference to Green Accounting** *Natalie West Kharkongor*	**49**
34.	**The Influence of Financing Decision and Fundamental factor to Firm Innovation in Indonesian Capital Market** *Sri Wiyati Mahrani, Murdjani Kamaluddin & Sujono Sujono*	**50**
35.	**Performance Measurement Mean Reversion** *Toli Xanthopoulos*	**51**
36.	**Public Support within Turbulent Market** *Irina Yarygina*	**53**

Preface

This abstract book includes all the abstracts of the papers presented at the *14th International Conference on Finance, 4-7 July 2016, Athens, Greece*, organized by the Athens Institute for Education and Research. In total there were 36 papers and 38 presenters, coming from 19 different countries (Belgium, Canada, Finland, Germany, France, India, Indonesia, Japan, Lebanon, Poland, New Zealand, Russia, Saudi Arabia, South Africa, Taiwan, Turkey, UAE, UK, and USA). The conference was organized into ten sessions that included areas of Finance. As it is the publication policy of the Institute, the papers presented in this conference will be considered for publication in one of the books and/or journals of ATINER.

The Institute 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 in Athens and exchange ideas on their research and consider the future developments of their fields of study. Our mission is to make ATHENS a place where academics and researchers from all over the world meet to discuss the developments of their discipline and present their work. To serve this purpose, conferences are organized along the lines of well established and well defined scientific disciplines. In addition, interdisciplinary conferences are also organized because they serve the mission statement of the Institute. Since 1995, ATINER has organized more than 150 international conferences and has published over 100 books. Academically, the Institute is organized into four research divisions and nineteen research units. Each research unit organizes at least one annual conference and undertakes various small and large research projects.

I would like to thank all the participants, the members of the organizing and academic committee and most importantly the administration staff of ATINER for putting this conference together.

Gregory T. Papanikos
President

FINAL CONFERENCE PROGRAM
14th International Conference on Finance, 4-7 July 2016

PROGRAM

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

Monday 4 July 2016
(all sessions include 10 minutes break)

08:00-08:30 Registration and Refreshments

08:30-09:00 Welcome & Opening Address (ROOM B--Mezzanine Floor)

- Gregory T. Papanikos, President, ATINER.
- George Poulos, Vice-President of Research, ATINER & Emeritus Professor, University of South Africa, South Africa.

09:00-10:30 Session I (ROOM B- Mezzanine Floor): Financial Modeling

Chair: Hicham Daher, Assistant Professor, IESEG School of Management, France.

1. Stephane Chrétien, Professor, Laval University, Canada, Claudia Champagne, Professor, University of Sherbrooke, Canada & Frank Coggins, Professor, University of Sherbrooke, Canada. Equity Premium Predictability: Combination Forecasts versus Multivariate Regression Predictions.
2. Handy Tan, Senior Lecturer, Anglia Ruskin University, U.K. Joint Modelling UHF Financial data under ACD Specifications.
3. Madina Abdrakhmanova, Ph.D. Student, Glasgow Caledonian University, U.K. Comparison of Modelling Methods for Probability of Default: Evidence from British Listed Firms.

10:30-12:00 Session II (ROOM B- Mezzanine Floor): Direct Investment Relationships	10:30-12:00 Session III (ROOM C- Mezzanine Floor): Corporate Governance and Social Responsibility
Chair: Vasillis Skianis, Research Fellow, ATINER.	**Chair:** Stephane Chrétien, Professor, Laval University, Canada.

1. Peter Koveos, Professor, Syracuse University, USA. Financing China.
2. Hicham Daher, Assistant Professor, IESEG School of Management, France. Emerging Markets Successive Takeover Deals: Learning or Hubris.
3. Eilnaz Kashefipour, Lecturer, University of Birmingham, U.K., Shima Amini, Lecturer, University of Leeds, U.K. & Darren Duxbury, Professor, Newcastle University, U.K. The Investment Cash Flow Relationship: Does National Culture Matter?

1. Julien Bilodeau, Professor, University of Sherbrooke, Canada, Kirsten Burkhardt, Assistant Professor, University of Burgundy, France & Cynthia Pelletier-Lambert, MSc Student, University of Sherbrooke, Canada. CEO's Letter Accompanying the Report on Corporatesocial Responsibility of Canadian Listed Firms: An Analysis of the Content and the Links with Some of the Firms' Characteristics.
2. Kiridaran Kanagaretnam, Professor, York University, Canada. Social Capital and Bank Accounting Transparency.
3. Colin C. Smith, Senior Lecturer, University of Cape Town, South Africa, Francois Toerien, Associate Professor, University of Cape Town, South Africa, Andrew Bayliss, Graduate Student, University of Cape Town, South Africa, Mme Makale, Graduate Student, University of Cape Town, South Africa & Sean Fitzpatrick, Graduate Student, University of Cape Town, South Africa. Board Characteristics and Ownership Structure as Determinants of CEO Turnover in JSE Listed Firms.
4. Georgios Kominis, Lecturer, University of Glasgow, U.K. & Adina Julia Dudau, Lecturer, University of Glasgow, U.K. Collective Corruption and how to live with it: Towards a Projection Theory of Corruption in Organisations.

12:00-13:30 Session IV (ROOM B- Mezzanine Floor): Market Behavior

Chair: Yves Levant, Professor, University of Lille 2, France.

1. Frank Coggins, Professor, University of Sherbrooke, Canada, Claudia Champagne, Professor, University of Sherbrooke, Canada & Stephane Chrétien, Professor, Laval University, Canada. The Tournament Effect for Winning and Losing Funds Analyzed with Ex Ante Risk Measures.
2. Alexandros Prezas, Professor, Suffolk University, USA & Lin Guo, Associate Professor, Suffolk University, USA. Market Monitoring and Influence: Evidence from Deposit Pricing and Liability Composition from 1986 to 2013.
3. Androniki Triantafylli, Lecturer, Queen Mary University of London, U.K., Nick Tsitsianis, Queen Mary University of London, U.K. & Deven Bathia, Queen Mary University of London, U.K. The Role of Corporate Governance and Financial Metrics on Performance: Evidence from FTSE 100 Firms.
4. *Natalie West Kharkongor, Associate Professor, Indian Institute of Management Shillong, India. Green Finance with Reference to Green Accounting.

13:30-14:30 Lunch

14:30-16:00 Session V (ROOM B- Mezzanine Floor): Accounting Measurement

Chair: Alexandros Prezas, Professor, Suffolk University, USA.

1. Debra Jeter, Professor, Vanderbilt University, USA, Jilnaught Wong, The University of Auckland, New Zealand & Norman Wong, The University of Auckland, New Zealand. Asset Specificity and the Ownership of Buildings.
2. Takafumi Kanemura, Professor, Meiji University, Japan. How Can Accrual-Based Accounting Information Prevent the Government Financial Difficulties?
3. Samer Khalil, Associate Professor, American University of Beirut, Lebanon, Ahmad K. Ismail, Associate Professor, American University of Beirut, Lebanon, Assem Safieddine, Professor, American University of Beirut, Lebanon & Hassan Tehranian, Senior Associate Dean, Carroll School of Management, USA. Pension Accounting in the Family Firm.
4. Xavier Bredart, Ph.D., University of Mons, Belgium. A Logit Model

using Accounting Ratios to Predict the Failure of SME's.
5. Liisa Kemppainen, Ph.D. Student, Lappeenranta University of Technology, Finland. The Possibilities of Digitalization in Accounting.

16:00-17:30 Session VI (ROOM B- Mezzanine Floor): Financial Reporting

Chair: Takafumi Kanemura, Professor, Meiji University, Japan.

1. Basak Ataman, Professor, Marmara University, Turkey & Hakan Cavlak, Researcher, Marmara University, Turkey. The Relation of International Financial Reporting Standards and Corporate Governance: A Case of Turkey.

21:00-23:00 Greek Night and Dinner (Details during registration)

Tuesday 5 July 2016

08:00-11:00 Educational and Cultural Urban Walk Around Modern and Ancient Athens (Details during registration)

11:00-12:30 Session VII (ROOM B- Mezzanine Floor): Financial Markets and Institutions

Chair: Nicholas Marudas, Associate Professor, Mercer University, USA.

1. A. J. Stagliano, Professor, Saint Joseph's University, USA. Are Two Heads Better than One? Financial Returns from the Curious Case of Dual-Listed Companies.
2. Ioannis Anagnostopoulos, Senior Lecturer, Kingston University London, U.K. Basel III and Regulatory Capital.
3. Toli Xanthopoulos, Senior Consultant, Investment Manager Researcher, Mercer Investment Consulting, USA. Performance Measurement Mean Reversion.
4. Sri Wiyati Mahrani, Halu Oleo University, Indonesia, Murdjani Kamaluddin, Halu Oleo University, Indonesia & Sujono Sujono, Halu Oleo University, Indonesia. The Influence of Financing Decision and Fundamental factor to Firm Innovation in Indonesian Capital Market.

12:30-14:00 Session VIII (ROOM B- Mezzanine Floor): Stock Market Studies

Chair: Ioannis Anagnostopoulos, Senior Lecturer, Kingston University London, U.K.

1. Irina Yarygina, Head of Programs and Professor, Financial University under the Government of the Russian Federation and Professor, MGIMO University under the Ministry for Foreign Affairs of the Russian Federation, Russia. Public Support within Turbulent Market.
2. Jungmu Kim, Assistant Professor, Yeungnam University, South Korea & Woojun Sung, Junior Trader, Daishin Securities Co., South Korea. The Excess Demand for Call/Put Options and Its Cross-Sectional Predictability for Future Stock Returns.
3. Gurbuz Gokcen, Professor, Marmara University, Turkey & Ozgur Teraman, Lecturer, Isik University, Turkey. Synergistic Value in Determinating Fair Value of Acquired Business in the Context of Business Combination: An Empirical Study in Turkey.
4. *Barbara L'Huillier, Associate Chair, Prince Mohammad Bin Fahd University, Saudi Arabia & Blaine Garfolo, Emeritus Associate Professor, Northwestern Polytechnic University, USA. Ethics, Globalization and the Role Educators Play.
5. *Titos Ritsatos, Assistant Professor, The College of Mount Saint Vincent, USA. Providing Financial Education to Generation Z; Challenges and Opportunities. An Integrative Approach for the Accounting and Finance Curriculum.
6. Eloise De Jager, Lecturer, University of Stellenbosch, South Africa. Perceptions on Identity Formation of Chartered Accountants in Academia: Implications for Professional Learning.

14:00-15:00 Lunch

15:00-16:00 Session IX (ROOM B- Mezzanine Floor): Financial Institutions

Chair: *Titos Ritsatos, Assistant Professor, The College of Mount Saint Vincent, USA.

1. *Claudia Champagne, Professor, University of Sherbrooke, Canada, Stéphane Chrétien, Professor, Laval University, Canada & Frank Coggins, Professor, University of Sherbrooke, Canada. The

Informational Content of the Loan Market: An Equity Portfolio-Based Approach.

2. Yawen Hwang, Associate Professor, Feng Chia University, Taiwan. Policyholder Behaviours in Taiwan Life Insurance Market.

16:00-17:30 Session X (ROOM B- Mezzanine Floor): Special Topics in Accounting & Finance

Chair: Peter Koveos, Professor, Syracuse University, USA.

1. *Nourhene Ben Youssef, Assistant Professor, University of Regina, Canada. Young Female Audit Committee Member and Timeliness of Restated Earnings Disclosures. (Tuesday July 5, 2016)
2. Katarzyna Klimczak, Assistant Professor, Warsaw School of Economics, Poland. Cross-Country Differences in Reporting Practices – The Case of Provisions for Liabilities.
3. Didem Gundogdu, Lecturer, Anglia Ruskin University, U.K. Demand for Social and Human Capital: The Case of U.K. Directors.
4. Thomas Hattenbach, Ph.D. Student, University of Constance, Germany & Stefani Ulrike, Professor, University of Constance, Germany. Regulations on the Auditor-Client Matching – Experimental Evidence on the Quality of Audited Financial Reports.

21:00-22:30 Dinner (Details during registration)

Wednesday 6 July 2016
Cruise: (Details during registration)

Thursday 7 July 2016
Delphi Visit: (Details during registration)

Madina Abdrakhmanova
Ph.D. Student, Glasgow Caledonian University, UK

Comparison of Modelling Methods for Probability of Default: Evidence from British Listed Firms

The quantification of credit risk is one of the main concerns in modern finance. Besides being a challenge faced by all companies, an effective credit risk management is also a critical success for financial institutions. Credit risk management deals with the identification, quantification, monitoring, controlling, and management of credit risk at both transaction and portfolio levels (Lam, 2014). Analytical models are of crucial importance in order to help risk manager quantify potential losses, which could bring healthier credit risk management. To compare various credit risk models, we must first and foremost establish a common unit of measurement on the basis of which to compare results. The natural basis for this type of comparison is probability of default. I conducted the collection of data on probability of default for the companies listed in the UK, specifically my research takes FTSE 100 as a dataset for the period of time from the financial crisis until nowadays, i.e. 2007-2016. Probabilities of Default of companies from different sectors of industry were compared and analyzed using Altman's Z-score modeling and credit rating S&P. Together with acting UK companies we look at defaulted UK companies as well taking into an account the same time frame, that eventually leads to a conclusion on how probability of default experiences changes in its value if the company goes into default. Moreover, my paper looks at the comparison of four different credit risk models, such as Credit Portfolio View, Credit Risk+, KMV and Credit Metrics.

Ioannis Anagnostopoulos
Senior Lecturer, Kingston University London, UK

Basel III and Regulatory Capital

This research critically assesses the features of Basel III framework in both the trading and banking books of banks and the associated capital requirements. It is implied that such a framework incentivises regulatory capital arbitrage. In this context, it also thus criticizes the transition from Basle II to Basle III. The study aims to analyse failings of Basel II and III regulatory capital requirements and how this has also paved the way for Basel IV long before even Basel III is implemented. The objectives are to investigate how the new Basel III accord particularly tackles the response to the regulatory capital arbitrage. The research is formulated in three major research questions; i) whether the increase in trading book capital requirements reduce the incentives for regulatory arbitrage, ii) research the models used in risk management and iii) implications of improving the bank's ability to absorb losses and reduce systemic risk. Evidence has been assembled in order to evaluate the queries by gathering original data collected from primary resources. The data have been collected using semi-structured, extensive interviews by interviewing senior banking experts in the banking industry. The main implications revolve mainly around SME financing and the associated credit contraction as well as re-sizing/downsizing, operational (and to a certain extent) market restructuring.

Basak Ataman
Professor, Marmara University, Turkey
&
Hakan Cavlak
Researcher, Marmara University, Turkey

The Relation of International Financial Reporting Standards and Corporate Governance: A Case of Turkey

The economic crises and corporate scandals since the 1980s have been followed by a marked improvement in the financial and administrative management of companies. Additionally, the competitive environment caused by globalization has contributed to that improvement. At present, companies have started to use Corporate Governance to ensure the quality of their administrative and financial management and have started to use International Financial Reporting Standards (IFRS) to ensure transparency in financial reports. This study examines the relationship between IFRS and Corporate Governance, which has a huge impact on the global competitiveness of enterprises. In the research part of the study, the relationship between IFRS and Corporate Governance in Turkish legislation is analyzed. Furthermore, it is aimed to document how the Corporate Governance Principles issued by Capital Markets Board of Turkey is placed in Turkish Accounting and Financial Reporting Standards issued by Public Oversight Authority.

Nourhene Ben Youssef
Assistant Professor, University of Regina, Canada

Young Female Audit Committee Member and Timeliness of Restated Earnings Disclosures

The proposed study examine whether demographic characteristics of audit committee members such as gender and age are associated with the timeliness of restatement disclosure. Examining this association is important because first, the audit committee is a key element in the production of corporate disclosures, as in many companies, the committee examine any disclosure before it is routed externally. Second, the gender diversity of the board is a central theme of governance reform efforts worldwide (Adam and Ferreira, 2009, page 307). Third, the representation of women in companies' audit committee continues to be relatively small (Huang and Kisgen, 2013), although there is an increase in their representation in the board (Catalyst, 2013).

Using a sample of 200 financial statements restatements from US listed companies over the 2005-2007 periods, I found that firms with higher average audit committee members' age are associated with longer restatement disclosure lag. This implies that on average older audit committee members are more conservative in their decision to make timely restatement disclosure than younger audit committee members. Conversely, firms with higher proportion of female audit committee members are associated with shorter restatement disclosure lag. It seems that female audit committee members are more sensitive to social pressure to avoid delay releasing restatement information than male audit committee members. This proposed study complements and extends the academic literature on the timeliness of restatement disclosure (e.g., BenYoussef and Khan, 2015) and on the corporate governance (e.g., Huang and Kisgen, 2013). It also provides insights to regulators, practitioners, board of directors, and investors concerned with corporate governance.

Julien Bilodeau
Professor, University of Sherbrooke, Canada
Kirsten Burkhardt
Assistant Professor, University of Burgundy, France
&
Cynthia Pelletier-Lambert
MSc Student, University of Sherbrooke, Canada

CEO's Letter Accompanying the Report on Corporate Social Responsibility of Canadian Listed Firms: An Analysis of them Content and the Links with Some of the Firms' Characteristics

The disclosure of Corporate Social Responsibility (CSR) by Canadian firms is not mandatory[1]. This provides an ideal context to describe the nature of what is being freely disclosed by large firms and to study the firms' characteristics which lead to such disclosure. We searched all TSX listed firms to find those which disclose a CSR report accompanied by a letter from the CEO. In the end, we study 89 CEO's letters; that is, all the firms disclosing both a CSR report and a CEO's letter.

We first looked at the nature of the elements disclosed. We classified them in 3 categories: (1) actual accomplishments in the field of CSR, (2) values and (3) future objectives. The «actual accomplishments» is the category with the fewest elements disclosed (proportionally to all the elements that we identified as potentially disclosed in this category) while the category «values» is the one with the most elements. On average, less than 50% of the elements we identified as possibly disclosed were actually discussed in the CEO's letters.

We also looked at the relationship between the level of disclosure and some of the characteristics of the firms. We found that only the variables «profitability» and «sectors of activities» are significantly related.

This is obviously an exploratory research which will be followed by a study of the Corporate Social Report and the relationship between the report itself and the elements found in the CEO's letter.

[1] Except in the case of the main Canadian Banks.

Xavier Bredart
Ph.D., University of Mons, Belgium

A Logit Model using Accounting Ratios to Predict the Failure of SME's

The aim of this paper is to develop a bankruptcy prediction model for the Belgian small and medium-sized enterprises (SMEs) through the building of a logic model that includes a selection of financial ratios. Using a sample of 7,152 Belgian SMEs among which 3,576 were declared bankrupt between 2002 and 2012, the model, that includes control variables such as firm size and age, aims to test the predictive power of ratios reflecting the financial structure, the profitability, the solvency and the liquidity of firms. Our results report satisfactory prediction accuracy and show that ratios as profitability and liquidity are excellent predictors of bankruptcy for Belgian SMEs.The originality of this paper lies in the fact that we study Belgian SMEs. This study may also be of interest to investors or managers because it may help them to highlight accounting measures they should closely follow up in order to avoid bankruptcy.

Stephane Chrétien
Professor, Laval University, Canada
Claudia Champagne
Professor, University of Sherbrooke, Canada
&
Frank Coggins
Professor, University of Sherbrooke, Canada

Equity Premium Predictability: Combination Forecasts versus Multivariate Regression Predictions

This paper examines the ability of combination forecast and multivariate regression approaches to predict the equity premium. We evaluate 27 different predictive models with a unique Canadian database to avoid the data mining inherent in using common U.S. data. We find significant evidence of in-sample, out-of-sample and economically-valuable predictability for most models. In sample, multivariate regression predictions perform better than combination forecasts, although the regression results display evidence of instability and overfitting. Out of sample, combination forecasts are superior when relying on a large number of individual models, but imposing relevant economic restrictions on multivariate regression predictions yield similar performance. Both approaches show that jointly incorporating information from numerous economic variables can improve forecasting precision and economic value.

Frank Coggins
Professor, University of Sherbrooke, Canada
Claudia Champagne
Professor, University of Sherbrooke, Canada
&
Stephane Chrétien
Professor, Laval University, Canada

The Tournament Effect for Winning and Losing Funds Analyzed with Ex Ante Risk Measures

The mutual fund market can be viewed as a tournament in which all comparable funds compete for new cash inflows. An interesting pattern in the mutual fund industry is expected, namely that mid-year "losers" funds increase their risk relative to mid-year "winners". This study examines the effect of mutual fund tournaments on risk management in time-varying market conditions. Specifically, we study managers' risk exposure choices, in terms of portfolio beta and idiosyncratic risk, using conditional risk measures. These ex ante, or expected-like, risk measures consider managers' intentions underlying their risk shifting strategies, while traditional ex post or realized risk measures used in general in the mutual fund tournament literature do not. Results show significant tournament effects whenever conditional risk measures (expected-like measures) are used instead of realized risk measures (ex post measures). More specifically, mid-year poor performer managers significantly increase their risk (conditional beta and variance), when measured in an expected-like context. Therefore, when risk measures attempt to capture the managers' intentions, tournament effects are more obvious.

Claudia Champagne
Professor, University of Sherbrooke, Canada
Stéphane Chrétien
Professor, Laval University, Canada
&
Frank Coggins
Professor, University of Sherbrooke, Canada

The Informational Content of the Loan Market: An Equity Portfolio-Based Approach

This paper examines the informational content of the loan market by testing whether signals based on loan market activity as well as indirect information captured by loan terms can provide valuable information regarding the equity performance and risk of borrowers. A portfolio approach is used to test the value of loan market information with a conditional performance model that controls for the financial and economic context surrounding the signals. Results provide evidence that the loan market is informative regarding the performance and risk of borrowers, Primary loan announcements, first secondary market loan sales and secondary market price variations are all associated with significant performance and risk signals about borrowers. We also find that loan terms can provide conditioning information about borrower risk, both systematic and specific.

Eloise De Jager
Lecturer, University of Stellenbosch, South Africa

Perceptions on Identity Formation of Chartered Accountants in Academia: Implications for Professional Learning

This study explores the identity formation of academics who teach in accounting programmes at a South African university. Quantitative data were predominantly used to determine lecturers' perceptions of their own professional identity and how such perceptions may influence their efficacy and willingness to participate in professional learning opportunities. The study was carried out at a research-intensive university and took into account the country's unfortunate and unequal historical context.

Overall, accounting lecturers seem to consider themselves as academics rather than being chartered accountants. Although the study clearly indicates that accounting lecturers form their identity primarily towards being academics, they still seem to treasure their chartered accountant (SA) qualification and status. One expected implication of these findings was that accounting lecturers would devote more time, energy and efforts towards professional learning in their teaching role. This is not necessarily the case as accounting teachers at the particular university seem to have many competing interests and responsibilities that impact on identity formation and time allocation. The results of the investigation are of importance for the professional reflection of accountancy academics as well as for influencing the identity formation of upcoming lecturers who teach in professional accounting programmes.

Hicham Daher
Assistant Professor, IESEG School of Management, France

Emerging Markets Successive Takeover Deals: Learning or Hubris

This paper analyzes Successive Mergers and Acquisitions (M&As) deals in emerging countries. The literature showed that the decision of making successive deals can be driven either by learning and experience effect or by hubris. We investigate the effects of successive deals announced by the same CEO in emerging countries on the bidder's market valuation following the announcement of a deal and on the likelihood of completing a deal. The sample is constituted of 2701 deals announced between 2007 and 2014. Our findings suggest that the market reacts positively and significantly for deals buying relatively big targets and where the bidder's CEO previously launched other deals. This result supports the idea of positive effect of successive deals thanks to learning. The market reacts negatively and significantly for deals announced by CEOs running their firms since at least 2 years and who are buying big targets. This finding supports the entrenchment value destruction hypothesis. Our results also suggest that the likelihood of completing a deal is positively and significantly related to the fact that it is announced by the bidder's CEO in place at least since 2 years, and to the fact the CEO already launched previous deals. The likelihood of completing a deal is negatively and significantly affected by deals announced by bidders who's CEOs are in place since at least 2 years and who are paid by Cash, and by bidders who's CEOs launched previous deals and who are paid by Cash. This suggests that learning is positively and significantly affecting the likelihood of completing a deal. And as that the market can expect high integration costs for big deals this decreases the likelihood to complete such deals. Finally, our results show that the positive benefit of learning can be compensated by the negative effect of integration cost especially in large deals.

Gurbuz Gokcen
Professor, Marmara University, Turkey
&
Ozgur Teraman
Lecturer, Isik University, Turkey

Synergistic Value in Determinatining Fair Value of Acquired Business in the Context of Business Combination: An Empirical Study in Turkey

Due to the globalization of the world economy, acquisition trend makes determining the fair value of the acquiree important in the business combination. The standards based on the company valuation are International Valuation Standards (IVS). Although, International Accounting Standards Board (IASB) has not adopted IVS, it is a reference point for the International Financial Reporting Standards (IFRS). However, the IFRS is analyzed, measurement is used instead of valuation. The main difference between acquire dentity's fair value based on financial reporting standards and valuation standards is that the fair value according to IFRS is equivalent to the market value mentioned in the IVS. However, accordance with IVS, the fair value is the combination of the market value and the synergistic value of the asset in question. Hence, fair value rather than market value of the acquired business is required to determine the fair value from the point of acquirer. Considering business parameters such as the position in the industry, brand awareness, intellectual capital, geography, it is quite difficult to assume that the fair value equals to the market value created among market participants. In this context,this study tries tos how how to etermine synergistic value pointing the difference between market value andfair value in terms of IVS.

Didem Gundogdu
Lecturer, Anglia Ruskin University, UK

Demand for Social and Human Capital: The Case of U.K. Directors

The accessibility of information and the production and protection of knowledge have been significantly influenced by the developments in information technology. As global markets evolve, the need for well-connected (high social capital)and skilled (high human capital) directors who are able to foresee the developments in their respective industry/sector and provide strategic leadership to the firm has increased for firms whose ultimate purpose is creating wealth for their shareholders. A review of the existing literature demonstrates that scholars in various disciplines continue to explore how firms extract economic benefits from their human capital resources and the relational networks in which they are embedded. Exploring the economic advantages of social and human capital simultaneously, despite being not new, has so far followed an individual perspective.

Extant research refers to the provision of social and human capital as one of the determinants of director selection. Potential directors bring their expertise, skills, experience, and relationships to the boards which reflect their social and human capital. Different firms have different demands for monitoring and advising, subject to the costs and benefits of such services. Prior research in corporate governance demonstrates that there has been a substantial increase in the workload of directors and the associated reputational and litigation risks. Following the latest corporate governance reforms, time demands on corporate boards are growing, with more frequent meetings and greater preparation time. Following the changes in corporate governance environment, this study focuses on the directorships in executive labour market and explores the demand for directors' social and human capital in the UK context. In addition to highlighting the potential benefits and costs associated with the acquisition of high levels of social and human capital, a number of hypotheses are developed to test for the predicted associations of demand at individual and firm level.

Abdulnasser Hatemi
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A New Asymmetric GARCH Model: Testing, Estimation and Application

Since the seminal work by Engle (1982), the autoregressive conditional heteroscedasticity (ARCH) model has been an important tool for estimating the time-varying volatility as a measure of risk. Numerous extensions of this model have been put forward in the literature. The current paper offers an alternative approach for dealing with asymmetry in the underlying volatility model. Unlike previous papers that have dealt with asymmetry, this paper suggests to explicitly separate the positive shocks from the negative ones in the ARCH modeling approach. A test statistic is suggested for testing the null hypothesis of no asymmetric ARCH effects. In case the null hypothesis is rejected, the model can be estimated by using the maximum likelihood method. The suggested asymmetric volatility approach is applied to modeling separately the potential time-varying volatility in markets that are rising or falling by using the changes in the world market stock price index.

Thomas Hattenbach
Ph.D. Student, University of Constance, Germany
&
Stefani Ulrike
Professor, University of Constance, Germany

Regulations on the Auditor-Client Matching – Experimental Evidence on the Quality of Audited Financial Reports

Recently, the audit firm rotation has been implemented within the European Union. Based on an experiment, we investigate whether the mandatory rotation is better suited to improve the quality of audited financial statements than a) a centralized allocation that matches the best auditors with the low-quality clients and b) a setting without restrictions on the auditor-client matching. Specifically, we compare across these settings the clients' decisions to report truthfully, the auditors' decisions on audit effort and reporting, and the market structure. We base our predictions on an analytical model of auditor and client behavior. In this model, the clients' reporting choices are based on publicly observable signals about the audit firms' previous behavior. We find that, compared to a setting without regulation, the rotation significantly decreases the number of clients' dishonest reports. Under a centralized allocation mechanism, the clients make nearly no fraud attempts. The auditors' independence is higher under audit firm rotation than in an unregulated setting. In a market with a centralized mechanism, we observe only few audit reports that are biased in favor of the client. Moreover, the rotation significantly reduces the market concentration and leads to a more equal distribution of the audit firms' market shares. Our results are in line with the Nash predictions derived from our model. More precisely, in an unregulated market and (to a lower extent) under rotation, the clients prone to fraudulent reporting have an incentive to hire a lenient audit firm, which, in turn, expects the clients' hiring decision to depend on the audit firms' behavior in past relationships. In addition, the auditors' behavior highly depends on their expected future benefits from extending the audit contract. Thus, a centralized mechanism is more suited than the rotation to improve the quality of audited financial statements; both settings outperform an unregulated market.

Yawen Hwang
Associate Professor, Feng Chia University, Taiwan

Policyholder Behaviours in Taiwan Life Insurance Market

The high lapse/surrender behaviours negatively impacts life insurers. First, life insurers have to hold some short-term and liquid assets for the surrender cash value. This reduces the possible higher investment returns of the insurers. Second, insurers cannot recover the expenses incurring in selling under the early lapse cases (Milhaud et al., 2011). Third, understanding the vital determinants of surrender dynamics is important for the regulators since surrender rate is an important parameter to determine the requirement capital on the internal model under Solvency II (Kiesenbauer, 2012).

In this work, we collected some life insurance policies and found that the lapse ratio is higher than the surrender ratio. However, literature usually does not discuss the difference between these two behaviors. Both terms refer to the termination of an insurance contract before maturity, there is a difference. Lapse behavior means a policyholder does not keep paying premium but does not apply the non for feature value and the policy ceases after the grace period. However, surrender behavior means a policyholder terminate their policy to get the cash values back. The influence of surrender behavior is worse for the insurers becausethey have to pay the cash values back.

In this study, we collect massive quantities of policies data set between 1998 and 2012 from a Taiwan life insurer. The data contains detailed information so that we could identify the surrender and lapse behaviours separately. Since the previous literature studied the problem including surrender and lapse at the same time (Eling & Kiesenbauer, 2014), this is the first article to analyze the surrender rate and lapse rate separately. Logistic regression models are employed using data on policyholder characteristics and contract features. Numerical analysis shows different results under the separated data sets and proves that we should discuss these two behaviours distinctively to obtain accurate models. These numerical results also provide valuable insights to insurance company managers and regulators.

Debra Jeter
Professor, Vanderbilt University, USA
Jilnaught Wong
The University of Auckland, New Zealand
&
Norman Wong
The University of Auckland, New Zealand

Asset Specificity and the Ownership of Buildings

We posit a relationship between asset specificity and the decision of firms to own or lease the buildings that they use for administration, production, and other activities. Consistent with economic theory, we find that firms with highly specific buildings, as indicated by the nature of the industry in which firms are operating, are more likely to own, rather than to lease, their buildings. Thus, we provide insight into the economics underlying these decisions, an understanding that should prove useful in analysing the related accounting problems.

A popular view of the choice between ownership and leasing is that firms may prefer to keep debt off the balance sheet due to debt covenants, to support other financing needs, or simply to make their debt-to-equity ratio more appealing to future lenders or investors. Whereas a purchase (or capital lease) requires the entire debt to be reflected in the balance sheet, an operating lease has little impact on this important balance sheet item under current GAAP. Thus, if a firm is already heavily leveraged, its managers might choose to lease rather than buy, even if such a choice is not otherwise.

Because firms in those industries that are most likely to reflect asset specificity are also likely to be firms that are highly leveraged (e.g., manufacturing firms), this view of the influence of accounting rules on the choice creates an opportunity for us to differentiate between the accounting-based (opportunistic) and the economic-based (efficiency) theories. We find that firms in industries requiring more specific buildings are more likely to own, consistent with the theoretical link between asset specificity and asset ownership as argued in the literature on economic organization. Thus, we present evidence that this managerial decision is primarily a function of efficiency, rather than opportunistic factors. This evidence sheds some insight into the recent debate and expected changes by the U.S. accounting standards board, FASB, and the international board, IASB, with respect to the best way to account for leases of buildings.

Kiridaran Kanagaretnam
Professor, York University, Canada

Social Capital and Bank Accounting Transparency

The accessibility of information and the production and protection of knowledge have been significantly influenced by the developments in information technology. As global markets evolve, the need for well-connected (high social capital)and skilled (high human capital) directors who are able to foresee the developments in their respective industry/sector and provide strategic leadership to the firm has increased for firms whose ultimate purpose is creating wealth for their shareholders. A review of the existing literature demonstrates that scholars in various disciplines continue to explore how firms extract economic benefits from their human capital resources and the relational networks in which they are embedded. Exploring the economic advantages of social and human capital simultaneously, despite being not new, has so far followed an individual perspective.

Extant research refers to the provision of social and human capital as one of the determinants of director selection. Potential directors bring their expertise, skills, experience, and relationships to the boards which reflect their social and human capital. Different firms have different demands for monitoring and advising, subject to the costs and benefits of such services. Prior research in corporate governance demonstrates that there has been a substantial increase in the workload of directors and the associated reputational and litigation risks. Following the latest corporate governance reforms, time demands on corporate boards are growing, with more frequent meetings and greater preparation time. Following the changes in corporate governance environment, this study focuses on the directorships in executive labour market and explores the demand for directors' social and human capital in the UK context. In addition to highlighting the potential benefits and costs associated with the acquisition of high levels of social and human capital, a number of hypotheses are developed to test for the predicted associations of demand at individual and firm level.

Takafumi Kanemura
Professor, Meiji University, Japan

How Can Accrual-Based Accounting Information Prevent the Government Financial Difficulties?

The government financial statements have based on the premise that the accrual based accounting information could enhance public accountability, transparency and good governance. Although there is no doubt that the private sector accounting information should be well explored based on the accrual accounting, in the public sector accounting some countries come to realize that it is not useful as they expected, especially from the point of view of its general administration, political merit, and/or public benefits in practice and academic.

The government financial difficulties have sometimes been caused by lack of understandable financial information to stakeholders. Some of these difficulties could be prevented if those stakeholders who usually engage in decision-making processes such as politicians, officials, and to lesser extent citizens accurately understand the financial situation in advance. This can be done when some of the more simple financial information is presented to those stakeholders with future burden amounts expressed in terms of accrual-based accounting. However, accrual-based accounting information is recently criticized its usefulness in practice. This paper attempts to apply the Japanese financial simple indicators, which are calculated by accrual-based accounting to ensure the government financial soundness, to England local governments, which are currently facing financial difficulties under the Cameron austerity policy, and to show how using accrual-based accounting information could help to avoid the local government financial difficulties.

Eilnaz Kashefipour
Lecturer, University of Birmingham, UK
Shima Amini
Lecturer, University of Leeds, UK
&
Darren Duxbury
Professor, Newcastle University, UK

The Investment Cash Flow Relationship: Does National Culture Matter?

Katarzyna Klimczak
Assistant Professor, Warsaw School of Economics, Poland

Cross-Country Differences in Reporting Practices – The Case of Provisions for Liabilities

The aim of the study is to explore and compare reporting practices on provisions for liabilities in different countries.

The research was limited to types of provisions which are addressed in International Accounting Standard 37 - Provisions, Contingent Liabilities and Contingent Assets.

For the purpose of the research, financial statements of biggest public companies in selected European countries were chosen.

The following detailed issues were explored:

- presentation of types of provisions in the statement of financial position and notes to financial statement,
- disclosure of amounts of provisions made, used, reversed during the period and the effects of change in discount rate,
- scope and quality of descriptions of the nature of obligations presented by entities.

As a result of the research main areas of similarities and differences in reporting practices on provisions for liabilities were identified.

Liisa Kemppainen
Ph.D. Student, Lappeenranta University of Technology, Finland

The Possibilities of Digitalization in Accounting

Accounting firms provide substantial assistance for the economic development by facilitating the functioning of small and medium sized enterprises (SMEs). However, there has been very little explicit theoretical and empirical research on the future revenue logics of accounting firms. The qualitative data for inductive analysis data was collected by the 21 semi-structured face-to-face interviews in Finland. Based on the findings of this study, the Finnish Accounting firms can be condensed into three categories by perception of representing an expanding awareness of technology. There are clear future markets in the field of accounting. The future trends seem to be in the two levels: routine work is going to be automated, and the new fast growing sector in accounting business is advisory. This research contributes to the literature on Management Accounting by theorizing scenarios and future strategies of accounting firms. As the managerial implication for the field of accounting the new market areas were identified i.e. business analytics by data utilization. Cloud services combined with business analytics might give a change to solve global business problems in the future.

Samer Khalil
Associate Professor, American University of Beirut, Lebanon
Ahmad K. Ismail
Associate Professor, American University of Beirut, Lebanon
Assem Safieddine
Professor, American University of Beirut, Lebanon
&
Hassan Tehranian
Senior Associate Dean, Carroll School of Management, USA

Pension Accounting in the Family Firm[2]

[2] author asked not to be published.

Georgios Kominis
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&
Adina Julia Dudau
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Collective Corruption and how to live with it: Towards a Projection Theory of Corruption in Organisations

Recent crises (e.g., Enron, Parmalat, WorldCom, Lehman Brothers among others), typically emerging as a result of institutional and / or individual corruption in organisations, have drawn the attention of the public to the accounting and auditing profession in the last couple of decades. The starting point of this paper is that crises are opportunities for positive transformative change, which may or may not be taken advantage of by the organisations in question. We draw on psychology and social psychology to explore unconscious cognitive processes allowing for justification as well as for perpetuation of collective corruption in organisations. In particular, we argue that, when faced with the cognitive dissonance produced by exposed collective corruption and having to choose between changing behaviour or changing cognition, projection theory offers a way towards the latter. Thus, we identify the role of projection theory in overcoming cognitive dissonance in groups by projecting blame on to their leaders while continuing practices of corruption. We illustrate this dynamic and its outcomes through two examples from the Romanian and the Greek public sector contexts. These insights contribute to our understanding of perpetuation of collective corruption in organisations as well as at a societal level.

Peter Koveos
Professor, Syracuse University, USA

Financing China

Barbara L'Huillier
Associate Chair, Prince Mohammad Bin Fahd University, Saudi Arabia
&
Blaine Garfolo
Emeritus Associate Professor, Northwestern Polytechnic University, USA

Ethics, Globalization and the Role Educators Play

This paper questions the role educator's play in sustaining, promoting, and teaching the notion of the globalization business model in spite of the uneven privilege and distress that accompanies associated practices that Arendt (1994) suggest is the 'banality of evil'. Proponents of this business model claim it is based on democratic and capitalist principles promoting individual freedoms and equal opportunities. However, as noted by Garfolo and L'Huillier (2014a, p. 585), "in a global setting it is an almost insurmountable obstacle in resolving ethical conflicts to provide equitable solutions that benefit all parties". Indeed research by Singer (2004) and Velasquez (2000) would suggest that there is an observable ethical failure at the world level.

As teachers of the next generation of business functionaries we need to seek ways of engagement that extend us beyond harnessing extant flawed business models devoid of teleological ethical theory into mainstream management education. We argue that as educators we are implicated in maintaining a system that has a built-in willingness to tolerate sacrifice and distress of the most vulnerable of our world's citizens – the powerless majority. It is a system that is feeding the growing disparity of wealth and influence and ultimately exists to serve the interests of the minority elite. We suggest that one way to address the 'dark side' of globalization is to have ethics and ethical awareness at the forefront of what we teach our business graduates.

Alexandros Prezas
Professor, Suffolk University, USA
&
Lin Guo
Associate Professor, Suffolk University, USA

Market Monitoring and Influence: Evidence from Deposit Pricing and Liability Composition from 1986 to 2013

We examine the monitoring and *ex post* influence of depositors on bank risk taking for US bank holding companies from September 1986 to December 2013. To provide a basis for our empirical analysis, we develop a theoretical model on the interaction of a bank's asset and liability choices under risky lending and deposit insurance. The model shows that the bank's liability and asset choices interact through its probability of insolvency. Our empirical tests reveal that interest rates on both insured and uninsured deposits contain a risk premium that increases with bank insolvency risk, and the interest rate of uninsured deposits is more risk sensitive than that of insured deposits. We discover some sub-periods in which banks on average take advantage of this pricing difference and increase their reliance on insured deposits relative to total liabilities to weaken market discipline. However, this pattern does not persist in sub-samples comprised solely of problem institutions, suggesting regulators may have prevented troubled banks from increasing their relative use of insured deposits to undermine market discipline. In addition, we find strong evidence that greater deposit risk premium is associated with a decrease in future insolvency risk for troubled institutions, supporting the view that depositors exert *ex post* influence on problem banks. The *ex post* influence is more evident after the introduction of regulations that require greater bank disclosure and/or more stringent capital requirement. Finally, we find evidence of a substitution relation between insured depositor monitoring and regulatory influence on problem banks' risk taking during the post Dodd-Frank Act/Basel III period.

Titos Ritsatos
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Providing Financial Education to Generation Z; Challenges and Opportunities. An Integrative Approach for the Accounting and Finance Curriculum

Colin C. Smith
Senior Lecturer, University of Cape Town, South Africa
Francois Toerien
Associate Professor, University of Cape Town, South Africa
Andrew Bayliss
Graduate Student, University of Cape Town, South Africa
Mme Makale
Graduate Student, University of Cape Town, South Africa
&
Sean Fitzpatrick
Graduate Student, University of Cape Town, South Africa

Board Characteristics and Ownership Structure as Determinants of CEO Turnover in JSE Listed Firms

This paper investigates corporate governance dynamics in JSE (Johannesburg Stock Exchange) listed firms. It examines the effect of ownership structure and board characteristics on the likelihood of a forced CEO turnover when a firm's share returns perform poorly. For this, 88 forced CEO turnover events were recorded between 2004 and 2015. These firms were matched with another 88 comparable firms of which none had forced CEO turnovers in the respective reference periods of the original events. Using 24 logic regression models to test these relationships. This paper finds that forced CEO turnover events are more likely when a firm's shares underperform. Institutional ownership, and the coexistence of institutional investors and block shareholders in a firm, negatively affects this forced CEO turnover-performance sensitivity. Furthermore, the likelihood of a forced CEO turnover is greater in firms with an older CEO, a small board, a board with a lower percentage of executive directors or a lower percentage of independent directors.

A. J. Stagliano
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Are Two Heads Better than One? Financial Returns from the Curious Case of Dual-Listed Companies

Dual-listed companies (DLC) are strange, rather anomalous units that *appear* to function as a single firm even though they are composed of two separate legal entities. They maintain discrete structures and stock-exchange listings. Since virtually all DLCs are cross-border operators, there are expected to be advantages that range from tax sheltering (through lower rates and inter-company income/expense shifting) to managerial improvements (one management team and corporate mission/focus). At no time since 1990 have there ever been more than 50 of these unusual entities in existence during a single year.

In a conventional corporate re-alignment through merger/acquisition, combining firms form a single legal entity. The former firms' ownership is combined—whether or not the management and/or operations are—and the public trading exchange listing becomes a singularity. When a DLC comes into existence, it is through an "equalization agreement" that allows an integrated, but separate, management structure somewhat like a joint venture. A DLC "looks like" a general partnership formed by two publicly held companies; there is a single board of directors and full managerial team integration.

This research seeks to develop new empirical results to answer a basic question: Do DLCs appear to produce owner value better than either of the previously separate units did? In other words: Are two heads better than one when it comes to creating shareholder value via different exchange listings?

Data to answer the fundamental research inquiry posited here is obtained through collection of both external public financial reports and stock exchange trading information. A total stockholder return model—adjusted for purchasing power parity and investment unit alterations—is used to assess whether companies like Reed Elsevier, BHP Billiton, Unilever, Carnival Corporation/plc, and Royal Dutch Shell generate returns for their owners that exceed what their component units might have created without the dual-listed arrangement.

Handy Tan
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Joint Modelling UHF Financial data under ACD Specifications

The aim of this paper is to model the relationships of irregularly spaced prices and irregularly spaced volume transactions of ultra high frequency data and to assess the model's ability to forecast assets prices. The goal of the paper is to examine UHF data in the context of duration models since they provide the necessary structures to understand transactions at random intervals. Microstructure literatures have shown that, individually, both prices and volumes exhibit a Martingale process and contain information about future prices, specifically the unobservable information flow that can be used to forecast prices. Jeffrey R. Russell and Robert F. Engle discovered that the pattern underscoring such irregularity is similar to that of the volatile nature of equity returns, and as such, the structure of the world-renown GARCH model of Bollerslev (1986) may be applicable to tackle this very issue. In 1998, they developed the Autoregressive Conditional Duration (ACD) model in an attempt to answer the issue of "irregularity" on equity prices. Albeit the persistent results, they have shown that the ACD model (under Exponential and Weibull distributions) was successful in capturing such information. Richardson and Smith (1994) developed a Mixture of Distributions Model (MODM) in an attempt to decipher daily price and volume information on unobservable information flow on future prices to test restrictions of joint moments under GMM method to no avail. It simply begs the question then, if it is possible to test intertemporal prices and volumes jointly using a Autoregressive Conditional Duration (ACD) model (\emph{ACD} henceforth) instead of using moments approach to forecast stochastic returns. Using Dow Futures (\$10) tick-by-tick data, provided by Tick Data Corp. (www.tickdata.com), the goal is to decipher whether the Joint ACD model contains more information on price prediction than the individual duration models would have predicted.

Androniki Triantafylli
Lecturer, Queen Mary University of London, UK
Nick Tsitsianis
Queen Mary University of London, UK
&
Deven Bathia
Queen Mary University of London, UK

The Role of Corporate Governance and Financial Metrics on Performance: Evidence from FTSE 100 Firms

This paper investigates the significance the role of different governance parameters within company's board and its effect on firm performance accounting for an array of financial metrics and most notably for intangibles and goodwill. As a proxy for board governance mechanism, we include board size, classified board, staggered board and the role of the chief executive officer (CEO); and as a proxy for firm performance we include Return on Assets (ROA) and Return on Equity (ROE). Using data for the period 2010 and 2014 for FTSE 100 listed companies; we find a negative relationship between board size and firm performance, measured by ROA and ROE. Furthermore, our findings remain robust with the inclusion of financial control variables, industry dummies and time dummies. We also find the positive firm performance when the CEO is a member of the board. Our findings therefore, suggest that size of board is crucial in determining firm performance, and by allowing the CEO to be a board member will result into firms achieving their strategic objective. Another powerful insight of the paper is the explicit accounting for the effect of intangibles and goodwill on firms' performance. These intangible assets contain potential value at risk arising, for example, from goodwill accumulations and estimates employed to construct valuations. The traditional corporate governance empirical literature does not explicitly account for the role of intangibles which have accumulated on the firms' balance sheet and consequently affect their performance and expectations.

Natalie West Kharkongor
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Green Finance with Reference to Green Accounting

The paper proposes to look into the significance of Green Finance in bringing about a global inclusive growth rate. The paper will look into the negative effects of global finance, and suggests the need of green finance in reclaiming the economic loss. The paper will also touch in detail the external costs and external benefits, and how these negative and positive externalities be compensated, and the same to be incorporated in financial accounting. The paper will discuss at length the importance of a green accounting. The paper will end with a proposal for countries to adopt the calculation of Green GDP.

Sri Wiyati Mahrani
Halu Oleo University, Indonesia
Murdjani Kamaluddin
Halu Oleo University, Indonesia
&
Sujono Sujono
Halu Oleo University, Indonesia

The Influence of Financing Decision and Fundamental factor to Firm Innovation in Indonesian Capital Market

The purpose of this study was to examine the influence of the financing and Fundamental Factor that made up the dividend pay-out ratio, Non Debt Tax Sales, Asset structure and tax of the company to public company to innovation in Indonesia. The sample of this study were 22 companies, used a purposive sampling method. Method of data analysis used Partial Least Square (PLS) analysis. The research found those financing and fundamental factors that consist of the pay-out ratio, Non Debt Tax Sales, Asset structure and tax ratio is a significant influence on innovation of the company. These findings support the theory of innovation that large companies have sufficient funds with tax was able to innovate more. The findings of this study are expected to contribute to formulating innovation policy that large company in a push to do innovation, and provide adequate funding for innovation activities.

Toli Xanthopoulos
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Performance Measurement Mean Reversion

The process of measuring the performance of investment managers entails endogenic effects that may lead to oscillations in investor wealth. Information Ratio is predicated on the normality of active returns, but the nonlinearity in the response of investment managers to indices contains elements of mean reversion that lead to almost-predictable fluctuations in performance. I use a regime-switching, mean-reverting model of active returns of retail funds, after estimating a representative proxy for each fund. Results show that there is evidence of exploiting what could be described as *performance measurement inefficiency*: investment managers alter the linear-based and transfer-function mix of their response to indices, in a manner that has favorable implications for Information Ratio, even as the latter does not accurately capture nonlinear investment behavior. The targeted characteristics for Information Ratio, instead, are assumed to be linked to the growth in assets under management. Generally, investment managers alter their mean-reversion characteristics of their nonlinear response to indices, in a manner that gives their calculated Information Ratio, certain desirable characteristics, such as reduced tracking error, etc. By assumption, increased information ratio attracts assets managed, over a time interval.

The evaluation of portfolio performance is paramount to sponsors of institutional accounts and to the owners of 401K funds, alike. The assessment of outperformance relative to an index is fraught with nonlinearity, rending the established performance metrics almost useless: asset price movements are anticipated or linear in some index and normally distributed, or, unanticipated, nonlinear in an index and fat-tailed. Investors who evaluate manager performance cannot easily replicate the nonlinearity for each single holding of a portfolio, and then aggregate to the portfolio level. It is unlikely that industry practice will convert to use of Information Ratio adjusted for skew or fat tails in active or excess returns. Aside from the complication in the process of arriving at some 'best practice' for industry use, there are portfolio management patterns that reveal an adjustment to the current status quo, based on the goal of maximizing assets under management (assumed to be linked to characteristics of Information Ratio). The

investment patterns that emanate out of this principal-agent relation are examined in some detail.

Irina Yarygina
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Public Support within Turbulent Market

Participants of the market often put a question about the role of public institutions in modern economy: either it is a “pilot star” for the civilized market or bureaucratic structures, which use economic enforcement to provide optimum correlation for macro and micro-economical background of the economic development. The experience of the countries bridged over the difficulties of socio- economic transformations also pushes forward to forming correct relations of the state and its entities.

Starting from the nineties of the XX century Russia entered the period of reforming its economy. In latter fifteen years, the role of the market and transparency has been growing. During the period of a new economy of the Russian Federation, a standard of living of the population has improved because of a reasonable state supervision the economic developments. The international experience got its confirmation in Russia.

Change from planned to market economy is linked with asymmetry of the macro economy: market frame contradicts to planned system, fast increase is accompanied by inflation, cyclist of the economy is growing, the efficiency of the national development and government due to the absence of the professional management and state supervision is low. Under these circumstances, the state is able to ensure social demand and to step up macroeconomic control over transition period in order to prevent system crisis.

Russian government keeps the position of increasing the efficiency of macroeconomic supervision, set the goals of providing rational rates of economy growth according to the existing possibilities improvement of the legislative base, business standards, and increase level of living of its citizens.